2012
Annual Report
年報

GWT
長城科技股份有限公司
Great Wall Technology Company Limited
Stock Code 股份代號：0074

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Corporate Information

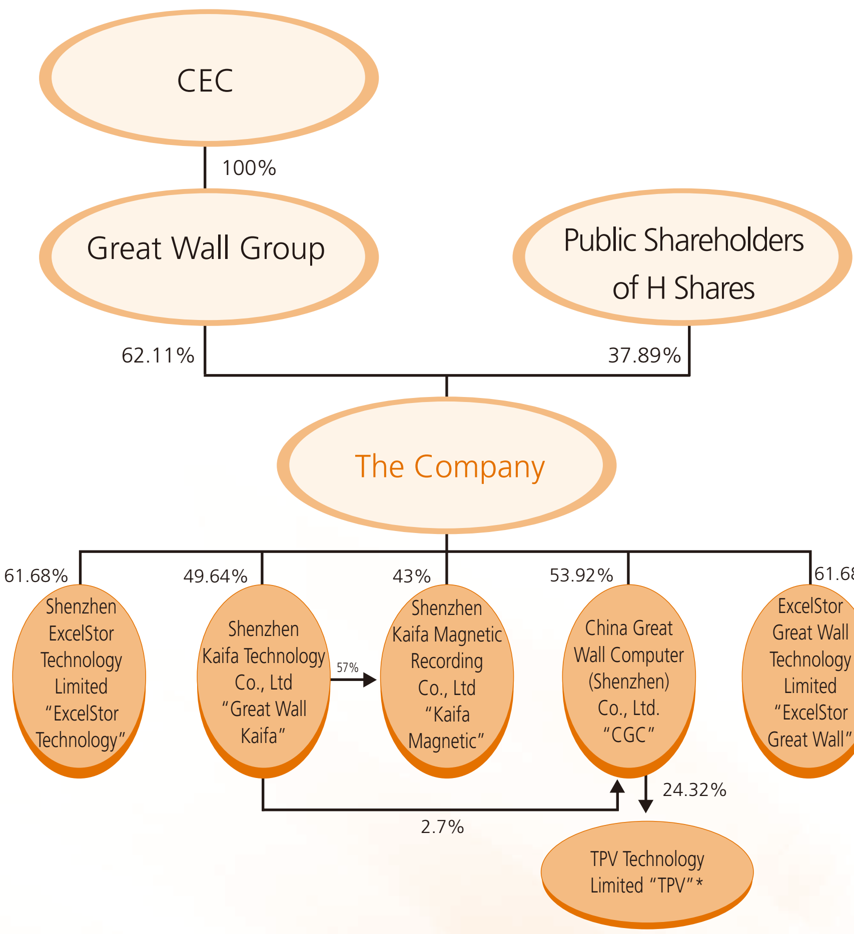
Company Name in Chinese	:	長城科技股份有限公司
Company Name in English	:	Great Wall Technology Company Limited
Place of Registration	:	No. 2 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China
Tel	:	86-755-2672 8686
Fax	:	86-755-2663 3904
Postal Code	:	518057
Executive Directors	:	Liu Liehong (Chairman) Lu Ming Tam Man Chi Yang Jun Su Duan Du Heping
Independent Non-executive Directors	:	Yao Xiaocong James Kong Tin Wong Zeng Zhijie
Supervisors	:	Lang Jia Kong Xueping Song Jianhua
Company Legal Representative	:	Liu Liehong
Company Secretary	:	Zhong Yan
Authorized Representatives	:	Lu Ming Zhong Yan
International Auditors	:	SHINEWING (HK) CPA Limited Certified Public Accountants Hong Kong
Domestic Auditors	:	Shinewing CPA
Legal Advisor (as to Hong Kong law)	:	Jones Day
Place of Listing H Shares	:	The Stock Exchange of Hong Kong Limited
Stock Short Name	:	Great Wall Tech
Stock Code	:	00074
H Shares Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

China Great Wall Computer Group Company ("Great Wall Group") was the sole promoter of Great Wall Technology Company Limited (the "Company"). The Company was formally established in Shenzhen, China on 20 March 1998 with a registered capital of RMB743,870,000 and was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 5 August 1999. Currently, the registered capital of the Company is RMB1,197,742,000. The Company was classified as "Information Technology Stock" in May 2000 by the Hong Kong Hang Seng Index Services Limited.

On 2 August 2005, the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") has announced the Notifications on the Restructuring of 6 Enterprises including China Electronics Corporation (《關於中國電子信息產業集團公司等6戶企業重組的通報》), pursuant to which Great Wall Group would be consolidated into China Electronics Corporation ("CEC") for restructuring (the "Restructuring"). The Company was notified by Great Wall Group on 15 September 2006 that the Restructuring has been approved by the State Administration For Industry and Commerce ("SAIC") on 18 August 2006. As a result of the Restructuring, Great Wall Group has become a wholly-owned subsidiary of CEC. CEC has become the ultimate controlling shareholder of the Company through its control of 62.11% of the Great Wall Group. CEC is an enterprise directly administered by SASAC. It is principally engaged in the design and manufacturing of integrated circuits, software and integrated system services and research, development and manufacturing of other communication products.

The business of the Company and its subsidiaries (hereinafter collective referred to as the "Group") covers development, manufacture, sale and research and development of personal computer ("PC") and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

GROUP STRUCTURE



* TPV is a subsidiary of the Company.

Chairman's Statement

Dear Shareholders,

OPERATION REVIEW

In 2012, under the leadership of the board of directors ("Board") of the Company, the Group actively initiated the transformation of the Group to "scientific Great Wall" by strengthening strategic research and planning the layout carefully. It also adjusted its structure, sought for a transformation and supported TPV to successfully complete the "acquisition of TV business of Philips". Meanwhile, it put more resources on technology and self-innovation, paid more efforts in restructuring and integration, further promoted management upgrade and progressively expanded in local and overseas emerging markets so as to maintain growth under the prolonged impact arising from the European's debt crisis and global financial crisis. Currently, the industry chain was becoming mature and there was a substantial improvement in the scale of operation and comprehensive power. Amid the surrounding business environment that showed a continuous slowdown in the growth rate of the global electronic communication industry, the Group still achieved an operating revenue of RMB95,884,305,000, representing a comparative increase of 0.91%. Besides, despite of many unfavorable factors such as "the rise in cost of labor and resource and price hike of raw materials, the fluctuation in global exchange rate and the provision for the impairment on the Group's assets", the Group was still able to achieve a profit before tax of RMB385,200,000 and maintain a sustainable and stable development by adopting various measures. The Group continued to maintain its leading position in the industry for its core businesses such as monitors, LCD TVs, magnetic heads, power supplies and EMS electronics manufacturing service, to ensure a solid foundation for the healthy development of the Group's businesses.

OUTLOOK

In 2013, the Group's main focus will be to accelerate breakthroughs on core and key technology in the industry and promote the reorganization of the industry's structure. Targeting at building "scientific Great Wall", the Group will devote itself in promoting innovative technology in the industry, reinforcing financing protection, facilitating talent project, putting more resources on market expansion, strengthening risk management and control and further expanding competitive industries. Besides, it will endeavor to nurture new industries and make use of competitive industries to support new industries so to develop rapidly and become a new growth point for the Group and hence to increase the core competitiveness of the Group.

On behalf of the Board of the Company, I would like to take this opportunity to thank all the management members and staff of the Group for their hard work during the past year. Finally, I would also like to extend my sincere gratitude to the shareholders, securities agencies, business partners and clients for their support and help to the Group during the past year.

By order of the Board
Liu Liehong
Chairman

Shenzhen, China
28 March 2013

Summary of Financial Information

A summary of the published results and the assets and liabilities of the Group is as follows:

Results

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**95,884,305**	95,024,261	104,931,670	37,085,314	22,528,185
Cost of sales	**(89,529,201)**	(89,824,902)	(99,764,943)	(35,151,169)	(21,482,358)
Gross profit	**6,355,104**	5,199,359	5,166,727	1,934,145	1,045,827
Other income and gains	**1,980,664**	462,005	600,365	402,259	390,004
Net realised and unrealised gain on foreign exchange forward contracts	**173,741**	205,937	243,426	106,853	–
Gain on deemed partial disposal and partial disposal of interests in an associate	**–**	–	304,174	–	–
Net gain on disposal of an associate and the loan to an associate	**–**	–	236,904	–	–
Gain on disposal of prepaid land lease payments	**549**	494,675	–	–	–
Compensation for termination of contracts	**–**	–	–	114,084	104,471
Termination fee income	**–**	–	–	–	52,235
Discount on acquisition of a subsidiary	**–**	–	–	357,330	4,609
Selling and distribution costs	**(3,383,430)**	(2,223,578)	(2,109,650)	(732,094)	(265,092)
Administrative expenses	**(2,396,916)**	(2,118,876)	(1,490,687)	(726,264)	(518,501)
Research and development expenses	**(1,894,346)**	(878,059)	(801,078)	(276,524)	(40,582)
Finance costs	**(493,002)**	(155,175)	(172,648)	(64,968)	(74,864)
Share of results of jointly controlled entities	**(10,023)**	(5,866)	(10,925)	–	–
Share of results of associates	**52,859**	16,361	126,224	42,154	(66,712)
PROFIT BEFORE TAX	**385,200**	996,783	2,092,832	1,156,975	631,395
Income tax expense	**(257,947)**	(248,903)	(353,107)	(150,093)	(7,579)
PROFIT FOR THE YEAR	**127,253**	747,880	1,739,725	1,006,882	623,816
Attributable to:					
Owners of the Company	**(163,756)**	156,698	648,989	397,605	359,984
Non-controlling interests	**291,009**	591,182	1,090,736	609,277	263,832
	127,253	747,880	1,739,725	1,006,882	623,816
DIVIDENDS					
Proposed final	**–**	35,932	179,661	143,729	65,876
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE OWNER					
Basic					
– (Loss) profit for the year	**(13.67 cents)**	13.08 cents	54.18 cents	33.20 cents	30.06 cents

Assets, Liabilities and Non-controlling Interests

	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**52,678,132**	45,410,805	42,278,292	36,415,499	10,335,759
Total Liabilities	**37,300,779**	29,989,541	26,401,667	22,625,336	3,885,412
Non-controlling Interests	**11,041,597**	10,850,036	11,164,962	9,348,292	2,614,910

Management Discussion and Analysis

OPERATION REVIEW IN 2012 AND OUTLOOK FOR 2013

OPERATION REVIEW

In 2012, under the leadership of the Board, the Group actively initiated the transformation of the Group to "scientific Great Wall" by strengthening strategic research and planning the layout carefully. It also adjusted its structure, sought for a transformation and supported TPV to successfully complete the "acquisition of TV business of Philips". Meanwhile, it put more resources on technology and self-innovation, paid more efforts in restructuring and integration, further promoted management upgrade and progressively expanded in local and overseas emerging markets so as to maintain growth under the prolonged impact arising from the European's debt crisis and global financial crisis. Currently, the industry chain was becoming mature and there was a substantial improvement in the scale of operation and comprehensive power. Amid the surrounding business environment that showed a continuous slowdown in the growth rate of the global electronic communication industry, the Group still achieved an operating revenue of RMB95,884,305,000, representing a comparative increase of 0.91%. Besides, despite of many unfavorable factors such as "the rise in cost of labor and resource and price hike of raw materials, the fluctuation in global exchange rate and the provision for the impairment on the Group's assets", the Group was still able to achieve a profit before tax of RMB385,200,000 and maintain a sustainable and stable development by adopting various measures. The Group continued to maintain its leading position in the industry for its core businesses such as monitors, LCD TVs, magnetic heads, power supplies and EMS electronics manufacturing service, to ensure a solid foundation for the healthy development of the Group's businesses.

1. Endeavor to put more efforts in the R&D on new products and market expansion and seek for a stable development in production operation.

TPV continued to achieve excellent results of ranking the first in terms of monitors and the fourth in terms of LCD TVs globally, despite unfavorable factors such as the European's debt crisis, exchange rate fluctuations and cost increase. It continued to put more efforts in the R&D on new products and strengthened its new competitive edge in the industry and launched the new Smart series, new Smart monitor products that are applicable to the "Cloud Era". After the acquisition of TV business of Philips, it persisted in endeavoring itself to turnaround from recording loss to profit of the TV business of Philips brand and regarded it as an important starting point for structural adjustments and transformation, and had commenced resources integration in respect of production, R&D, procurement and supply chain management, etc. to increase its competitiveness in the industry by facilitating integration and enhancing efficiency.

Great Wall Kaifa actively responded to the impact and influence of the European's debt crisis on its businesses in markets in developed countries such as the Europe and the U.S. and put more efforts to develop the electric meter market in developing countries, which achieved satisfactory results in Africa, South East Asia and South Asia. It also explored and developed in new areas, increased the full value chain service ability of it and actively introduced medical electric equipment and medical mechanics processing businesses from overseas, which recorded a gradual increase in business volume.

In 2012, CGC continued to rank first in the domestic market in terms of market share for its PC power supply. It actively expanded in high-end power supply market and made breakthroughs in various technology R&D on power supply for high-end servers with its power adapters that met the standards in the Europe, the U.S., British, Korea, China, Australia and Argentina were recognized and used by world-known operators of flat computer as ancillary parts.

2. Promote steadily the investment and finance of core businesses and industry chain-related businesses and enhance the competitiveness of industry chain.

Firstly, to complete the transaction in relation to the establishment of a joint venture of TV business by TPV and Koninklijke Philips Electronics N.V. ("Philips"). The Company supported and facilitated the acquisition of TV business of Philips by TPV and the transaction in relation to the establishment of the joint venture of TV business by TPV and Philips had been completed in the first half of the year. The name of the joint venture was TP Vision, which was owned as to 70% by TPV and 30% by Philips. Through this acquisition, TPV effectively integrated its skilled manufacturing and excellent operational ability with the design and innovation capability on TVs, brand influence and solid market share of Philips; hence, TV business gradually increased its market share in the global market.

Secondly, to jointly invest and establish a joint venture by a subsidiary of TPV and CEC Panda LCD Technology Co., Ltd. ("Panda LCD") On 27 April 2012, Top Victory Investment Limited ("Top Victory"), a subsidiary of TPV, entered into a joint venture agreement with Panda LCD in relation to the establishment of a joint venture, pursuant to which both parties agreed to establish a joint venture in China and planned to make a total investment of RMB35 billion to set up TFT-LCD production line (10th generation) in Nanjing, China. Top Victory held a shareholding of 0.8%. Through the investment in the joint venture, TPV will secure a stable supply of 60"/70" panels, allowing it to develop high-value products such as large-sized and standard-sized monitors for TVs. Besides, it saved import tax for respective local procurements, which will facilitate the enhancement of the competitiveness of its products in domestic market.

Thirdly, to pursue reorganization of the structure and make capital injection to Chitwing Mould Industry (Dongguan) Co., Ltd ("Chitwing Mould"), an associated company of Great Wall Kaifa. On 28 December 2012, the board of directors of Great Wall Kaifa passed a resolution, pursuant to which Great Wall Kaifa will become a shareholder of Chitwing Mould, a wholly-owned subsidiary of Chitwing Group, and will jointly operate Chitwing Mould through sino-foreign joint venture. After the capital injection, the total capital injection by Great Wall Kaifa to Chitwing Mould amounted to RMB34,667,328 and Great Wall Kaifa held 10% equity interest in Chitwing Mould. By becoming a shareholder of Chitwing Mould, the industry chain of mobile communication business will be further expanded.

Fourthly, to undergo non-public issue of A shares of Great Wall Kaifa. On 18 December 2012, the board of directors of Great Wall Kaifa passed a resolution to approve the non-public shares issue, and the proceeds from which were intended to be used for the investment in the relocation, expansion and construction of the smart mobile communication terminal project, the international electric meter measurement terminal and management system project, the high-end medical electric equipments and components production project and as liquidity funding, etc. The proposal has been approved by the shareholders of the Company and Great Wall Kaifa and shall be subject to the approval from China Securities Regulatory Commission.

Fifthly, to make strategic investment in the project of BridgeLux, Inc. ("BridgeLux") by KFES Lighting Company Limited ("KFES"). On 9 February 2012, the board of directors of Great Wall Kaifa passed a resolution. Due to the challenges brought by de-stocking, excess capacity will continue in the global LED industry. In order to prepare for an industrial layout before the business environment became favorable again, according to the needs for the strategic development on LED of the Group, and in light of the blooming market prospect of the lighting business in the future and the technologies and patents of BridgeLux on LED chips and packaging worldwide, KFES, an associated company of Great Wall Kaifa in which Great Wall Kaifa directly hold 44%, made a strategic investment of US$25 million by subscribing 18,054,452 E-1 series preferential shares issued by BridgeLux at a price of US$1.3847 per share and holding 7% equity interest in it. Meanwhile, KFES was entitled to exercise warrants subject to certain conditions.

3. Accelerate the construction of key projects and solidify the foundation for the industry's development.

Firstly, to promote the China Electronic Great Wall Building Project. The project was listed as one of the major projects of NDRC, Shenzhen City in 2012 and had obtained the construction land planning permit. Preliminary exploration work of the project will be commenced soon.

Secondly, to accelerate the construction of Dongguan Industry Park and Huizhou Industry Base. In 2012, the exploration and commencement work had been completed for the on-site construction of Dongguan Industry Park and Huizhou Base (Phase I) was smoothly roofed and planned to complete for checking and for use at the beginning of 2013.

Management Discussion and Analysis

Thirdly, to actively promote the construction and operation of KFES project. All factories and ancillary facilities of KFES project were completed with office building, cafeteria and staff dormitory in use. It had started mass production currently. Brightness of extension chips met the high-brightness specification of the industry with sufficient orders in the early stage, which signified the high-end layout of LED industry had made good progress. Besides, the cooperation between KFES and BridgeLux, a well-known U.S. LED company, was undergoing smoothly and the existing package production line reached full capacity.

4. Strengthen resources integration and remnant assets liquidation and enhance the efficiency of production and operation.

TPV strengthened the integration of local and overseas resources. It had started integration for its two factories located at Poland and commenced resource integration with the factory of Philips located at Brazil after the acquisition of TV business of Philips, so as to enhance synergy and reduce operating cost. Currently, the integration was progressing smoothly.

Great Wall Kaifa integrated resources on land and real estates and liquidated remnant assets. After thorough negotiation with relevant governmental departments, the transaction under the agreement in relation to the repurchase of the production base and factory of Great Wall Kaifa located at Longgan by Shenzhen Pingshan New District had been completed.

5. Start to adopt measures on management upgrade to further increase the soft power in the Company's development.

Firstly, to promote overall management upgrade by self-improvement of the staff. Great Wall Kaifa stimulated the motivation and innovation of its staff by self-improvement, i.e. to effectively resolve problems individually or through team work at their own will. It adopted a promotion method in three main ways, namely proposal from staff, theme improvement and self-management, and in three stages, namely improvement on 6S base, self-standardization and self-maintenance of equipments, as the overall framework. With the initiation of the self-improvement measures, the management skills of it continued to refine and rise to a higher level. In 2012, it was awarded the title of "Benchmarking Chinese Electronic Enterprise (Management)" by CEC.

Secondly, to positively respond to the risk of fluctuation in exchange rate. As most of the Group's products were exported to overseas markets, the Group was exposed to risks of exchange rate for international settlements. The Group had prepared itself to avoid and respond to the risks arising from fluctuation in exchange rate, forward exchange transaction portfolio business and changes in monetary policy so as to safeguard the healthy development of the Group, in particular, the medium to long-term operation of forward exchange transaction portfolio business. It also streamlined and strictly implemented the procedures for risk management, such as record filing, board resolution approvals, feasibility, etc.

Thirdly, to strengthen the management of receivables and inventories. It endeavored to strengthen the management of receivables and inventories of Satcon business, monitor business, computer business and substrate business of China Electronics Great Wall Energy (Shenzhen) Co., Ltd. ("Great Wall Energy"), a wholly-owned subsidiary of CGC, and reasonably determined credit policy to speed up the process of handling receivables and inventories and control the risks of bad and doubtful debts and impairment on assets. Regarding the production and sales of inverters, Great Wall Energy became the creditor of Satcon Technology Corporation ("Satcon") and kept certain inventories for it. Regarding the risks in operating Satcon business by Great Wall Energy, the Group has been paying close attention to it and requested CGC repeatedly to strictly control the amount of receivables and inventories in the course of business. Upon the filing of bankruptcy protection by Satcon, the Group proactively sought for various ways to reduce operating loss.

Fourthly, to establish a financial alert system and endeavored to promote a comprehensive budget management. The Group convened meetings for its members to analyze the status of production and operation regularly. During the meetings, progress of budget and major problems were reported and the focuses and difficulties in operations were studied. Besides, the establishment of contact points for companies, reinforcement of financial analysis, liquidity supervision, asset flow, implementation of budget, risk mitigation, establishment of a financial alert system and supervision and control of operating risks through comprehensive budget management were also discussed during the meetings.

Fifthly, to reinforce informatization construction of the Company. TPV used PLM software system in the development of new products and completely pursued the standardization of components through the original design of products and enhanced the production quality and efficiency of local and overseas factories. Great Wall Kaifa successfully completed the optimization and upgrade of its information management system. CGC introduced OracleHyperion Planning, a budget management information system solution, to furthered enhance its overall budget management level.

OUTLOOK

In 2013, the Group's main focus will be to accelerate breakthroughs on core and key technology in the industry and promote the reorganization of the industry's structure. Targeting at building "scientific Great Wall", the Group will devote itself in promoting innovative technology in the industry, reinforcing financing protection, facilitating talent project, putting more resources on market expansion, strengthening risk management and control and further expanding competitive industries. Besides, it will endeavor to nurture new industries and make use of competitive industries to support new industries so to develop rapidly and become a new growth point for the Group and hence to increase the core competitiveness of the Group.

Firstly, to promote innovative technology in the industry. The Group will further open its innovative technology to the public and for cooperation, promote the establishment of an industry-oriented strategic alliance with the participation of research institutes of technology and high schools, strengthen the construction of the Group's technology center and innovating the technology management system.

Secondly, to reinforce financing protection. The Group will increase the amount of financing in capital market and monetary market according to the needs for the industry's development, support innovation and financing through merger and acquisition, further liquidate the remnant assets of the Group to reduce finance cost and actively seek for government subsidies and supports for its technology.

Thirdly, to facilitate talent project. The Group will combine its core businesses to recruit more leaders and innovative teams, nurture innovative talents at high levels and set up incentive schemes for innovative talents.

Fourthly, to put more resources on market expansion. The Group will set up a stronger marketing team, establish a marketing and customer service system combined with traditional marketing and new-style marketing and promote brand marketing to facilitate the expansion in international and local markets.

Fifthly, to strengthen risk management and control. The Group will adopt suitable measures in response to current operating risks, further standardize the corporate governance so as to accelerate the perfection of the internal control system.

FINANCIAL REVIEW

The Group recorded a turnover of RMB95,884,305,000 for the year ended 31 December 2012, representing an increase of 0.91% as compared to the corresponding period of last year. Loss after tax attributable to the equity holders of the Company amounted to RMB163,756,000 for the year ended 31 December 2012, representing a decrease in profit of 204.5% as compared to the corresponding period of last year. The substantial drop was mainly because CGC made a provision for the impairment on assets of RMB236 million in relation to Satcon business and Kaifa Magnetic made a provision for impairment of property, plant and equipment of RMB98.5 million during the year, respectively.

Liquidity and Financial Resources

The Group was financed by a combination of its equity capital base, cash flow generated from operation and bank borrowings. As usual, bank and other liabilities were being met upon their maturities in the normal course of business.

As at 31 December 2012, the Group's total cash and bank balances were RMB8,865,737,000 and the Group's total borrowings were RMB8,462,139,000. The structure of such borrowings was as follows:

(1) 22.20% and 62.79% were denominated in Renminbi and US dollar respectively;

(2) 19.13% was made on fixed interest rates.

Management Discussion and Analysis

Segment Information

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2012 as well as other information by business segment and geographical segment is shown in note 8 to the consolidated financial statements.

Gearing Ratio

As at 31 December 2012, the Group's total borrowings and shareholder's equity were RMB8,462,139,000 and RMB4,335,756,000 respectively, as compared to RMB8,394,530,000 and RMB4,571,228,000 respectively as at 31 December 2011.

As at 31 December 2012, the gearing ratio was 195.17%, and the gearing ratio as at 31 December 2011 was 183.64%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

Current Ratio and Working Capital

As at 31 December 2012, the Group's current assets and current liabilities amounted to RMB39,949,187,000 (31 December 2011: RMB35,085,030,000) and RMB33,375,398,000 (31 December 2011: RMB28,742,885,000) respectively, and the Group's working capital was RMB6,573,789,000 (31 December 2011: RMB6,342,145,000) while the current ratio was 1.20. (31 December 2011: 1.22).

Charges on Group Assets

As at 31 December 2012, certain of the Group's term deposit with a carrying value of approximately RMB3,116,683,000 (31 December 2011: RMB1,524,218,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

BUSINESS RISKS AND RISK MANAGEMENT POLICIES

Foreign Exchange Rate Risk

It is expected that Renminbi will continue its appreciation for some time from now on and the fluctuation in the exchange rate of RMB has a larger effect on exports, which account for a major proportion of the Group business and thus impose enormous pressure on the Group in terms of appreciation of RMB.

The Group maintains a sound and healthy financial condition by adopting forward currency settlement measures to reduce exchange loss and by negotiating with customers to determine selling prices in RMB. The Group will also retain certain foreign currency position and settle balances with suppliers in US dollars.

Guarantee for independent third party

As at 31 December 2012, the Group provided guarantees of approximately RMB59,459,000 (2011: RMB57,456,000) to third parties in respect of bank facilities granted to third parties.

As at 31 December 2012, certain of the Groups leasehold land and buildings with a carrying value of approximately RMB104,877,000 were pledged to secure bank loans from a fellow subsidiary of the Company.

Guarantee for associated companies

As at 31 December 2012, no guarantee was provided by the Group (2011: RMB104,406,000) in respect of bank facilities granted to associated companies.

Loans to associated companies

As at 31 December 2012, loans to associated companies of approximately RMB76,326,000 (2011: RMB76,326,000) are unsecured, non-interest bearing and is repayable after twelve months from the balance sheet date.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development, manufacture, sale and research and development of personal computers and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group and the Company for the year ended 31 December 2012 are set out in the consolidated income statement on page 44 of this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: RMB3 cents per share).

SHARE OPTION

None of the Company nor any of its subsidiaries has offered any share option except TPV.

TPV has adopted a new share option scheme ("New Scheme") on 15 May 2003. The principal terms of the New Scheme are summarized below:

(1) Participants of the New Scheme

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

(2) Maximum number of shares

The remaining number of shares available for issue under the New Scheme is 189,583,613, representing 8.08 percent of the issued share capital of TPV as at the date of this report.

(3) Maximum entitlement of each participant

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

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

(4) Payment on acceptance of options

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

SHARE OPTION (Continued)

(5) Time of exercise of options

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

(6) Basis of determining the subscription price

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

(7) Remaining life of the New Scheme

The New Scheme is valid until 14 May 2013.

During the year ended 31 December 2012, 45,000,000 share options were granted and 1,450,000 share options were lapsed.

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31 December 2012 and options exercised and lapsed during the year were as follows:

				Number of options			
	Date of grant	**Exercise Price**	**Exercisable Period**	**As at 01/01/2012**	**Expired**	**Lapsed**	**As at 31/12/2012**
Directors of TPV							
Dr. Hsuan, Jason	18/01/2011	5.008 *(Note 2)*	18/01/2012–17/01/2021	150,000	0	0	150,000
			18/01/2013–17/01/2021	150,000	0	0	150,000
			18/01/2014–17/01/2021	150,000	0	0	150,000
			18/01/2015–17/01/2021	150,000	0	0	150,000
Mr. Chan Boon Teong	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	80,000	(80,000)	0	0
			12/12/2009–11/12/2012	120,000	(120,000)	0	0
			12/12/2010–11/12/2012	200,000	(200,000)	0	0
Dr. Ku Chia-Tai	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	60,000	(60,000)	0	0
			12/12/2009–11/12/2012	90,000	(90,000)	0	0
			12/12/2010–11/12/2012	150,000	(150,000)	0	0
Mr. Wong Chi Keung	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	60,000	(60,000)	0	0
			12/12/2009–11/12/2012	90,000	(90,000)	0	0
			12/12/2010–11/12/2012	150,000	(150,000)	0	0
Employees of TPV	12/12/2007	5.75 *(Note 1)*	12/12/2008–11/12/2012	3,827,605	(3,827,605)	0	0
			12/12/2009–11/12/2012	5,741,408	(5,741,408)	0	0
			12/12/2010–11/12/2012	9,569,013	(9,569,013)	0	0
	18/01/2011	5.008 *(Note 2)*	18/01/2012–17/01/2021	10,870,000	0	(1,000,000)	9,870,000
			18/01/2013–17/01/2021	10,870,000	0	(1,000,000)	9,870,000
			18/01/2014–17/01/2021	10,870,000	0	(1,000,000)	9,870,000
			18/01/2015–17/01/2021	10,870,000	0	(1,000,000)	9,870,000
				64,218,026	(20,138,026)	(4,000,000)	40,080,000

SHARE OPTION (Continued)

(7) Remaining life of the New Scheme (Continued)

Note:

1 These options are exercisable at HK$5.75 (US$0.73) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12th December 2008 to 11th December 2012, from 12th December 2009 to 11th December 2012 and from 12th December 2010 to 11th December 2012 are 20 percent, 50 percent and 100 percent respectively.

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

DISTRIBUTABLE RESERVES

As at 31 December 2012, in accordance with the PRC Company Law, an amount of approximately RMB997 million standing to the credit of the Company's Share premium account, were available for distribution by way of future capitalization issue. In addition, the lesser amount of the retained profits of the Company as determined in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards is available for distribution as dividend.

RESERVES

Details of the movements during the year ended 31 December 2012 in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 48 to 50 of this annual report, respectively.

FINANCIAL SUMMARY FOR THE PAST FIVE YEARS

A summary of the results of the Group for the past five years and the summary of the assets and liabilities for the past five years are set out on page 5 of this annual report.

FIXED ASSETS

Details of the movements during the year ended 31 December 2012 in the fixed assets of the Group and the Company are set out in note 18 to the financial statements.

SHARE CAPITAL STRUCTURE

As at 31 December 2012, the total share capital of the Company amounted to RMB1,197,742,000, divided into 1,197,742,000 shares of RMB1.00 each. The share capital of the Company as at 31 December 2012 was as follows:

	As at 31 December 2012 (audited) Number of shares	As at 31 December 2011 (audited) Number of shares
State-owned legal person shares	**743,870,000**	743,870,000
Oversea listed foreign shares (H Shares)	**453,872,000**	453,872,000
Total	**1,197,742,000**	1,197,742,000

Note: There was no change in the share capital structure of the Company during the year and during the period from 31 December 2012 up to the date of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2012, no persons (other than the Directors, supervisors and chief executives of the Company disclosed below) had an interest or short position in the Company's shares or underlying shares, as case may be, which are required to be disclosed to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were the substantial shareholders of the Company as such term is defined by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

Name of shareholder	Class of shares	Number of the Company's shares held	Shareholding percentage of issued state-owned legal person shares	Shareholding percentage of total issued shares
Great Wall Group	State-owned legal person shares	743,870,000	100%	62.11%

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2012, the Group had no designated deposits nor had any overdue and unrecoverable time deposits with any financial institutions.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's subsidiaries and associated companies as at 31 December 2012 are set out in notes 48 and 20 to the financial statements respectively.

EMPLOYEES

As at 31 December 2012, the number of employees of the Group was approximately 60,000. The remuneration of the employees were determined according to the industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUPERVISORS AND THE SUPERVISORY COMMITTEE

According to laws, regulations and Articles of Association of the Company with an attitude responsible to the shareholders as a whole, the Supervisory Committee of the Company had been able to perform conscientiously their obligations, accomplish standardized operation and supervise the Company's financial status and compliance with laws and regulations in the performance of duties by the Directors, general managers and other senior management, and had been able to safeguard the legal interests of the Company and the shareholders as a whole.

SHAREHOLDERS AND GENERAL MEETINGS

The Company had abided by relevant requirements to convene general meetings to ensure that the shareholders may exercise their voting rights according to law. During the reporting period, the Company convened an annual general meeting on 20 June 2012 and extraordinary general meetings as and when required. All procedures of the general meetings had been consistent with the requirements of the Company Law of the PRC and the Articles of Association of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors or supervisors has a service contract in force with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Directors are of the opinion that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

Other than service contracts, no contract of significance in relation to the Group's business was entered into between the Company's Directors or supervisors and the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or supervisors had a material interest, whether directly or indirectly, during the year ended 31 December 2012.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

No contract of significance for the provisions of services or otherwise in relation to the Group's business was entered into between the Company's controlling shareholder or any of its subsidiaries and the Company or any of its subsidiaries in which such controlling shareholder had a material interest, whether directly or indirectly, during the year.

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the year ended 31 December 2012, the Company had not granted any right to any Directors or supervisors and their spouses or children less than 18 years of age to subscribe for shares in the Company. The interests of the Directors and supervisors of the Company in the shares of the Company, its subsidiaries or its associated corporation are set out in the section headed "Directors', Supervisors' and the Company's Chief Executives' Interests in the Share Capital of the Company and its Associated Corporations" below.

DIRECTORS', SUPERVISORS' AND THE COMPANY'S CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2012, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

DIRECTORS', SUPERVISORS' AND THE COMPANY'S CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

1. Personal Interests

Name of Director/ Chief Executive	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	1,670,817 shares of Great Wall Kaifa	0.13%
Mr. Du Heping	60,000 shares of CGC	0.0045%
	6,270 shares of Great Wall Kaifa	0.0005%

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	106,649,381 shares of Great Wall Kaifa *(Note)*	8.08%

Note:

These shares are held by Broadata (H.K.) Limited, which in turn is held as to 69.08% by Flash Bright International Limited. Mr. Tam and his spouse held 100% equity interest in Flash Bright International Limited.

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2012, no other Directors, chief executives or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and supervisors' remuneration and the five highest paid individuals of the Company during the year 2012 are set out in notes 11 and 12, respectively to the financial statements.

A. CONNECTED TRANSACTIONS

During the year 2012, the following connected transactions were carried out by the Group.

(1) Supplemental Agreement to Subscription Agreement

On 16 March 2012, CEC and CGC, a subsidiary of the Company, entered into a supplemental agreement ("Supplemental Agreement") to amend certain terms of the subscription agreement between them dated 11 May 2011 ("Subscription Agreement") in relation to the subscription of new shares to be issued by CGC under its non-public offering of shares. Pursuant to the Subscription Agreement (as amended by the Supplemental Agreement), CEC has conditionally agreed to subscribe and CGC has conditionally agreed to issue to CEC new shares to be issued by CGC under its non-public offering at the issue price of not less than RMB4.94 per new share for a subscription amount of not more than RMB100 million. CEC is a connected person of the Company under the Listing Rules by virtue of it being the ultimate controlling shareholder of the Company. The subscription of CGC shares under the Subscription Agreement (as amended by the Supplemental Agreement) is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

(2) Joint Venture Agreement

On 27 April 2012, Top Victory, a subsidiary of the Company, and Panda LCD, a subsidiary of CEC, entered into a joint venture agreement ("Joint Venture Agreement") in relation to the establishment of CEC Panda Flat Panel Display Technology Co., Ltd ("Joint Venture"), being the joint venture company to be established in the PRC with limited liability pursuant to the Joint Venture Agreement, which will be owned as to 0.8% by Top Victory and 99.2% by Panda LCD. Top Victory has the option to require Panda LCD to acquire Top Victory's equity stake in the Joint Venture within the period provided under the Joint Venture Agreement.

Panda LCD is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the controlling shareholder of the Company. The formation of the Joint Venture is subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Joint Venture Agreement and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 31 July 2012.

B. CONTINUING CONNECTED TRANSACTIONS

During the year 2012, the following continuing connected transactions were carried out by the Group.

(1) Procurement Agreement

On 1 June 2012, Top Victory entered into a procurement agreement ("Procurement Agreement") with Panda LCD pursuant to which Top Victory and its subsidiaries, associates and connected persons ("Top Victory Group") may procure the LCD panels and other related products designed, manufactured, or sold by Panda LCD and its subsidiaries, associates and connected persons ("Panda LCD Group"). The proposed annual maximum aggregate value ("Annual Caps") for the transactions to be entered pursuant to the Procurement Agreement for the year ended 31 December 2012 (only covers the period from the effective date of the Procurement Agreement to 31 December 2012) and years ending 31 December 2013 and 2014 are US$241,573,000, US$556,800,000 and US$679,440,000 respectively.

Panda LCD is a connected person of the Company under the Listing Rules by virtue of it being a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company. The transactions contemplated under the Procurement Agreement (including the Annual Caps) are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Procurement Agreement and the transactions contemplated thereunder (including the Annual Caps) was obtained at the extraordinary general meeting of the Company held on 31 July 2012.

For the year ended 31 December 2012, no transactions were made under the Procurement Agreement.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements

On 16 December 2011, fourteen framework purchase agreements, collectively called the Framework Purchase Agreements, were entered into as follows:

(i) Between Guilin Changhai Technology Co., Ltd. ("Changhai Technology") and CGC whereby CGC shall purchase wire and power supply products etc. from Changhai Technology ("Changhai Technology (CGC) Agreement"). The term of the Changhai Technology (CGC) Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Changhai Technology is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB110,000,000.

For the year ended 31 December 2012, the purchase transactions made under the Changhai Technology (CGC) Agreement amounted to approximately RMB97,724,000.

(ii) Between Changhai Technology and Beihai Great Wall Energy Technology Co., Ltd. ("Beihai Energy"), a subsidiary of the Company, whereby Beihai Energy shall purchase computer spare parts from Changhai Technology ("Changhai Technology (Beihai Energy) Agreement"). The term of the Changhai Technology (Beihai Energy) Agreement commenced from 1 January 2012 and expired on 31 December 2012.

The annual cap for purchases for the year ended 31 December 2012 is RMB17,000,000.

For the year ended 31 December 2012, the transactions made under the Changhai Technology (Beihai Energy) Agreement amounted to approximately RMB8,208,000.

(iii) Between Shenzhen SED Baili Electric Appliance Co., Ltd. ("Shenzhen SED Baili") and CGC whereby CGC shall purchase plastic cases etc. from Shenzhen SED Baili ("Shenzhen SED Baili (CGC) Agreement"). The term of the Shenzhen SED Baili (CGC) Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Shenzhen SED Baili is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB1,000,000.

For the year ended 31 December 2012, no transactions were made under the Shenzhen SED Baili (CGC) Agreement.

(iv) Between Shenzhen SED Baili and Beihai Energy whereby Beihai Energy shall purchase plastic cases from Shenzhen SED Baili ("Shenzhen SED Baili (Beihai Energy) Agreement"). The term of the Shenzhen SED Baili (Beihai Energy) Agreement commenced from 1 January 2012 and expired on 31 December 2012.

The annual cap for purchases for the year ended 31 December 2012 is RMB4,000,000.

For the year ended 31 December 2012, the transactions made under the Shenzhen SED Baili (Beihai Energy) Agreement amounted to approximately RMB123,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements (Continued)

(v) Between China National Electronics Components and Equipment Corporation ("China Electronics") and CGC whereby CGC shall purchase meters and equipments from China Electronics ("China Electronics Agreement"). The term of the China Electronics Agreement commenced from 1 January 2012 and expired on 31 December 2012.

China Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB1,000,000.

For the year ended 31 December 2012, no transactions were made under the China Electronics Agreement.

(vi) Between Nanjing CEC Panda Home Appliances Co., Ltd. ("Panda Home") and CGC whereby CGC shall purchase televisions from Panda Home ("Panda Home Agreement"). The term of the Panda Home Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Panda Home is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB6,000,000.

For the year ended 31 December 2012, the transactions made under the Panda Home Agreement amounted to approximately RMB709,000.

(vii) Between Nanjing Jingyu Electronics Co., Ltd ("Jingyu Electronics") and CGC whereby CGC shall purchase capacitors from Jingyu Electronics ("Jingyu Electronics Agreement"). The term of the Jingyu Electronics Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Jingyu Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB2,150,000.

For the year ended 31 December 2012, the transactions made under the Jingyu Electronics Agreement amounted to approximately RMB1,811,000.

(viii) Between Nanjing Weimeng Electronics Co., Ltd ("Weimeng Electronics") and CGC whereby CGC shall purchase power supply management IC and MOS from Weimeng Electronics ("Weimeng Electronics Agreement"). The term of the Weimeng Electronics Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Weimeng Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB1,500,000.

For the year ended 31 December 2012, the transactions made under the Weimeng Electronics Agreement amounted to approximately RMB113,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements (Continued)

(ix) Between Nanjing Panda Electronics Panda Crystal Technology Corporation ("Panda Crystal") and CGC whereby CGC shall purchase crystal resonators and crystal oscillators from Panda Crystal ("Panda Crystal (CGC) Agreement"). The term of the Panda Crystal (CGC) Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Panda Crystal is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB1,060,000.

For the year ended 31 December 2012, the transactions made under the Panda Crystal (CGC) Agreement amounted to approximately RMB65,000.

(x) Between Shanghai Lingxinwei Electronics Co., Ltd ("Lingxinwei Electronics") and CGC whereby CGC shall purchase power supply management IC from Lingxinwei Electronics ("Lingxinwei Electronics Agreement"). The term of the Lingxinwei Electronics Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Lingxinwei Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB1,500,000.

For the year ended 31 December 2012, the transactions made under the Lingxinwei Electronics Agreement amounted to approximately RMB2,000.

(xi) Between Zhonglian Electronics Shenzhen Co., Ltd ("Zhonglian Electronics") and CGC whereby CGC shall purchase power supply products from Zhonglian Electronics ("Zhonglian Electronics Agreement"). The term of the Zhonglian Electronics Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Zhonglian Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB46,800,000.

For the year ended 31 December 2012, the transactions made under the Zhonglian Electronics Agreement amounted to approximately RMB8,238,000.

(xii) Between CEC and CGC whereby CGC and its subsidiaries shall purchase electronic products and raw materials, etc. from CEC and its group companies ("CEC Agreement"). The term of the CEC Agreement commenced from 1 January 2012 and expired on 31 December 2012.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB10,000,000.

For the year ended 31 December 2012, no transactions were made under the CEC Agreement.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements (Continued)

(xiii) Between China Zhenhua Group Yongguang Electronics Co., Ltd. ("Zhenhua Electronics") and Great Wall Kaifa whereby Great Wall Kaifa shall purchase dioides and transistors etc. from Zhenhua Electronics ("Zhenhua Electronics Agreement"). The term of the Zhenhua Electronics Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Zhenhua Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB5,200,000.

For the year ended 31 December 2012, the transactions made under the Zhenhua Electronics Agreement amounted to approximately RMB3,595,000.

(xiv) Between Panda Crystal and Great Wall Kaifa whereby Great Wall Kaifa shall purchase electronic components from Panda Crystal ("Panda Crystal (Great Wall Kaifa) Agreement"). The term of the Panda Crystal (Great Wall Kaifa) Agreement commenced on 1 January 2012 and expired on 31 December 2012.

Panda Crystal is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2012 is RMB1,680,000.

For the year ended 31 December 2012, the transactions made under the Panda Crystal (Great Wall Kaifa) Agreement amounted to approximately RMB247,000.

The Framework Purchase Agreements are subject to an annual cap of RMB208,890,000 for the year ended on 31 December 2012. The Framework Purchase Agreements are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Framework Purchase Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 21 February 2012.

For the year ended 31 December 2012, the transactions made under the Framework Purchase Agreements amounted to approximately RMB120,835,000.

(3) Framework Sale Agreements

On 16 December 2011, eight framework sale agreements, collectively called the Framework Sale Agreements, were entered into as follows:

(i) Between Hunan Greatwall Information Financial Instrument Co., Ltd. ("Hunan Communications") and CGC whereby CGC shall sell computers, peripherals, accessories, printers and digital products to Hunan Communications ("Hunan Communications (CGC) Agreement"). The term of the Hunan Communications (CGC) Agreement commenced on 1 January 2012 and expired on 31 December 2012.

Hunan Communications is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2012 is RMB70,000,000.

For the year ended 31 December 2012, the transactions made under the Hunan Communications (CGC) Agreement amounted to approximately RMB23,356,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Framework Sale Agreements (Continued)

(ii) Between Hunan Communications and Great Wall Computer (Guangxi) Co., Ltd. ("Guangxi CGC"), a subsidiary of the Company, whereby Guangxi CGC shall sell monitors to Hunan Communications ("Hunan Communications (Guangxi CGC) Agreement"). The term of the Hunan Communications (Guangxi CGC) Agreement commenced on 1 January 2012 and expired on 31 December 2012. The annual cap for sales for the year ended 31 December 2012 is RMB10,000,000.

For the year ended 31 December 2012, the transactions made under the Hunan Communications (Guangxi CGC) Agreement amounted to approximately RMB2,011,000.

(iii) Between SED Electronics Sales Corporation ("Shenzhen SED Sales") and CGC whereby CGC shall sell computers, peripherals and accessories to Shenzhen SED Sales ("Shenzhen SED Sales Agreement"). The term of the Shenzhen SED Sales Agreement commenced on 1 January 2012 and expired on 31 December 2012.

Shenzhen SED Sales is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for the sales for the year ended 31 December 2012 is RMB20,000,000.

For the year ended 31 December 2012, no transactions were made under the Shenzhen SED Sales Agreement.

(iv) Between Changhai Technology and CGC under the Changhai Technology (CGC) Agreement whereby CGC shall sell computers, peripherals and accessories to Changhai Technology. The term of the Changhai Technology (CGC) Agreement commenced from 1 January 2012 and expired on 31 December 2012. The annual cap for sales for the year ended 31 December 2012 is RMB160,000,000.

For the year ended 31 December 2012, the sale transactions made under the Changhai Technology (CGC) Agreement amounted to approximately RMB107,728,000.

(v) Between Changhai Technology and Guangxi CGC whereby Guangxi CGC shall sell monitors to Changhai Technology ("Changhai Technology (Guangxi CGC) Agreement"). The term of the Changhai Technology (Guangxi CGC) Agreement commenced from 1 January 2012 and expired on 31 December 2012. The annual cap for sales for the year ended 31 December 2012 is RMB500,000.

For the year ended 31 December 2012, the transactions made under the Changhai Technology (Guangxi CGC) Agreement amounted to approximately RMB16,000.

(vi) Between CEC and CGC whereby CGC shall sell computers and digital products to CEC and its group companies ("CEC Agreement"). The term of the CEC Agreement commenced on 1 January 2012 and expired on 31 December 2012.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2012 is RMB20,000,000.

For the year ended 31 December 2012, the transactions made under the CEC Agreement amounted to approximately RMB9,367,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Framework Sale Agreements (Continued)

(vii) Between Shenzhen SED Coalition Electronics Co., Ltd. ("Shenzhen SED Coalition") and CGC whereby CGC shall sell computers, peripherals and accessories to Shenzhen SED Coalition ("Shenzhen SED Coalition Agreement"). The term of the Shenzhen SED Coalition Agreement commenced from 1 January 2012 and expired on 31 December 2012.

Shenzhen SED Coalition is a company controlled by CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2012 is RMB35,000,000.

For the year ended 31 December 2012, no transactions were made under the Shenzhen SED Coalition Agreement.

(viii) Between Changsha Xiangjihuaxiang Computer Co., Ltd. ("Xiangjihuaxiang") and CGC whereby CGC shall sell computers, peripherals and accessories to Xiangjihuaxiang ("Xiangjihuaxiang Agreement"). The term of the Xiangjihuaxiang Agreement commenced on 1 January 2012 and expired on 31 December 2012.

Xiangjihuaxiang is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2012 is RMB80,000,000.

For the year ended 31 December 2012, the transactions made under the Xiangjihuaxiang (CGC) Agreement amounted to approximately RMB12,782,000.

The Framework Sale Agreements are subject to an annual cap of RMB395,500,000 for the year ended 31 December 2012. The Framework Sale Agreements are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Sale Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 21 February 2012.

For the year ended 31 December 2012, the transactions made under the Framework Sales Agreements amounted to approximately RMB155,260,000.

(4) Shencai Logistics Agreement

On 16 December 2011, Shenzhen Shencai Logistics Co., Ltd ("Shencai Logistics") and CGC entered into an agreement whereby Shencai Logistics shall provide transportation logistic services to CGC ("Shencai Logistics Agreement"). The term of the Shencai Logistics Agreement commenced on 1 January 2012 and expired on 31 December 2012.

Shencai Logistics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for the total services fees for the year ended 31 December 2012 is RMB3,000,000. The transactions contemplated under the Shencai Logistics Agreement are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2012, the services fees paid under the Shencai Logistics Agreement amounted to approximately RMB436,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(5) Trademark License Agreement

On 16 December 2011, CEC and CGC entered into a trademark license agreement whereby CEC shall grant CGC a non-exclusive right and license to use certain registered trademarks in the PRC held by CEC on CGC's products, operational, marketing and promotion activities ("Trademark License Agreement"). The term of the Trademark License Agreement commenced on 1 January 2012 and expiring on 31 December 2014.

CEC is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual caps for the royalty payable by CGC for the year ended 31 December 2012 and the two years ending 31 December 2014 are RMB4,000,000, RMB4,500,000 and RMB5,000,000 respectively. The transactions contemplated under the Trademark License Agreement are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2012, the royalty paid under the Trademark License Agreement amounted to approximately RMB1,622,000.

(6) TPV Agreement

On 21 June 2010, TPV and CGC entered into a purchase agreement ("TPV Agreement") whereby TPV agreed to procure the TPV Group, comprising TPV and its subsidiaries, to supply and CGC has agreed to procure the CGC Group, comprising CGC and its subsidiaries (excluding the TPV Group) to purchase LCD monitors and other products as may be agreed. The TPV Agreement became effective from the date of execution until 31 December 2012.

Both TPV and CGC are non-wholly owned subsidiaries of the Company. CEIEC HK being a substantial shareholder of TPV, is a company controlled by CEC, the ultimate controlling shareholder of the Company. TPV is therefore a connected person of the Company within the meaning of the Listing Rules. The aggregate annual caps for purchases under the TPV Agreement are US$56,000,000, US$170,000,000, and US$247,000,000 for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 respectively. The TPV Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the TPV Agreement and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 30 August 2010.

For the year ended 31 December 2012, no transactions were made under the TPV Agreement.

(7) Financial Services Agreement (Kaifa)

On 17 September 2010, Great Wall Kaifa entered into a financial services agreement ("Financial Services Agreement (Kaifa)") with CEC Finance, whereby CEC Finance has agreed to provide to Great Wall Kaifa deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions provided therein.

CEC Finance is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. The maximum deposit ("Kaifa Deposit Cap") to be placed with CEC Finance under the Financial Services Agreement (Kaifa) is RMB600,000,000. The proposed deposit transaction (including the Kaifa Deposit Cap) is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed deposit transaction (including the Kaifa Deposit Cap) contemplated under the Financial Services Agreement (Kaifa) was obtained at the extraordinary general meeting of the Company held on 15 November 2010. The Financial Services Agreement (Kaifa) is for a term of three years commencing from the date on which all the required approvals have been obtained and filings are made i.e. commencing on 15 November 2010 and ending on 14 November 2013.

For the year ended 31 December 2012, the maximum amount of deposit placed by Great Wall Kaifa under the Financial Services Agreement (Kaifa) was approximately RMB599,607,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(8) Financial Services Agreement (GWT)

On 2 November 2009, the Company entered into a financial services agreement ("Financial Services Agreement (GWT)") with CEC Finance Co., Ltd. ("CEC Finance"), whereby CEC Finance has agreed to provide to the Company deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions provided therein.

CEC Finance is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. The maximum deposit ("GWT Deposit Cap") to be placed with CEC Finance under the Financial Services Agreement (GWT) is RMB100,000,000. The proposed deposit transaction (including the GWT Deposit Cap) is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the then Listing Rules. Independent shareholders' approval for the proposed deposit transaction (including the GWT Deposit Cap) contemplated under the Financial Services Agreement (GWT) was obtained at the extraordinary general meeting of the Company held on 12 March 2010. The Financial Services Agreement (GWT) is for a term of three years commencing on 12 March 2010 and ending on 11 March 2013.

For the year ended 31 December 2012, the maximum amount of deposit placed by the Company under the Financial Services Agreement (GWT) was approximately RMB8,997,000.

Confirmation of Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them (if applicable) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation From Auditors Of The Company

The Board of Directors has received an unqualified letter issued by the auditors of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 and Practise Note 740 issued by the Hong Kong Institute of Certified Public Accountants with respect to the above continuing connected transactions and the letter stated that for the year 2012, the above continuing connected transactions:

(i) have been approved by the Board of Directors;

(ii) have been entered into in accordance with the terms of the agreement governing the transactions; and

(iii) have not exceeded the cap amount announced by the Company.

In respect of the connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions Waiver

The Company applied to, and was granted on 13 December 2011 by, the Hong Kong Stock Exchange a waiver from compliance with the requirements under Chapter 14A of the Listing Rules in relation to the continuing connected transactions between Fabrica Austral de Productos Eléctricos S.A. ("Argentina JV"), a subsidiary of TPV, and Philips a connected person of the Company by virtue of its being a substantial shareholder of T.P. Vision Holding B.V. ("JV Co"), being a joint venture between Philips and a wholly-owned subsidiary of TPV and a subsidiary of the Company, relating to the non-TV business units of Argentina JV ("Argentina Non-TV Transactions"), details of which are set out below, on the basis that economics and results of Argentina Non-TV Transactions are for the account of a subsidiary of Philips (and not the JV Co), and that it would be impractical and unduly burdensome for the Company to monitor the continuing transactions relating to Argentina Non-TV Transactions.

Argentina Non-TV Transactions include:

(i) the transactions contemplated under a trademark license agreement between Argentina JV and Philips, pursuant to which Philips will grant Argentina JV the right to use certain trademarks relating to the non-TV products in Argentina. There is no payment obligation under such trademark license agreement; and

(ii) the provision of certain general corporate services, component purchase for non-TV products, sale of non-TV products and purchase of fixed assets for the production of non-TV products between Argentina JV and Philips. The provision of general corporate services comprises shared business services in relation to finance and accounting, sourcing and purchasing services, information systems support services, real estate and facility management services, general management services such as in-house legal services, corporate communications, public relations management and treasury services (such as payroll administration).

PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

BORROWINGS AND INTEREST CAPITALISED

Details of bank borrowings of the Group and the Company are set out in note 30 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

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

Sales

– the largest customer 12%
– five largest customers combined 37.47%

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

Purchases

– the largest supplier 7.4%
– five largest suppliers combined 29.6%

As far as the Directors are aware, none of the Directors or any of their associates (within the meaning of the Listing Rules), or those shareholders which own more than 5% of the share capital of the Company have an interest in any of the above customers and suppliers of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

According to the public information that is available to the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year 2012 and up to the date of this annual report.

CORPORATE GOVERNANCE

Major corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 32 to 40.

AUDIT COMMITTEE

The Company has set up an audit committee, comprising three independent non-executive directors, namely Mr. Yao Xiaocong (Chairman), Mr. James Kong Tin Wong and Mr. Zeng Zhijie, with written terms of reference in compliance with the code provisions as set out in Appendix 14 of the Listing Rules (as amended from time to time). The principal duties of the audit committee include the review of the Group's financial information and the relationship with the external auditor of the Company. The consolidated financial statements for the year ended 31 December 2012 have been reviewed by the audit committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2012 have been audited by SHINEWING (HK) CPA Limited who retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
Liu Liehong
Chairman

Shenzhen, China
28 March 2013

Directors, Supervisors and Senior Management

DIRECTORS

As at the date of this annual report, the members of the Board of Directors of the Company and their biographical details are as follows:

Executive Directors

Mr. Liu Liehong, aged 44. Mr. Liu is the chairman of the Board of Directors of the Company. Mr. Liu graduated with a master's degree in business administration from Xi'an Transport University, and received titles of postgraduate grade senior engineer. Currently, he is the general manager and a director of CEC. He is a non-executive director of TPV. He was the president of China Electronics Industry Corporation and CEC Corecast Company Limited, the president of China Center for information Industry Development, deputy general manager of China Electronics Technology Corporation and head of No.2 Research Institute, Ministry of Industry and Information Technology. He has received a series of awards, including "Outstanding Young Scientist of Shanxi Province", "Outstanding Young Entrepreneurs of Shanxi Province" and "Outstanding Personal Award of Shanxi Province". He is very experienced in managing large enterprises. Mr. Liu was appointed an executive director of the Company in June 2010.

Mr. Lu Ming, aged 63. Mr. Lu is a director of Great Wall Kaifa, a non-executive director of TPV, as well as an external director of China Telecom Corporation. He was the deputy general manager of CEC and the vice chairman of CGC. Mr. Lu graduated from the Chinese Academy of Sciences with a master's degree in computer science and completed postgraduate studies at the High Energy Physics Research Institute in Hamburg, Germany and learned from Professor Samuel C.C. Ting. Mr. Lu is one of the founders of Great Wall Group and has over 30 years of experience in the information technology industry. Mr. Lu was previously the vice president of the Company from 1998 to 2005. He was the president of the Company from October 2005 to January 2009, and the chairman of the Company from January 2008 to June 2010. Mr. Lu has been an executive Director of the Company since 1998.

Mr. Tam Man Chi, aged 65. Mr. Tam is the chairman of Great Wall Kaifa, the chairman of Kaifa Technology (H.K.) Limited and Kaifa Magnetic, the cochairman of the board of O-Net Communications (Group) Limited, a non-executive director and the chairman of the remuneration committee, a director of O-Net Communications Limited, a company listed on the Hong Kong Stock Exchange, the president of O-Net Communications (Shenzhen) Company Limited, a director of ExcelStor Group Limited and ExcelStor Technology (Shenzhen) Limited. Mr. Tam was previously a director of CGC and a non-executive director of TPV, and he has been awarded "Shenzhen Honor Citizen" in 1994, "National Friendship Award" in 2005 and "Excellent Worker title of Guangdong Province" in 2006. Mr. Tam has over 40 years of management experience in the international electronic industry. Mr. Tam was previously the vice president of the Company, but he resigned from that position with effect from 23 April 2003. Mr. Tam has been an executive director of the Company since 1998.

Mr. Yang Jun, aged 49, is a senior engineer. Mr. Yang graduated from Northwest Telecommunication Engineering College with a master's degree. Mr. Yang currently holds the positions of deputy general manager of CEC, the chairman of China National Software & Service Co., Ltd., the chairman of CGC and director of the Great Wall Group. He previously held the positions of general manager of China TravelSky Information Centre, chairman of China TravelSky Technology Limited, deputy general manager of China TravelSky Holding Company, chairman of Shenzhen Sed Industry Company Limited. Mr. Yang has been an executive director of the Company since June 2005.

Mr. Su Duan, aged 60, is a senior engineer and a college graduate. Mr. Su graduated with an economics and management degree from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China. Mr. Su is currently the head of the coordinating team of project construction for Future Hi-tech City. He has worked in various positions in CEC, including a director of CEC, deputy general manager and the director of the presidential office of the management department, director of party-masses and discipline, director of the party-masses work department, deputy secretary of the party committee directly under central control and secretary of the discipline inspection committee, the general manager of the human resources department, the president of China Electronic Technology Development Co., Ltd. and a temporary party secretary. Mr. Su has been an executive Director of the Company since November 2006.

Mr. Du Heping, aged 58. Mr. Du is the chief executive officer of the Company. Mr. Du is an in-service postgraduate from the economics management specialty of Central Party School, and is also a senior business operator (高級經營師). He is currently a director and the president of the Company and is also the chairman and secretary of the Communist Party of Great Wall Kaifa and a non-executive director of TPV. He is also the vice chairman of China Electronics Enterprises Association, an executive director of China Computer Industry Association, the chairman of Shenzhen Electronics and Information Industries Association (深圳市電子信息產業聯合會), the chairman of Shenzhen Computer Industry Association (深圳市計算機行業協會), vice chairman of Shenzhen Municipal Science and Technology Association (深圳市科學技術協會), vice chairman of Shenzhen Computer Society (深圳市電腦學會), and chairman of the Association of Volunteers for Science Popularization in Shenzhen (深圳市科普志願者協會). He has been the chairman, secretary of the Communist Party and the vice president and the secretary to the board of directors and deputy general manager of CGC, and organizing officer in charge and factory manager of Great Wall Power Supplies Factory (長城電源廠). He has abundant experiences in science and technology development, production management and quality management. He has been awarded the title of "2010 Top 10 Outstanding Entrepreneur in Listed Companies in Guangdong" in December 2010. Mr. Du was elected a representative of People's Congress of Nanshan District in December 2011. Mr. Du was appointed an executive director of the Company in June 2010.

Independent Non-executive Directors

Mr. Yao Xiaocong, aged 60, Mr. Yao graduated from the Party School of the CPC (中央黨校), majoring in economics and management and has been accredited to be an accountant. He is currently an investigator of Guangshen Railway Company Limited (a company listed in New York, Hong Kong and Shanghai), and was previously an executive director, chief accountant and secretary of the board of directors in Guangshen Railway Company Limited and the director of the accounting department of the Guangzhou Railway (Group) Company during the period from June 1997 to December 2008, He was also an independent director of Great Wall Kaifa during the period from April 2002 to April 2008. He has abundant working experiences in financial accounting management and operational management in listed companies in New York, Hong Kong and Shanghai. Mr. Yao was appointed an independent non-executive director of the Company in June 2010.

Dr. James Kong Tin Wong, aged 46, is a lawyer, arbitrator and commercial mediator. He is the person-incharge of the China Practice Department of Philip K H Wong, Kennedy Y H Wong & Co, Solicitors & Notaries. He has over 20 years of experience in PRC-related practice such as cross-border foreign direct investments, joint venture, banking, finance and loan transactions, corporate mergers and acquisitions, real estate development projects and corporate listing. Dr. Wong holds LLB, LLM and LLD degrees, and is also a registered financial planner in Hong Kong, a fellow of the Hong Kong Institute of Directors, associate of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. Dr. Wong is a committee member of the 10th to 12th Shanghai Committee of Chinese People's Political Consultative Conference, deputy chairman of Greater China Legal Affairs Committee of the Law Society of Hong Kong, Deputy Chairman of Association of Hong Kong Professionals, panel member of the Solicitors Disciplinary Tribunal, member of Obscene and Indecent Articles Panel of Adjudicators, member of Hong Kong Liquor Licensing Board, member of the Appeal Board of the Travel Industry Council of Hong Kong, an observer of Independent Police Complaints Council, member of the Community Relations Committee of the Law Society of Hong Kong, Chief Executive of of Hong Kong Young Legal Professionals Association and an executive director of the Basic Law Institute and a director of the China Juvenile Delinquency Research Society. Dr. Wong was appointed an independent non-executive director of the Company in June 2010.

Directors, Supervisors and Senior Management

Mr. Zeng Zhijie, aged 44, is the Senior Managing Director of the CITIC Capital Holdings Limited. And the General Manager and Managing Partner of Kaixin Investment. Jeffrey has been active in the venture capital industry for more than fifteen years. Prior to joining CITIC Capital, he was a managing director of Walden International since 2001, an established global venture capital firm, for which he was mainly responsible for venture investments in China. Prior to Walden International, Mr. Zeng worked for CITIC Pacific Ltd in Hong Kong and Mitsubishi Corporation in Tokyo, Japan. Additionally, Mr. Zeng is the chairman of China Special Article Logistics Company and concurrently serves as independent director for Chinasoft International Ltd (Hong Kong Stock Exchange), Shanghai AJ Corporation (Shanghai Stock Exchange), E-House (NYSE), Vimicro (Nasdaq) and AutoNavi (Nasdaq); Other companies he serves as director or independent director: the State Microelectronics and the United Overseas Bank. Jeffrey also serves as Co-chairman of the Venture Capital Association of Investment Association of China, the executive director of AAMA China branch and board member of WRSACC 2005 Committee. Mr. Zeng holds a bachelor of science degree in Economics from the University of Nagasaki, Japan, and master of science management degree from Stanford University.

Supervisors

Mr. Lang Jia, aged 59, was appointed a supervisor and the chairman of the Company's supervisory committee in November 2006. At the election in June 2010, he was elected again as supervisor of the Company. Mr. Lang graduated with a bachelor's degree in Chinese from Liaoning Normal University. Mr. Lang completed a course in world economic research graduate class in Liaoning University. Mr. Lang is currently a director of CEC, a member of the party group, and a director of the discipline inspection group under the party group in CEC and chief legal advisor of the Group companies. Mr. Lang previously served as procurator of Supreme People's Procuratorate of the People's Republic of China, and director of the discipline inspection office and deputy secretary of party committee in the China National School of Administration.

Ms. Kong Xueping, aged 44, was appointed supervisor of the Company in June 2007. At the election in June 2010, she was elected again as supervisor of the Company. Ms. Kong graduated from Beijing University and holds a master's degree in law. She is a qualified PRC lawyer and a qualified corporate law advisor. She is currently the head of the legal department of CEC. She had previously worked at the editorial department of the sports academy of Shanxi Normal University.

Mr. Song Jianhua, aged 57, a senior political worker, was appointed supervisor of the Company in June 2007. At the election in June 2010, he was elected again as supervisor of the Company. Mr. Song graduated from Xuanhua Artillery Command Academy and completed advanced studies in 2006 SASAC affiliated batch of Central Party School. He had previously served as the camp commander of 35304 company and as deputy manager of the labour department office of Kunming City. Mr. Song joined Great Wall Kaifa in 1990 and has since served as office manager, chief executive, vice chairman of labour union of Great Wall Kaifa. He is currently vice party chairman, secretary of the discipline committee and the chairman of labour union of Great Wall Kaifa, and a supervisor of Suzhou Kaifa Technology Co. Ltd.. He primarily served as supervisor of the 1st supervisory committee of Great Wall Kaifa in December 1993, and thereafter served as supervisor and chairman of the 4th, 5th and 6th supervisory committee. At the election in May 2012, he was elected again as supervisor and chairman of the 7th supervisory committee of Great Wall Kaifa.

Other Senior Management

Mr. Zhong Jimin, aged 58, was appointed vice president of the Company in February 2008. He is the director of CGC and a director of Great Wall Kaifa. He graduated from Huazhong Institute of Technology, with a bachelor's degree in radio engineering. He holds the title of chief editor. He was the vice chairman of Great Wall Kaifa and CGC, a director of the Office of CEC. He was the person-in-charge of the International Cooperation Department, executive director of CEC International Holdings Limited, chairman and general manager of 3Sun Company Limited (三訊電子公司) in Hong Kong, deputy general manager of CTGC, the deputy director of the managerial department of CEC, the (commissioner-level) officer at the General Division of the General Office of the Electromechanical Department, director of the Editorial Department of the China Electronic Press (中國電子報社), and also assistant engineer of the Design Institute of the State-owned Factory no. 798.

Mr. Siu Yuchun, aged 54, is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He also holds a bachelor's degree of Economics from Acadia University of Canada and a master's degree of business administration from Dalhousie University of Canada. He was appointed the company secretary of the Company in July 2007. Mr. Siu resigned as the company secretary of the Company with effect from 28 March 2013.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company attaches great importance to the excellence, soundness and reasonableness of its corporate governance structure.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of Listing Rules was amended and revised as the Corporate Governance Code (the "Revised Code") which became effective on 1 April 2012. For the year under review, the Company has complied with the applicable code provisions of the CG Code and the Revised Code as and when they were/are in force.

The Board and management of the Company will continue to make every effort to comply with the Revised Code in order to protect and enhance the benefits of shareholders. Following the sustained development and growth of the Company, we will continue to review and improve the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the shareholders and under the Listing Rules.

In accordance with relevant laws and regulations, the Company had established inter-restricting management systems comprising general meeting, the Board, Board committees, supervisory committee and management, which were characterized by clear division of work and responsibility. In practical operation, the Company has been perfecting its corporate governance structure, regulating itself and strengthening information disclosure.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as a code of conduct to regulate securities transactions by the Directors and supervisors of the Company.

All Directors and supervisors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

Composition of the Board

The Board comprises nine Directors, six being Executive Directors and three being Independent Non-executive Directors. Details of the composition of the Board are set out follow:

Executive Directors:
Liu Liehong *(Chairman)*
Lu Ming
Tam Man Chi
Yang Jun
Su Duan
Du Heping

Independent non-executive Directors:
Yao Xiaocong
James Kong Tin Wong
Zeng Zhijie

The biographies of the Directors are set out on pages 28 to 31 of this annual report.

Pursuant to the Article 98 of the Articles of Association of the Company, all Directors shall be elected at the shareholders' general meeting for a term of three years starting from the date being elected. The last retirement and re-election took place at the annual general meeting of the Company held on 18 June 2010, accordingly, all the Directors will retire at the forthcoming annual general meeting. Directors of the Company had observed strictly their commitments made public and performed their obligations with faithfulness, integrity and diligence. The composition of the Board was accordant with relevant laws and regulations. The Board had held itself responsible to shareholders for the leading and steering of the Company. The Board convened regular meetings and extraordinary meetings according to legal procedures and exercised its powers of office according to laws, regulations and Articles of Association and has taken good care of the interests of the Company and shareholders as a whole.

Independent Non-executive Directors

The Company has complied with the provisions of Rules 3.10 (1), 3.10 (2) and 3.10A of the Listing Rule that there are three Independent Non-executive Directors, representing one-third of the Board, and one of them has appropriate professional qualifications or accounting or related financial management expertise. All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries. All Independent Non-executive Directors have entered into service contracts with the Company for a fixed term of three years. None of the independent non-executive Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than under statutory compensation.

The Board had received an annual confirmation of independence from each of the Independent Non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Role and Functions

Major functions of the Board under the leadership of the Chairman are as follows:

1. to formulate business development strategies;
2. to review and monitor the Group's financial performance;
3. to prepare and approve the Group's financial performance and financial statements;
4. to approve material funding proposals, investment and divestment, proposals and operation plans;
5. to monitor and evaluate the Group's internal control, risk management, financial reporting and compliance;
6. to formulate the profit distribution plan and loss recovery plan of the Company;
7. to decide on proposals such as merger, division and dissolution of the Company;
8. to formulate the basic management system of the Company;
9. to formulate proposals concerning amendments to the Company's Articles of Association; and
10. to exercise the Company's powers of raising funds and borrowing money, deciding on the charge, lease, subcontract or transfer of the Company's major assets and to authorize the president or vice presidents to exercise these powers mentioned herein within a certain scope, provided that the relevant laws, statutes, the Company's Articles of Association and relevant regulations are complied with.

The Directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as and when necessary, Directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that board procedures, and all applicable rules and regulations, are followed.

Senior management is responsible for the daily operations of the Group. The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2012, the Board:

1. reviewed and monitored the performance of the Group;
2. reviewed and approved the annual results of the Group for the year ended 31 December 2011 and the interim results of the Group for the period ended 30 June 2012;
3. reviewed and approved the transactions constituted notifiable/connected transactions under Chapter 14/14A of the Listing Rules.

To the best knowledge of the Company, there is no financial, business and family relationship among our Directors and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

Corporate Governance Report

Board Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals with at least 14 days' notice in accordance with Article 102 of the Articles of Association of the Company. In case of urgent matters, Board meetings may be convened by one third or more of Directors or the chief executive or vice chief executive.

A total of four Board meetings were held during the year ended 31 December 2012.

Directors' Training

During the year and after the Revised Code became effective, the Company had arranged and funded a training on "The Latest Accounting Standards and the Revised Code" which was attended by all Directors. Besides, all Directors were provided with copies of "A Guide on Directors' Duties" issued by Hong Kong Companies Registry, "Guidelines for Directors" and "Guide for Independent Non-executive Directors" published by Hong Kong Institute of Directors and were encouraged to read such guidelines in order to acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of their functions and exercise of their powers. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

CHAIRMAN AND CHIEF EXECUTIVE

It has been the practice of the Company that the positions of Chairman of the Board and Chief Executive Officer of the Company are assumed by different individuals to achieve effective delineation of the operation of the Board and the management of the Group's daily operations. During the year ended 31 December 2012 and up to the date of this report, Mr. Liu Liehong is the Chairman of the Board and Mr. Du Heping is the Chief Executive Officer of the Company.

The Chairman of the Board shall ensure the efficient operation and satisfactory performance of its obligations by the Board, which mainly include:

1. to preside over general meetings and to convene and preside over the Board meetings;
2. to check on the implementation of resolutions of the Board meetings;
3. to sign securities certificates issued by the Company;
4. to ensure all key and appropriate issues are properly briefed and discussed by the Board in a timely manner; and
5. to perform such other duties authorized by the Board.

The Chief Executive Officer heads the management and is responsible for daily operation of the Group. He is responsible for the implementation of policies adopted by the Board and reporting to the Board in respect of the overall operation of the Company.

BOARD COMMITTEES

The Board currently has three committees, namely the Audit Committee, Nomination and Remuneration Committee and Strategic Development and Risk Management Committee.

Each Board committee makes decisions on matters within its term of reference and applicable limits of authority to monitor the Company's business in particular aspects and assist Directors' performance of their duties. The terms of reference as well as the structure and membership of each committee will be reviewed by the Company from time to time.

Audit Committee

The Audit Committee was established in December 1999. It currently consists of three Independent Non-executive Directors.

Members of Audit Committee:
Mr. Yao Xiaocong *(Chairman)*
Mr. James Kong Tin Wong
Mr. Zeng Zhijie

To tie in with the amendments in the Revised Code effective on 1 April 2012, the terms of reference of the Audit Committee were updated during the year. The Audit Committee is mainly responsible for the review and supervision of the Group's financial reporting process and internal controls including, inter alia:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to consider the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
2. to consider the annual auditing plan submitted by the external auditor and, where necessary, to discuss the same at the meetings;
3. to review and monitor the external auditor independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
4. to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
5. to develop and implement policy on engaging an external auditor to supply non-audit services;
6. to review the Group's financial and accounting policies and practices and to monitor integrity of the Group's financial statements, annual report and accounts and half-year report and to review significant financial reporting judgments contained in them;
7. to review the Company's financial reporting system and internal control procedures; and
8. to discuss the Company's internal control system with the management to ensure that the management has performed its duty to have an effective internal control system.

According to its terms of reference, the Audit Committee shall meet at least twice a year. During the year ended 31 December 2012, four committee meetings were held. During the year, the Audit Committee reviewed the audited statements for the year ended 31 December 2011 and the unaudited interim financial statements for the six months ended 30 June 2012 with recommendations to the Board for approval, reviewed the internal control system of the Group and discussed with the management and external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The auditors, the Chief Executive Officer and the financial manager of the Company have also answered questions on the financial results. The management of the Company provided breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied. The Audit Committee reviewed the system of internal control and the financial statements for the year ended 31 December 2012 with recommendations to the Board for approval. The Audit Committee also reviewed the independence and remuneration of the external auditors

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established on 8 April 2005. It currently consists of two Independent Non-executive Directors and one Executive Director.

Members of Nomination and Remuneration Committee:
Mr. James Kong Tin Wong *(Chairman)*
Mr. Lu Ming
Mr. Yao Xiaocong

To tie in with the amendments in the Revised Code effective on 1 April 2012, the terms of reference of the Nomination and Remuneration Committee were updated during the year. The Nomination and Remuneration Committee is mainly responsible for analyzing the nomination of, and appraisal standard for, and carry out the appraisal on and make recommendations for, the Directors, supervisors and other senior management officers of the Company; and analyzing, reviewing and making recommendations to the Board on the remuneration and payment of the Directors, supervisors and other senior management of the Company and on the policies and proposals relevant to the remuneration. Its duties including, inter alia, the followings:

Regarding nomination:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive directors with reference to the circumstances as set out in Rule 3.13 to the Listing Rules; and
4. to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive.

Regarding remuneration:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. to review regularly the duties performed by the directors, the supervisors and senior management of the Company and conduct an annual performance appraisal;
3. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management;
4. to make recommendations to the Board on the remuneration of nonexecutive directors;
5. to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
6. to monitor the execution of the remuneration policy of the Company; and to ensure that no director or any of his associates is involved in deciding his own remuneration.

According to its terms of reference, the Nomination and Remuneration Committee shall meet at least once annually. During the year ended 31 December 2012, two committee meeting were held. During the year, the Nomination and Remuneration Committee considered the remuneration policy of executive Directors, assess their performance and discuss and determine the bonus payments to all senior management.

The remuneration of the Directors, supervisors and senior management of the Company is determined with reference to state policies, the Company's profits realized in the corresponding period and individual achievement.

Strategic Development and Risk Control Committee

The Strategic Development and Risk Control Committee was established on 8 April 2005. It currently consists of six Executive Directors and three Independent Non-executive Directors. The Strategic Development and Risk Control Committee met once during the year ended 31 December 2012.

Members of the Strategic Development and Risk Control Committee:
Mr. Liu Liehong *(Chairman)*
Mr. Lu Ming
Mr. Tam Man Chi
Mr. Yang Jun
Mr. Su Duan
Mr. Du Heping
Mr. Yao Xiaocong
Mr. James Kong Tin Wong
Mr. Zeng Zhijie

The Strategic Development and Risk Control Committee is mainly responsible for, inter alia, the followings:

1. to study and make recommendations on the Company's long term development strategies;
2. to study and make recommendations on material investments and financing proposals which are subject to the Board's approval as required under the Articles of Associations;
3. to study and make recommendations on material capital operations, asset operation projects which are subject to the Board's approval as required under the Articles of Associations; and
4. to study and make recommendations on any other material issues concerning the Company's development.

During the year, the Strategic Development and Risk Control Committee reviewed discussed the long term development of the Group, major risks, as well as the measures to minimize the Group's risks.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2012					
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination and Remuneration Committee Meeting**	**Strategic Development and Risk Control Committee**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors						
Mr. Liu Liehong	4/4	–	–	1/1	1/1	2/3
Mr. Lu Ming	4/4	–	2/2	1/1	1/1	3/3
Mr. Tam Man Chi	4/4	–	–	1/1	1/1	2/3
Mr. Yang Jun	4/4	–	–	1/1	1/1	2/3
Mr. Su Duan	4/4	–	–	1/1	1/1	3/3
Mr. Du Heping	4/4	–	–	1/1	1/1	3/3
Independent Non-executive Directors						
Mr. Yao Xiaocong	4/4	4/4	2/2	1/1	1/1	3/3
Mr. James Kong Tin Wong	4/4	4/4	2/2	1/1	1/1	3/3
Mr. Zeng Zhijie	4/4	4/4	–	1/1	1/1	3/3

AUDITORS' REMUNERATION

It is the auditor's responsibility to form an independent opinion, based on their audit, on financial statements. Apart from the provision of audit services, the Company's external auditors also carried out review of the Company's interim results.

For the year ended 31 December 2012, Messrs. SHINEWING (HK) CPA Limited the external international auditors, and Messrs. Shinewing Certified Public Accountants, the external domestic auditors, provided 2011 annual accounting statements audit services and 2012 interim results review services to the Company. Remuneration for the above services is as follows:

	Remuneration *RMB'000*
2011 annual accounting statements audit services in accordance with the accounting principles generally accepted in Hong Kong and the PRC GAAP respectively	3,500
2012 interim results review services	600
Non-audit services	520

The Audit Committee recommended to the Board (which endorsed the view) that, subject to shareholders' approval at the forthcoming annual general meeting, SHINEWING (HK) CPA Limited and Shinewing Certified Public Accountants, be re-appointed as the external international auditors and external domestic auditors of the Company respectively for 2013.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system, which is aimed at providing reasonable assurance for the effectiveness and efficiency of the operations, reliability of financial reports and compliance with applicable laws and regulations, so as to protect shareholders' investment and the Group's assets. The key procedures that the Group has established to provide effective internal controls and checks and balances include the followings:

1. to enhance its risk awareness through education and training;
2. to establish a risk control team to enhance the guidance and leadership on risk control; to carry out checks on points of risk seriously; to further standardize the operation of the enterprise; to plug loopholes in the process of operation and management; and to establish, on a gradual basis, a mechanism to control operation risks with long-term effect;
3. to introduce advanced international management system; and to strengthen the process of supervision and control, for instance, the introduction and implementation of the 6 SIGMA Management Method by Great Wall Kaifa, Kaifa Magnetic and Excelstor Technology, which has effected a substantial savings of costs and an effective supervision and control of the operation process;
4. to strengthen the management of financial funds; to enhance risk resistance and forewarning capability; to procure continuing improvement of financial information quality by subsidiaries; to make serious analysis of the enterprise's risk exposure, so as to bring the forewarning role of financial analysis into full play;
5. to establish an internal audit department to perform independent risk reviews and internal control;
6. to issue self-assessment questionnaires to subsidiaries as a base for assessing internal control environment and risks;
7. to formulate corresponding policies and procedures to safeguard corporate assets, to keep proper accounting records; and to ensure that transactions are conducted within the scope of authority granted by the management; and
8. to put in place arrangements for the internal audit department and external auditors, to conduct internal control tests based on results of risk assessment, and to report the test results to the Board, so as to ensure that the internal control measures function as effectively as planned, and to rectify, as necessary, any weakness in internal control which are identified.

An internal audit department has been established to conduct audits of the Group companies. The internal audit department reports to the Board with its findings and makes recommendations to improve the internal control of the Group. Major functions of the Group's internal audit department include:

1. to review the Group's material internal controls on its business in financial, operational and compliance aspects;
2. to conduct special reviews on and investigations into areas of concern identified by the Group's senior management;
3. to monitor progress of corrective actions recommended by external auditors in their internal control reports.

The Board has entrusted the Audit Committee with the responsibility to oversee the Group's internal control system and reviewing its effectiveness. The Audit Committee will consider the reports and recommendations of the Group's internal audit department regarding the effectiveness of the Company's internal control system when it makes recommendation to the Board for approval on an annual basis.

The Board, through the Audit Committee, had conducted an annual review on the Group's internal control system and considers that it is effective and adequate. The scope of review covers all material aspects of internal control, including finance, operation and compliance control and risk management function.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance department of the Company, is responsible for the preparation of the financial statements of the Group. The Board acknowledges their responsibilities for the preparation of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group has announced its annual and interim results in a timely manner within the time limits laid down in the Listing Rules.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 42 to 43.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and is responsible for advising the Board on governance matters and facilitating communication between Board members, the shareholders and management. The biography of the Company Secretary is set out on page 31 of this annual report. Mr. Siu Yuchun, the then Company Secretary, has confirmed that he has taken no less than 15 hours of relevant professional training from the year under review.

CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's constitutional documents.

Corporate Governance Report

SHAREHOLDER'S RIGHTS

Shareholders' Right to Convene an Extraordinary General Meeting ("EGM") or Class Meeting of the Shareholders ("Class Meeting")

Pursuant to the Article 83 of the Articles of Association of the Company, two or more shareholders holding an aggregate of more than 10 per cent. (inclusive of 10 per cent.) of shares carrying voting rights at general meetings of the Company shall have the right, by one or several written requests in the same format to the Board, to require an EGM or a Class Meeting to be called by the Board for the transaction of any business specified in such requisition.

The written requests shall state the objects of the meeting. Upon receipt of the said written requests, the Board shall convene such EGM or Class Meeting as soon as possible.

If the Board fails to give notice to convene the meeting within 30 days upon the receipt of the said written requests, the shareholders making such requests may convene a meeting within four months upon the receipt of the said requests by the Board. Such meeting shall be convened in the same manner, as nearly as possible, as that in which the meetings are convened by the Board. Any reasonable expenses incurred by the said shareholders by reason of the failure of the Board to duly convene an EGM or Class Meeting shall be borne by the Company.

Shareholders' Right to Propose Resolutions at General Meeting

Pursuant to Article 65 of the Articles of Association of the Company, shareholders holding 5 per cent. (inclusive of 5 per cent.) of the total number of shares carrying voting rights at general meetings of the Company are entitled to propose new resolutions in written form to be moved at an annual general meeting. The Company shall include in the agenda of such meeting any matters which fall within the scope of the general meeting, provided that the proposed resolution shall be delivered to the Company within at least seven days after the notice being given.

Communication with the Board

Shareholders are encouraged to maintain direct communication with the Board. Shareholders who have any questions for the Board may send their enquiries by email, fax or letter to the attention of the Company Secretary at 16th Floor, Great Wall Technology Building, No. 2, Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China. Email address: gwt0074@greatwall.com.cn. Fax no. 86-755-2663 3904.

INVESTOR RELATIONS

The Group is committed to fostering long-term, smooth and positive relationships with shareholders and investors through open and prompt communication. The Group adopts a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting allows the Directors to meet and communicate with shareholders, and the Company also attends various investment reporting meetings to increase the opportunities for enhancing communication and understanding between the Company and the investors. Our corporate website www.greatwalltech.com contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group which enable shareholders and investors to have timely and updated information of the Group.

Supervisory Committee's Report

To all shareholders:

In 2012, pursuant to the Company Law of the PRC and the articles of association of the Company (the "Articles"), in accordance with the principles of honesty and loyalty, all members of the supervisory committee of the Company (the "Committee") faithfully discharged their duties diligently and loyal to their responsibility in safeguarding the integrity of the Company and to optimize the shareholders' interest.

1. The Committee members attended Board meetings in order to exercise effective supervision over whether the management decisions and development plans of the Board of the Company were in full compliance with the relevant laws and regulations and the Articles, as well as being in the interests of its shareholders. During the reporting period, no action breaching state laws or regulations or harming the interests of the Company and its shareholders was found.

2. The Committee exercised supervision over the directors, the president and the senior management of the Company in carrying out their duties. In the opinion of the Committee, the directors, the president and the senior management of the Company have fulfilled their responsibilities to faithfully protect the interests of the Company and its shareholders. No violation of laws, regulation or the Articles by the directors, the president or the senior management of the Company was found.

3. The Committee supervised and inspected the financial operations of the Company. Having reviewed the financial report and the financial statements for the year 2012, the Committee was of the opinion that the Company complied with integrated financial management rules and kept clear accounts. Further, the Company's accounting and financial management was in compliance with relevant regulations. No detrimental transactions, situations harming the interests of the shareholders or cases of asset loss of the Company were found.

4. In 2013, the Committee expects the Company to seize the opportunity for better development trend, to accelerate its internal resource integration, improve organizational structure, enhance management standards, strengthen risk management and internal control, emphasize the safety of capital operation, set up a platform to control information management in order for the Company to achieve considerable improvement in terms of transition and innovation, technology upgrade, business expansion and capital development, which further speed up the Company's business development.

The Committee is confident about the Company's prospects.

The Supervisory Committee
Shenzhen, PRC

28 March 2013

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF GREAT WALL TECHNOLOGY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Great Wall Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 181, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
28 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	**2012** RMB'000	2011 RMB'000
Turnover	7	**95,884,305**	95,024,261
Cost of sales		**(89,529,201)**	(89,824,902)
Gross profit		**6,355,104**	5,199,359
Other income and gains	7	**1,980,664**	462,005
Net realised and unrealised gain on foreign exchange forward contracts		**173,741**	205,937
Gain on disposal of prepaid land lease payments	17	**549**	494,675
Impairment of property, plant and equipment	16	**(130,414)**	(2,341)
Selling and distribution costs		**(3,383,430)**	(2,223,578)
Administrative and other operating expenses		**(2,266,502)**	(2,116,535)
Research and development expenses		**(1,894,346)**	(878,059)
Finance costs	9	**(493,002)**	(155,175)
Share of results of jointly controlled entities	21	**(10,023)**	(5,866)
Share of results of associates	20	**52,859**	16,361
Profit before tax	10	**385,200**	996,783
Income tax expense	13	**(257,947)**	(248,903)
Profit for the year		**127,253**	747,880
(Loss) profit for the year attributable to:			
Owners of the Company		**(163,756)**	156,698
Non-controlling interests		**291,009**	591,182
		127,253	747,880
(Loss) earnings per share			
– Basic and diluted (RMB per share)	15	**(13.67 cents)**	13.08 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Profit for the year	**127,253**	747,880
Other comprehensive (expenses) income for the year		
Available-for-sale investments:		
– Fair value gain (loss) arising during the year	**6,911**	(30,509)
– Reclassification adjustment upon impairment	**–**	3,353
– Reclassification adjustment upon disposal	**886**	–
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	**–**	36,655
Deferred tax on change in fair value of available-for-sale investments	**(1,771)**	3,988
Deferred tax on change in fair value of transferred owner-occupied properties at transfer date	**–**	(5,123)
Actuarial loss on pension obligations	**(1,439)**	–
Share of other comprehensive expenses of associates	**(4,404)**	(13,077)
Share of other comprehensive income (expenses) of jointly controlled entities	**720**	(5,594)
Exchange differences arising on translation	**(103,005)**	(677,122)
Other comprehensive expenses for the year	**(102,102)**	(687,429)
Total comprehensive income for the year	**25,151**	60,451
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(195,248)**	39,226
Non-controlling interests	**220,399**	21,225
	25,151	60,451

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	**6,790,547**	5,912,955
Prepaid land lease payments	17	**666,629**	357,339
Investment properties	18	**1,458,451**	1,477,954
Intangible assets	19	**1,386,605**	349,889
Interests in associates	20	**807,526**	653,161
Interests in jointly controlled entities	21	**11,194**	61,522
Available-for-sale investments	22	**393,587**	263,318
Prepayments, deposits and other receivables	25	**375,120**	133,128
Term deposits	27	**110,000**	113,025
Pledged deposits	27	**10,000**	746,750
Derivative financial instruments	31	**17,845**	–
Deferred tax assets	35	**701,441**	256,734
		12,728,945	10,325,775
Current assets			
Inventories	23	**10,279,397**	7,687,545
Trade and bills receivables	24	**16,560,802**	17,484,408
Prepaid land lease payments	17	**18,792**	10,548
Prepayments, deposits and other receivables	25	**3,932,341**	2,897,849
Financial assets at fair value through profit or loss	26	**26,104**	36,892
Tax recoverable		**112,994**	30,401
Derivative financial instruments	31	**203,727**	233,206
Amounts due from fellow subsidiaries	44	**27,686**	20,797
Amounts due from associates	44	**41,607**	5,700
Term deposits	27	**243,000**	1,695,579
Pledged deposits	27	**3,116,683**	1,524,218
Bank balances and cash	27	**5,386,054**	3,457,887
		39,949,187	35,085,030
Current liabilities			
Trade and bills payables	28	**16,320,590**	14,475,148
Other payables and accruals	29	**8,661,680**	5,550,030
Bank and other loans	30	**6,705,430**	7,902,033
Derivative financial instruments	31	**408,605**	168,103
Tax payable		**305,057**	153,308
Warranties and other provisions	32	**854,713**	480,691
Amounts due to fellow subsidiaries	44	**1,676**	12,778
Amounts due to associates	44	**16,025**	794
Amount due to ultimate holding company	44	**101,622**	–
		33,375,398	28,742,885
Net current assets		**6,573,789**	6,342,145
Total assets less current liabilities		**19,302,734**	16,667,920

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	38	**1,197,742**	1,197,742
Reserves		**3,138,014**	3,373,486
Equity attributable to owners of the Company		**4,335,756**	4,571,228
Non-controlling interests		**11,041,597**	10,850,036
Total equity		**15,377,353**	15,421,264
Non-current liabilities			
Bank and other loans	30	**1,756,709**	492,497
Other payables	29	**1,327,991**	288,134
Pension obligations	33	**108,029**	37,913
Derivative financial instruments	31	**176**	–
Contingent consideration payable and redemption liability	37	**117,502**	–
Deferred tax liabilities	35	**533,594**	390,646
Warranties and other provisions	32	**21,892**	–
Government grants	36	**59,488**	37,466
		3,925,381	1,246,656
		19,302,734	16,667,920

The consolidated financial statements on pages 44 to 181 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (note a)	Translation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(163,756)	(163,756)	291,009	127,253
Other comprehensive income (expense) for the year													
Available-for-sale investments:													
– Fair value gain arising during the year	–	–	–	–	–	2,164	–	–	–	–	2,164	4,747	6,911
– Reclassification adjustment upon disposal	–	–	–	–	–	250	–	–	–	–	250	636	886
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	(568)	–	–	–	–	(568)	(1,203)	(1,771)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(2,218)	–	–	(2,218)	(2,186)	(4,404)
Share of other comprehensive income of jointly controlled entities	–	–	–	–	–	–	–	98	–	–	98	622	720
Actuarial loss on pension obligations	–	–	–	–	–	–	–	–	(196)	–	(196)	(1,243)	(1,439)
Exchange differences arising on translation	–	–	–	–	–	–	–	(31,022)	–	–	(31,022)	(71,983)	(103,005)
Total other comprehensive income (expense)	–	–	–	–	–	1,846	–	(33,142)	(196)	–	(31,492)	(70,610)	(102,102)
Total comprehensive income (expense) for the year	–	–	–	–	–	1,846	–	(33,142)	(196)	(163,756)	(195,248)	220,399	25,151
Dividends paid	–	–	–	–	–	–	–	–	–	(35,932)	(35,932)	–	(35,932)
Dividends attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(367,792)	(367,792)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	111,002	111,002
Recognition of equity-settled share-based payments of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,593	15,593
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	240,002	240,002
Redemption liability	–	–	–	–	–	–	–	–	(4,292)	–	(4,292)	(27,643)	(31,935)
Transfer	–	–	–	–	–	–	10,476	–	–	(10,476)	–	–	–
At 31 December 2012	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,262)	(185,508)	1,469,559	4,335,756	11,041,597	15,377,353

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (note a)	Translation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	1,197,742	997,498	272	(28,155)	127,678	12,757	1,019,655	(149,934)	(181,020)	1,715,170	4,711,663	11,164,962	15,876,625
Profit for the year	–	–	–	–	–	–	–	–	–	156,698	156,698	591,182	747,880
Other comprehensive income (expense) for the year													
Available-for-sale investments:													
– Fair value loss arising during the year	–	–	–	–	–	(10,038)	–	–	–	–	(10,038)	(20,471)	(30,509)
– Reclassification adjustment upon impairment	–	–	–	–	–	451	–	–	–	–	451	2,902	3,353
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	–	–	–	–	12,155	–	–	–	–	–	12,155	24,500	36,655
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	2,020	–	–	–	–	2,020	1,968	3,988
Deferred tax on change in fair value of owner-occupied properties at transfer date	–	–	–	–	(2,874)	–	–	–	–	–	(2,874)	(2,249)	(5,123)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(6,116)	–	–	(6,116)	(6,961)	(13,077)
Share of other comprehensive expenses of jointly controlled entities	–	–	–	–	–	–	–	(752)	–	–	(752)	(4,842)	(5,594)
Exchange differences arising on translation	–	–	–	–	–	–	–	(112,318)	–	–	(112,318)	(564,804)	(677,122)
Total other comprehensive income (expense)	–	–	–	–	9,281	(7,567)	–	(119,186)	–	–	(117,472)	(569,957)	(687,429)
Total comprehensive income (expense) for the year	–	–	–	–	9,281	(7,567)	–	(119,186)	–	156,698	39,226	21,225	60,451
Dividends paid	–	–	–	–	–	–	–	–	–	(179,661)	(179,661)	–	(179,661)
Dividends attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(444,831)	(444,831)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	58,597	58,597
Recognition of equity-settled shared-based payments of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	31,303	31,303
Repurchase of shares of a non-wholly owned subsidiary from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(601)	(601)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	19,381	19,381
Transfer	–	–	–	–	–	–	12,484	–	–	(12,484)	–	–	–
At 31 December 2011	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Notes:

(a) In accordance with the relevant People's Republic of China ("PRC") rules and regulations, entities established in the PRC are required to set aside 10% of their profit after income tax as recorded in the PRC statutory financial statements as statutory reserves, except where the reserve fund balance has reached 50% of the entities' registered capital. The reserve fund can only be used to make good the entities' previous years' losses, to expand the entities' production operations or to increase the capital of the entities.

(b) Other reserve represents (i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received arising from changes in the Group's ownership interests in existing subsidiaries that do not results in the loss of control which are accounted for as equity transactions; (ii) actuarial gain/loss of certain defined benefit plans; and (iii) redemption liability recognised upon acquisition of a subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**385,200**	996,783
Adjustments for:		
Finance costs	**493,002**	155,175
Bank interest income	**(188,713)**	(102,461)
Share of results of associates	**(52,859)**	(16,361)
Share of results of jointly controlled entities	**10,023**	5,866
Gain on deemed acquisition of additional interests of an associate	**(12,395)**	–
Gain on disposal of associates	**–**	(900)
Gain on bargain purchase of subsidiaries	**(161,154)**	(3,993)
Gain on disposal of investment properties	**(28,570)**	–
Fair value gain on investment properties	**(31,347)**	(54,692)
Fair value loss on contingent consideration payable	**11,431**	–
Gain on disposal of prepaid land lease payments	**(549)**	(494,675)
Government grants income	**(262,583)**	(103,756)
Reversal of impairment of trade receivables	**(32,466)**	(10,121)
Reversal of impairment of other receivables	**(14,341)**	(89)
Recovery of bad debts	**–**	(27,426)
Reversal of allowance for inventories	**–**	(147,324)
Loss on disposal of equity investments at fair value through profit or loss ("FVTPL")	**227**	168
Dividend income from available-for-sale investments	**(4,875)**	(2,555)
Loss on disposal of property, plant and equipment	**8,045**	40,094
Loss on disposal of available-for-sale investments	**886**	–
Change in fair value of financial assets at FVTPL	**(2,676)**	8,502
Depreciation of property, plant and equipment	**1,284,191**	1,467,265
Amortisation of prepaid land lease payments	**15,736**	10,158
Amortisation of intangible assets	**371,878**	92,625
Allowance for inventories	**150,676**	32,568
Impairment of trade receivables	**209,997**	139,340
Impairment of other receivables	**960**	541
Impairment of property, plant and equipment	**130,414**	2,341
Impairment of available-for-sale investments	**25,577**	3,353
Net realised and unrealised gain on derivative financial instruments	**(158,718)**	(213,833)
Share options granted to directors and employees of a subsidiary	**15,593**	31,303
Operating cash flows before movements in working capital	**2,162,590**	1,807,896
(Increase) decrease in inventories	**(1,562,283)**	2,339,043
Decrease (increase) in trade and bills receivables	**709,138**	(510,217)
(Increase) decrease in prepayments, deposits and other receivables	**(812,750)**	210,259
Increase (decrease) in trade and bills payables	**1,876,780**	(2,779,566)
Increase (decrease) in other payables and accruals	**2,066,903**	(57,023)
Increase in amounts due from associates	**(35,907)**	(12,433)
Increase in warranty provisions and restructuring and other provisions	**386,898**	5,955
Decrease in pension	**(24,770)**	(737)
Cash generated from operations	**4,766,599**	1,003,177
PRC Enterprise Income Tax ("PRC EIT") and overseas income tax paid	**(458,595)**	(248,033)
Hong Kong Profits Tax paid	**(11,834)**	(21,165)
NET CASH FROM OPERATING ACTIVITIES	**4,296,170**	733,979

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	**2012 RMB'000**	2011 RMB'000
INVESTING ACTIVITIES			
Net cash flow from the acquisitions of subsidiaries	39	**16,048**	(83,380)
Purchases of property, plant and equipment		**(1,596,007)**	(1,850,055)
Purchases of available-for-sale investments		**(157,173)**	(67,383)
Increase in pledged deposits		**(855,826)**	(1,879,990)
Capital injection to associates		**(106,572)**	(271,738)
Additions to prepaid land lease payments		**(329,334)**	(41,655)
Additions to intangible assets		**(59,775)**	(41,004)
Proceeds from disposal of associates		**–**	155,000
Proceeds from disposal of property, plant and equipment		**38,300**	110,506
Proceeds from disposal of investment properties		**94,670**	–
Proceeds from disposal of intangible assets		**358**	–
Interest received		**173,517**	80,224
Dividends received from associates		**17,136**	18,405
Proceeds from disposal of available-for-sale investments		**8,235**	–
Proceeds from disposal of prepaid land lease payments		**410,764**	108,941
Purchases of financial assets at FVTPL		**–**	(29,807)
Decrease (increase) in term deposits with terms over three months		**1,455,604**	(1,248,276)
Proceeds from sales of financial assets at FVTPL		**13,237**	388
Dividends received from available-for-sale investments		**4,875**	2,555
Repayment from fellow subsidiaries		**(6,889)**	132
Payable to Philips for net operating capital contributed		**(1,932,695)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(2,811,527)**	(5,037,137)
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(12,094,339)**	(2,597,287)
Inception of subordinated loans		**1,269,986**	–
Repayment to immediate holding company		**–**	(910)
Dividends paid to non-controlling interests		**(367,792)**	(444,831)
Dividends paid as distribution		**(35,932)**	(179,661)
Interest paid		**(306,540)**	(155,175)
Settlement for derivative financial instruments		**411,030**	157,115
Repurchase of shares of a non-wholly owned subsidiary		**–**	(601)
Repayment to fellow subsidiaries		**(11,102)**	(18,036)
Advance from ultimate holding company		**101,622**	–
New bank and other loans raised		**10,905,538**	6,618,112
Proceeds from factoring of receivables		**–**	2,016,244
Contribution from non-controlling shareholders		**240,002**	19,381
Advance from (repayment to) associates		**15,231**	(558)
Government grants received		**284,605**	107,095
NET CASH FROM FINANCING ACTIVITIES		**412,309**	5,520,888
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,896,952**	1,217,730
CASH AND CASH EQUIVALENTS AT 1 JANUARY, represented by bank balances and cash		**3,457,887**	2,757,805
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**31,215**	(517,648)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**5,386,054**	3,457,887

1. GENERAL

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in the PRC and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company is located at No.2 Keyuan Road, Technology and Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the development, manufacture and sale of TVs and computer and related products including hardware and software products.

In the opinion of the directors, the immediate holding of the Company is China Great Wall Computer Group Company, and the ultimate holding company of the Company is China Electronics Corporation ("CEC") as a result of the restructuring approved by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 18 August 2006. Both of them are state-owned enterprises established in the PRC.

These consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company while the functional currency of a major subsidiary, TPV Technology Limited ("TPV"), is US dollars ("US$").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of the above new and revised to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that all of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is rebutted. The application of the amendments to HKAS 12 have no significant impact on the results and the financial positions of the Group.

During the year, certain investment properties located in the PRC were disposed of to the municipal authority of the PRC. The directors of the Company are of the opinion that the transaction was instructed by the municipal authority, which was an isolated event and did not indicate a change of the Group's objective of holding the investment properties as mentioned above.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. Since the transaction amount is insignificant, no relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied new or revised standards, amendments and interpretations that have been issued but are not yet effective. The following new or revised standards have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 *Presentation of Financial Statements*, HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation.*

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Continued)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's available-for-sale investments and may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the application of the amendments to HKAS 19 may have an impact on the amounts reported in respect of the Groups' defined benefit plans.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities* and *Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented as an intangible asset.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of jointly controlled entities used for equity accounting are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land classified as finance leases held for use in the production or supply of goods or services or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is stated at cost less any recognised impairment loss, and is not amortised.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production, supply of service or administrative purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference at that date between the carrying amount and the fair value of the property is accounted for in assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged. On subsequent disposal of the investment property, the assets revaluation reserve included in equity may be transferred to retained profits. The transfer from assets revaluation reserve to retained profits is not made through profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value mode. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on identifiable assets acquired on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company has no share option scheme but the subsidiary of the Company has issued equity-settled share-based payments to certain employees.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve of the subsidiary.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve of the subsidiary.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve of the subsidiary will be transferred to retained profits.

The share option reserve of the subsidiary of the Company includes as part of non-controlling interests in the consolidated statement of financial position and consolidated statement of changes in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below.)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL represents financial asset held for trading, and is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in administrative expenses in the consolidated income statement. Fair value is determined in the manner described in note 26.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, term deposits, other receivables, amounts due from fellow subsidiaries and associates, pledged deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables and amount due from fellow subsidiaries and associates, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, amount due from fellow subsidiaries and associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables, amount due from fellow subsidiaries and associates are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-in-sales financial asset is considered to be impaired, cumulative gain or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the available-for-sales investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and payments or receipts that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or

- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial asset or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities at FVTPL are measured at fair value, with gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to ultimate holding company, fellow subsidiaries and associates and bank and other loans are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts (Continued)

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying the entity's accounting policies (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions are leased out separately under operating leases, the Group accounts for the portions separately. If the portions were not leased out separately under operating leases separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred tax assets

Deferred tax assets are recognised for certain deductible temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of which are disclosed in note 35.

De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (ii) the extent of reliance of the subsidiary on the financial and operational support from the Group; and (iii) the extent of involvement of directors of the subsidiary nominated by the Group in its operational and financial policy setting and decision making.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment was recognised in the consolidated income statement amounting to approximately RMB130,414,000 (2011: RMB2,341,000) and the carrying amount of property, plant and equipment is approximately RMB6,790,547,000 (2011: RMB5,912,955,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Estimated impairment loss of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. During the year ended 31 December 2012, taking into consideration the bankruptcy of a major customer, impairment loss on trade receivables and other receivables was recognised in the consolidated income statement amounting to approximately RMB209,997,000 and RMB960,000 respectively (2011: impairment loss on trade receivables of RMB139,340,000 and other receivables of RMB541,000) and the carrying amounts of trade and other receivables are approximately RMB16,560,802,000 (net of impairment of RMB356,111,000) and RMB3,779,152,000 (net of impairment of RMB2,117,000) respectively (2011: trade receivables of RMB17,484,408,000 (net of impairment of RMB187,655,000) and other receivables of RMB2,879,306,000 (net of impairment of RMB15,498,000)).

Estimated impairment of interests in associates and jointly controlled entities

The Group regularly reviews investments in associates and jointly controlled entities for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the companies. No impairment loss of associates and jointly controlled entities were recognised for both years and the carrying amount of interests in associates and jointly controlled entities as at 31 December 2012 is RMB807,526,000 (2011: RMB653,161,000) and RMB11,194,000 (2011: RMB61,522,000) respectively.

Estimated allowance for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period and makes allowance for slow moving inventory items amounting to approximately RMB150,676,000 (2011: RMB32,568,000) and the carrying amount of inventories is approximately RMB10,279,397,000 (2011: RMB7,687,545,000). The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of contingent consideration payable and redemption liability

The Group's business acquisition involved post-acquisition performance-based contingent considerations. The Group recognises the fair value of those contingent considerations for acquisition, as of their acquisition date as part of the consideration transferred in exchange for the acquired business.

The valuation of the Group's written redemption liability is also based on the acquired business post-acquisition performance. The Group recognises the written redemption liability at fair value at the date of acquisition.

These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement on time value of money. Contingent considerations payable and redemption liability for written put option over shares in a subsidiary shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

Judgement is applied to determine key assumptions (such as sales growth, gross margins growth and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payables amount. As at 31 December 2012, the aggregate carrying value of the contingent consideration payable and redemption liability is approximately RMB117,502,000.

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provisions for products warranties and restructuring

As explained in note 32, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's past experience of the level of repairs and returns, and restructuring provision was provided in relation to employee severance costs in respect of the restructuring of TV business. As the Group are continually upgrading its product designs and launching new models it is possible that the past experience of the level of repairs and returns is not indicative of future claims that the Group will receive in respect of past sales. Also, the determination of employee severance costs for the restructuring of TV business involves estimation and the outcome may be different with the estimation. Any increase or decrease in the provision would affect profit or loss in future years. The carrying value of the warranty provision and restructuring as at 31 December 2012 is approximately RMB622,243,000 and RMB254,362,000 (2011: RMB480,691,000 and nil) respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Pending litigations

The Group had certain pending litigations as at the end of the reporting period. Significant judgment is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognised. Details are set out in note 45.

Fair value of derivative financial instruments

The fair value of derivative financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for derivative financial assets held by the Group is the current bid price; the appropriate quoted market price for derivative financial liabilities is the current ask price.

The fair value of derivative financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. The carrying amount of the derivative financial assets and derivative financial liabilities are approximately RMB221,572,000 and RMB408,781,000 (2011: RMB233,206,000 and RMB168,103,000) respectively.

Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

Estimated impairment of available-for-sales investments

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale investments is impaired. In the case of equity and debt securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the consolidated income statement. During the year, impairment loss on available-for-sale investments was recognised in the consolidated income statement amounting to approximately RMB25,577,000 (2011: RMB3,353,000) and the carrying amount of the available-for-sale investments is approximately RMB393,587,000 (2011: RMB263,318,000).

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2012 RMB'000	2011 RMB'000
Loans and receivables (including cash and cash equivalents)	**27,368,934**	26,507,450
Available-for-sale investments	**393,587**	263,318
Financial assets at FVTPL	**26,104**	36,892
Derivative financial instruments	**221,572**	233,206
	28,010,197	27,040,866

Financial liabilities

	2012 RMB'000	2011 RMB'000
At amortised cost	**33,611,190**	28,353,208
Derivative financial instruments	**408,781**	168,103
Contingent consideration payable and redemption liability	**117,502**	–
	34,137,473	28,521,311

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's principal financial instruments comprise trade and bills receivables, deposits and other receivables, available-for-sale investments, financial assets at FVTPL, derivative financial instruments, trade and bills payables, other payables and accruals, contingent consideration payable and redemption liability, bank and other loans, term deposits, pledged deposits, bank balances and cash and balances with ultimate holding company, fellow subsidiaries and associates. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables, deposits and other receivables and trade and bills payables, other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The policies on how to mitigate these risks are set out below. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

The Group trades only with recognised and creditworthy third parties and there is no requirement for collateral. The credit risk of the Group's other financial assets, which comprise term and pledged deposits and bank balances and cash, amounts due from fellow subsidiaries and associates, trade and other receivables, arises from default of the counterparty.

At the end of the reporting period, the Group had certain concentrations of credit risk as 11% (2011: 11%) and 31% (2011: 39%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and the contingent liabilities arising from the financial guarantees provided. In addition, the Group reviews the recoverable amount of each individual trade debt and the financial guarantee provided at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, bank and other loans and interest rate swaps. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other loans and interest rate swaps.

Bank and other loans, interest rate swaps and financial guarantee contracts involving fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other loans and interest rate swaps are disclosed in notes 30 and 31 respectively.

As at 31 December 2012, if interest rates on variable-rate bank and other loans had been 10 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been approximately RMB1,003,000 (2011: RMB1,952,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by the Group's subsidiaries in currencies other than their respective functional currency, primarily with respect to Brazilian Real ("BRL") and US$. The Group's exposure to currency risk is attributable to the trade receivables and trade payables, other receivables and payables and bank balances and cash, which are denominated in BRL and US$. The functional currencies of the relevant group entities are RMB and US$. The Group has mitigated the currency exposure against the foreign currencies by using foreign exchange forward contract. Moreover, the directors continuously monitor the related foreign currency exposure and will hedge significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the currencies exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

	Increase (decrease) in US$/BRL/others	Increase (decrease) in profit after tax and equity
	%	RMB'000
2012		
If RMB weakens against USD	**5**	**(110,769)**
If RMB strengthens against USD	**-5**	**110,769**
If RMB weakens against BRL	**5**	**37,762**
If RMB strengthens against BRL	**-5**	**(37,762)**
If RMB weakens against other currencies	**5**	**75,996**
If RMB strengthens against other currencies	**-5**	**(75,996)**
2011		
If RMB weakens against USD	5	(67,187)
If RMB strengthens against USD	–5	67,187
If RMB weakens against BRL	5	53,110
If RMB strengthens against BRL	–5	(53,110)
If RMB weakens against other currencies	5	32,717
If RMB strengthens against other currencies	–5	(32,717)

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

Monetary assets and liabilities in the consolidated statement of financial position contain mainly the following amounts denominated in currencies other than the functional currency of the group entity to which they relate:

	2012	2011
	RMB'000	RMB'000
Monetary assets		
Trade and bills receivables and other receivables		
– In USD	**967,452**	1,170,407
– In BRL	**1,543,939**	1,340,315
– Others	**5,403,551**	1,763,222
	7,914,942	4,273,944
Term deposits, pledged deposits and bank balances and cash		
– In USD	**1,451,467**	1,228,645
– In BRL	**170,073**	57,307
– Others	**2,485,081**	294,301
	4,106,621	1,580,253
Total	**12,021,563**	5,854,197
Monetary liabilities		
Trade and bills payables and other payables		
– In USD	**895,543**	895,320
– In BRL	**707,024**	–
– Others	**4,473,635**	1,066,975
	6,076,202	1,962,295
Bank and other loans		
–In USD	**4,477,224**	3,271,821
–Others	**1,388,435**	129,584
	5,865,659	3,401,405
Total	**11,941,861**	5,363,700

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

Moreover, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflow on those derivatives that require gross settlement. When amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of these derivatives.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Less than 1 year and on demand RMB'000	Between 1 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2012				
Non-derivative financial liabilities				
Bank and other loans	6,712,568	1,843,660	8,556,228	8,462,139
Trade and bills payables	16,320,590	–	16,320,590	16,320,590
Other payables and accruals	7,381,147	1,602,852	8,983,999	8,709,138
Amounts due to fellow subsidiaries	1,676	–	1,676	1,676
Amounts due to associates	16,025		16,025	16,025
Amount due to ultimate holding company	101,622	–	101,622	101,622
	30,533,628	3,446,512	33,980,140	33,611,190
Financial guarantee contracts	59,459	–	59,459	–
Contingent consideration payable and redemption liability	–	359,100	359,100	117,502
	30,593,087	3,805,612	34,398,699	33,728,692
Derivative – net settlement				
Derivative – financial instruments	408,605	176	408,781	408,781
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	12,235,005	–	12,235,005	12,235,005
– outflow	13,937,076	–	13,937,076	13,937,076

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Less than 1 year and on demand RMB'000	Between 1 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2011				
Non-derivative financial liabilities				
Bank and other loans	8,226,016	512,689	8,738,705	8,394,530
Trade and bills payables	14,475,148	–	14,475,148	14,475,148
Other payables and accruals	5,181,824	334,778	5,516,602	5,469,958
Amounts due to fellow subsidiaries	12,778	–	12,778	12,778
Amounts due to associates	794	–	794	794
	27,896,560	847,467	28,744,027	28,353,208
Financial guarantee contracts	161,862	–	161,862	–
	28,058,422	847,467	28,905,889	28,353,208
Derivative – net settlement				
Derivative – financial instruments	168,103	–	168,103	168,103
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	23,325,299	–	23,325,299	23,325,299
– outflow	19,156,088	–	19,156,088	19,156,088

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments and financial assets at FVTPL at the end of the reporting period. The Group's listed investments are valued at quoted market prices at the end of the reporting period.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For the purpose of analysing the equity price risk, the management used the sensitivity rate of 10% (2011: 10%) as a result of the less volatile financial market.

If the prices of the respective equity instruments had been 10% (2011: 10%) higher/lower, with all other variables held constant and based on their carrying amounts at the end of the reporting period, the equity and profit after tax as at 31 December 2012 increase/decrease by approximately RMB3,062,000 (2011: RMB2,793,000) and RMB1,958,000 (2011: RMB2,804,000), respectively as a result of the changes in fair value of available-for-sale investments and financial assets at FVTPL.

c. Fair value estimation

The directors of the Company consider the fair values of trade and bills receivables; deposits and other receivables; amounts due from (to) ultimate holding company, fellow subsidiaries and associates; term and pledged deposits; bank balances and cash; trade and bills payables; other payables and accruals reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

The carrying amount of non-current prepayments and other receivables, and other payables recorded at amortised cost in the consolidated financial statements approximate their fair value as the impact of discounting is not significant.

The carrying amounts of current bank and other loans recorded at amortised cost in the consolidated financial statements approximate their fair values because of the loan rate currently available for loans with similar terms and maturities.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss given the default.

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using quoted forward exchange market rates at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

	2012			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale investments				
– Listed equity securities	**41,355**	–	–	**41,355**
– Unlisted equity securities	–	–	**2,828**	**2,828**
– Listed debt securities	**19,450**	–	–	**19,450**
Financial assets at FVTPL	**26,104**	–	–	**26,104**
Derivative financial instruments	–	**221,572**	–	**221,572**
	86,909	**221,572**	**2,828**	**311,309**
Liabilities				
Derivative financial instruments	–	**408,781**	–	**408,781**
Contingent consideration payable and redemption liability	–	–	**117,502**	**117,502**
	–	**408,781**	**117,502**	**526,283**

	2011			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale investments				
– Listed equity securities	36,745	–	–	36,745
– Unlisted equity securities	–	–	2,728	2,728
– Listed debt securities	25,298	–	–	25,298
Financial assets at FVTPL	36,892	–	–	36,892
Derivative financial instruments	–	233,206	–	233,206
	98,935	233,206	2,728	334,869
Liabilities				
Derivative financial instruments	–	168,103	–	168,103

There were no transfers between Level 1 and 2 in the current year.

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

The reconciliation of level 3 fair value measurements of financial assets is as follows:

	Redemption liability RMB'000	**Contingent consideration RMB'000**	**Available-for-sale investments RMB'000**
At 1 January 2012	**–**	**–**	**2,728**
Addition through business combination	**(31,935)**	**(74,351)**	**–**
Total gain or loss	**–**	**(11,431)**	**–**
Exchange realignment	**–**	**215**	**100**
At 31 December 2012	**(31,935)**	**(85,567)**	**2,828**

	Redemption liability RMB'000	Contingent consideration RMB'000	Available-for-sale investments RMB'000
At 1 January 2011	–	–	6,073
Addition through business combination	–	–	26
Total gain or loss	–	–	(3,353)
Exchange realignment	–	–	(18)
At 31 December 2011	–	–	2,728

For the year ended 31 December 2011, included in profit or loss is an impairment loss of RMB3,353,000 (2012: nil) related to available-for-sale investments measured at Level 3 held at the end of the reporting period.

6. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2012 and 2011.

7. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns, trade discounts and sales tax; the values of services rendered; and gross rental income received from investment properties during the year.

An analysis of turnover, other income and gains is as follows:

	2012	2011
	RMB'000	RMB'000
Turnover		
Sale of goods	**95,673,875**	94,814,287
Rendering of services	**73,068**	88,736
Gross rental income (note a)	**137,362**	121,238
	95,884,305	95,024,261
Other income		
Bank interest income	**188,713**	102,461
Dividend income from unlisted available-for-sale investments	**4,875**	2,555
Government grants (note b)	**262,583**	103,756
Sale of scrap materials	**47,903**	46,850
Brand promotion fee income (note 44(a))	**863,025**	–
Compensation for product launch delay (note 44(a))	**255,258**	–
Reversal of impairment of trade receivables	**32,466**	10,121
Reversal of impairment of other receivables	**14,341**	89
Reversal of provisions for products warranties	**8,275**	2,004
Recovery of bad debts	**–**	27,426
Others	**51,044**	31,580
	1,728,483	326,842

7. TURNOVER, OTHER INCOME AND GAINS (Continued)

	2012 RMB'000	2011 RMB'000
Gains		
Foreign exchange differences, net	–	67,682
Fair value gain on investment properties	**31,347**	54,692
Change in fair value of financial assets at FVTPL	**2,676**	–
Gain from bargain purchase of subsidiaries	**161,154**	3,993
Gain on deemed acquisition of additional interests of an associate	**12,395**	–
Gain on disposal of associates	–	900
Net realised and unrealised gain on cross currency swaps	**16,039**	6,137
Net realised and unrealised gain on interest rate swaps	–	1,759
Gain on disposal of investment properties	**28,570**	–
	252,181	135,163
	1,980,664	462,005

Notes:

(a)

	2012 RMB'000	2011 RMB'000
Gross rental income	**137,362**	121,238
Less: direct expenses (included in cost of sales)	**(79,181)**	(71,264)
Net rental income	**58,181**	49,974

(b) Included in the amount of government grants recognised during the year ended 31 December 2012 of approximately RMB247,678,000 (2011: RMB78,831,000) were received in respect of certain research projects of the Group and fulfilled the relevant granting criteria which immediately recognised as other income for the year and of approximately RMB14,905,000 (2011: RMB24,925,000) were government grants recognised as deferred income utilised during the year (note 36).

8. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, being the executive directors of the Company, for making strategic decisions and assessing the performance of each business segment. The segments are managed separately as each business segment offers products and services which vary in terms of materials used, design and technology and services which require different production/service information to formulate different strategies.

During the year, one more operating segment, T.P. Vision Holding B.V. ("TP Vision") – TV business, was identified, as a result of the acquisition of 70% equity interest of TP Vision on 1 April 2012 (note 39). Given that the newly acquired business is an individual operating segment that is separately reviewed by the chief operating decision maker from the Group's original TV business, therefore TP Vision – TV business is considered as a separate reportable segment. The segment information for the year ended 31 December 2011 has been reclassified to align with the presentation of the latest segment information disclosure. The Group is organised in the following basis:

(a) the TV segment produces televisions;

(b) TP Vision - TV business produces televisions under the brand "Philips";

(c) the monitor segment produces monitors;

(d) the electronic parts and components segment produces magnetic heads, switch power supplies, hard disk drives and disk substrates mainly for use in personal computers ("PC");

(e) the computer segment produces PCs, printers, network electric meters, servers and PC peripheral products;

(f) the property investment segment invests in prime office space for its rental income potential; and

(g) the "others" segment comprises, principally, the sales of chassis, spare parts, complete knock down/semi knock down products, the software and system integration and other related businesses.

8. SEGMENT INFORMATION (Continued)

The accounting policies of the reporting segment are identical to the Group's accounting policies as described in note 3. Segment results represent the profit (loss) attributable to each segment without allocation of central administration costs, acquisition-related costs, director's emoluments, bank interest income, finance costs, share of results of associates and jointly controlled entities, gain (loss) on disposal of financial assets at FVTPL/available-for-sale investments, change in fair value of financial assets at FVTPL, net realised and unrealised gain on foreign exchange forward contracts, cross currency swaps and interest rate swaps, gain on deemed acquisition of additional interests of an associate, impairment of available-for-sale investments, gain on disposal of prepaid land lease payment, dividend income, government grants received and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

(a) all assets are allocated to reportable segments other than interests in associates and jointly controlled entities, available-for-sale investments, term deposits, pledged deposit, financial assets at FVTPL, derivative financial instruments, amount due from associates and fellow subsidiaries, bank balances and cash, tax recoverable, deferred tax assets and certain other receivables which were managed in a centralised manner.

(b) all liabilities are allocated to reportable segments other than bank and other loans, derivative financial instruments, amount due to associates and fellow subsidiaries, deferred tax liabilities, tax payable, government grants and certain other payables which were managed in a centralised manner.

Inter-segment sales are charged at prevailing market rates.

8. SEGMENT INFORMATION (Continued)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the two years ended 31 December 2012 and 2011.

	TV RMB'000	TP Vision – TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Consolidated RMB'000
Year ended 31 December 2012								
Segment revenue								
Sales to external customers	14,360,198	17,149,314	36,458,670	16,561,380	3,326,360	137,362	7,891,021	95,884,305
Intersegment sales	7,697,343	–	44,405	–	–	27,731	30,132	7,799,611
	22,057,541	17,149,314	36,503,075	16,561,380	3,326,360	165,093	7,921,153	103,683,916
Elimination								(7,799,611)
Consolidated revenue								95,884,305
Segment results before increase in fair value of investment properties	70,733	237,749	54,000	13,023	25,506	30,671	60,270	491,952
Increase in fair value of investment properties	–	–	–	–	–	31,347	–	31,347
Segment results after increase in fair value of investment properties	70,733	237,749	54,000	13,023	25,506	62,018	60,270	523,299
Unallocated gains								487,383
Net realised and unrealised gain on foreign exchange forward contacts								173,741
Corporate and other unallocated expenses								(349,057)
Finance costs								(493,002)
Share of results of associates and jointly controlled entities								42,836
Profit before tax								385,200
At 31 December 2012								
Assets and liabilities								
Segment assets	11,628,885	4,354,536	16,284,274	3,031,253	1,819,841	1,458,451	2,071,259	40,648,499
Corporate and other unallocated assets								12,029,633
Total assets								52,678,132
Segment liabilities	6,418,873	6,319,574	10,524,821	1,120,120	1,243,175	–	1,763,182	27,389,745
Corporate and other unallocated liabilities								9,911,034
Total liabilities								37,300,779

8. SEGMENT INFORMATION (Continued)

	TV RMB'000	TP Vision – TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Consolidated RMB'000
Year ended 31 December 2011 (restated)								
Segment revenue								
Sales to external customers	24,059,085	–	40,511,153	19,293,055	3,037,247	121,238	8,002,483	95,024,261
Intersegment sales	–	–	–	–	–	29,720	–	29,720
	24,059,085	–	40,511,153	19,293,055	3,037,247	150,958	8,002,483	95,053,981
Elimination								(29,720)
Consolidated revenue								95,024,261
Segment results before increase in fair value of investment properties	(469,701)	–	854,536	148,571	(27,797)	49,974	(2,727)	552,856
Increase in fair value of investment properties	–	–	–	–	–	54,692	–	54,692
Segment results after increase in fair value of investment properties	(469,701)	–	854,536	148,571	(27,797)	104,666	(2,727)	607,548
Unallocated gains								217,568
Net realised and unrealised gain on foreign exchange forward contacts								205,937
Gain on disposal of prepaid land lease payments								494,675
Corporate and other unallocated expenses								(384,265)
Finance costs								(155,175)
Share of results of associates and jointly controlled entities								10,495
Profit before tax								996,783
At 31 December 2011								
Assets and liabilities								
Segment assets	11,468,930	–	15,998,104	3,186,129	1,670,407	1,477,954	1,975,433	35,776,957
Corporate and other unallocated assets								9,633,848
Total assets								45,410,805
Segment liabilities	6,298,953	–	10,477,507	996,366	1,282,144	–	1,770,484	20,825,454
Corporate and other unallocated liabilities								9,164,087
Total liabilities								29,989,541

8. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 December 2012	TV RMB'000	TP Vision-TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation and amortisation	471,090	414,981	277,635	374,726	91,623	–	41,750	–	1,671,805
Additions to non-current assets (note)	919,740	119,641	438,105	249,864	195,860	–	64,759	–	1,987,969
Addition to non-current assets through acquisition of subsidiaries (note)	144,302	2,067,584	–	–	–	–	–	–	2,211,886
Impairment losses and allowance recognised	49,520	16,341	65,648	325,813	21,102	–	13,623	–	492,047
Impairment losses and allowance reversed	–	–	–	(46,632)	(73)	–	–	(102)	(46,807)
Provision for product warranties and restructuring	501,941	401,552	133,851	–	41,890	–	78,080	–	1,157,314
Reversal of provision for product warranties	–	–	–	(3,806)	–	–	(4,469)	–	(8,275)
(Gain) loss on disposal of property, plant and equipment	1,167	933	311	(80)	5,513	–	201	–	8,045
Gain on disposal of investment properties	–	–	–	–	–	(28,570)	–	–	(28,570)
Gain from bargain purchase of subsidiaries	(5,256)	(155,898)	–	–	–	–	–	–	(161,154)
Fair value loss on contingent consideration payable	–	11,431	–	–	–	–	–	–	11,431
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:									
Bank interest income	(12,563)	(10,050)	(3,350)	(154,159)	(6,638)	–	(1,953)	–	(188,713)
Finance cost	176,146	140,917	49,003	71,422	43,930	–	11,584	–	493,002
Income tax expense	23,628	80,769	70,885	51,752	9,531	7,837	13,545	–	257,947
Impairment of available-for-sale investments	–	–	–	25,577	–	–	–	–	25,577
Change in fair value of financial assets at FVTPL	–	–	–	–	–	–	–	(2,676)	(2,676)
Gain on disposal of prepaid land lease payments	–	–	(549)	–	–	–	–	–	(549)
Gain on deemed acquisition of additional interests of an associate	–	–	–	–	–	–	–	(12,395)	(12,395)
Loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	886	886
Share of results of jointly controlled entities and associates	–	–	–	–	–	–	–	(42,836)	(42,836)
Net realised and unrealised forward foreign contract, cross currency swaps and interest rate swaps	–	–	–	–	–	–	–	(158,718)	(158,718)

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended 31 December 2011	TV RMB'000	TP vision-TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation and amortisation	408,969	–	258,489	642,993	126,547	–	133,050	–	1,570,048
Additions to non-current assets (note)	803,957	–	344,443	499,528	241,735	–	43,051	–	1,932,714
Addition to non-current assets through acquisition of subsidiaries (note)	253,239	–	–	94,700	–	–	–	–	347,939
Impairment losses and allowance recognised	43,807	–	72,534	43,314	8	–	15,127	–	174,790
Impairment losses and allowance reversed	(49,327)	–	(80,571)	(8,539)	(2,680)	–	(16,417)	–	(157,534)
Recovery of bad debts	–	–	–	(27,426)	–	–	–	–	(27,426)
Provision for product warranties	201,311	–	328,827	4,974	6,232	–	67,000	–	608,344
Reversal of provision for product warranties	–	–	–	(2,004)	–	–	–	–	(2,004)
(Gain) loss on disposal of property, plant and equipment	22,274	–	36,383	(28,452)	2,476	–	7,413	–	40,094
Gain from bargain purchase of subsidiaries	(3,993)	–	–	–	–	–	–	–	(3,993)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:									
Bank interest income	(15,089)	–	(11,054)	(70,502)	(4,335)	–	(1,481)	–	(102,461)
Gain on disposal of associates	–	–	–	–	–	–	–	(900)	(900)
Finance cost	42,832	–	31,379	50,307	26,453	–	4,204	–	155,175
Income tax expense	62,680	–	102,382	51,969	11,011	–	20,861	–	248,903
Impairment of available-for-sale investments	1,645	–	1,708	–	–	–	–	–	3,353
Change in fair of financial assets at FVTPL	–	–	–	–	–	–	–	8,502	8,502
Gain on disposal of prepaid land lease payments	–	–	–	(494,675)	–	–	–	–	(494,675)
Share of results of jointly controlled entities and associates	–	–	–	–	–	–	–	(10,495)	(10,495)
Net realised and unrealised forward foreign contract, cross currency swaps and interest rate swaps	–	–	–	–	–	–	–	(213,883)	(213,833)

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Geographical information

The Group's manufacturing and sales operations and property investments are mainly located in the PRC, Europe, Asia Pacific and America.

The following table provides an analysis of the Group's revenue from external customers presented based on the location of operations, irrespective of the origin of the goods or services:

	Turnover by geographical market	
	2012	2011
	RMB'000	RMB'000
The PRC (including Hong Kong)	**24,961,280**	26,424,768
Europe	**28,056,211**	18,845,953
Asia Pacific (excluding the PRC)	**9,856,601**	13,354,086
North America	**12,826,987**	16,341,765
Others	**20,183,226**	20,057,689
	95,884,305	95,024,261

Information about the Group's non-current assets is presented based on the geographical location of the assets. At the end of the reporting period, the total amount of approximately RMB5,370,927,000 (2011: RMB4,898,556,000) of non-current assets other than available-for-sale investments, prepayment, deposits and other receivables, term deposits, pledged deposits, derivative financial instruments and deferred income tax assets were located in the PRC, and the total amount of approximately RMB5,767,870,000 (2011: RMB3,914,264,000) of these non-current assets were located in other countries.

Information about major customers

The Group has not identified any customer which individually represented over 10% of the Group's total external sales for both years.

9. FINANCE COSTS

	2012	2011
	RMB'000	RMB'000
Interest on bank and other loans, wholly repayable within five years	**256,725**	155,175
Interest on subordinated loans, wholly repayable within five years	**49,815**	–
Unwinding of interests on license fee payable	**189,315**	–
Total borrowing costs	**495,855**	155,175
Less: amounts capitalised	**(2,853)**	–
	493,002	155,175

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging (crediting):

	2012 RMB'000	2011 RMB'000
Staff costs, including directors' emoluments (note 11):		
Wages and salaries	**4,185,076**	3,005,636
Share option granted to directors and employees of a subsidiary	**15,593**	31,303
Contributions to defined benefit plan	**9,153**	4,083
Contributions to retirement benefits schemes	**302,378**	318,513
	4,512,200	3,359,535
Cost of inventories sold	**89,391,435**	89,641,870
Cost of services provided	**58,585**	111,768
Depreciation of property, plant and equipment	**1,284,191**	1,467,265
Amortisation of prepaid land lease payments (included in administrative and other operating expenses)	**15,736**	10,158
Amortisation of intangible assets (note 19(ii))	**371,878**	92,625
Acquisition related cost (note 39)	**27,887**	3,357
Auditors' remuneration	**29,562**	26,040
Minimum lease payment under operating leases of land, buildings and machinery	**264,810**	150,804
Impairment of trade and bills receivables (included in administrative and other operating expenses)	**209,997**	139,340
Impairment of other receivables (included in administrative and other operating expenses)	**960**	541
Impairment of available-for-sale investments	**25,577**	3,353
Allowance for inventories (included in cost of sales)	**150,676**	32,568
Additional provision for product warranties and restructuring	**1,157,314**	608,344
Loss on disposal of property, plant and equipment	**8,045**	40,094
Loss on disposal of equity investments at FVTPL	**227**	168
Loss on disposal of available-for-sale investments	**886**	–
Change in fair value of financial assets at FVTPL	**(2,676)**	8,502
Net realised and unrealised loss on interest rate swaps	**31,062**	(1,759)
Fair value loss on contingent consideration payable (included in administrative and other operating expenses)	**11,431**	–
Foreign exchange difference, net	**116,714**	(67,682)
Reversal of allowance for inventories (included in cost of sales)	**–**	(147,324)

11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

Details of emoluments of directors, chief executives and supervisors for the year are analysed as follows:

For the year ended 31 December 2012	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Liu Liehong (Note (a))	–	–	–	–	–
Mr. Lu Ming (Note (a))	100	–	–	–	100
Mr. Tam Man Chi	100	3,158	2,910	199	6,367
Mr. Yang Jun (Note (a))	–	–	–	–	–
Mr. Su Duan (Note (a))	–	–	–	–	–
Mr. Du Heping (Note (b))	–	300	481	57	838
	200	3,458	3,391	256	7,305
Independent non-executive directors					
Mr. Yao Xiaocong	100	–	–	–	100
Mr. James Kong Tin Wong	100	–	–	–	100
Mr. Zeng Zhijie	100	–	–	–	100
	300	–	–	–	300
Supervisors					
Ms. Kong Xueping	–	–	–	–	–
Ms. Song Jianhua	–	–	–	–	–
Ms. Lang Jia	–	–	–	–	–
	–	–	–	–	–
Total	500	3,458	3,391	256	7,605

Note:

(a) The directors' emoluments were borne by CEC, the ultimate holding company of the Company, for the year ended 31 December 2012. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to CEC.

(b) Mr. Du Heping is also the chief executive of the Company for the year and his emoluments disclosed above include those for services rendered by him as the chief executive.

11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS (Continued)

Details of emoluments of directors, chief executives and supervisors for the year are analysed as follows (Continued):

For the year ended 31 December 2011	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Liu Liehong (Note (a))	–	–	–	–	–
Mr. Lu Ming (Note (a))	100	–	–	–	100
Mr. Tam Man Chi	100	5,111	2,899	289	8,399
Mr. Yang Jun (Note (a))	–	–	–	–	–
Mr. Su Duan (Note (a))	–	–	–	–	–
Mr. Du Heping (Note (b))	–	300	644	57	1,001
	200	5,411	3,543	346	9,500
Independent non-executive directors					
Mr. Chen Zhiya (resigned on 16 June 2011)	–	–	–	–	–
Mr. Yao Xiaocong	100	–	–	–	100
Mr. James Kong Tin Wong	100	–	–	–	100
Mr. Zeng Zhijie (appointed on 16 June 2011)	58	–	–	–	58
	258	–	–	–	258
Supervisors					
Ms. Kong Xueping	–	–	–	–	–
Ms. Song Jianhua	–	–	–	–	–
Ms. Lang Jia	–	–	–	–	–
	–	–	–	–	–
Total	458	5,411	3,543	346	9,758

Note:

(a) The directors' emoluments were borne by CEC, the ultimate holding company of the Company, for the year ended 31 December 2011. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to CEC.

(b) Mr. Du Heping is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS (Continued)

One executive director of the Company is entitled to bonus payments which are determined as percentage of the profit after tax of certain subsidiaries of the Group.

There was no arrangement under which a director, the chief executive or supervisor waived or agreed to waive any emoluments during the two years ended 31 December 2012 and 2011.

During the two years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the directors, the chief executive and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. The remuneration of directors and chief executive is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2012 included one (2011: one) director details of whose emoluments are set out in note 11 above. Details of the remuneration of the remaining four (2011: four) non-directors, highest paid employees for the year are as follows:

	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**21,258**	23,963

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
HK$5,500,001 to HK$6,000,000 (2012: equivalent to RMB4,476,286 to RMB4,883,220; 2011: equivalent to RMB4,559,336 to RMB4,973,820)	**3**	2
HK$8,000,001 to HK$8,500,000 (2012: equivalent to RMB6,510,961 to RMB6,917,895; 2011: equivalent to RMB6,631,761 to RMB7,046,245)	**1**	1
HK$9,000,001 to HK$9,500,000 (2012: equivalent to RMB7,324,831 to RMB7,731,765; 2011: equivalent to RMB7,460,731 to RMB7,875,215)	**–**	1
	4	4

13. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax		
Hong Kong	**20,131**	11,480
PRC EIT and overseas income tax		
– Current year	**513,872**	287,443
– Under provision in prior years	**5,582**	408
	519,454	287,851
Deferred tax		
– Current year (note 35)	**(279,775)**	(58,347)
– Attributable to a change in tax rate (note 35)	**(1,863)**	7,919
	(281,638)	(50,428)
Total tax charge for the year	**257,947**	248,903

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

(b) PRC EIT

The subsidiaries established in the PRC are subject to the PRC EIT at rate of 25%. Certain of the subsidiaries of the Group are approved to be high technology enterprises and income tax is calculated at a rate of 22% of the estimated assessable profit for the year. In accordance with the relevant income tax regulations of the PRC, certain subsidiaries are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation after offsetting prior year tax losses, followed by a 50% reduction in the PRC EIT for the next three years.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on PRC EIT (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the PRC EIT rate of the Group's subsidiaries in the PRC, except for those subsidiaries approved to be high technology enterprise, was increased from 15% to 25% progressively from 1 January 2008 onwards (2008:18%, 2009:20%, 2010:22%, 2011:24%, 2012:25%). The relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% for the two years ended 31 December 2012 and 2011.

13. INCOME TAX EXPENSE (Continued)

(c) Overseas income tax

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The charge for the year can be reconciled to the profit before tax per the consolidated income statement, based on the income tax rate of most of the Group's profit under assessments as follows:

	2012	2011
	RMB'000	RMB'000
Profit before tax	**385,200**	996,783
Tax at the applicable tax rate at 25% (2011: 24%)	**96,300**	239,228
Under provision in prior years	**5,582**	408
Effect of different tax rate of subsidiaries' operations in other jurisdictions and tax on concessionary rate	**3,969**	(84,524)
Effect on opening deferred tax of increase in tax rates	**1,863**	(7,919)
Tax effect of share of results of associates and jointly controlled entities	**(10,889)**	(2,519)
Tax effect of income not taxable for tax purpose	**(450,127)**	(178,247)
Tax effect of expenses not deductible for tax purpose	**383,705**	153,057
Withholding tax on undistributable profits	**12,594**	13,924
Utilisation of tax losses previously not recognised	**(14,749)**	(12,572)
Tax effect of tax losses and deductible temporary differences not recognised	**229,699**	128,067
Tax charge for the year	**257,947**	248,903

Details of deferred tax are set out in note 35.

14. DIVIDENDS

	2012	2011
	RMB'000	RMB'000
Final dividend of nil (2011: RMB 3 cents)	**–**	35,932

Neither dividend was proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period. The final dividend for the year ended 31 December 2011 was approved and paid in 2012.

15. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of approximately RMB163,756,000 (2011: profit for the year attributable to owner of the Company of approximately RMB156,698,000) and on the weighted average number of approximately 1,197,742,000 (2011: 1,197,742,000) ordinary shares in issue during the year.

Diluted (loss) earnings per shares was the same as the basic (loss) earnings per share because there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2012 and 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong	**Leasehold land and buildings**	**Plant, machinery and equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2011	121,149	3,049,386	4,945,826	57,751	522,567	8,696,679
Additions	659	17,425	1,161,536	10,426	660,009	1,850,055
Acquisition of subsidiaries	–	10,147	21,506	531	2,017	34,201
Disposals	–	(43,125)	(958,996)	(8,270)	(2,048)	(1,012,439)
Transfer	–	461,557	189,665	–	(651,222)	–
Transfer to investment properties (note 18)	(2,978)	(71,060)	–	–	–	(74,038)
Transfer from investment properties (note 18)	–	7,900	–	–	–	7,900
Exchange realignment	(9,068)	(92,483)	(168,915)	(1,555)	(23,304)	(295,325)
At 31 December 2011 and 1 January 2012	109,762	3,339,747	5,190,622	58,883	508,019	9,207,033
Additions	–	4,495	961,213	975	632,177	1,598,860
Acquisition of subsidiaries	–	265,879	493,579	642	103,270	863,370
Disposals	–	–	(122,826)	(387)	–	(123,213)
Transfer	–	–	577,231	–	(577,231)	–
Transfer to investment properties (note 18)	–	(33,698)	–	–	–	(33,698)
Transfer to prepaid land lease payments	–	–	–	–	(10,194)	(10,194)
Transfer from investment properties (note 18)	–	6,242	–	–	–	6,242
Exchange realignment	(8,049)	(47,834)	(96,007)	(1,178)	(5,008)	(158,076)
At 31 December 2012	**101,713**	**3,534,831**	**7,003,812**	**58,935**	**651,033**	**11,350,324**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land outside Hong Kong RMB'000	Leasehold land and buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	–	456,508	2,351,811	29,415	–	2,837,734
Impairment	–	–	2,341	–	–	2,341
Depreciation provided during the year	–	192,111	1,263,027	12,127	–	1,467,265
Transfer to investment properties (note 18)	–	(14,393)	–	–	–	(14,393)
Eliminated on disposals	–	(30,327)	(824,453)	(7,059)	–	(861,839)
Exchange realignment	–	(17,942)	(117,956)	(1,132)	–	(137,030)
At 31 December 2011 and 1 January 2012	–	585,957	2,674,770	33,351	–	3,294,078
Impairment	–	10,659	108,143	–	11,612	130,414
Depreciation provided during the year	–	150,391	1,121,743	12,057	–	1,284,191
Transfer to investment properties (note 18)	–	(11,618)	–	–	–	(11,618)
Eliminated on disposals	–	–	(76,512)	(356)	–	(76,868)
Exchange realignment	–	(11,760)	(47,997)	(663)	–	(60,420)
At 31 December 2012	**–**	**723,629**	**3,780,147**	**44,389**	**11,612**	**4,559,777**
NET BOOK VALUE						
At 31 December 2012	**101,713**	**2,811,202**	**3,223,665**	**14,546**	**639,421**	**6,790,547**
At 31 December 2011	109,762	2,753,790	2,515,852	25,532	508,019	5,912,955

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated at the following rates per annum on a straight-line basis:

Freehold land	Nil
Leasehold land and buildings	Over the terms of the respective leases
Plant, machinery and equipment	9% -50%
Motor vehicles	12.86% – 33.33%

All leasehold land and buildings are under medium-term and long-term lease.

During the year ended 31 December 2012, the directors of the Company conducted a review of the Group's assets related to electronic parts and components segment and determined that a number of those assets were impaired, due to continuous decrease in demand. Accordingly, impairment loss of approximately RMB130,414,000 (2011: RMB2,341,000) has been recognised in respect of plant, machinery and equipment, certain construction in progress and leasehold land and buildings. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 10% (2011: 9%) in relation to the assets.

At the end of the reporting period, certain of the Group's leasehold land and buildings with carrying value of approximately RMB104,877,000 (2011: RMB124,593,000) were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 30.

17. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purposes as:

	2012	2011
	RMB'000	RMB'000
Current asset	**18,792**	10,548
Non-current asset	**666,629**	357,339
	685,421	367,887

17. PREPAID LAND LEASE PAYMENTS (Continued)

The Group's prepaid land lease payments comprise:

	2012 RMB'000	2011 RMB'000
Outside Hong Kong:		
Long lease	**13,712**	13,975
Medium-term lease	**671,709**	353,912
	685,421	367,887

During the year ended 31 December 2012, a piece of land of approximately RMB329,334,000 located in the PRC (2011: RMB41,655,000) was acquired and a piece of land with carrying value of approximately RMB2,156,000 was disposed of at a consideration of approximately RMB2,705,000 and resulted in a gain on disposal of approximately of RMB549,000 being recognised in profit or loss.

During the year ended 31 December 2011, a piece of land with carrying value of approximately RMB22,325,000 was disposed of to 蘇州市土地儲備中心 at a consideration of approximately RMB517,000,000 and resulted in a gain on disposal of approximately RMB494,675,000 being recognised in profit or loss. As at December 2011, consideration receivable of approximately RMB408,059,000 was included in other receivables under current assets and was fully settled during the year ended 31 December 2012.

18. INVESTMENT PROPERTIES

	2012 RMB'000	2011 RMB'000
At fair value		
Balance at beginning of year	**1,477,954**	1,295,585
Acquisition of subsidiaries (note 39)	**–**	49,877
Disposal	**(66,100)**	–
Transfer from property, plant and equipment (note 16)	**22,080**	59,645
Transfer to property, plant and equipment (note 16)	**(6,242)**	(7,900)
Revaluation surplus at transfer date from transferred owner-occupied properties	**–**	36,655
Fair value gains recognised in the consolidated income statement	**31,347**	54,692
Exchange realignment	**(588)**	(10,600)
Balance at the end of the year	**1,458,451**	1,477,954

18. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are situated in the PRC and Poland and comprise:

	2012	2011
	RMB'000	RMB'000
Freehold land	**63,891**	63,891
Medium-term lease	**1,154,360**	1,194,563
Long lease	**240,200**	219,500
	1,458,451	1,477,954

The Group's investment properties were revalued on 31 December 2012 by Dudley Surveyors Limited and Jones Lang Lasalle Sallmanns Limited, independent professionally qualified valuers, at approximately RMB1,458,451,000 (2011: RMB1,477,954,000) on an open market basis, which has taken into account the comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential. The investment properties are leased to third parties under operating leases, further details of which are included in note 40.

At the end of the reporting period, certain of the Group's investment properties with carrying amount of approximately RMB157,316,000 (2011: RMB137,600,000) were pledged to secure banking facilities granted to the Group, details of which are set out in note 30.

The Group leases out some of the buildings under operating leases. Certain investment properties had been taken up by the Group as its own premises and transferred to property, plant and equipment. The transfer amounts were based on the valuation performed by the independent professionally qualified valuers on an open market basis.

All of the Group's properties interests held under operating leases to earn rentals and measured using the fair value model and are classified and accounted for as investment properties. Gross rental income generated for the investment properties during the year amounted to approximately RMB137,362,000 (2011: RMB121,238,000) (note 7).

19. INTANGIBLE ASSETS

	Goodwill	Patents and licences	Technology acquired	Software	Trademark	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2011	–	47,950	88,772	3,700	140,812	–	281,234
Acquired through acquisition of subsidiaries (note 39)	30,644	333	–	–	253,239	–	284,216
Additions	–	290	–	3,689	37,025	–	41,004
Exchange realignment	(575)	–	(24)	(126)	(4,524)	–	(5,249)
At 31 December 2011 and 1 January 2012	30,069	48,573	88,748	7,263	426,552	–	601,205
Acquired through acquisition of subsidiaries (note 39)	22,433	–	–	–	1,230,305	118,211	1,370,949
Additions	–	63	–	59,712	–	–	59,775
Disposal	–	–	–	(417)	–	–	(417)
Exchange realignment	368	2,702	(466)	691	(22,321)	(3,796)	(22,822)
At 31 December 2012	52,870	51,338	88,282	67,249	1,634,536	114,415	2,008,690
Amortisation							
At 1 January 2011	–	47,420	86,125	2,450	23,585	–	159,580
Amortisation provided during the year	–	203	807	1,274	90,341	–	92,625
Exchange realignment	–	–	(19)	(118)	(752)	–	(889)
At 31 December 2011 and 1 January 2012	–	47,623	86,913	3,606	113,174	–	251,316
Amortisation provided during the year	–	262	675	1,492	289,247	80,202	371,878
Eliminated on disposals	–	–	–	(59)	–	–	(59)
Exchange realignment	–	2,597	(1)	24	(1,095)	(2,575)	(1,050)
At 31 December 2012	–	50,482	87,587	5,063	401,326	77,627	622,085
Carrying values							
At 31 December 2012	52,870	856	695	62,186	1,233,210	36,788	1,386,605
At 31 December 2011	30,069	950	1,835	3,657	313,378	–	349,889

Notes:

(i) Except for goodwill, the above intangible assets have definite useful lives and are amortised on a straight-line basis over 5 to 15 years.

(ii) Amortisation charge for the Group is included in "cost of sales" and "administrative and other operating expenses" amounted to RMB281,597,000 (2011: RMB89,999,000) and RMB90,281,000 (2011: RMB2,626,000) respectively in the consolidated income statement.

19. INTANGIBLE ASSETS (Continued)

Impairment test on goodwill

For the purposes of impairment testing, goodwill with indefinite useful lives acquired in business combination has been allocated to three individual cash generating units ("CGUs"), being PI International Holding Limited ("PI International Holdings"); Suzhou Jinguan Technology Company Limited ("Suzhou Jinquan") and 合肥凱威帝爾有限公司 ("Hefei Kaidi"). The carrying values of goodwill at the end of reporting period allocated to these units are as follows:

	2012 **RMB'000**	2011 RMB'000
PI International Holdings	**22,709**	22,341
Suzhou Jinquan	**7,728**	7,728
Hefei Kaidi	**22,433**	–
	52,870	30,069

The Group conducted impairment review on goodwill attributable to each of the respective CGUs concerned as at 31 December 2012 by reference to the estimated recoverable amount. The recoverable amounts of relevant CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of approximately ranged from 10% to 11% (2011: 9%). The cash flows beyond the five-year period are extrapolated using the average growth rate ranging of 3% – 4% (2011: 2% – 5%). These average growth rates are based on the relevant industry growth rates for casts and do not exceed the average long-term growth rate for the relevant industry.

The key assumptions for the value-in-use calculation related to the estimation of cash flows included gross margin and discount rate. Gross margin represents budgeted gross margin, which is based on past performance and the management's expectation for the market development. The discount rate used is pre-tax rates that reflect current market assessments of the risks specific to the relevant industry. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the cash-generating units to exceed the aggregate recoverable amount. Since the recoverable amounts of the cash-generating units are higher than their carrying amounts, the directors consider that the carrying value of the goodwill at the end of both reporting period are not impaired.

20. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investment in associates		
Listed in Hong Kong	**64,319**	64,319
Unlisted	**785,242**	674,591
	849,561	738,910
Share of post-acquisition profit (losses) and other comprehensive income (expenses), net of dividends received	**(42,035)**	(85,749)
Share of net assets (note a)	**807,526**	653,161
Loans to associates (note b)	**76,326**	76,326
Less: impairment	**(76,326)**	(76,326)
	807,526	653,161
Fair value of listed investments	**398,715**	398,617

Notes:

(a) Movements in the Group's share of net assets of associates during the year are summarised below:

(i) During the year ended 31 December 2012, the Group further subscribed the shares of Country Lighting (BVI) Co. Ltd. ("Country Lighting") in proportionate with other shareholders, amounting approximately RMB22,984,000.

(ii) During the year ended 31 December 2012, O-Net Communication Limited ("O-Net") repurchased certain number of shares from the public and cancelled them after completion of the repurchases. The Group's interest in O-Net had increased from 27.32% to 30.13% and a gain of deemed acquisition of approximately RMB12,395,000 was recognised in profit or loss.

(iii) During the year ended 31 December 2012, amount of approximately RMB83,588,000 was injected in 開發晶照明（廈門）有限公司 (KAISTAR Lighting Co., Ltd.) ("Kaistar") in proportionate to its shareholdings.

(iv) During the year, the Group acquired an associate with the fair value of approximately RMB4,079,000 through an acquisition of a subsidiary, for which the details were stated in note 39(a).

(b) Loans to associates are unsecured, non-interest-bearing and is repayable after twelve months from the end of the reporting period.

20. INTERESTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2012	2011
	RMB'000	RMB'000
Total assets	**3,798,630**	5,513,739
Total liabilities	**(1,088,969)**	(2,980,357)
Net assets	**2,709,661**	2,533,382
Group's share of net assets of associates	**807,526**	653,161
Revenue	**3,109,302**	7,920,161
Profit for the year	**144,748**	195,645
Other comprehensive (expense) income	**(367)**	(26,681)
Group's share of results of associates for the year	**52,859**	16,361
Group's share of other comprehensive expense of associates for the year	**(4,404)**	(13,077)
Group's share of profits and other comprehensive income of associates for the year	**48,455**	3,284

20. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity held by the Group 2012	2011	Principal activities
ExcelStor Group Limited	Cayman Islands	US$15,000,000	**33.33%**	33.33%	Trading of hard disk drives ("HDD")
G&W Technologies, Co., Ltd.	Republic of Korea	US$2,577,320	**27.82%**	27.82%	Manufacture of HDD spindle motors
O-Net	Cayman Islands	HK$22,224,299	**30.13%**	27.32%	Trading of fiber optic components and manufacture of fiber optic parts for optical communications networks. Integrated parts for optical communications networks and crystal parts for optical communications networks
Shenzhen KTM Glass Substrate Co., Ltd.	The PRC	RMB122,108,400	**49%**	49%	Manufacture and sales of glass substrates
Shenzhen Great Wall Keimei Technology Co. Ltd.	The PRC	RMB10,000,000	**35%**	35%	Trading of network ammeters
Guilin Changhai Technology Co., Ltd *	The PRC	RMB40,000,000	**39%**	39%	Research and development of safe computers and special computers

20. INTERESTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity held by the Group 2012	2011	Principal activities
Envision Peripherals, Inc.	United States of America	3,520,700 ordinary shares with no par value	**24%**	24%	Manufacture and sales of computer monitors
CPT TPV Optical (Fujian) Co., Ltd *	The PRC	US$22,500,000	**20%**	20%	Manufacture and sales of computer monitors
L&T Display Technology (Fujian) Limited	The PRC	US$17,000,000	**49%**	49%	Trading of LCD monitors/TVs
L&T Display Technology (Xiamen) Limited	The PRC	US$12,000,000	**49%**	49%	Trading of LCD monitors/TVs
Evertop (Fujian) Optoelectronics Co., Ltd	The PRC	US$25,000,000	**25%**	25%	Trading of LCD monitors/TVs
Country Lighting (note)	British Virgin Islands	US$8,400,000	**55.3%**	55.3%	Investment holdings
Kaistar	The PRC	US$80,000,000	**44%**	44%	Sale and manufacturing of LED products

* English translation is for identification purpose

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Note: The Group is only able to exercise significant influence over Country Lighting as the Group has the power to appoint one out of four directors of Country Lighting under the provision stated in the Articles of Association of Country Lighting.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012	2011
	RMB'000	RMB'000
Cost of unlisted investments in jointly controlled entities	**51,233**	83,907
Share of post-acquisition profit (losses) and other comprehensive income (expenses)	**(40,039)**	(22,385)
	11,194	61,522

The following table illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts:

	2012	2011
The Group's share of:	**RMB'000**	RMB'000
Total assets	**11,276**	164,567
Total liabilities	**(82)**	(103,045)
The Group's share of net assets of the jointly controlled entities	**11,194**	61,522
Revenue	**280,039**	293,061
Loss for the year	**(10,023)**	(5,866)
Other comprehensive income (expenses)	**720**	(5,594)

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of the jointly controlled entities are as follows:

	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity held by the Group		Principal activity
			2012	2011	
Three Titans Technology (Xiamen) Co., Ltd.* ("Three Titans")	The PRC	Ordinary shares	**86%** *(Note)*	45%	Trading of LCD monitor/TV
BriVictory Display Technology (Labuan) Corp. and its wholly-owned subsidiary, BriVictory Display Technology (Poland) Sp. z o.o.	Malaysia and Poland	Ordinary shares	**49%**	49%	Trading of LCD monitor/TV

* English translation is for identification purpose

Note: During the year ended 31 December 2012, the Group entered into an equity transfer agreement with the counterparty who jointly controlled Three Titans, pursuant to which the counterparty agreed to transfer its 40.91% of equity interest to the Group. Upon the acquisition, the Group held approximately 86% of equity interest in Three Titans and Three Titans ceased to be a jointly controlled entity of the Group and became a subsidiary of the Group (note 39(c)).

22. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	RMB'000	RMB'000
Listed investments:		
– Equity securities listed in the PRC, at fair value	**36,905**	34,848
– Equity securities listed in Taiwan, at fair value	**4,450**	1,897
– Debenture listed in Europe with fixed interest ranging from 4.625% to 6% and maturity from 2014 to 2019	**19,450**	25,298
	60,805	62,043
Unlisted investments:		
– Equity investments, at cost	**329,954**	198,547
– Equity investments, at fair value	**2,828**	2,728
	332,782	201,275
Total	**393,587**	263,318

During the year ended 31 December 2012, an increase in fair value of the Group's available-for-sale investments recognised directly in the consolidated statement of other comprehensive income was approximately RMB6,911,000 (2011: a decrease in fair value of approximately RMB30,509,000) and impairment loss, on unlisted equity investments which are measured at cost, of approximately RMB25,577,000 has been recognised directly in profit or loss (2011: impairment loss of approximately RMB3,353,000 on unlisted equity investments which are measured at fair value has been reclassified from equity to profit or loss).

During the year ended 31 December 2012, the Group disposed of certain listed debt securities with carrying amount of approximately RMB8,235,000, which had been carried at fair value before the disposal. A loss on disposal of approximately RMB886,000 has been reclassified from equity to profit or loss for the current year.

The fair values of listed equity and debt investments are based on quoted market prices.

The fair values of unlisted equity investments are based on discounted cash flows. Other than those measured at fair value, the unlisted equity investments are stated at cost less any impairment losses because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

At 31 December 2012, debenture investments held by the Group with carrying amount of approximately RMB19,450,000 (2011: RMB25,298,000) were pledged to the banks for the bank loans advanced to the Group (note 30).

23. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**3,511,138**	3,231,478
Work in progress	**817,613**	274,675
Finished goods	**5,921,850**	4,171,988
Consumables	**28,796**	9,404
	10,279,397	7,687,545

During the year ended 31 December 2012, no reversal of allowances for inventories was recognised in cost of sales (2011: reversal of approximately RMB147,324,000) was recognised as an increase in the net realisable values of inventory due to change in the market situation.

24. TRADE AND BILLS RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade and bills receivables	**16,916,913**	17,672,063
Less: Impairment	**(356,111)**	(187,655)
	16,560,802	17,484,408

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables, net of impairment presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

24. TRADE AND BILLS RECEIVABLES (Continued)

	2012	2011
	RMB'000	RMB'000
0 to 90 days	**15,678,364**	17,058,077
91 to 180 days	**617,448**	225,514
181 to 365 days	**177,491**	183,909
Over 365 days	**87,499**	16,908
	16,560,802	17,484,408

The movements in provision for impairment of trade receivables are as follows:

	2012	2011
	RMB'000	RMB'000
Balance at the beginning of the year	**187,655**	206,236
Impairment losses recognised on receivables	**209,997**	139,340
Amounts written off during the year as uncollectible	**(8,423)**	(146,822)
Impairment losses reversed	**(32,466)**	(10,121)
Exchange realignment	**(652)**	(978)
Balance at the end of the year	**356,111**	187,655

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB209,997,000 (2011: RMB139,340,000) has been recognised during the year ended 31 December 2012 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**15,004,673**	15,968,935
Less than one month past due	**1,199,659**	1,188,951
One to three months past due	**133,676**	134,250
Over three months past due	**222,794**	192,272
	16,560,802	17,484,408

24. TRADE AND BILLS RECEIVABLES (Continued)

Receivables that were neither past due nor impaired relate to independent customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the debtors are leading electronics producers in the world, which have sound repayment history with no records of delays of payment, the balances are still considered fully recoverable.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	RMB'000	RMB'000
Receivables from disposal of prepaid land lease payments (note 17)	**–**	408,059
Value-added tax refundable	**1,906,050**	1,420,220
Other receivables	**1,875,219**	1,066,525
	3,781,269	2,894,804
Less: impairment	**(2,117)**	(15,498)
	3,779,152	2,879,306
Prepayments and deposits	**528,309**	151,671
	4,307,461	3,030,977
Presented under		
– non-current assets	**375,120**	133,128
– current assets	**3,932,341**	2,897,849
	4,307,461	3,030,977

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in provision for impairment of other receivables are as follows:

	2012	2011
	RMB'000	RMB'000
Balance at beginning of the year	**15,498**	15,046
Impairment losses reversed	**(14,341)**	(89)
Impairment losses recognised	**960**	541
Balance at the end of the year	**2,117**	15,498

There is no past due but not impaired other receivables as at 31 December 2012 and 2011.

The Group has individually assessed all other receivables and provided in full for those receivables that are considered not recoverable. The Group does not hold any collateral over these balances.

At at 31 December 2012, included within non-current receivable is an amount of RMB312,934,000 (2011: nil) which relates to cash placed in an escrow account for certain consumer care obligations arising in the TPV Group as set out in Trademark License Agreement between TP Vision Group and Philips. The receivables is classified as non-current as the related obligations fall due in more than one year.

Included within current receivable is an advance of RMB16,156,000 (2011: RMB46,670,000 within non-current receivable) to an independent third party, which is interest free and repayable in June 2013.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	RMB'000	RMB'000
Listed securities, at fair value:		
– Equity securities – Singapore	**–**	1,065
– Equity securities – Taiwan	**26,104**	35,827
	26,104	36,892

27. TERM DEPOSITS, PLEDGED DEPOSITS AND BANK BALANCES AND CASH

	2012	2011
	RMB'000	RMB'000
Cash and bank deposits, other than term deposits and pledged deposits	**5,386,054**	3,457,887
Term deposits and pledged deposits	**3,479,683**	4,079,572
	8,865,737	7,537,459
Less: Current deposits		
Pledged for bank facilities	**3,090,283**	1,489,859
Pledged for performance bonds	**26,400**	34,359
	3,116,683	1,524,218
Term deposits with terms over three months	**243,000**	1,695,579
	3,359,683	3,219,797
Less: Non-current deposits		
Pledged for bank facilities	**10,000**	746,750
Term deposits with terms over one year	**110,000**	113,025
	120,000	859,775
Bank balances and cash	**5,386,054**	3,457,887

As at 31 December 2012, term deposits, pledged deposits, bank balances and cash of approximately RMB4,471,950,000 (2011: RMB5,344,782,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the government of the PRC. The pledged deposits and bank balances carry interest at 0.35% (2011: 0.5%) per annum.

As at 31 December 2012, the effective interest rates on term deposits with terms over three months ranged from 2.1% to 5.85% (2011: 2.28% to 5.25%) per annum; and these deposits have an average maturity of 256 days (2011: 242 days).

As at 31 December 2012, term deposits of approximately RMB26,400,000 (2011: RMB34,359,000) were pledged in respect of performance bonds in favour of the customers.

28. TRADE AND BILLS PAYABLES

The Group has financial risk management policies in place to ensure all payables are paid within the credit timeframes. The average credit period on purchase is 30 to 90 days. An aged analysis of the trade and bills payables presented based on the invoice date as at the end of the reporting period.

	2012	2011
	RMB'000	RMB'000
Within 90 days	**11,529,581**	14,296,243
91 to 180 days	**3,748,461**	158,230
181 to 365 days	**973,853**	3,855
Over 365 days	**68,695**	16,820
	16,320,590	14,475,148

29. OTHER PAYABLES AND ACCRUALS

	2012	2011
	RMB'000	RMB'000
Current portion		
Payable under factoring arrangement	**2,285,301**	2,016,244
Accrued employee benefits	**971,022**	612,199
Other tax payables	**1,153,138**	368,206
Brand promotion fee received (note 44(d))	**127,395**	–
License fee payable (note)	**327,462**	136,213
Others	**3,797,362**	2,417,168
	8,661,680	5,550,030
Non-current portion		
License fee payable (note)	**1,249,369**	212,018
Accrued employee benefits	**26,871**	65,815
Others	**51,751**	10,301
	1,327,991	288,134
	9,989,671	5,838,164

Note: The license fee payable will be repaid within five years as set out in the trademark license agreement between TP Vision Group and Philips.

30. BANK AND OTHER LOANS

	Notes	2012 RMB'000	2011 RMB'000
Repayable more than two years, but not exceeding five years:			
Subordinated loans – non-current	1	**1,138,601**	–
Repayable more than one year, but not exceeding two years:			
Note payable – non-current	2	**500,005**	492,497
Bank and other loans – non-current		**118,103**	–
		1,756,709	492,497
Repayable within one year:			
Bank and other loans – current		**6,705,430**	7,902,033
		8,462,139	8,394,530
Bank and other loans:			
Unsecured		**5,482,257**	6,266,470
Secured		**1,223,173**	1,635,563
		6,705,430	7,902,033

Notes:

1. The subordinated loans were unsecured loan advanced from a subsidiary's substantial shareholder which carried interest at floating rates ranged from EURIBOR +2.2% to EURIBOR +2.7% per annum, and due in April 2015.

2. The note payable with principal amount of RMB500,000,000 was carried fixed interest of 4.25% (2011: 4.25%) per annum and due in March 2014.

30. BANK AND OTHER LOANS (Continued)

Bank and other loans of approximately RMB1,618,976,000 (2011: RMB2,368,653,000) are at fixed interest rates during the year. The bank and other loans expose the Group to fair value interest rate risk. The effective interest rates at the end of the reporting period as follows:

	2012	2011
Bank and other loans	**1.03% – 7.68%**	1.68% – 7.22%

As at 31 December 2012, bank and other loans of approximately RMB5,313,213,000 (2011: RMB5,421,859,000) are denominated in US$. As at 31 December 2012, bank and other loans of approximately RMB125,936,000 (2012: nil) are denominated in Polish zloty.

As at 31 December 2012, the secured bank and other loans were pledged by certain of the Group's term deposits, available-for-sale investments, investment properties, leasehold land and buildings with a carrying value of approximately RMB3,126,683,000 (2011: RMB2,270,968,000), RMB19,450,000 (2011: RMB25,298,000), RMB157,316,000 (2011: RMB137,600,000) and RMB104,877,000 (2011: RMB124,593,000) respectively were pledged to secure bank loans of approximately RMB1,223,173,000 (2011: RMB1,635,563,000) as at 31 December 2012.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2012		2011	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Derivatives not under hedge accounting				
Foreign exchange forward contracts (note a)	**169,102**	**(382,602)**	211,269	(132,906)
Interest rate swaps (note b)	**26,907**	**–**	11,333	(33,181)
Cross currency swaps (note c)	**25,563**	**(26,179)**	10,604	(2,016)
	221,572	**(408,781)**	233,206	(168,103)
Analysis				
– Current portion	**203,727**	**(408,605)**	233,206	(168,103)
– Non-current portion	**17,845**	**(176)**	–	–
	221,572	**(408,781)**	233,206	(168,103)

31. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange forward contracts

The total notional principal amount of the outstanding foreign exchange forward contracts as at the end of the reporting period are as follows:

	2012 **RMB'000**	2011 RMB'000
Sell RMB for US$	**7,535,938**	21,547,154
Sell US$ for RMB	**10,512,030**	18,954,459
Sell Japanese yen for US$	**9,468**	22,935
Sell Euro for US$	**5,450,470**	1,125,750
Sell Brazilian real for US$	**1,692,608**	490,840
Sell Indian rupee for US$	**476,569**	138,620
Sell Polish zloty for US$	**252,487**	–
Sell Russian ruble for US$	**1,441,253**	–
Sell Mexican peso for US$	**33,942**	–
Sell British pound for US$	**126,068**	–
Sell US$ for Russian ruble	**–**	94,514
Sell US$ for New Taiwan dollars	**5,343**	107,115
Sell US$ for Euro	**37,713**	–
Sell Euro for Singaporean dollar	**46,280**	–
Sell Euro for Hungarian forint	**37,160**	–
Sell Euro for Swedish krona	**13,294**	–
Sell Euro for Danish krone	**8,913**	–
Sell Euro for Norwegian kroner	**6,518**	
Sell Euro for Czech koruny	**4,224**	–
Sell Polish zloty for Euro	**178,232**	–
Sell Swiss franc for Euro	**171,814**	–
Sell Russian ruble for Euro	**170,023**	–
Sell Hungarian forint for Euro	**50,957**	–
Sell British pound for Euro	**50,334**	–
Sell Singaporean dollar for Euro	**43,295**	–
Sell Czech koruny for Euro	**39,033**	–
Sell Danish krone for Euro	**35,834**	–
Sell Norwegian kroner for Euro	**14,048**	–
Sell Swedish krona for Euro	**1,873**	–

As at 31 December 2012 and 2011, all of the above foreign exchange forward contracts are with maturity dates within 12 months from the end of the reporting period.

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2012 was approximately RMB3,649,189,000 (2011: RMB1,852,326,000).

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31 December 2012 was approximately RMB3,961,449,000 (2011: RMB436,507,000).

32. WARRANTIES AND OTHER PROVISIONS

	2012	**2012**	**2012**	2011
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
	Warranties provision	**Restructuring and other provisions**	**Total**	Warranties provision total
At 1 January	**480,691**	**–**	**480,691**	498,000
Additional provision recognised	**869,883**	**287,431**	**1,157,314**	608,344
Amounts utilised	**(722,122)**	**(40,019)**	**(762,141)**	(600,385)
Amounts reversed	**(8,275)**	**–**	**(8,275)**	(2,004)
Exchange realignment	**2,066**	**6,950**	**9,016**	(23,264)
At 31 December	**622,243**	**254,362**	**876,605**	480,691

Analysis of warranties and other provisions:

	2012	2011
	RMB'000	RMB'000
– Current liabilities	**854,713**	480,691
– Non-current liabilities	**21,892**	–
Total	**876,605**	480,691

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from twelve months to thirty-six months on average. The provision as of 31 December 2012 had been made for expected warranty claims on products sold during the last thirty-six months. It is expected that the majority of this provision will be utilised in the next twelve months, and all will be utilised in the next thirty-six months.

The restructuring provision was provided in relation to employee severance costs in respect of the restructuring of TV business of TP Vision as planned during the year ended 31 December 2012. The restructuring was still in process as at 31 December 2012.

33. PENSION OBLIGATIONS

The balance represented the Group's obligations in a defined benefit plan for its employees in Taiwan in accordance with the relevant local regulations.

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31 December 2012 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

The amount recognised in the consolidated statement of financial position is determined as follows:

	2012 RMB'000	2011 RMB'000
Present value of funded obligations	**91,247**	50,710
Fair value of plan assets	**(26,060)**	(4,209)
	65,187	46,501
Present value of unfunded obligations	**55,558**	–
Unrecognised past service cost	**4,419**	–
Unrecognised actuarial losses	**(17,135)**	(8,588)
Liability in the consolidated statement of financial position	**108,029**	37,913

The amounts recognised in the consolidated income statement are as follows:

	2012 RMB'000	2011 RMB'000
Current service cost	**4,431**	2,029
Interest cost	**4,229**	1,092
Expected return on plan assets	**(669)**	(123)
Past service cost	**(277)**	–
Charges for long term service awards	**1,439**	–
Net actuarial losses recognised during the year	**–**	1,085
Total expense, within employee benefit expense	**9,153**	4,083

The actuarial loss of approximately RMB1,439,000 (2011: nil) were recognised in other comprehensive income for the year. The actual loss on plan assets was approximately RMB25,000 (2011: RMB50,000).

33. PENSION OBLIGATIONS (Continued)

Movements in the pension obligations are as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	**50,710**	64,532
Current service cost	**4,431**	2,029
Interest cost	**4,229**	1,092
Benefit paid	**(8,534)**	(3,779)
Actuarial losses (gain)	**9,897**	(8,030)
Acquisition of TP Vision	**119,782**	–
Employee contributions	**580**	–
Others (Note)	**(34,127)**	–
Exchange realignment	**(164)**	(5,134)
At 31 December	**146,804**	50,710

Note: Others comprise primarily amounts acquired through the business combination which were subsequently released following the announcement of the closure of that location. This release was netted in the consolidated income statement against related charges.

Movements in the fair value of plan assets are as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	**4,209**	7,100
Expected return on plan assets	**669**	123
Contributions	**4,141**	1,305
Benefit paid	**(8,534)**	(3,779)
Actuarial losses	**(221)**	(540)
Acquisition of TP Vision	**26,335**	–
Exchange realignment	**(539)**	–
At 31 December	**26,060**	4,209

33. PENSION OBLIGATIONS (Continued)

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rate	**1.5% – 5.81%**	1.75%
Expected rate of return on plan assets	**1.5% – 3.32%**	1.75%
Expected rate of future salary increment	**3.5% – 5.18%**	3.5%

34. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2012 and 2011, the Group provided financial guarantees to banks in respect of banking facilities granted to associates and certain customers. The financial guarantees provided are analysed as follows:

	2012	2011
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:		
associate	**–**	104,406
third parties	**59,459**	57,456
	59,459	161,862

The directors of the Company reviewed the financial position of the guarantees and considered that payment for the settling the financial guarantee is remote. No liabilities were recognised for the above guarantees as at 31 December 2012 and 2011.

35. DEFERRED TAX

The movements in deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Depreciation allowance in excess of related depreciation and amortisation	Pension obligation	Impairment and provisions	Revaluation of properties	Revaluation of available-for-sale investments	Capitalisation of interest	Equity of associates	Unrealised profit on derivatives financial instruments	Unrealised profit on inventories	Withholding tax on distributable profit	Tax losses	Intangible assets amortization	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	55,001	(8,755)	(200,875)	237,428	6,352	9,335	2,014	47,948	2,046	41,908	(13,391)	-	-	179,011
Acquisition of subsidiaries (note 39)	-	-	(1,013)	5,207	-	-	-	-	-	-	-	-	-	4,194
Deferred tax debited (credited) to equity during the year	-	-	-	5,123	(3,988)	-	-	-	-	-	-	-	-	1,135
Deferred tax charged (credited) to the consolidated income statement (note 13)	(9,735)	(460)	34,397	7,793	-	(905)	-	(40,173)	(1,290)	13,924	(61,898)	-	-	(58,347)
Effect of change in tax rate (note 13)	2,292	-	(4,739)	9,893	-	389	84	-	-	-	-	-	-	7,919
At 31 December 2011 and at 1 January 2012	47,558	(9,215)	(172,230)	265,444	2,364	8,819	2,098	7,775	756	55,832	(75,289)	-	-	133,912
Deferred tax debited (credited) to equity during the year	-	-	-	-	1,771	-	-	-	-	-	-	-	-	1,771
Deferred tax charged (credited) to the consolidated income statement (note 13)	(10,191)	65	(189,327)	7,837	-	(943)	-	(5,238)	(27,784)	12,369	40,875	(32,260)	(75,178)	(279,775)
Effect of change in tax rate (note 13)	2,033	(6)	(5,285)	5,741	-	367	87	-	(6)	63	-	(2,961)	(1,896)	(1,863)
Acquisition of subsidiaries (note 39)	-	-	(151,093)	-	-	-	-	-	-	-	-	165,029	(35,828)	(21,892)
At 31 December 2012	39,400	(9,156)	(517,935)	279,022	4,135	8,243	2,185	2,537	(27,034)	68,264	(34,414)	129,808	(112,902)	(167,847)

For the purposes presentation of consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012	2011
	RMB'000	RMB'000
Deferred tax liabilities	**533,594**	390,646
Deferred tax assets	**(701,441)**	(256,734)
	(167,847)	133,912

35. DEFERRED TAX (Continued)

At the end of the reporting period, the Group did not recognise in respect of tax losses of approximately RMB1,465,003,000 (2011: RMB781,766,000) due to the unpredictability of future profit streams. Tax losses amounting to RMB920,379,000 will expire in 2012 to 2021.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB361,633,000 (2011: RMB185,070,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. GOVERNMENT GRANTS

	2012	2011
	RMB'000	RMB'000
At 1 January	**37,466**	34,127
Government grants raised during the year	**36,940**	28,264
Government grants utilised during the year	**(14,905)**	(24,925)
Exchange realignment	**(13)**	–
At 31 December	**59,488**	37,466

As at 31 December 2012, government grants of approximately RMB59,488,000 (2011: RMB37,466,000) which were designated for certain research projects, export incentives, technical innovation, localisation incentives and fiscal refund granted by the PRC municipal government. The amount is stated as non-current liabilities in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from 31 December 2012.

37. CONTINGENT CONSIDERATION PAYABLE AND REDEMPTION LIABILITY

	2012	2011
	RMB'000	RMB'000
Contingent consideration payable	**85,567**	–
Redemption liability	**31,935**	–
	117,502	–

The contingent consideration payable and redemption liability arising from the acquisition of 70% equity interest in TP Vision. Details are set out in note 39(a).

38. SHARE CAPITAL

	2012 RMB'000	2011 RMB'000
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	**743,870**	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	**453,872**	453,872
	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company for the two years ended 31 December 2012 and 2011.

39. BUSINESS COMBINATIONS

Business combinations for the year ended 2012

a. Acquisition of TP Vision

On 1 April 2012, Coöperatie MMD Meridian U.A. ("MMD"), the wholly-owned subsidiary of TPV and indirect subsidiary of the Company, completed the acquisition of 70% equity in TP Vision and its subsidiaries ("TP Vision Group") from Koninklijke Philips Electronics N.V. ("Philips") pursuant to the Share Purchase Agreement ("SPA") dated 1 November 2011. Philips retains the remaining 30% equity interest in TP Vision, and has the right to sell or transfer, partly or all, of its equity interest of TP Vision to the Group pursuant to the Shareholders' Agreement dated 1 April 2012.

As a result of the acquisition, the Group owns and controls 70% of the Philips' TV business through TP Vision Group, which comprise, amongst other things, innovation and development sites, manufacturing sites, sales organisations in various countries, assumed employees, and certain patents and contracts relating to the designs, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for the Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

The TP Vision Group's future operations are expected to leverage on Philips' strengths, especially awareness of its brand and its well-established market share particularly in Europe and South America, and increase the Group's retail market share in the global TV business.

A gain on this bargain purchase of US$24,803,000 (equivalent to approximately RMB155,898,000) has been recognised in the consolidated income statement of the Group, attributable to the recognition of fair values of net assets acquired at higher values than the contingent consideration payable.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

Consideration transferred:

	RMB'000
Contingent consideration arrangement (Note)	74,351

Note: The contingent consideration for the 70% equity interest of TP Vision acquired is calculated based on 70% of TP Vision Group's average audited consolidated earnings before interest and taxes ("EBIT"), as defined in the SPA and the supplemental agreements, in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2014 and the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to receive the contingent consideration times a multiple of four. If the above calculation results in a negative number, then the contingent consideration is deemed to be zero.

Based on management's current view, the contingent consideration that the Group may be required to pay to Philips, on an undiscounted basis, is estimated to amount to EUR28,476,000 (equivalent to approximately RMB239,501,000).

The present value of the contingent consideration of approximately RMB74,351,000 was recognised on date of acquisition and the carrying value of approximately of RMB85,567,000 was classified as non-current liabilities in the consolidated statement of financial position as at 31 December 2012.

The Group has recognised the contingent consideration at the fair value which is determined in accordance with the terms as stipulated in the SPA and the supplementary agreements and with reference to the expected post-acquisition performance of the acquired business. Judgement is applied to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payable amount. Contingent consideration shall be re-measured at fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement in accordance with HKFRS 3 (Revised).

Pursuant to SPA in relation to acquisition of 70% equity interest in TP Vision Group during the year, Philips is granted an option pursuant to which Philips shall have the right to sell and transfer all (i.e. 30% equity interest), and not less than all, of its shares in TP Vision to the Group, as from expiry of a period of 6 years commencing on the date of SPA. The consideration to be paid by the Group for the 30% equity interest in TP Vision owned by Philips pursuant to the exercise of the written put option shall be the higher of nil and an amount calculated based on TP Vision Group's average consolidated EBIT in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2018 or the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to exercise the written put option, times a multiple of four.

The Group's written put option to Philips over the 30% equity interest of TP Vision Group has been valued as no value. As a result, no related financial instrument has been recognised.

The valuation of contingent consideration payable and the redemption liability upon Philips' exercise of the put option are based on the projected EBIT forecasted by TP Vision Group's management. The key assumptions adopted in projecting the future EBIT including 8% sales growth for the first year and a terminal growth beyond the second year period using the estimated growth rates not exceeding the long-term average growth rates of 3.0% for similar business operates. Other key assumptions applied in the valuation include the expected improvement in gross profit margin (ranged from 13.5% to 14.5%) and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. A discount rate of 21.5% that reflects specific risks related to TP Vision Group was adopted.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

The fair value of the redemption liability of approximately RMB31,935,000 was recognised as at date of acquisition, and the carrying value of approximately RMB31,935,000 was classified as non-current liabilities in the consolidated statement of financial position as at 31 December 2012.

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	726,252
Intangible assets	1,341,332
Interests in associates	4,079
Inventories	1,164,672
Prepayment, deposits and other receivables – non-current portion	118,387
Prepayments, deposits and other receivables – current portion	559,950
Bank balance and cash	40,271
Deferred tax assets	186,921
Deferred tax liabilities	(165,029)
Other payables and accruals	(202,106)
Payable to Philips for net operating capital contributed	(1,932,695)
Other payables – non current portion	(1,419,649)
Pension obligations	(93,447)
Fair values of net assets acquired	328,938

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	74,351
Plus: non-controlling interests	98,689
Less: net assets acquired	(328,938)
Gain from a bargain purchase of subsidiaries	(155,898)

The Group's acquired intangible assets mainly represented a 5-year trademark license agreement between TP Vision and Philips, whereby TP Vision Group is granted the rights to use the Philips brand for its products sold, favourable service coverage meets.

The Group recognised TP Vision Group's non-controlling interest at their proportionate share of TP Vision's net assets.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	–
Less: Cash and cash equivalent acquired	(40,271)
	(40,271)

The acquisition-related costs of approximately RMB27,862,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2012.

Impact of acquisition on the results of the Group

Included in the net profit for the year is approximately profit of RMB162,955,000 contributed by TP Vision. Revenue for the year includes approximately RMB17,203,175,000 is attributable to TP Vision.

As the TV operations of Philips were integral to its other businesses until the end of March 2012, it is impracticable to estimate, on a like-for-like basis, the net contribution of TP Vision Group to the Group should the acquisition had occurred on the 1st January 2012. Accordingly, no disclosure was made to this effect within these consolidated financial statements.

b. Acquisition of 100% equity interest in Hefei Kaidi

On 25 September 2012, TPV Technology (Qingdao) Company Limited ("TPV QD"), a wholly-owned subsidiary of TPV and an indirect subsidiary of the Company, entered into an equity transfer agreement with Hefei Haier Information Products Company Ltd ("Haier"), under which TPV QD agreed to purchase 100% equity interest of Hefei Kaidi, a wholly-owned subsidiary of Haier, with consideration of approximately RMB44,789,000. Hefei Kaidi was holding assets including machinery, equipments, workforce and contracts for production and sales of flat TV products. The acquisition of Hefei Kaidi can help increasing market shares of the Group in TV market in the PRC. The acquisition was completed on 7 December 2012. Upon acquisition, the Group exercises control over Hefei Kaidi by appointment of all directors into the board of Hefei Kaidi.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

b. Acquisition of 100% equity interest in Hefei Kaidi (Continued)

Consideration transferred:

	RMB'000
Cash	44,789

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	20,434
Intangible assets	7,184
Inventories	1,414
Bank balance and cash	19
Prepayments, deposits and other receivables – current portion	1,426
Other payables, accruals and other provisions	(8,121)
Fair values of net assets acquired	22,356

Goodwill

	RMB'000
Cash consideration	44,789
Less: Fair value of the net asset acquired	(22,356)
	22,433

The acquisition-related costs included in administrative expenses in the consolidated income statement for the year amounted to approximately RMB25,000.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

b. Acquisition of 100% equity interest in Hefei Kaidi (Continued)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	44,789
Less: cash and cash equivalent acquired	(19)
	44,770

Impact of acquisition on the results of the Group

The acquired business contributed revenues from external customers of approximately RMB1,736,000 and operating loss of approximately RMB2,620,000 to the Group for the year from its acquisition on 7 December 2012 to 31 December 2012. As the operations of Hefei Kaidi were integral to Haier's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired company to the Group should the acquisition had occurred on the 1 January 2012. On this basis no disclosure was made to this effect within these consolidated financial statements.

c. Acquisition of additional equity interest in Three Titans

As at 31 December 2011, Three Titans was a jointly controlled entity of the Group, which held 45.45% equity interest in it. On 31 May 2012, Top Victory Investments Limited ("TVI"), a wholly owned subsidiary of TPV and an indirect subsidiary of the Company, entered into an equity transfer agreement, under which TVI agreed to purchase additional 40.91% equity interest in Three Titans from an investor,山聚企業股份有限公司, (the "seller"), with a consideration of US$5,040,000 (equivalent to approximately RMB31,679,000). The equity interest held by TVI upon acquisition was 86.36% and become a subsidiary of the Group. Three Titans is engaged in production and sales of flat TV product modules. The acquisition was completed on 1 October 2012. Acquisition of Three Titans can facilitate the production of flat TV products of the Group. Upon the acquisition, the Group exercises control by appointment of majority of directors to the board of Three Titans.

Consideration transferred:

	RMB'000
Cash	31,679
Acquisition-date fair value of equity interest held as a jointly controlled entity of the Group	41,025
	72,704

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

c. Acquisition of additional equity interest in Three Titans (Continued)

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	116,684
Prepayments, deposits and other receivables – non current portion	1,201
Inventories	29,718
Bank balance and cash	52,226
Prepayments, deposits and other receivables – current portion	168,621
Other payables and accruals	(275,663)
Other payables – non current portion	(2,514)
Fair values of net assets acquired	90,273

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	72,704
Plus: non-controlling interests	12,313
Less: net assets acquired	(90,273)
Gain from a bargain purchase of subsidiaries	(5,256)

The acquisition-related costs of the transaction is minimal.

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	31,679
Less: cash and cash equivalent acquired	(52,226)
	(20,547)

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

c. Acquisition of additional equity interest in Three Titans (Continued)

The Group recognised Three Titans's non-controlling interest at their proportional share of Three Titans's fair value of total identifiable net assets.

The acquired business did not contribute revenues from external customers as all its revenue was arisen from intercompany sales to the group. The acquired business contributed operating profit of approximately of RMB7,549,000 to the Group for the year from its acquisition on 1 October 2012 to 31 December 2012. Had Three Titans been consolidated from 1 January 2012, the consolidated income statement would show and increase pro-forma revenue (including sales to the group) of approximately RMB360,988,000 and profit of RMB23,601,000.

A gain on bargain purchase of approximately RMB5,256,000 has been recognised in the consolidated income statement of the Group, attributable to the recognition of fair market values of net assets acquired at higher values than the cash consideration paid.

d. Acquisition of PI International Holdings and its subsidiaries

On 31 March 2011, the Group acquired 51% equity interests in PI International Holdings, from an independent third party, for cash consideration of HK$94,619,000 (equivalent to approximately RMB79,573,000). PI International Holdings is mainly engaged in the development, manufacturing and sale of power supplies for electronic products.

Consideration transferred:

	RMB'000
Cash	79,573

Acquisition-related costs amounting to approximately RMB2,518,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the consolidated income statement.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2011 (Continued)

d. Acquisition of PI International Holdings and its subsidiaries (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	34,201
Prepaid land lease payments	3,753
Intangible assets	333
Available-for-sale investments	29,922
Deferred tax assets	1,013
Inventories	119,727
Trade and bills receivables	266,719
Prepayments, deposits and other receivables	4,941
Bank balances and cash	42,119
Trade and bills payables	(175,126)
Other payables and accruals	(104,617)
Tax payable	(362)
Bank loan	(106,444)
Deferred tax liabilities	(925)
	115,254

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately RMB266,719,000 had gross contractual amounts of approximately RMB270,583,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB3,864,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	79,573
Plus: non-controlling interests of PI International Holdings's subsidiaries	2,123
non-controlling interests of PI International Holdings	56,474
Less: net assets acquired (100%)	(115,254)
Goodwill arising on acquisition	22,916

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2011 (Continued)

d. Acquisition of PI International Holdings and its subsidiaries (Continued)

Goodwill arising on acquisition (Continued)

The non-controlling interest (49%) in PI International Holdings recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of PI International Holdings and amounted to approximately RMB56,474,000.

Goodwill arose on the acquisition of PI International Holdings because the acquisition included the sales network of PI International Holdings in the overseas markets, especially in the South East Asia region. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	79,573
Less: bank balances and cash acquired	(42,119)
	37,454

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2011 is approximately RMB32,757,000 attributable to PI International Holdings. Revenue for the year ended 31 December 2011 includes approximately RMB718,326,000 is attributable to PI International Holdings.

Had the acquisition of PI International Holdings been effected on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB95,300,522,000 and the profit for the year would have been approximately RMB767,989,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PI International Holdings been acquired on 1 January 2011, the directors of the Company calculated depreciation and amortisation of property, plant and equipment and prepaid land leases on the recognised amounts of property, plant and equipment and prepaid land leases at the date of acquisition.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2011 (Continued)

e. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited

On 29 September 2010, AOC Holdings Limited ("AOC"), a subsidiary of the Company, entered into a five-year trademark license agreement with Koninklijke Philips Electronics N.V. ("Philips"), under which trademarks for the sales and distribution of colour TVs in the PRC was granted to AOC and its affiliates in which AOC is required to pay royalty on an annual basis, which is based on higher of percentage of the turnover and a minimum royalty of EUR6,800,000 (equivalent to approximately RMB58,548,000) a year of the aforesaid TVs as specified in the agreement. The trademark license agreement has been effective since 1 January 2011.

In addition, a share purchase agreement was signed pursuant to which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, with a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000). The two companies were holding the necessary spare parts, in-store samples, equipment, employees and contracts for the operations of the Philips contributed business. The Philips contributed business represents the entire business of the product management, operation, marketing, sale and distribution of the aforesaid TVs manufactured under the brand name "Philips" or any other brand name or trademark of the Philips Group as carried on by the Philips Group in the PRC prior to completion of the share purchase agreement.

The share purchase agreement was completed on 1 January 2011 and AOC acquired 100% of the share capital of Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, for a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000) on 1 January 2011.

Consideration transferred:

	RMB'000
Cash	10,677

Acquisition-related costs amounting to approximately RMB759,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the consolidated income statement.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2011 (Continued)

e. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Trademark	253,239
Inventories and spare parts	14,670
Other payables	(253,239)
	14,670

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	10,677
Less: net assets acquired	(14,670)
Gain from a bargain purchase of subsidiaries	(3,993)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	10,677

Impact of acquisition on the results of the Group

The acquired business contributed revenue of RMB1,369,149,000 and net loss of RMB66,218,000 to the Group for the year ended 31 December 2011.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2011 (Continued)

f. Acquisition of Suzhou Jinguan

On 1 July 2011, the Group acquired 100% equity interests in Suzhou Jinguan, from an independent third party, for consideration of RMB37,340,000. Suzhou Jinguan is mainly engaged in the property investment in Suzhou, the PRC.

Consideration transferred:

	RMB'000
Cash	37,340

Acquisition-related costs amounting to approximately RMB80,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Investment properties	49,877
Prepaid land lease payments	6,536
Prepayments, deposits and other receivables	756
Bank balances and cash	2,091
Trade and bills payables	(266)
Other payables and accruals	(25,100)
Deferred tax liability	(4,282)
	29,612

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2011 (Continued)

f. Acquisition of Suzhou Jinguan (Continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	37,340
Less: net assets acquired (100%)	(29,612)
Goodwill arising on acquisition	7,728

Goodwill arose on the Suzhou Jinguan because the acquisition included the property management team. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	37,340
Less: Bank balances and cash acquired	(2,091)
	35,249

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2011 is approximately RMB3,407,000 attributable to Suzhou Jinguan. Revenue for the year ended 31 December 2011 includes approximately RMB1,188,000 is attributable to Suzhou Jinguan.

Had the acquisition of Suzhou Jinguan been effected on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB95,026,716,000 and the profit for the period would have been approximately RMB750,608,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Suzhou Jinguan been acquired on 1 January 2011, the directors of the Company calculated amortisation of prepaid land leases on the recognised amounts of prepaid land leases at the date of acquisition.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The remaining properties are expected to generate rental yields of 11% (2011: 10%) on an ongoing basis. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**101,837**	76,217
In the second to fifth years, inclusive	**98,149**	70,821
After five years	**1,346**	2,247
	201,332	149,285

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years. At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**169,622**	131,770
In the second to fifth years, inclusive	**249,504**	88,257
After five years	**43,137**	53,085
	462,263	273,112

41. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2012	2011
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**905,273**	510,319

As at 31 December 2011, the Group had commitments for investments in associates amounting to approximately RMB162,964,000 (2012: nil).

42. RETIREMENT BENEFITS SCHEMES

Apart from the defined benefit plan stated in note 33, the employees in the Group, which operates in the PRC are required to participate in a central pension scheme (the "CP Scheme") operated by the local municipal government. The Group are required to contribute 5% to 13% of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As at 31 December 2012, the Group had no amount capitalised and forfeited contributions available to reduce its contributions to the CP Scheme and MPF Scheme in future years (2011: nil).

43. SHARE OPTION SCHEME OF A SUBSIDIARY

The Company has no share option scheme but the Company's subsidiary, TPV, has issued equity settled share-based payments to certain employees of TPV.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

For the year ended 31 December 2012

			Number of share options				
Date of grant	**Exercise price**	**Note**	**At 1 January 2012**	**Granted during the year**	**Expired during the year**	**Lapsed during the year**	**At 31 December 2012**
12 December 2007	HK$5.750	(i)	20,138,026	–	(20,138,026)	–	–
18 January 2011	HK$5.008	(ii)	44,080,000	–	–	(4,000,000)	40,080,000
			64,218,026	–	(20,138,026)	(4,000,000)	40,080,000
Weighted average exercise price			HK$5.241	–	HK$5.750	HK$5.008	HK$5.008
Exercisable at the end of the year							10,020,000

For the year ended 31 December 2011

			Number of share options				
Date of grant	Exercise price	Note	At 1 January 2011	Granted during the year	Expired during the year	Lapsed during the year	At 31 December 2011
12 December 2007	HK$5.750	(i)	20,668,026	–	–	(530,000)	20,138,026
18 January 2011	HK$5.008	(ii)	–	45,000,000	–	(920,000)	44,080,000
			20,668,026	45,000,000	–	(1,450,000)	64,218,026
Weighted average exercise price			HK$5.75	HK$5.008	–	HK$5.279	HK$5.241
Exercisable at the end of the year							20,138,026

43. SHARE OPTION SCHEME OF A SUBSIDIARY (Continued)

Note:

(i) These options are exercisable at HK$5.750 (equivalent to approximately RMB5.07) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12 December 2008 to 11 December 2012, from 12 December 2010 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20%, 50% and 100% respectively.

(ii) These options are exercisable at HK$5.008 (equivalent to approximately RMB4.152) per share in four trenches: the maximum percentage of share options exercisable within the periods commencing from 18 January 2012 to 17 January 2021, from 18 January 2013 to 17 January 2021, from 18 January 2014 to 17 January 2021 and from 18 January 2015 to 17 January 2021 are 25%, 50%, 75% and 100% respectively.

The fair value of share options granted was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

	12 December 2007	**18 January 2011**
Share price on the date of grant	HK$5.75	HK$4.96
Exercise price	HK$5.75	HK$5.008
Expected volatility	44.954%	53.96%
Risk-free interest rate	3.64%	2.73%
Expected dividend yield	0%	3.11%

The volatility measured at the grant date is referenced to the historical volatility of TPV. The Group recognised the total expenses of approximately RMB15,593,000 for the year ended 31 December 2012 (2011: RMB31,303,000) in relation to share options granted by TPV.

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2012 RMB'000	2011 RMB'000
Ultimate holding company:			
Sales of products	(i)	**9,367**	509
License fees	(ii)	**1,622**	2,213
Associates:			
Sales of products	(i)	**1,917,470**	2,127,471
Rental income	(iii)	**17,901**	31,905
Purchases of components and parts	(iv)	**651,102**	382,680
Jointly controlled entities:			
Sales of products	(i)	**196**	342
Rental income	(iii)	**3,554**	6,499
Purchases of raw materials	(iv)	**182,359**	470,640
Fellow subsidiaries:			
Sales of products	(i)	**38,643**	2,735
Rental income	(iii)	**6,089**	12,940
Purchases of components and parts	(iv)	**19,177**	51,321
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of products	(v)	**100,868**	125,374
Purchases of raw materials	(v)	**5,294,667**	4,642,790
Interests paid	(vi)	**49,815**	–
Brand promotion fee income	(vii)	**863,025**	–
Compensation for product launch delay	(vii)	**255,258**	–

44. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The sales to the ultimate holding company, associates, jointly controlled entities and the fellow subsidiaries were made according to the published prices and conditions offered to major customers of the Group.

(ii) The license fees paid to the ultimate holding company was based on a rate of 0.39% (2011: 0.39%) of the revenue from the products under the "Great Wall" brand.

(iii) The rental income from the property leased to associates, jointly controlled entities and fellow subsidiaries was made according to the market rate offered to third parties.

(iv) The purchases from associates, jointly controlled entities and fellow subsidiaries were made according to published prices and conditions offered by associates, jointly controlled entities and fellow subsidiaries to their major customers.

(v) The transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(vi) The interests paid to a subsidiary's substantial shareholder were made according to the rate as agreed between the parties

(vii) The brand promotion fee income and compensation for product delay from a subsidiary's substantial shareholder was made on terms mutually agreed between both parties.

In April 2012, TPV entered into an agreement with CEC Panda LCD Technology Co., Ltd ("Panda LCD"), a subsidiary of CEC to establish a joint venture company in Nanjing, the PRC, ("Nanjing JV") with a registered capital of RMB17,500,000,000. The Nanjing JV will engage in manufacturing, research and development and provision of after-sales service of large panel in the PRC. CEC and TPV will own 99.2% and 0.8% equity interests of the Nanjing JV respectively. TPV agreed to contribute RMB140,000,000 to Nanjing JV in proportion to the equity interest. Pursuant to the agreement, TPV has sole discretion to exercise an option to require Panda LCD to acquire the 0.8% equity interests owned by TPV at a consideration of RMB140,000,000, plus interest of 4% per annum. As at 31 December 2012, the Nanjing JV has been incorporated. TPV was made no capital contribution to the Nanjing JV at the reporting date.

44. RELATED PARTY TRANSACTIONS (Continued)

(b) In addition to the outstanding balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following material outstanding balances with related parties:

(i) The Group had outstanding receivable from TPV's associates and jointly controlled entities of approximately RMB607,846,000 (2011: RMB659,269,000) and nil (2011: RMB1,947,000) respectively, which were presented in the consolidated statement of financial position within trade receivables.

The Group had outstanding payables to TPV's associates and jointly controlled entities of approximately RMB188,798,000 (2011: RMB166,293,000) and RMB138,000 (2011: RMB34,157,000) respectively, which were presented in the consolidated statement of financial position within trade payables.

Receivables from TPV's substantial shareholders and their subsidiaries of approximately RMB2,200,000 (2011: RMB88,000) were presented in the consolidated statement of financial position within trade receivable.

Payables to subsidiaries' substantial shareholders and their subsidiaries of approximately RMB303,872,000 (2011: RMB516,655,000) were presented in the consolidated balance sheet within trade payables and other payables and accruals respectively.

The above balances and the balances with ultimate holding company, fellow subsidiaries and associates are unsecured, interest free and repayable on demand.

(ii) License fee payable of RMB1,576,831,000 (2011: nil) to a subsidiary's substantial shareholder were presented in the consolidated statement of financial position within other payable and accruals. Included in the license fee payable amount of approximately RMB1,249,369,000 (2011: nil) were classified under non-current liabilities.

(iii) The Group had a bank deposit of approximately RMB608,604,000 (2011: RMB163,189,000) in a fellow subsidiary, which was an authorised non-bank financial institution set up in the PRC. The deposit was presented in the consolidated statement of financial position within bank balances and cash.

44. RELATED PARTY TRANSACTIONS (Continued)

(c) CEC, the ultimate holding company of the Company, is owned and controlled by SASAC and are the state-owned enterprises. In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state enterprises and their subsidiaries directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had transactions with state-owned enterprises including, but not limited to, sales and purchase of computers, electronic parts and computer-related products. The directors of the Company consider that transactions with other state-owned enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

(d) Apart from the acquisition of TP Vision as disclosed in note 39(a), TP Vision has entered into service agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision.

TP Vision is entitled to charge Philips a brand promotion fee up to EUR172 million (equivalent to approximately RMB1,444 million) for brand promotion and/or enhancement activities. Such activities can included advertising and promotion, sales and marking, research and development and other activities which incentivise the distribution channels and reduce the cost of non-quality. The fee is charged based on 5% of TP Vision revenue and recognized upon approval by Philips. Total income for the period from 1 April 2012 to 31 December 2012 was EUR107 million (equivalent to approximately RMB865 million). As at 31 December 2012, there is a balance of EUR16 million (equivalent to approximately RMB126 million) deferred income included within "other payables and accruals".

TV Vision is also entitled to charge Philips a compensation of EUR32 million (equivalent to approximately RMB256 million) due to the delay in the launch of certain products.

The directors of the Company are of the opinion that these represent transactions with Philips that are separate from the business acquisition and therefore do not form part of the net assets acquired and are recognised separately in accordance with HKFRS 3 (Revised).

44. RELATED PARTY TRANSACTIONS (Continued)

(e) Key management compensation

The remunerations of directors (executive and non-executive) and other members of key management during the year were as follows:

	2012 RMB'000	2011 RMB'000
Short-term benefits	**28,607**	32,936
Retirement benefits scheme contributions	**256**	346
Share-based payments	**201**	439
	29,064	33,721

45. CONTINGENT LIABILITIES

The Group had certain outstanding litigations as recorded by TPV, the details of which are set out as follow:

(a) In December 2008, a third party company filed a complaint in the United States of America against one of its subsidiaries, one of its associated companies and other third party companies. The complaint currently concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitors ("Patent I").

The directors are of the opinion that while arbitration proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(b) In January 2009, a third party company filed a complaint in Germany against one of its subsidiaries. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent II").

As far as the Group is concerned, it is alleged among other matters that:

(i) they had infringed, actively induced, contributed to the infringement of Patent II by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

45. CONTINGENT LIABILITIES (Continued)

(c) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(d) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent III").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III by others in the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent III.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(e) In November 2010, a third party individual filed a complaint in the United States of America against the Group. The Complaint concerns alleged claims of personal injury caused by products that contain asbestos.

On 26 April 2012, the complaint was dismissed according to the Court's order. The directors consider that the dismissal does not have any material financial impact on the Group as a whole.

(f) In August 2011, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns alleged infringement of a United States patent in respect of technology of the manufacture of certain televisions ("Patent IV").

The directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case for the time being.

45. CONTINGENT LIABILITIES (Continued)

(g) In January 2012, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party company against the Group, one of its associated companies and other third party companies. The investigation concerns alleged infringement of Patent IV in respect of technology of the manufacture of certain televisions.

As far as the Group and its associated company are concerned, it is claimed among other matters that:

(i) they have sold for importation, imported, and/or sold within the United States after importation certain televisions that directly infringe Patent IV; and

(ii) the complainant seeks as relief a permanent exclusion order barring from entry into the United States the accused televisions. Complainant seeks as further relief permanent cease and desist orders preventing them from all commercial activities concerning infringing imported goods.

On 17 October 2012, the investigation was terminated according to the order of the U.S. International Trade Commission. The directors consider that the termination does not have any material financial impact on the Group as a whole.

(h) In June 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of a United States patent in respect of technology of the manufacture of certain monitors and televisions ("Patent V").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent V, and contributing to and actively inducing the infringement of Patent V by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent V.

The directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case for the time being.

45. CONTINGENT LIABILITIES (Continued)

(i) In July 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent VI").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent VI, and contributing to and actively inducing the infringement of Patent VI by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent VI.

The directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case for the time being.

(j) In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by an indirectly non wholly-owned subsidiary in Manaus, Brazil. The matter is currently under consideration by the legal authorities. The Directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case at this time. Under the terms of the Share Purchase Agreement ("SPA") with Philips, any damages arising from this claim will be fully indemnified by Philips.

(k) In 2012, in one specific country, the compensation payments to customers accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the local tax authorities in that country following the submission of the relevant tax returns in 2013.

The directors do not consider a provision is required for the time being.

46. EVENTS AFTER THE REPORTING PERIOD

(a) Non-public offering of Shenzhen Kaifa Technology Co., Ltd. ("S. Kaifa")

On 18 December 2012, the board of S. Kaifa, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC, and a subsidiary of the Company, approved to issue not more than 175,000,000 A shares of S. Kaifa of RMB1.00 each, to not more than 10 investors at the propose issue price of not less than RMB3.97 per share. Upon the completion of the above non-public offer, the Group's interests in S. Kaifa will be diluted from approximately 49.64% to 43.82%. In the opinion of directors, the Company will continue to be the single largest shareholder of S. Kaifa and control the majority of the board S. Kaifa, accordingly, S. Kaifa will continue to be a subsidiary of the Group. The above non-public offer were approved by the shareholders on S. Kaifa on 1 February 2013. Up to the date of this report, the above non-public offer have not been completed. Details are set out, inter alia, in the announcement of the Company dated 18 December 2012, and the circular dated 25 January 2013.

(b) Deemed disposal of interest in Shenzhen CEC Great Wall Information Security System Co., Ltd. ("Xin An")

On 27 March 2013, CEC, the Group and Xin An, a subsidiary of the Company, entered into a capital injection agreement pursuant to which the Parties agreed that CEC to inject RMB100 million into Xin An as registered capital of Xin An. Upon the completion of the above capital injection, the Group's interest in Xin An will be diluted from 100% to 14.89%. In the opinion of the directors of the Company, Xin An will cease to be a subsidiary of the Group upon the completion of the transaction. Up to the date of this report, the above capital injection agreement has not been approved by the shareholders of the Company and has not been completed. Details are set out, inter alia, in the announcement of the Company dated 27 March 2013.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012	2011
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**42,496**	53,685
Investment properties	**402,431**	404,100
Prepaid land lease payments	**2,915**	3,275
Investment in subsidiaries, listed	**1,909,828**	1,909,828
Investment in subsidiaries, unlisted	**321,889**	321,889
Available-for-sale investments, unlisted	**135,620**	2,500
	2,815,179	2,695,277
Current assets		
Prepayments, deposits and other receivables	**36,256**	50,673
Bank balances and cash	**14,573**	19,210
	50,829	69,883
Current liabilities		
Trade and bills payables	**–**	538
Other payables and accruals	**13,133**	14,043
Bank borrowing	**35,000**	–
	48,133	14,581
Net current assets	**2,696**	55,302
Total assets less current liabilities	**2,817,875**	2,750,579
Capital and Reserves		
Share capital	**1,197,742**	1,197,742
Reserves (note)	**1,564,204**	1,496,491
Total equity	**2,761,946**	2,694,233
Non-current liability		
Deferred tax liabilities	**55,929**	56,346
	2,817,875	2,750,579

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves of the Company

	Share premium RMB'000	Asset revaluation reserve RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2011	996,660	20,109	427,083	101,090	1,544,942
Profit for the year	–	–	131,210	–	131,210
Transfer	–	–	(12,484)	12,484	–
Dividend paid	–	–	(179,661)	–	(179,661)
At 31 December 2011 and 1 January 2012	996,660	20,109	366,148	113,574	1,496,491
Profit for the year	–	–	103,645	–	103,645
Transfer	–	–	(10,476)	10,476	–
Dividend paid	–	–	(35,932)	–	(35,932)
At 31 December 2012	996,660	20,109	423,385	124,050	1,564,204

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		**2012**	2011	
			Direct	**Indirect**	Direct	Indirect			
China Great Wall Computer (Shenzhen) Company Limited ("CGCSZ") (note 1, 6)	The PRC	RMB1,323,593,886	**55.26%**	**-**	55.26%	–	**56.62%**	56.62%	Manufacture and trading of personal computer ("PC") and PC peripheral products
ExcelStor Great Wall Technology Limited	Cayman Islands	US$25,000,000	**61.68%**	**-**	61.68%	–	**61.68%**	61.68%	Trading HDD
ExcelStor Technology (Shenzhen) Limited (note 2)	The PRC	US$26,600,000	**61.68%**	**-**	61.68%	–	**61.68%**	61.68%	Manufacture of HDD
Kaifa Technology (H.K.) Limited	Hong Kong	US$500,000	**-**	**49.64%**	–	49.64%	**100%**	100%	Trading of HDD and HDD substrates
Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd. (note 2)	The PRC	RMB251,363,000	**-**	**49.64%**	–	49.64%	**100%**	100%	Production and development of HDD substrates
S. Kaifa (note 1, 5, 8)	The PRC	RMB1,317,894,655	**49.64%**	**-**	49.64%	–	**49.64%**	49.64%	Production of HDD heads and related electronic products
PI International Holdings	The British Virgin Islands (the "BVI")	US$579,000	**-**	**27.5%**	–	27.5%	**51%**	51%	Production and sales of electronic parts
TPV (note 3, 4, 7, 9)	Bermuda	US$21,112,525	**-**	**13.44%**	–	13.44%	**24.32%**	24.32%	Designs, manufacture and selling computer monitors and flat TV products

48. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		**2012**	2011	
			Direct	**Indirect**	Direct	Indirect			
Top Victory International Limited (note 3)	British Virgin Islands	US$1,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Investment holding
Top Victory Investments Limited (note 3)	Hong Kong	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	**-**	**13.44%**	–	13.44%	**100%**	100%	Trading of computer monitors and flat TVs and sourcing of materials
Top Victory Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$40,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of computer monitors
Top Victory Electronics (Taiwan) Company Limited (note 3)	Taiwan	NT$920,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Research and development of computer monitors and flat TVs and sourcing of certain components

48. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		**2012**	2011	
			Direct	**Indirect**	Direct	Indirect			
TPV Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$45,000,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited (note 2, 3)	The PRC	US$3,000,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Trading computer monitors and flat TVs
TPV Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$16,880,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Production and sales of computer monitors
TPV Display Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$27,000,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Production and sales computer monitors
Wuhan Admiral Technology Limited (note 2, 3)	The PRC	RMB80,000,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Trading of computer monitors and flat TVs
TPV International (USA), Inc. (note 3)	United States of America	US$1,000,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Sales and distribution of computer monitors and flat TVs
Envision Industira de Productos Electronicos Ltda (note 3)		BRL50,000,000	**-**	**13.41%**	-	13.41%	**100%**	100%	Production and sales of computer monitors and flat TVs

48. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		**2012**	2011	
			Direct	**Indirect**	Direct	Indirect			
TPV Technology (Beijing) Company Limited (note 2, 3)	The PRC	RMB320,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs
TPV Displays Polska Sp. z o.o. (note 3)	Poland	PLN126,800,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs
MMD (Shanghai) Electronics Trading Co., Ltd (note 2, 3)	The PRC	RMB20,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Technology Co., Ltd (note 2, 3)	The PRC	RMB20,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Sales and distribution of computer monitors and flat TVs
TPV-INVENTA Holding Ltd. (note 3)	Hong Kong	US$20,000,000	**-**	**6.9%**	–	6.9%	**51%**	51%	Sales and distribution of all-in-one PC products
TPV-INVENTA Technology (Fujian) Ltd. (note 2, 3)	The PRC	US$15,000,000	**-**	**6.9%**	–	6.9%	**51%**	51%	Production and sales of all-in-one PC products
TPV-INVENTA Technology Co. Ltd. (note 3)	Taiwan	NTD152,500,000	**-**	**6.9%**	–	6.9%	**51%**	51%	Research and development and after-sale services

48. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		**2012**	2011	
			Direct	**Indirect**	Direct	Indirect			
TPV Display Technology (Xiamen) Co., Ltd. (note 2, 3)	The PRC	US$25,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of flat TVs and LCM modules
TPV Display Technology (China) Co. Ltd. (note 2, 3)	The PRC	US$20,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of computer monitors, flat TVs and all-in-one PC products
Trend Smart America Ltd. (note 3)	USA	US$200,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Trading of flat TVs
TPV CIS Ltd. (note 3)	Russia	US$19,679,857	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of flat TVs
TPV do Brazil Industria de Electronicos Ltda. (note 3)	Brazil	BRL6,650,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Production and sales of computer monitors, flat TVs components
T.P. Vision Holding B.V. (note 10)	The Netherlands	Euro18,000	**-**	**9.41%**	–	–	**70%**	–	Sales and distribution of TVs
MMD Hong Kong Holding Ltd. (note 3)	Hong Kong	1 ordinary share of HK$1	**-**	**13.44%**	–	13.44%	**100%**	100%	Investment holdings
Xiamen Admiral Electronics Technology Co. Ltd. (note 2, 3)	The PRC	RMB3,000,000	**-**	**13.44%**	–	13.44%	**100%**	100%	Trading of computer monitors and flat TVs

48. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		**2012**	2011	
			Direct	**Indirect**	Direct	Indirect			
PTC Technology Company Limited* (note 2)	The PRC	RMB19,740,030	**-**	**13.44%**	-	13.44%	**100%**	100%	Sales and distribution of flat TVs
PTC Consumer Electronics Company Limited* (note 2)	The PRC	Euro1,240,000	**-**	**13.44%**	-	13.44%	**100%**	100%	Sales and distribution of flat TVs
Ebony Hong Kong Holding Limited	Hong Kong	1 ordinary share of HK$1 each	**-**	**13.44%**	-	13.44%	**100%**	100%	Investment holding
Three Titans Technology (Xiamen) Co., Ltd (note 10)	The PRC	US$11,000,000	**-**	**11.61%**	-	-	**86.36%**	-	Production and sales of flat TV components
Hefai Haier (note 10)	The PRC	RMB20,000,000	**-**	**13.44%**	-	-	**100%**	-	Production and sales of flat TVs
TP Television Iberica Spain S.L. (note 10)	Spain	Euro34,100	**-**	**9.41%**	-	-	**100%**	-	Sales and distribution TVs
TP Vision Belgium NV (note 10)	Belgium	Euro5,500,000	**-**	**9.41%**	-	-	**100%**	-	Production, sales and distribution of TVs
TP Vision Czech Republic s.r.o. (note 10)	Czech	CZK9,783,000	**-**	**9.41%**	-	-	**100%**	-	Sales and distribution of TVs
TP Vision Finland Oy (note 10)	Finland	Euro2,500	**-**	**9.41%**	-	-	**100%**	-	Sales and distribution of TVs
TP Vision France SAS (note 10)	France	Euro724,000	**-**	**9.41%**	-	-	**100%**	-	Sales and distribution of TVs

48. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		2012	2011	
			Direct	Indirect	Direct	Indirect			
TP Vision Germany GmbH (note 10)	Germany	Euro501,000	-	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Hong Kong Limited (note 10)	Hong Kong	HK$926,338	-	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Hungary Ltd (note 10)	Hungary	Euro4,500,272	-	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Industria Eletronica Ltda (note 10)	Brazil	BRL 211,725,159	-	9.41%	–	–	100%	–	Production, sales and distribution of TVs
TP Vision Italy s.r.l. (note 10)	Italy	Euro200,000	-	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Singapore Pte. Ltd (note 10)	Singapore	SGD8,300,000	-	9.41%	–	–	100%	–	Production, sales and distribution of TVs
TP Vision Sweden AB (note 10)	Sweden	SEK50,000	-	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Switzerland AG (note 10)	Switzerland	CHF200,000	-	9.41%	–	–	100%	–	Sales and distribution of TVs
AOC Holding Limited (note 10)	Hong Kong	HK$1	-	13.44%	–	–	100%	–	Investment holding
TP Vision Eurasia LLC (note 10)	Russia	RUB46,000,000	-	9.41%	–	–	100%	–	Sales and distribution of TVs

* English translation is for identification purpose

48. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

1. Subsidiaries with their A shares listed on the Shenzhen Stock Exchange in the PRC.

2. Companies incorporated as private limited companies in the PRC.

3. Since 13 October 2009, the Group has the effective control over the majority of the board of directors of the subsidiaries.

4. Subsidiaries with shares listed on the Hong Kong Stock Exchange.

5. The Group held 49.64% (2011: 49.64%) equity interests in S. Kaifa, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in S. Kaifa represents 654,839,851 A shares which have been tradable in the stock market. The market price of S. Kaifa and market value of these tradable shares as at 31 December 2012 are RMB4.71 per share and approximately RMB3,084,296,000 respectively.

6. The Group held 56.62% (2011: 56.62%) equity interests in CGCSZ, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in CGCSZ represents 749,362,206 A shares which have been tradable in the stock market. The market price of CGCSZ and market value of these tradable shares as at 31 December 2012 are RMB3.34 per share and approximately RMB2,502,870,000 respectively.

7. The Group held 13.44% (2011: 13.44%) equity interests in TPV, a company listed on the Stock Exchange of Hong Kong. The Company's equity interests in TPV represents 570,458,000 shares which have been tradable in the stock market. The market price of TPV and market value of these tradable shares as at 31 December 2012 are HK$2.09 per share and approximately HK$1,192,257,000 respectively.

8. The Group has control over S. Kaifa even though the Group does not hold more than 50% voting power in S. Kaifa because the Company has the power to appoint the majority of directors of S. Kaifa by its majority of substantial voting power in relative to other shareholders.

9. The Group has control over TPV even though the Group does not hold more than 50% voting power in TPV because the Company has the power to appoint the majority of directors of TPV pursuant to the shareholders agreements agreed among the major shareholders of TPV, which constitute over 50% equity interest in TPV.

10. Subsidiaries acquired during the year ended 31 December 2012 (note 39).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the both years, except for the note payable with principal amount of RMB500,000,000 at fixed interest of 4.25% per annum issued by TPV on 21 March 2011.

Particulars of major investment properties as at 31 December 2012

Investment properties held for investment	Address	Existing use	Hold term
No.1 building of the Company	NO.2&3 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China	Factory	Medium term lease
No.2 building of the Company	NO.2&3 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China	Office	Medium term lease
No.3 building of the Company	NO.2&3 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China	Office	Medium term lease
1-7, 9-11, 16, 26-29 Floors of Great Wall Building	NO.66 East Zhongguancun Road, Haidian District, Beijing, China	Office	Medium term lease

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長城科技股份有限公司

Great Wall Technology Company Limited