创意感动生活
The Creative Life

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

ANNUAL REPORT 2013

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED ANNUAL REPORT 2013

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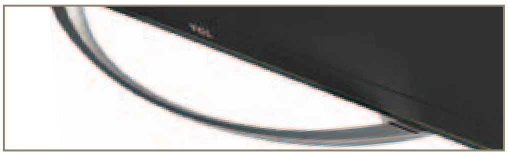
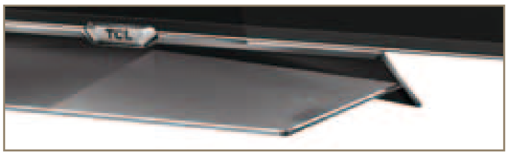
CORPORATE PROFILE

TCL Multimedia Technology Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") is one of the largest global TV manufacturers and distributors and its products are sold all over the world. Headquartered in China, the Group operates its manufacturing plants and R&D centres across all major continents. The ultimate holding company of the Company is TCL Corporation.





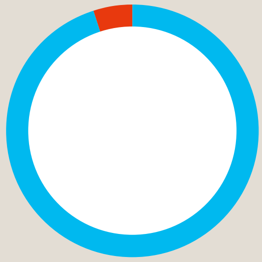
Information
TCL

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

(HK$ Million)	2013	2012
Turnover	39,495	36,025
Gross profit	5,414	6,145
Gross profit margin (%)	13.7%	17.1%
Profit/(loss) attributable to owners of the parent		
– For the year	(48)	911
– From continuing operations	(119)	816
Basic EPS/(LPS) (HK cents)		
– For the year	(3.61)	69.65
– From continuing operations	(8.96)	62.37
Full year dividend per share (HK cents)	28.99	24.80
– Paid interim dividend per share (HK cents)	28.99	10.00
– Proposed final dividend per share (HK cents)	–	14.80

TURNOVER BREAKDOWN BY PRODUCTS



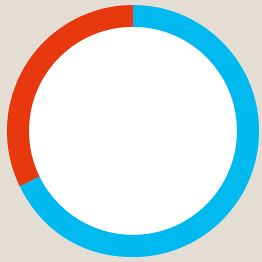
Television 95%

Others 5%

FINANCIAL POSITION

(HK$ Million)	2013	2012
Property, plant and equipment	2,408	2,484
Cash and bank balances	3,048	3,431
Total assets	22,155	28,020
Total liabilities	17,673	23,028
Interest-bearing borrowings	2,415	3,010
Net assets	4,482	4,992

TV TURNOVER BREAKDOWN BY REGIONAL BUSINESS CENTRES



PRC Market 68%

Overseas Markets 32%

OPERATION INDICATORS

	2013	2012
Return on equity (%)	(3%)	19%
Inventory turnover (days)	64	51
Trade receivables turnover (days)	34	32
Trade payables turnover (days)	62	67
Current ratio	1.1	1.1
Gearing ratio (%)	–	–

Note: The above turnover days are calculated on average balance of the year.

TCL CORPORATION
(Shenzhen SE Code: 000100)
61.19%

PUBLIC
(including directors of the Company)
38.81%

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
(Hong Kong SE Code: 01070)
100%

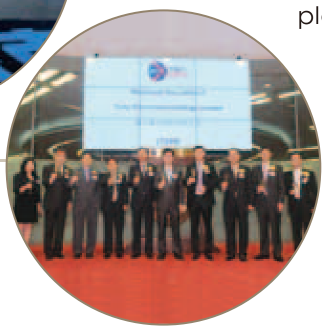
YEAR IN REVIEW 2013

JANUARY

Jointly launched Google Super-Smart TV MoVo with the world's leading semiconductor chip manufacturer, Marvell, making the Group the first PRC TV manufacturer to launch the integrated TV sets of Google TVs

Has been named one of the "Top 50 Global Consumer Electronics Brand" for fifth consecutive year at the Consumer Electronics Show ("CES") held in the United States of America and "Top 10 Chinese Consumer Electronics Brand". It has also received "2013 Global Innovative Smart TV of the Year" award, the most prestigious product award

AUGUST



Completed the spin-off (the "AV Spin-off") of Tonly Electronics Holdings Limited ("Tonly Holdings") through a separate listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")

Allied with iQIYI, a leading online video platform under Baidu, Inc. to co-launch a cross-industry and innovative new product "TCL-iQIYI TV+" ("TV+"), pioneering a new trend for the cross-industry smart cloud products

SEPTEMBER

The world's largest IMAX theatre officially opened at the TCL Chinese Theatre, the landmark building on Hollywood Boulevard in America. Meanwhile, TCL's first experience store in North America, "TCL Square Experience Store" ("TCL Square"), situated in the theatre's facade also opened officially on the same day

Disposed of the land use rights and the buildings in Inner Mongolia to unleash the assets

FEBRUARY

Has become the Smart Cloud TV sponsor of Hong Kong International Airport ("HKIA") and provided leading display equipment throughout HKIA, making the Group the first PRC TV enterprise with its TV products featured at HKIA

MARCH

Announced its brand strategy enhancement, projecting a "young, fashionable and internationalized" image at "It's Real Different! TCL Press Conference in Spring 2013" in Beijing. At the same time, the Group rolled out several new product series under its "Fireball Plan" and introduced the world's first sub-brand "Viveza" for high-end TVs

JUNE

Ranked among top three in global LCD TV market and continued to maintain No.1 position in the PRC LCD TV market

MAY

Launched the world's first 4K ultra high-definition smart TVs with Google TV software, MoVo HD

OCTOBER

TCL has maintained its No.1 position among television enterprises in the PRC with a brand value of RMB63,916 million and ranked No. 6 among the top hundred PRC's brands in the "19th League of Top 100 Most Valuable Brands of China" that was revealed in Paris, France

Entered into a joint venture agreement with IMAX Corporation, the world's leading entertainment technology company for the establishment of "TCL-IMAX Entertainment Co., Ltd." which will co-develop, manufacture and provide end-to-end premium all-round smart home theatre entertainment solutions to consumers covering "hardware, software, service and content"

NOVEMBER

Has become the only PRC TV manufacturing enterprise to have obtained Chinese National 4K TV Certification, and has the most product models approved by the certification among the candidates

Announced the launch of TCL Disney Children TVs, the world's first TV model that effectively protects and enhances children's eyesight

CHAIRMAN'S STATEMENT

LI DONGSHENG CHAIRMAN

The Group will undergo a major transformation that focuses primarily on a "double +" strategy which includes "intelligence + internet" and "products + services" as the main direction in the future, shifting from the previous product-oriented focus to a user-oriented focus and gradually transforming from a traditional TV manufacturer into a global multimedia entertainment technology enterprise.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The year 2013 saw the emergence of cross-industry integration in the consumer electronics sector as a trend. The rapid development of smart, internet and cloud technologies, etc. drove a fully-fledged transformation in both software and hardware technologies in the liquid crystal display ("LCD") TV industry in the PRC. They sped up the pace of industry transformation and brought about new challenges and opportunities to the industry as a whole. In the area of hardware technologies, high-end display technologies including 4K high-definition and OLED had been maturing, bringing to consumers a brand-new visual experience. Moreover, consumers' demand for larger screen is growing. These are set to become a major driver of the overall TV market in the future. In software, meanwhile, participation of internet companies as new entrants to the TV industry accelerated the development of smart TVs, fostering the TV market as a whole towards high resolution, intelligence and internet-driven development.

Amid uncertainties surrounding the global economy, slow market growth and participation from cross-industry competitors, the TV industry was posed with intensifying competition as well as the ongoing enormous transformation, inflicting pressure on the gross profit margin of TV products. Stayed adhered consistently to its "one-stop integration, innovation and internationalization" long term development strategy, the Group endeavored the best of its efforts in optimizing various areas including product innovation, marketing and sales and brand influence. In 2013, the Group sold a total of 17.18 million sets of LCD TVs, up by 10.7% year-on-year. The sales volume of LCD TVs in the PRC Market rose by 11.9% year-on-year to 9.91 million sets while the sales volume of LCD TVs in the Overseas Markets increased by 9.1% year-on-year to 7.28 million sets. According to the latest DisplaySearch report, the Group ranked No.3 in

the global LCD TV market in 2013 with a market share of 6.5%. Meanwhile, the Group maintained its No.1 position in the PRC LCD TV market with a market share of 18.1%.

Despite facing with the impact from the new industry landscape, the Group proactively responds to changes in the market and implements persistent industry integration and upgrades. It has stepped on the road of industry transformation. On top of ongoing efforts in securing its leadership position in the LCD TV market, the Group entered into a number of cross-industry synergistic cooperations with numerous strategic partners. These included a strategic alliance in the second half of 2013 with iQIYI, the leading online video platform in the PRC under Baidu, Inc. for the launch of TV+, the first TV product to have truly incorporated with internet elements, pioneering a new trend for cross-industry smart cloud terminal products and navigating the Group's way towards internet-driven development. Sales volume of TV+ reached over 100,000 sets in less than four months after launch, its sales performance was satisfactory. To expand its foothold in the overseas smart TV markets, the Group announced in January 2014 the launch of the first TCL Roku smart TV with the US-based streaming media set-top box manufacturer Roku in North America, providing streaming media resources in more than 1,000 channels, thereby pioneered a new model of cross-industry cooperation between a TV manufacturer and an internet content provider in North America.

CHAIRMAN'S STATEMENT

Meanwhile, the Group announced the establishment of a joint venture with IMAX Corporation, the world's leading entertainment technology company and planned to launch end-to-end all-round smart home theatre entertainment solutions to consumers covering "hardware, software, service and content", providing customers with brand-new home entertainment experiences, expanding the Group's business scope further.

Furthermore, in order to realize potential shareholder value, the Group successfully spun off Tonly Holdings for a separate listing on the Main Board of the Hong Kong Stock Exchange in August 2013. The spin-off would help further optimize corporate structure, governance and deployment of resources, etc. of the two separately listed entities, enhancing and reflecting their long term values and realizing the goal of shareholder value.

Looking ahead, the growth in overall LCD TV market will slow down, while smart products will become an increasingly prominent trend. Consumers are backing the push in user experiences of products to the higher level. Moreover, the impact of internet technologies will drive competition within the TV industry from among terminal products to among product ecosystems. As such, traditional TV manufacturers are faced with challenges from product technologies, service capabilities and establishment of new business models. It is essential that traditional home appliance enterprises undergo a transformation of their business models. Firstly, as far as the market is concerned, saturated demand amidst growing production capacity intensified the price competition among enterprises; secondly, with the industry, maturity of basic functions of hardware created a gridlock to development of the consumer electronics industry due to homogeneity of product functionalities; thirdly, faced with cross-industry competitors from internet enterprises, the introduction of new business models has brought about challenges to the profitability of traditional home appliances enterprises. In view of the above, TCL will completely abandon the traditions by adopting the internet thinking, and establish the new business model by implementing the "double +" strategy of "intelligence + internet" and "products + services", seeking to achieve a breakthrough in the strategic transformation in the internet era.

CHAIRMAN'S STATEMENT

"Intelligence + internet" refers to smart products and services evolved from internet thinking, offering ultimate experiences and driving a major transformation of the Group in the areas of technologies and operations. Meanwhile, "products + services" refers to an innovative business model in the internet era, driving a major transformation on the business model at the corporate level, eventually establishing an open, collaborative and integrated business process and organizational systems serving needs of the strategic transformation. The Group will undergo a major transformation that focuses primarily on a "double +" strategy which includes "intelligence + internet" and "products + services" as the main direction in the future, shifting from the previous product-oriented focus to a user-oriented focus and gradually transforming from a traditional TV manufacturer into a global multimedia entertainment technology enterprise. Meanwhile, it will also proactively kick off development of its game businesses, vigorously develop operating platforms, strengthen its cooperation with companies under TCL Corporation ("TCL Corporation") and proactively cooperate with third parties in integrating resources. The Group will adopt three major measures to take new development directions for the future: First, establishment of product-driven organization based on market insight. The Group believes in "changing times bring about changing needs". Consumer needs are constantly changing with the time. The Group will enhance its intuitive capability for changes in the markets, implement product planning based on consumer needs and user experiences as the core principles. It is looking at not only product sales but also provision of value-added services to enhance the overall profitability.

Second, the internet-oriented layout. With reference to the increasingly common application of internet technologies, the Group will strengthen establishment of an internet ecosystem which seeks to reinforce development of its hardware business while strengthening lateral alliances, deepening the cross-industry strategic cooperations with iQIYI and IMAX Corporation, etc. It will endeavor to development of cross-industry smart terminal products that encompass "platform, content, terminal and application" into a single unit. Meanwhile, the Group has decided on plans to establish an O2O model that integrates traditional and new media marketing strategies, seeking to strengthen existing sales and distribution channels while staying closer to consumers through internet tools to enhance sales efficiency.

CHAIRMAN'S STATEMENT

Third, brand globalization. The Group will adhere to its long term development strategy of globalization and integrating resources in markets around the world. It will proactively enhance the operating efficiency of its multinational businesses and optimize its operation models. It will seek to strengthen the influence of TCL brand in the international markets through innovative marketing strategies, thereby reinforcing its leading market position in the global consumer electronic industry and achieving healthy and steady growth of its businesses as a whole.

The Group believes that with the future continuing to be challenging, industry transformation will inflict short-term pain but will be the inevitable path towards internet-driven development. The Group will continue to identify innovative product form and business models to proactively explore the way for assimilated development between the traditional TV manufacturing industry and the internet. Leveraging TCL's unique edge as the only PRC-based TV enterprise which has its own complete industry chain encompassing LCD panels, modules and TV sets, coupled with brand awareness, product innovation and pillar capabilities, the management is confident to lead the Group through rugged times, with an aim to become a global multimedia entertainment technology enterprise with improved operation and financial performances, maximizing value and return for the long term for all shareholders.

Last, on behalf of the Board of Directors, I hereby extend my heartfelt appreciation to all shareholders, customers and business partners for their ongoing support for the Group. I would also like to extend my gratitude to the management and staff of the Group for their years of hard work and contribution to TCL's sustaining healthy development. The Group believes that it had weathered the storm, with the commitment and contribution from over 29,000-strong staff force worldwide, will be an international entertainment technology enterprise that deserves respects and equipped with the strongest innovation capabilities.

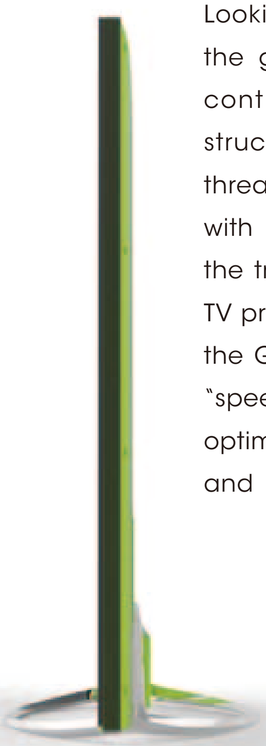
LI Dongsheng

Chairman

24 February 2014, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW



Looking back into 2013, against the backdrop of the slow recovery of the global economy, the PRC economy maintained stable growth and continued to proceed with deepened adjustments of its economic structure. Nevertheless, facing the challenges in the internet era and threats from internet companies as new entrants, the TV industry was posed with intensifying competition as well as the ongoing transformation within the traditional TV segment, inflicting pressure on the gross profit margin of TV products. Faced with a complicated and volatile operating environment, the Group adhered to its core development strategy with an emphasis on "speed and efficiency", and further improved its product competitiveness, optimized the product mix and stepped up efforts in building sales channels and brand development. However, due to the withdrawal of the energy-

saving home appliances subsidy policy by the PRC government in June 2013, the demand for LCD TVs in the PRC Market continued to decline and the Group did not meet its sales volume target in the PRC Market in 2013. Furthermore, an overly optimistic expectation of the Group on market demand at the beginning of 2013 prompted an overstocking of the inventory of raw materials, as a result of lower raw material prices, a significant devaluation had to be made for the corresponding inventory. Further, quality issues in individual products originated from sourcing of components from external suppliers resulted in an additional increase in the cost of after-sale services. These factors made the Group's results fall short of expectations.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$39,495 million, up by 9.6% year-on-year. Gross profit amounted to approximately HK$5,414 million, down by 11.9% year-on-year. Gross profit margin dropped to 13.7% from 17.1% for the same period last year while expense ratio dropped to 14.2% from 14.4% for the same period last year. Operating profit was approximately HK$252 million, down by 78.5% year-on-year. Net loss after tax from continuing operations was approximately HK$123 million (2012: approximately HK$826 million of profit). Loss attributable to owners of the parent from continuing operations was approximately HK$119 million (2012: approximately HK$816 million of profit). The Group's basic loss per share and basic loss per share from continuing operations were HK3.61 cents and HK8.96 cents, respectively (basic earnings per share and basic earnings per share from continuing operations in 2012: HK69.65 cents and HK62.37 cents, respectively).

TV BUSINESS

For the year ended 31 December 2013, the Group sold a total of 17.18 million sets of LCD TVs, up by 10.7% year-on-year. The sales volume of LCD TVs in the PRC Market rose by 11.9% year-on-year to 9.91 million sets while the sales volume of LCD TVs in the Overseas Markets increased by 9.1% year-on-year to 7.28 million sets, of which the sales volume of LCD TVs in the Emerging Markets grew by 13.0% to 4.55 million sets. The Emerging Markets remained a major contributor to the Overseas Markets of the Group as well as a major growth driver alongside with the PRC Market. According to the latest DisplaySearch report, the Group ranked No.3 in the global LCD TV market in 2013 with a market share of 6.5%. Meanwhile, the Group maintained its No.1 position in the PRC LCD TV market with a market share of 18.1%.

The Group strives to enhance its product competitiveness and brand influence. In order to seize the first-mover opportunity in creating a smart TV ecosystem, the Group sealed a strategic alliance with iQIYI, a leading online video platform in the PRC under Baidu, Inc. for the co-launch of a visionary and cross-industry new product TV+, which has pioneered a new trend for cross-industry smart cloud terminal products, and became the first TV product to have truly incorporated with internet elements. TV+ was well-received by consumers with sales volume reaching over 100,000 sets in less than four months after its launch. TV+ has received "Global Innovative Smart TV of the Year" award at the 47th CES. In addition, TCL has been included in the leagues of "Top 50 Global Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" for the sixth consecutive year and also received "2013 Global Innovative Smart TV of the Year" award and the most prestigious product award of all presented in CES this year.

Meanwhile, the Group is committed to proactively developing 4K ultra high-definition TVs. Total 8 models of 4K ultra high-definition TVs in 3 series, Cloud Xi E5690, Cloud Qing V8500 and Cloud Mu H9500, with panels sized from 39 inches to 85 inches, were launched and met the Chinese National 4K TV Certification Standards and received certificates No.001 to No.008. In particular, Cloud Mu

H9500, with an 85-inch panel, obtained the No.001 certificate and has been dubbed "No.1 4K ultra high-definition TV" by the market for its outstanding performance. Announced by the National Testing and Inspection Center for Radio and TV Products, TCL was one of the first batch of certified TV manufacturers which met the Chinese National 4K TV Certification Standards. TCL has also the most product models approved by the certification, demonstrating its leading 4K display technology in the industry.

The Group has also launched TCL Disney Children TVs, the world's first model that effectively protects and enhances children's eyesight. This product, in the first move of its kind in the industry, integrates seven innovative technologies for eyesight protection, featuring with More Vision Pal (視訓寶), natural light and distance perception, etc. The seven leading technologies for eyesight protection of TCL Disney Children TVs received "Innovative Technology" award in China Electronic Information Industry Economic Operation Cum TV Industry Research Conference 2013, jointly organized by China Video Industry Association and All View Consulting in Beijing. TCL has also received "Innovative Product" award for its other products and became the only enterprise that received 3 grand awards.

In addition, the Group announced a new sub-brand "Viveza" for high-end TVs, and launched the first high-end TV product, Viveza V101, to develop premium high-end TV brand, at the beginning of 2013. Viveza V101 and the 110-inch ultra high-definition 3D flat-panel TV MTB001D01-1 won the "2013 CITE innovation product and application" gold award in the first "China Information Technology Expo" ("CITE"), making the Group the only enterprise to have two products awarded gold awards simultaneously in country-level contests.

In terms of brand promotion, TCL aims at enhancing its brand influence in the global TV industry through its international entertainment marketing efforts. During the first half of 2013, TCL had a series of cooperations with the Hollywood movie "Iron Man 3" through brand placement, joint promotions and authorized usage of creative elements. Meanwhile, TCL obtained the naming right of Grauman's Chinese Theatre, the landmark architecture on Hollywood Boulevard. The building was officially renamed "TCL Chinese Theatre". On 15 September 2013, the world's largest IMAX theatre officially opened at "TCL Chinese Theatre". Meanwhile, TCL Square, situated in the facade of "TCL Chinese Theatre", also opened officially on the same day. The re-opening of the "TCL Chinese Theatre" and the launch of TCL Square comprehensively demonstrate the technological strength and international brand image of TCL, allowing more young people from the United States and elsewhere in the world to experience the fascination from the combination of arts and technologies. TCL has maintained its No.1 position among television enterprises in the PRC with a brand value of RMB63,916 million and ranked No.6 among the top hundred PRC brands in the 19th League of Top 100 "Most Valuable Brands of China". TCL has received the award for the eighth consecutive year, an achievement which demonstrates not only the Group's global brand influence, but also its sustainable, solid and significant branding strategies and achievement.

Besides, the Group proactively expands its business horizon to the world's premium theatre system by entering into a joint venture agreement with IMAX Corporation, the world's leading entertainment technology company for the establishment of "TCL-IMAX Entertainment Co., Ltd.", which will be engaging in the co-development, manufacture and distribution of premium home theatre systems in the PRC and other selected global markets starting from 2015. TCL-IMAX Entertainment Co., Ltd. will provide end-to-end all-round smart home theatre entertainment solutions to consumers covering "hardware, software, service and content", providing customers with brand new home entertainment experiences.

The Group's sales volume of TVs by regions during the year are as follows:

	2013 ('000 sets)	2012 ('000 sets)	Change
LCD TVs	17,184	15,527	+10.7%
of which: LED backlight LCD TVs	16,661	11,828	+40.9%
Smart TVs	2,800	1,471	+90.3%
3D TVs	2,669	2,179	+22.5%
– PRC Market	9,908	8,856	+11.9%
– Overseas Markets	7,276	6,671	+9.1%
CRT TVs	1,055	2,030	(48.0%)
– PRC Market	18	176	(89.8%)
– Overseas Markets	1,037	1,854	(44.1%)
Total TV sales volume	18,239	17,557	+3.9%

THE PRC MARKET

For the year ended 31 December 2013, the Group achieved growth in both sales volume and turnover in the PRC Market. The turnover rose by 10.9% year-on-year to HK$25,666 million and the PRC Market remains the Group's major source of revenue. The sales volume of LCD TVs reached 9.91 million sets for 2013, up by 11.9% from the same period of last year. Nevertheless, due to the withdrawal of the energy-saving home appliances subsidy policy by the PRC government in June 2013, the demand for LCD TVs in the PRC Market dropped and the sales volume in the PRC Market did not meet the target. In addition, an overstocking of the inventory of raw materials and the decrease in price posed a need to make a significant devaluation of corresponding inventory, coupled with intensified competition, which impaired the gross profit margin. The operating profit from the PRC Market for the year dropped significantly by 93.2% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to strengthen its "full cloud strategies", sped up the process of its strategic layout for smart TVs, persistently stepped up its marketing efforts to boost the proportion of sales volume of smart TVs and 3D TVs. During the year, the sales volume of smart TVs increased by 94.8% from 1.35 million sets for the same period last year to 2.63 million sets, and proportion of smart TVs in the total LCD TV sales volume in the PRC Market increased to 26.5%. Sales volume of 3D TVs was 2.64 million sets, and its proportion in the total LCD TV sales volume in the PRC Market was 26.6%. The sales volume of smart TVs and 3D TVs in December 2013 accounted for 36.5% and 30.1% of the LCD TV sales volume in the PRC Market, respectively. In addition, the Group also strengthened its sales channel establishment by opening 4,000 new specialty stores in 2013.

OVERSEAS MARKETS

Volatilities in exchange rates, political risks and creditability risks in some of the emerging markets brought about numerous challenges to the operational environment in the Overseas Markets. For the year ended 31 December 2013, the Group's turnover in the Overseas Markets decreased by 0.5% year-on-year to HK$11,884 million. Nevertheless, the sales volume of the LCD TVs in the Overseas Markets increased by 9.1% year-on-year to 7.28 million sets, of which the sales volume of the LED backlight LCD TVs grew from 4.58 million sets for the same period last year to 6.97 million sets in 2013, accounting for 95.7% of the total sales volume of the LCD TVs in the Overseas Markets.

During 2013, the sales volume of the LCD TVs in the Emerging Markets rose by 13.0% year-on-year to 4.55 million sets, of which the sales performance in Brazil was the most encouraging with a 72.6% year-on-year increase in sales volume. On one hand, the Group proactively capitalized on opportunities from the transition to high-end products in the Emerging Markets and introduced in full its smart TVs and high-definition TVs as part of the efforts in optimizing its product mix, of which smart TVs has been performing well in the market since the introduction in the first half of 2013. On the other hand, the sales volume in the Emerging Markets experienced a steady growth driven by an active expansion in new points of sales, as well as the ongoing improvement in sales capabilities at the terminal stores.

In the European Market, the Group continued to strive for optimizing in its product mix. Apart from accelerating the introduction of new products including the smart TVs, the Group adopted a product differentiation strategy by introducing the "Color Line" multi-color TV outlook option scheme which received good response from the market and helped boost its sales volume. In 2013, smart TVs accounted for 17.1% in terms of sales volume of LCD TVs in the European Market, of which the market share in France increased to 7.1% for 2013 from 5.7% for 2012, according to GfK figures. In addition, the Group continued to expand point of sales and sales channels, and increase the number of in-store product sample displays at markets in France, Poland, Germany, Spain and Italy, etc., in order to enhance consumers' access to the products.

R&D

The Group actively stepped up investments in R&D and strived to enhance its core competitiveness and market share in the middle to high-end products by combining visionary product technologies and technological innovations, with a view to groom TCL into a global brand with international influence. The Group obtained 502 patents and launched 99 new products in 37 series in the PRC Market in 2013.

With its leading position in the domains of large-panel, 4K ultra high-definition display technology and smart terminals, etc., the Group successfully launched a cross-industry new product TV+, the industry-leading 4K ultra high-definition TVs, TCL Disney Children TVs which targeted at the segmented market, high-end Viveza TV series and other high-end smart TVs, etc. These products won a number of international and national awards in recognition of further improvements in the R&D and innovation capabilities of the Group's products.

In addition, the Group exhibited its industry-leading 4K ultra high-definition large-panel product series, which included the 110-inch 4K ultra high-definition 3D LCD TVs, the latest 55-inch OLED TVs, TCL Curved ultra high-definition TVs as well as the 85-inch large panel Ultimate TVs etc. at the CES. Of which, TCL Curved ultra high-definition TVs, which perfectly assimilates the 4K ultra high-definition resolution advanced technology on curved panels, became one of the highlights of the Group in the CES, showcasing the Group's strengths in R&D for its products to consumers around the world.

OUTLOOK

Looking ahead, the world economy will enter into a new stage featuring recoveries of markets. Meanwhile, the PRC government has set the theme for economic development in 2014 as striving for growth with stability as a priority. The PRC economy is heading towards comprehensive deepening of reforms and stable development of urbanization. Coupled with involvement of internet companies in the TV industry and increasingly popularity of smart TVs of the PRC Market will trigger a new round of replacements of TVs which accelerates the speedy development in intelligent and internet driven technologies. Meanwhile, the Group expects growth in the overall global TV industry to remain sluggish while competition continues to intensify. The Group believes that competition within the TV industry has spread from among terminal products to among product ecosystems.

In view of the above, the Group has set three major development directions for the future, namely establishment of product-driven organization based on market insight, internet-oriented layout and brand globalization. First, the Group will endeavor the best of its efforts in establishing a mechanism that identifies consumer needs and user experiences. This will help enhance the Group's product planning and development model through consumer-demand-driven product planning that realizes a product manager system and a simplified product range. The Group will continue to enhance its product landscape of smart TVs and 4K ultra high-definition TVs in the PRC market, leveraging its advantages in technologies and resources to perpetuate its successful experience in TV+ in the development of cross-industry smart terminal products that encompass "platform, content, terminal and application" through developing more innovative products to accelerate its internet-oriented layout.

Second, regarding the internet-oriented layout, the Group will apply internet thinking in R&D, manufacturing and marketing of the products. For example, it will apply "exhaustive thinking" in

identifying and analyzing user needs to develop products that exceed users' expectations. It will apply "fans thinking" and "media thinking" in strengthening user stickiness and facilitate "finer-targeted" marketing. The Group will also strengthen its ecosystem landscape and accomplish vertical integration of its LCD industry chain. Along with efforts in reinforcing its development in hardware business, it will establish lateral alliances in contents and services cooperations to create a user-centric lateral ecosystem that secures users with strengthened user and product interaction experiences, and nurture customer loyalty with stronger stickiness.

In addition, the Group will strengthen its operation infrastructure, focusing on the whole consumption process on the user end to develop provision of an one-stop services, leveraging on the TCL service center, logistics platform and data center. This will help establish an O2O model that integrates cross-organization marketing, sales, logistics and content in order to increase contact points with users. Furthermore, the Group will strengthen reforms on the sales front, enhance the existing sales channels while streamlining the workflow and improve the new direct sales system. It seeks to bring consumers closer through various internet tools such as social media, and innovative marketing models such as "finer-targeted" marketing. On the other hand, the Group will explore a new "software + hardware + content + service" business model, develop its new businesses including TV+, TCL and IMAX Corporation end-to-end all-round smart home theatre entertainment solution and TCL Disney Children TVs, etc.

Finally in the area of brand globalization, the Group will integrate its globalization resources, construct a globalized sales management platform in an effort to enhance operational efficiency, market share and awareness of the TCL brand in the global market.

The Group will adhere to its core development strategy that is based on "speed and efficiency", seeking to bring value-for-money products to consumers through product innovations, cost optimization, product competitiveness and price strategies and deliver new lifestyle experiences, and strategically targeting to become a truly global multimedia entertainment technology enterprise. The Group has targeted its annual LCD TV sales volume of 18.50 million sets in 2014. Moreover, the Group will continue to capitalize on advantage of TCL Corporation in resources to exploit further synergies from strategic cooperations with TCL Communication Technology Holdings Limited ("TCL Communication") and Shenzhen China Star Optoelectronics Technology Co., Ltd. ("CSOT"), fully leveraging on its edge in vertical integration, in order to strengthen the Group's leading position in the global TV market, further grooming TCL into a global brand with stronger international influence and integrated competences, thereby bringing greater returns for shareholders.

FINANCIAL REVIEW

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group has the following significant investments, acquisitions and disposals during the year.

On 22 February 2013, the Group announced its proposal to spin-off its ODM business in relation to AV products through separate listing of Tonly Holdings and its subsidiaries (collectively, the "Tonly Group") on the Main Board of the Hong Kong Stock Exchange. Following the approval by the Hong Kong Stock Exchange, the AV Spin-off and separate listing of the Tonly Holdings on the Hong Kong Stock Exchange was completed on 15 August 2013, details of which are set out in the listing document of Tonly Holdings dated 17 July 2013. Upon the AV Spin-off of the Tonly Group, the Company's entire interest in Tonly Holdings had been distributed as special interim dividend to the Company's qualifying shareholders and Tonly Holdings ceased to be a subsidiary of the Company thereafter.

On 19 April 2013, Shenzhen TCL New Technology Company Limited ("TCL New Technology"), a wholly-owned subsidiary of the Company, entered into two club membership acquisition agreements with TCL Optoelectronics Tech (Shenzhen) Company Limited ("Shenzhen TCL Optoelectronics"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which TCL New Technology agreed to acquire and Shenzhen TCL Optoelectronics agreed to sell further club membership interests, including but not limited to the exclusive rights to occupy and use the premises and the ancillary services at Unit 201 to Unit 708 of Category A to H of the 2nd to 7th Floor of B8 building and the whole floor of 6th Floor of D4 building, TCL Science Park, No. 1001, Zhongshanyuan Road, Xili, Nanshan District, Shenzhen, the PRC, for office and industrial research use from the date of the agreements to 12 September 2056, at cash consideration in the sum of approximately RMB51,416,000 (equivalent to approximately HK$63,756,000). The transaction was completed on 19 April 2013.

On 26 June 2013, each of TCL King Electrical Appliances (Huizhou) Company Limited ("TCL King (Huizhou)"), a wholly-owned subsidiary of the Company and TCL Technoly Electronics (Huizhou) Company Limited, a non-wholly owned subsidiary of the Company before the AV Spin-off of Tonly Group (collectively, the "Purchasers"), entered into a transfer agreement with Huizhou TCL Mobile Communication Company Limited (the "Vendor"), a wholly-owned subsidiary of TCL Communication and an indirect non-wholly owned subsidiary of TCL Corporation, pursuant to which the Vendor would transfer a relevant portion of a piece of land located in Sub-division 38, Zhong Kai High Tech Park, Huizhou, Guangdong Province, the PRC, together with the buildings thereon to each of the Purchasers (the "Transfer"). The total consideration of the Transfer was approximately RMB72,918,000 (equivalent to approximately HK$91,148,000). The transaction was completed on 26 December 2013.

On 11 September 2013, Inner Mongolia TCL King Electrical Appliance Company Limited ("Inner Mongolia TCL King"), a wholly-owned subsidiary of the Company, entered into a tripartite agreement (the "Tripartite Agreement") with Hohhot Land Purchase and Reserve Auction Centre ("Hohhot Auction Centre") and Management Committee of Wishful Zone of Hohhot Economic and Technological Development Zone ("Management Committee of Wishful Zone of Hohhot"), pursuant to which Inner Mongolia TCL King agreed to sell and Hohhot Auction Centre agreed to acquire all land use rights held by Inner Mongolia TCL King in respect of two pieces of adjacent land located at East of East Second Ring Road, South of Xin Hua Street, Wishful Development Zone, Hohhot (the "Land") and all the buildings erected on the Land (the "Buildings") at a total consideration of RMB235,923,436 (equivalent to approximately HK$296,509,000). In addition, Inner Mongolia TCL King would be entitled to a compensation and reward for its relocation from the Land in a sum of RMB61,244,000 (equivalent to approximately HK$76,971,000) and would also be entitled to the refund of value-added tax, income tax and entrance deposit previously paid by Inner Mongolia TCL King to Management Committee of Wishful Zone of Hohhot in a sum of RMB9,730,000 (equivalent to approximately HK$12,229,000). The refund was paid by Management Committee of Wishful Zone of Hohhot. The transaction was completed on 29 November 2013.

On 29 October 2013, Sino Leader (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with an independent third party, IMAX (Hong Kong) Holding, Limited, a subsidiary of IMAX Corporation. IMAX Corporation (together with its subsidiaries) is a publicly traded company listed on both the New York Stock Exchange (stock code: NYSE:IMAX) and the Toronto Stock Exchange (stock code: TSX:IMX). Pursuant to which the Group and IMAX Corporation agreed to form

TCL-IMAX Entertainment Co., Limited, a joint venture incorporated in Hong Kong and certain other joint ventures in the PRC, which will be engaged in the development, manufacture and distribution, for worldwide customers, of premium and high-end private theatre systems, and providing both high quality day-and-date and library content for Chinese and foreign films, and standard television content and other various content, including music and gaming.

On 15 November 2013, TCL King Electrical Appliances (Chengdu) Company Limited ("TCL King (Chengdu)"), a wholly-owned subsidiary of the Company, entered into a capital injection agreement with TCL Finance Company Limited ("Finance Company", a 14% owned associate of the Company), TCL Corporation and JRD Communication (Shenzhen) Limited ("JRD Shenzhen", a wholly-owned subsidiary of TCL Communication) pursuant to which TCL King (Chengdu), TCL Corporation and JRD Shenzhen, all being shareholders of Finance Company with respective equity interest of 14%, 82% and 4% therein, agreed to inject a total of RMB1,000,000,000 (equivalent to approximately HK$1,271,779,000) into Finance Company on a pro rata basis. The amount of capital injection to be made by TCL King (Chengdu) was RMB140,000,000 (equivalent to approximately HK$178,049,000). Since the capital injection is on a pro rata basis, Finance Company will remain held as to 14% by TCL King (Chengdu). Upon completion of capital injection by its shareholders, the total registered capital of Finance Company increased from RMB500,000,000 (equivalent to approximately HK$635,890,000) to RMB1,500,000,000 (equivalent to approximately HK$1,907,669,000). The transaction was completed on 6 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's principal financial instruments comprise of bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and bank balance of the Group as at the year end amounted to HK$3,047,524,000, of which 2.6% was maintained in Hong Kong dollars, 34.0% in US dollars, 59.4% in Renminbi, 2.4% in Euro and 1.6% held in other currencies for its overseas operations.

There was no material change in available credit facilities when compared with those for the year ended 31 December 2012 and there was no asset held under finance lease as at year end.

As at year end, the Group's gearing ratio was 0% since the Group's total pledged deposits and cash and bank balances of HK$3,047,524,000 were higher than the total interest-bearing borrowings of HK$2,414,998,000. The maturity profile of the borrowings ranged from one to three years.

PLEDGE OF ASSETS

Please refer to notes 25, 28, 30 and 32 to the financial statements.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following capital commitments:

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for	175,256	44,092
Authorised, but not contracted for	385,484	753,614
	560,740	797,706

As at 31 December 2013, the Group did not have any material contingent liability not provided for in the financial statements.

PENDING LITIGATION

The Group had not been involved in any material litigation for the year ended 31 December 2013.

FOREIGN EXCHANGE EXPOSURE

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor the Company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises on the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, in line with the policy of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

EMPLOYEE AND REMUNERATION POLICY

The Group had a total of 29,030 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operation. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing for a total of 34,181,658 shares remained outstanding at the end of reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Mr. Albert Thomas DA ROSA, Junior
NON-EXECUTIVE DIRECTOR

Mr. SHI Wanwen
NON-EXECUTIVE DIRECTOR

Mr. HAO Yi
CEO AND EXECUTIVE DIRECTOR

Mr. LI Dongsheng
CHAIRMAN AND EXECUTIVE DIRECTOR

Dr. TSENG Shieng-chang Carter
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. WU Shihong
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Robert Maarten WESTERHOF
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. BO Lianming
NON-EXECUTIVE DIRECTOR

Mr. HUANG Xubin
NON-EXECUTIVE DIRECTOR

Mr. TANG Guliang
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. YAN Xiaolin
EXECUTIVE DIRECTOR

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. LI DONGSHENG

Aged 56, is the founder and Chairman, an Executive Director and a member of the Executive Committee of the Company. Mr. LI is currently the Chairman, the Chief Executive Officer ("CEO") and founder of TCL Corporation. He is also the Chairman and an Executive Director of TCL Communication, a subsidiary of TCL Corporation, as well as one of the most recognized business leaders in China.

In 1982, Mr. LI began his career in TTK Household Electrical Appliances Co. Ltd, the predecessor of TCL. In 1985, he was appointed as General Manager of the newly established company, TCL Communication Equipment Co. Ltd. and created the TCL brand. In 2003, Mr. LI was appointed as the Chairman and CEO of TCL Corporation, which was afterwards listed on the Shenzhen Stock Exchange. Under his leadership, TCL accomplished acquisitions of both Thomson's television business in France and Alcatel's mobile phone global business in 2004. Now TCL has become a multinational enterprise with 60,000 employees and international business in over 80 countries. In the fourth quarter of 2013, TCL ranked No. 3 globally in terms of LCD TV market share and ranked No.5 globally in terms of TCL handset market share.

Mr. LI was awarded the "Most Socially Responsible Entrepreneur" by Xinhuanet in 2012; the "Life Achievement Award of Top 25 Influential Business Leaders" from China Entrepreneur Magazine in 2011; "China's Economic Person of the Year : Business Leader of the Decade" by CCTV in 2009; and "Economic Figure: China's 30 years of reform" in 2008. In 2004, he was also named as "Asia Businessman of the Year" by Fortune magazine and "Top 25 Global Business Leaders" by Time magazine and CNN. Mr. LI received OFFICIER DE LA LEGION D'HONNEUR (French national honor) from President Jacques Chirac in the same year.

Mr. LI was elected as a delegate to China's 16th Party Congress, and served as a delegate to the 10th, 11th and 12th National People's Congress. Mr. LI also holds a number of positions including Chairman of China Electronic Imaging Industry Association, Vice Chairman of China Chamber of International Commerce, Executive Committee member of All-China Federation of Industry & Commerce and Vice Chairman of Guangdong Federation of Industry & Commerce. Mr. LI graduated from South China University of Technology.

Mr. LI is also an Independent Non-Executive Director of Tencent Holdings Limited and a Non-Executive Director of Fantasia Holdings Group Co., Limited, both of which are listed on the Hong Kong Stock Exchange, and an Independent Director of Legrand, which is listed on NYSE Euronext.

MR. HAO YI

Aged 40, an Executive Director, CEO and a member of the Executive Committee of the Company. Mr. HAO is currently the Vice President of TCL Corporation. Mr. HAO joined TCL in March 2004, he had held the positions of Assistant to Chairman of TCL Corporation, and the Vice President, the Chief Sales Officer, General Manager of Overseas Business Group as well as General Manager of Emerging Market Business Center of the Company. He has rich experience in multinational business management. Mr. HAO obtained a Bachelor degree in Economics from York University, Toronto, and also holds a degree of EMBA from Cheung Kong Graduate School of Business.

MR. YAN XIAOLIN

Aged 46, an Executive Director and a member of the Executive Committee of the Company. Mr. YAN is currently the Senior Vice President of TCL Corporation. He has been serving as a Non-executive Director of TCL Communication since April 2013, the Chief Technology Officer ("CTO") of TCL Corporation since December 2012 and the President of TCL Corporate Research of TCL Corporation since October 2005. Mr. YAN joined TCL in May 2001. From May 2001 to December 2004, he served as the Project Manager, Director of Research Institute and Deputy General Manager of the Research & Development Centre of the Company. From December 2004 to October 2005, he was the CTO of Components Strategic Business Unit of TCL Corporation and the Deputy Principal and Acting Principal of TCL Corporate Research. From May 2008 to November 2012, Mr. YAN was the Vice President of TCL Corporation.

Mr. YAN is also the person-in-charge of the expert group of the New Display Key Project of the 12th five-year plan of the Ministry of Science and Technology of the PRC, the Chief Scientist of the National "863 Program", a Committee Member of the Electrical Technology Committee of the Ministry of Industry and Information Technology of the PRC, the Director-General of the Beijing Chapter of the Society of Information Display, a Director of the Display Technology Committee of the Chinese Vacuum Society, a Director of the Engineering Laboratory of Digital Family Life of the PRC, an Executive Director of the Engineering Technology Research Centre of Digital Family Life of the PRC and the Chairman of the China 3D Industry Association.

Mr. YAN was graduated from the Institute of Plasma Physics of Chinese Academy of Science with a Doctoral Degree in July 1999. From July 1999 to May 2001, he worked as a post-doctoral fellow in the Chinese Academy of Science.

Mr. YAN has nearly 15 years of experience in the high-tech industry and enjoys a good reputation in his professional field. He was awarded the PRC Quality Entrepreneur for Endogenous Innovation, special allowance from the State Council of the PRC, the Outstanding Expert of Contribution to Chinese Colour TV, the Innovator for Chinese TV Broadcasting Technology, the Labour Model of Guangdong Province and was honoured the Outstanding National Leader of Shenzhen. In addition, Mr. YAN completed 12 national projects as a person-in-charge, formulated one set of International Electrotechnical Commission international standard and two sets of national standard as a group leader, as well as registered 32 patents of his inventions as the chief inventor, two of which were awarded the Gold Award and Outstanding Award of the PRC National Patent Award respectively.

NON-EXECUTIVE DIRECTORS

MR. ALBERT THOMAS DA ROSA, JUNIOR

Aged 60, is a Non-executive Director of the Company. He has been a director of the Company since November 1999. Mr. DA ROSA holds both Bachelor's and Master's Law Degrees from the University of Hong Kong. He was qualified as a solicitor in Hong Kong in 1980. He is currently a practicing solicitor and a partner of Messrs. Cheung Tong & Rosa Solicitors, Hong Kong.

Mr. DA ROSA is a fellow of the Chartered Institute of Arbitrators and the Hong Kong Institute of Directors, a member of the Hong Kong Securities Institute and the Society of Registered Financial Planners and an Accredited Mediator with certain institutions in the U.K. and Hong Kong.

Mr. DA ROSA is an Independent Non-executive Director of HKC (Holdings) Limited, and the Company Secretary of Y.T. Realty Group Limited and Yugang International Limited, all of which are companies listed on the Hong Kong Stock Exchange. In the past three years, Mr. DA ROSA had been a Non-executive Director of eSun Holdings Limited.

Mr. DA ROSA serves as Chairman of the Appeal Tribunal (Buildings) Panel, the Tribunal Convenor of the Solicitors Disciplinary Tribunal Panel, and Chairman of the Panel of the Board of Review (Inland Revenue). He also served as a member of the Academic and Accreditation Advisory Committee of the Securities and Futures Commission from 2003 to 2009.

MR. BO LIANMING

Aged 51, is a Non-executive Director of the Company. Mr. BO is also an Executive Director, the President and the Chief Operating Officer ("COO") of TCL Corporation and the CEO of CSOT. Mr. BO held a number of management positions in TCL Corporation including Vice President and Financial Director of TCL IT Industrial Group, Vice President of TCL Components Strategic Business Unit, Executive Vice President of TTE Corporation, as well as Human Resources Director, Vice President and Senior Vice President of TCL Corporation. Mr. BO has over 13 years of experience in the consumer electronics products industry. Before joining TCL Corporation in 2000, he was the Chief Accountant of Shenzhen Airlines Co., Ltd.. Mr. BO holds a Doctorate Degree in Business Administration from Xi'an Jiaotong University.

MR. HUANG XUBIN

Aged 48, is a Non-executive Director and a member of the audit committee of the Company (the "Audit Committee"). He is also an Executive Director and the Chief Financial Officer ("CFO") of TCL Corporation as well as a Non-executive Director of TCL Communication. Mr. HUANG joined TCL in March 2001 and served as an Officer and General Manager of the Financial Settlement Centre, the Chief Economist, Financial Director, and the Vice President of TCL Corporation. Mr. HUANG has been a member of the Executive Committee of TCL Corporation since July 2007. He currently holds the position of the Chairman of Finance Company, Director of Huizhou Techne Corporation ("Huizhou Techne"), Director of Huizhou TCL Home Appliance Group Co., Ltd and Director of TCL Real Estate (Huizhou) Co.,Ltd. ("TCL Real Estate (Huizhou)"). Before joining TCL, Mr. HUANG served as Head of Credit Division of China Construction Bank, Guangdong Branch, the Deputy Manager and Manager of Fund Management Division and Securities Division of Guotai Junan Securities Co. Ltd., Guangzhou Branch, and also Senior Manager of Guangzhou Office of China Cinda Asset Management Co., Ltd. Mr. HUANG is a Senior Economist. He graduated from Hunan University (formerly known as Hunan College of Finance and Economics), and then obtained a Master's degree in Economy at Research Institute for Fiscal Science, Ministry of Finance, the PRC and an EMBA degree from China Europe International Business School.

MR. SHI WANWEN

Aged 47, is a Non-executive Director of the Company. He has been serving as the Senior Vice President of TCL Corporation since April 2008. Mr. SHI joined TCL in March 1990. From May 1990 to May 1993, he served as the Production Manager of TCL Technoly Electronics (Huizhou) Company Limited, a non-wholly owned subsidiary of the Company before the AV Spin-off. From May 1993 to May 1996, he served as Head of Business Management and Business Department of Huizhou Huatong Industry & Trade Company. From May 1996 to April 1997, he was a Manager of the Administration & Human Resources Department of TCL Electronics Group. From April 1997 to December 1997, he served as the Deputy General Manager of TCL Communication Industrial Equipment Company. From January 1998 to February 1999, he was the Manager of the General Manager Office and Assistant to General Manager of TCL King Electronics (Shenzhen) Company Limited. From March 1999 to July 2001, he was the Deputy General Manager and then the General Manager of TCL King Electronics (Shenzhen) Company Limited. From July 2001 to December 2001, he served as the General Manager of TV Sales Department of TCL Electrical Appliance Sales Company Limited, a subsidiary of the Company. From December 2001 to May 2003, he was the General Manager of the TV Business Unit of the Multimedia Electronics Business Unit of TCL Corporation. From August 2002 to September 2005, he was the Vice President and then the President of the Multimedia Electronics Business Unit of TCL Corporation. From September 2005 to December 2007, he was the COO of the Company. From June 2005 to April 2008, he was the Vice President of TCL Corporation. From June 2006 to September 2010, he was an Executive Director of the Company.

Mr. SHI also serves as the President of the System Technology Business Unit of TCL Corporation, General Manager of TCL Light Electrical Appliance (Wuhan) Company Limited, the Chairman and the General Manager of TCL Light Electrical Appliances Company Limited, a Director and the General Manager of Guangzhou Joy Network & Technology Company Limited, a Director of Shenzhen Speed Distribution Platform Company Limited, a Director of Huizhou Koyoo Online Company Limited, a Director of Shenzhen Happytree Appliance Trading Limited, a Director of Huizhou Kuyu Network Technology Company Limited, a Director of TCL Business Information Technology (Huizhou) Company Limited, a Director of TCL Digital Technology (Shenzhen) Company Limited, the Chairman of Guangdong Yijiatong Technical Development of Digital Home Company Limited, the Chairman of TCL New Technology (Huizhou) Company Limited, the Chairman of Huizhou Very Light Source Technology Co., Ltd. (formerly known as TCL-Harvatek Technology (Huizhou) Company Limited), the Chairman of Huizhou TCL Environmental Protection Resource Company Limited, the Chairman of Huizhou TCL Environmental Technology Company Limited and the Chairman of TCL Obo (Tianjin) Environmental Protection Development Company Limited.

Mr. SHI was graduated from the South China University of Technology with a Bachelor degree in Wireless Technology in 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. TANG GULIANG

Aged 51, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "Nomination Committee"). He is a professor at Department of Accounting, School of Business, University of International Business and Economics. Mr. TANG holds directorships in several listed companies in the PRC. He is also a Director of the Accounting Society of China.

MR. ROBERT MAARTEN WESTERHOF

Aged 70, is an Independent Non-executive Director of the Company. He has over thirty years' experience in the electronics industry. Mr. WESTERHOF had held senior management positions in the Computer, Telecommunications and Medical Systems divisions of Philips, his last positions were CEO of Philips Asia (based in Hong Kong and Shanghai) and CEO of Philips North America (based in New York). After his retirement from Philips, Mr. WESTERHOF became the President of the European top soccer team PSV Eindhoven (a voluntary job). Mr. WESTERHOF is the Co-Chairman of Thinktank Omega, an independent think tank that advises the government of the Netherlands on economics, financial and social issues and a Non-executive Director of AND Technologies N.V., a global leading provider of navigation solutions and digital maps which listed on the Amsterdam Stock Exchange. Mr. WESTERHOF is a member of the Supervisory Board of Teleplan, a hardware services provider headquartered in the Netherlands, and a member of the Advisory Board of VKA, an IT strategy company based in the Netherlands. Mr. WESTERHOF also serves as the Chairman of the Advisory Board of Suncycle B.V., a company specialized in advanced concentrated solar technologies in the Netherlands, the Chairman of Foundation Sparta Rotterdam based in Rotterdam, the Netherlands, it was founded in 1888 and is one of the oldest professional football teams in the Netherlands, and the Chairman of the Advisory Board of WSS Ltd. which is a worldwide operating company specialized in planning systems of waste management of the major cities in the world. Mr. WESTERHOF holds a Master's degree in Business Administration at the Erasmus University of Rotterdam, the Netherlands, and he has also completed Harvard Business School's Advanced Management Program and International Senior Management Program.

MS. WU SHIHONG

Aged 57, is an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. She has extensive experience in the information technology industry. Since March 2012, Ms. WU has become an independent non-executive director of A8 Digital Music Holdings Limited, a company listed on the Hong Kong Stock Exchange. Ms. WU was the Chairman and President of Shanghai Blackspace Information Technology Co., Ltd., from May 2008 to February 2012 and retired at the end of February 2012. Ms. WU joined IBM China in 1985 and was a General Manager of Channel Management of IBM China from May 1997 to February 1998. Ms. WU then became a General Manager of Microsoft China Co. Ltd. until August 1999. From 1999 to 2002, Ms. WU was a Vice President of TCL Corporation, and General Manager of TCL Information Technology Industrial (Group) Co., Ltd., a wholly owned subsidiary of the Company. Ms. WU has been studying in the area of philanthropy, and has recently started the practice of Entreprise Coaching. Ms. WU was elected by the Fortune magazine as one of the "Most Powerful Business Women in the World" in 2001 (No. 27) and 2002 (No. 24).

DR. TSENG SHIENG-CHANG, CARTER

Aged 65, is an Independent Non-executive Director, the Chairman of the Nomination Committee, and a member of the Audit Committee and Remuneration Committee of the Company. Dr. TSENG served as an Independent Non-executive Director of TCL Corporation from 20 June 2008 to 20 June 2011. Dr. TSENG is currently a Senior Consultant of the Shenzhen Municipal Government, Senior Consultant of Tianjin Economic-Technological Development Area, TEDA and the Executive Chairman of Nankai International Business Forum. Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the U.S.-based "Committee of 100".

Dr. TSENG holds a Bachelor of Science in Electrical Engineering from the National Taiwan University, he then pursued further studies at the University of California where he received his Master and Doctoral degrees in Computer Science and Electronics Engineering. Dr. TSENG has over 30 years of experience in the high-tech industry. While in the U.S., Dr. TSENG worked at PARC (XEROX Research Center) in Silicon Valley and various U.S. based companies including Lockheed Aircraft Co. and NRL. Dr. TSENG then returned to Taiwan in 1980, and was a Co-Founder of MICROTEK which was listed in 1988 – the world class leader in the Image Scanner industry, one of the first and most successful listed high-tech companies based in Taiwan Hsinchu Science Park. Dr. TSENG has also drawn on his rich experience to coaching and mentoring executives and managers in the high-tech arena. In 1998, Dr. TSENG set up the Little Dragon Foundation with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. Dr. TSENG also serves as the overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano-Technology & Engineering.

SENIOR MANAGEMENT

MR. CHENG FONG TING, EDMOND

Aged 52, a member of the Executive Committee, is currently the CFO of the Company. Mr. CHENG joined TCL in October 2011. From 1985 to 1994, he worked in both Audit and Financial Management Department for GTE Corporation, Compaq Computers Corporation, and Applied Materials Incorporated. From 1994 to 2005, he worked in various senior finance and operational management roles for regional businesses of Compaq Computers (which was later on acquired by Hewlett Packard Company), Mallinckrodt Medical Incorporated, Ingram Micro Incorporated. From April 2005 to August 2011, he worked as the CFO of Titan Petrochemicals Group Ltd, PSA International PTE Ltd, Zoomlion Science & Technology Development Company Ltd, and UTStarcom Inc., U.S.. Mr. CHENG graduated from University of Hawaii in 1984 and received a Bachelor degree in Business Administration; In 1986, he graduated from the same university with a Master degree of Accounting. Mr. CHENG has also completed his EMBA Global Asia program, offered jointly by Columbia University, London Business School, and Hong Kong University (the first EMBA spanning three connected global cities which drive global capital markets).

MR. REN JIAN, BRUCE

Aged 50, a member of the Executive Committee, is currently the CTO of the Company. Mr. REN joined TCL in August 2013. From 1986 to 2000, Mr. REN worked as a technician in National Science and Technology Information Institute, and worked as an Engineer, Project Manager, Deputy General Manager, etc. in Lenovo, MicroBurst, Aldus and Microsoft. From 2000 to 2004, he held the position as CTO/Deputy General Manager of TCL Information Technology Industrial (Group) Co., Ltd., Director of Strategic Development Department of TCL Corporation, CTO of Electronics Business Unit, General Manager of Research and Development Center of the Company, COO in TCL Germany Schneider Company etc. From 2005 to 2008, he worked as COO in Kingsoft Corporation Ltd. From 2011 to 2013, he invested and established BOVO Technology Ltd. and acted as the Chairman and CEO of the company. Mr. REN graduated from Peking University with a Bachelor degree. He also holds a Master degree in Computer Science Department from Peking University in 1986.

MR. YANG BIN

Aged 44, a member of the Executive Committee, is currently Vice President, General Manager of China Sales Company. Mr. YANG joined TCL in August 1991. He had held the positions of Manager of Huizhou TCL Communication Electronics Co., Ltd, General Manager of Nanjing branch of TCL Sales Company, Planning Director of TV Business Unit of the Company, General Manager of China Manufacturing Center, General Manager of CRT Business Group of the Company. He was also Vice President of Time Share Advertising & Communication Co., Ltd from 2008 to 2009, Vice President of Guang Zhou Lian Zhong Media Ltd from 2009 to 2010, General Manager of TCL Small Household Electrical Appliances Co., Ltd, from May 2010 to September 2011, General Manager of China Business Group and China Product Business Unit of the Company from September 2010 to November 2013. He has rich experience in both manufacturing management and sales management. Mr. YANG graduated from Zhejiang University after obtaining a Postgraduate Diploma and a Bachelor degree in Optical instrument. He also holds a master degree in supply chain management from Chinese University of Hong Kong-Tsinghua University.

DIRECTORS AND SENIOR MANAGEMENT

MR. CAI JINRUI

Aged 40, a member of the Executive Committee, is currently the Vice President and General Manager of Global Manufacturing Center of the Company. Mr. CAI joined TCL in 1996. He had held the positions of Factory Supervisor of TCL King TV Factory, Assistant to Manager of Plastic Injection and Moulding Department of Global Industrial Center of the Company, Factory Director of Plastic Injection and Moulding Factory of Global Industrial Center and Assistant to General Manager of Plastic Molding Center of the Company, Deputy General Manager of China Production Center of Global Industrial Center, General Manager of CRT Plastic Injection and Moulding Factory and General Manager of CRT Business Unit of the Company, General Manager of OEM Business Unit of the Company, General Manager of Global Industrial Center of the Company, General Manager of Global Operational Center of the Company. Mr. CAI has rich experience in production management. Mr. CAI graduated from Mechanical Production Technique & Equipment Major of Guangdong University of Technology with a Bachelor Degree in 1996.

MR. WANG YI, MICHAEL

Aged 36, a member of the Executive Committee, is currently the Vice President and Financial Controller of the Company. Mr. WANG joined TCL in September 2013. From 1999 to 2001, Mr. WANG worked as a Cost Accountant and Budget Supervisor in Finance Department in Compressor Business Unit of Midea Group. In 2002, he worked as a Planning and Investment Manager in Business Strategy and Investment Management Department of Midea Group. From 2003 to 2009, he worked as Head of Business Management Department and Finance Department in the Microwave Electronics Business Unit of Midea Group. From 2009 to 2012, he worked as the First Vice President to oversee Finance, Human Resources, Information Technology, Legal matters in Twins Group. Mr. WANG graduated from Jiangxi University of Finance and Economics with a Bachelor degree in Accounting in 1998 and also holds a degree of EMBA from China Europe International Business School in 2008.

MR. SIN MAN LUNG

Aged 40, is currently the Financial Controller of the Company. Mr. SIN joined the Company in 2005. He has more than 10 years of auditing, finance and accounting experience in multi-national and listed companies. Mr. SIN is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. LI Dongsheng (Chairman)
Mr. HAO Yi (appointed as an acting chief executive officer and an alternate director with effect from 4 June 2013, and then appointed as an executive director, the chief executive officer and a member of the executive committee with effect from 13 August 2013)
Mr. YAN Xiaolin (appointed as a non-executive director with effect from 24 April 2013, and then re-designated as an executive director and appointed as a member of the executive committee with effect from 13 August 2013)
Mr. ZHAO Zhongyao (resigned as an executive director and the chief executive officer and ceased as a member of the executive committee with effect from 13 August 2013)
Mr. YU Guanghui (resigned as an executive director and ceased as a member of the executive committee with effect from 13 August 2013)
Ms. XU Fang (resigned as an executive director with effect from 24 April 2013)

NON-EXECUTIVE DIRECTORS

Mr. Albert Thomas DA ROSA, Junior
Mr. BO Lianming (ceased as an executive director and re-designated as a non-executive director with effect from 22 April 2013)
Mr. HUANG Xubin
Mr. SHI Wanwen (appointed as a non-executive director with effect from 13 August 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TANG Guliang
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong
Dr. TSENG Shieng-chang Carter

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR

Cheung Tong & Rosa Solicitors
Room 501, 5/F, Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

PRINCIPAL REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
(which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014)

PRINCIPAL OFFICE

13/F, TCL Tower
8 Tai Chung Road
Tsuen Wan, New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

INVESTOR AND MEDIA RELATIONS

iPR Ogilvy & Mather
Units 2008-12,
20/F, The Center,
99 Queen's Road,
Central, Hong Kong

The Board of Directors of the Company ("Board") aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the world's leader in the multimedia industry. The Group's ultimate goal is to maximize values for its shareholders and customers, and to provide opportunities for employees.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In April 2005, the Board adopted the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Group, and has taken steps to comply with the Code wherever appropriate. Appendix 14 to the Listing Rules was revised and renamed as "Corporate Governance Code and Corporate Governance Report" (the "Code") by the Hong Kong Stock Exchange in October 2011. In February 2012, the Company has adopted the code provisions (the "Code Provisions") on the latest Code as the guidelines for corporate governance of the Company.

Throughout the year ended 31 December 2013, the Group complied with the Code and the Code Provisions with the following exceptions:

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended by each of them, Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, both of whom being non-executive directors of the Company, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both of whom being independent non-executive directors of the Company, were not present at the annual general meeting ("AGM") of the Company held on 22 April 2013. However, Mr. TANG Guliang and Ms. WU Shihong, both of them being independent non-executive directors of the Company, were present at the AGM to ensure an effective communication with the shareholders thereat.

Due to other pre-arranged business commitments which must be attended by each of them, Mr. BO Lianming and Mr. HUANG Xubin, both of whom being non-executive directors of the Company, Mr. YAN Xiaolin, at the material time being a non-executive director of the Company, and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both of whom being independent non-executive directors of the Company, were not present at the extraordinary general meeting ("EGM") of the Company held on 1 August 2013. However, Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company, and Mr. TANG Guliang and Ms. WU Shihong, both of them being independent non-executive directors of the Company, were present at the EGM to ensure an effective communication with the shareholders thereat.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for all directors (except for Mr. HAO Yi who was appointed as an executive director of the Company on 13 August 2013, Mr. YAN Xiaolin who was appointed as a non-executive director of the Company on 24 April 2013 and subsequently re-designated as an executive director of the Company on 13 August 2013 and Mr. SHI Wanwen who were appointed as a non-executive director of the Company on 13 August 2013) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company ("Articles"), and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

Under Code Provision E.1.2, the Chairman of the Board should attend the AGM.

Due to other pre-arranged business commitments which must be attended by him, Mr. LI Dongsheng, the Chairman of the Board, was not present at the AGM held on 22 April 2013. However, as mentioned above, two independent non-executive directors of the Company were present at the AGM and Mr. ZHAO Zhongyao, being the-then executive director and chief executive officer of the Company was elected chairman thereof pursuant to the Articles to ensure an effective communication with the shareholders thereat.

Under Code Provision F.1.1, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

The company secretary of the Company, Ms. PANG Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company in 1999. The Company has also assigned Mr. SIN Man Lung, financial controller of the Company as the contact person with Ms. PANG. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. PANG through the contact person assigned. Given the long-term relationship between Ms. PANG and the Group, Ms. PANG is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. PANG as the company secretary is beneficial to the Group's compliance of the relevant board procedures, applicable laws, rules and regulations.

A. DIRECTORS

A1: The Board

The Board, led by the chairman, steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

Regular Board meetings are attended to by a majority of the directors in person or through other electronic means of communication. Besides the regular Board meetings, special Board meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention. As some of the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive directors attend. During 2013, apart from holding Board meetings, the Board also passed resolutions in writing to approve certain matters.

On 24 February 2012, the Board has adopted a set of consolidated memorandum of duties, setting out its delegation policy, procedures for directors seeking professional advice and reporting procedures and division of responsibility between the chairman and managing director.

During 2013, the Board held 4 regular meetings at about quarterly intervals and 15 additional meetings (8 of which were held regarding special matters which required the Board's decisions whereas the other 7 meetings were held regarding operational matters involving the attendance of executive directors only). Attendance of individual directors at the Board meetings in 2013 is as follows:

	Attendance			
	Regular Board Meetings	Special Board Meetings concerning special matters requiring the Board's decisions	Special Board Meetings concerning operational matters only	General Meetings
Executive Directors				
Mr. LI Dongsheng (Chairman)	4/4	4/8	3/7	0/2
Mr. HAO Yi (CEO) (appointed as an acting chief executive officer and an alternate director with effect from 4 June 2013, and then appointed as an executive director, the chief executive officer and a member of the executive committee with effect from 13 August 2013)	2/2	4/5	5/5	0/1
Mr. YAN Xiaolin (appointed as a non-executive director with effect from 24 April 2013, re-designated as an executive director and appointed as a member of the executive committee with effect from 13 August 2013)	2/2	4/5	1/1	0/1
Mr. ZHAO Zhongyao (resigned as an executive director and the chief executive officer and ceased as a member of the executive committee with effect from 13 August 2013)	3/3	3/3	2/2	1/1
Mr. YU Guanghui (resigned as an executive director and ceased as a member of the executive committee with effect from 13 August 2013)	3/3	3/4	5/6	0/2
Ms. XU Fang (resigned as an executive director with effect from 24 April 2013)	2/2	1/3	N/A	0/1

	Attendance			
	Regular Board Meetings	Special Board Meetings concerning special matters requiring the Board's decisions	Special Board Meetings concerning operational matters only	General Meetings
Non-Executive Directors				
Mr. Albert Thomas DA ROSA, Junior	3/4	7/8	N/A	1/2
Mr. BO Lianming (ceased as an executive director and re-designated as a non-executive director with effect from 22 April 2013)	4/4	6/8	N/A	0/2
Mr. HUANG Xubin	4/4	6/8	N/A	0/2
Mr. SHI Wanwen (appointed as a non-executive director with effect from 13 August 2013)	1/1	2/4	N/A	0/0
Independent Non-Executive Directors				
Mr. TANG Guliang	4/4	7/8	N/A	2/2
Mr. Robert Maarten WESTERHOF	4/4	8/8	N/A	0/2
Ms. WU Shihong	3/4	7/8	N/A	2/2
Dr. TSENG Shieng-chang Carter	3/4	6/8	N/A	0/2

A2: Chairman and Chief Executive Officer

The position of Chairman is held by Mr. LI Dongsheng and the position of CEO is held by Mr. HAO Yi. The segregation of duties and responsibilities between the Chairman and the CEO has been clearly established. A clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Group is ensured.

A3: Board Composition

The Board currently comprises 11 directors, including 3 executive directors, 4 non-executive directors ("NEDs") and 4 independent non-executive directors ("INEDs").

Details of the biographies of the directors are given under the section "Directors and Senior Management" of this Annual Report. None of the directors is related to each other.

The NEDs, half of them are independent, play an important role on the Board. Accounting for more than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of the shareholders of the Company and the Group as a whole.

Throughout the year of 2013, the Board at all times met the listing requirements of having at least 3 INEDs, and having INEDs representing one-third of the Board and that at least one of them had appropriate professional qualifications in accounting or related financial management expertise. Pursuant to the Listing Rule 3.13, the Group has received a written confirmation from each INED on his/her independence to the Group. The Group considers all of the INEDs to be independent in accordance with the Code Provision A.4.3 and confirms that year of service of all INEDs except Mr. TANG Guliang is less than 9 years. Mr. TANG Guliang's further appointment will be subject to a separate resolution to be approved by the shareholders in the forthcoming AGM.

A4: Appointment, Re-election and Removal

Nomination of Directors

On 24 February 2012, the Board has established the Nomination Committee pursuant to the requirements of the Code. The Nomination Committee currently comprises 3 INEDs, namely:

Independent Non-Executive Directors
Dr. TSENG Shieng-chang Carter (Chairman)
Mr. TANG Guliang
Ms. WU Shihong

The Nomination Committee is governed by its terms of reference, which are closely aligned with the Code, are available on the Group's website at http://multimedia.tcl.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The main duties of the Nomination Committee include the followings:

1. review and supervise the structure, size and composition of the Board;

2. identify qualified individuals to become members of the Board;

3. assess the independence of the INEDs;

4. make recommendations to the Board on the appointment, re-appointment and succession planning of directors, and any proposed change to the Board to implement the Company's corporate strategy; and

5. monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of NEDs.

Potential new directors are identified and considered for appointment by the Nomination Committee. The Nomination Committee would make recommendation to the Board as to the appointment of such director. A director appointed by the Board is subject to election by shareholders at the first AGM after his or her appointment, and all directors are subject to re-election by shareholders every three years.

The Company has adopted a board diversity policy ("Board Diversity Policy") on 13 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee considers that the current composition of the Board is characterised by diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

In 2013, there were 2 Nomination Committee meetings during which the Nomination Committee reviewed the structure, size and composition of the Board and assessed the independence of the INEDs and the attendance record of the directors at the meeting is as follows:

	Number of committee meetings attended/eligible to attend
Dr. TSENG Shieng-chang Carter (Chairman)	2/2
Mr. TANG Guliang	2/2
Ms. WU Shihong	2/2
Ms. XU Fang (resigned as an executive director with effect from 24 April 2013)	1/1

All NEDs have been appointed for a specific term of 3 years subject to re-election, in accordance with Code Provision A.4.1.

In the AGM held on 22 April 2013, two executive directors (namely Mr. ZHAO Zhongyao and Mr. BO Lianming) were subject to retirement by rotation and were re-elected. The other directors, namely a non-executive director, Mr. HUANG Xubin and an independent non-executive director, Ms. WU Shihong, were re-elected to hold office for a specific term until the AGM to be held in 2016.

A5: Responsibilities of Directors

If any new director is appointed, the financial controller of the Company, with assistance from the Company's external legal advisor, will work closely with the newly appointed directors both immediately before and after his/her appointment to acquaint the newly appointed directors with the duties and responsibilities as a director of the Company and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisor setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed director. The directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time. Guidelines for directors issued by the Companies Registry of Hong Kong have been forwarded to each director for his/her information and ready reference.

The Board views that the NEDs have exercised their independent judgment and provided constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit, Remuneration and Nomination Committee.

The directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in these public companies or organisations.

All directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The extent of participation and contribution should be viewed both quantitatively and qualitatively. The contribution made by the directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the directors with reference to his/her necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and board committee meetings indicates the constant participation of all directors, including executive directors, INEDs and other NEDs.

To fulfil their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management, the directors made inquiries during the Board meetings and board committee meetings. The queries raised by directors have received a prompt and full response.

The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2013 to 31 December 2013:

Directors	Read materials	Attend seminars/ briefings
Executive Directors		
Mr. LI Dongsheng (Chairman)	✓	–
Mr. HAO Yi (CEO)	✓	✓
Mr. YAN Xiaolin	✓	✓
Non-Executive Directors		
Mr. Albert Thomas DA ROSA, Junior	✓	✓
Mr. BO Lianming	✓	–
Mr. HUANG Xubin	✓	–
Mr. SHI Wanwen	✓	✓
Independent Non-Executive Directors		
Mr. TANG Guliang	✓	–
Mr. Robert Maarten WESTERHOF	✓	✓
Ms. WU Shihong	✓	–
Dr. TSENG Shieng-chang Carter	✓	–

Directors' Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding the directors and relevant employees' transactions in securities of the Group. All directors have confirmed, following specific enquiry by the Group that throughout year 2013, they complied with the required standard set out in the Model Code for securities transactions. The directors' interests in shares of the Group as at 31 December 2013 are set out in the section "Report of the Directors" of this Annual Report.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B1: The Level and Make-up of Remuneration and Disclosures

Remuneration of Directors

The Remuneration Committee was established in April 2005 pursuant to the requirements of the Code. It meets from time to time to make recommendations to the Board on the Group'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; and determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 24 February 2012 pursuant to the Code. The terms of reference are available on the Group's website at http://multimedia.tcl.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The Remuneration Committee now consists of 3 members, all of whom are INEDs, namely Ms. WU Shihong, who is also the chairman of the Remuneration Committee, Mr. TANG Guliang, and Dr. TSENG Shieng-chang Carter.

4 Remuneration Committee meetings were held during the year and the works performed during the meetings include the following:

- review of the emolument policy and the levels of remuneration paid to the directors and senior management of the Group;
- determination of the remuneration packages of the directors, chief financial officer and certain senior management;
- discussion of the incentive scheme of the Company; and
- formulation of a new framework for determining the remuneration package in the coming year.

Attendance of each member at the Remuneration Committee meetings in 2013 is as follows:

	Number of committee meetings attended/eligible to attend
Ms. WU Shihong (Chairman)	4/4
Mr. TANG Guliang	4/4
Dr. TSENG Shieng-chang Carter	4/4
Ms. XU Fang (resigned as an executive director with effect from 24 April 2013)	1/1

Emolument Policy and Long-Term Incentive Plan

To attract and retain talent and calibre, the Group provides competitive remuneration packages to its executive directors and senior management. These comprise base monthly salary, guaranteed cash benefits and allowances, special allowances, variable pay and long-term incentive plan which includes share option scheme and restricted share award scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid half-yearly or yearly relative to performance delivered through plans and objectives with pre-determined criteria and standards. Long-term incentive plan primarily consists of share options to subscribe for the shares of the Company and shares of the Company purchased by trustee under the restricted share award scheme respectively. Please refer to the Company's announcement and circular dated 6 February 2008 and 20 March 2008 respectively for details of the restricted share award scheme. The remuneration payable to the directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and to give incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The NEDs' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee, which is usually paid annually; and
- share options or restricted shares which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or remuneration payable to the Directors are set out in note 8 to the financial statements.

C. ACCOUNTABILITY AND AUDIT

The Board is also responsible for the integrity of financial information. The directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

C1: Financial Reporting

As at 31 December 2013, the Group had net assets of approximately HK$4,482 million, the Group also recorded a loss attributable to ordinary equity holders of the parent of approximately HK$48 million for the year ended 31 December 2013.

The financial statements set out on pages 98 to 215 were prepared on a going concern basis.

The Management also provides all directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rules 3.08 of Listing Rules.

C2: Internal Control

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the year, the directors, through the Audit Committee, have reviewed the effectiveness of the internal control system of the Group.

The Group has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the Executive Committee of the Board.

Each year, the Audit Committee of the Company reviews the findings presented by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The Company's internal audit department independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Group's business. The head of the Company's internal audit department reports to the Audit Committee.

C3: Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee is governed by its terms of reference, which have been revised by the Board on 24 February 2012 pursuant to the Code. The terms of reference are available on the Group's website at http://multimedia.tcl.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The Audit Committee currently comprises 4 members, namely Mr. TANG Guliang, Mr. HUANG Xubin, Ms. WU Shihong and Dr. TSENG Shieng-chang Carter. Mr. TANG Guliang is the chairman of the Audit Committee. He is a certified public accountant in the PRC and a professor at the University of International Business and Economics, School of Business. The Audit Committee meets at least 4 times a year to review the Group's quarterly, interim and annual results.

During 2013, the Audit Committee met 5 times and the attendance of each member at the Audit Committee meetings is as follows:

	Number of committee meetings attended/eligible to attend
Mr. TANG Guliang (Chairman)	5/5
Mr. HUANG Xubin	5/5
Ms. WU Shihong	4/5
Dr. TSENG Shieng-chang Carter	4/5

The Audit Committee meetings are normally attended by the Company's financial controller. When meetings concern the routine finance control, the head of the internal control department of the Company also attends the meeting to report on the problems identified during the internal control audits and recommendation of methods to alleviate and solve the problems identified. The external auditors are often present on discussion of the audit of financial results and audit planning.

The work completed by the Audit Committee during 2013 included consideration of the following matters:

- the completeness and accuracy of the 2012 annual and 2013 quarterly and interim financial statements;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2013; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. Ernst & Young as the external auditors.

For the year under review, the remuneration paid for services provided by the auditor, Messrs. Ernst & Young is roughly as follows:

Audit services	HK$13,222,000
Non-audit services (which include spin-off of Tonly Holdings, taxation compliance and agreed-upon procedures)	HK$4,247,000

D. DELEGATION BY THE BOARD

D1: Management functions

The types of decisions which are to be taken up by the Board include:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- corporate governance policies and duties.

D2: Executive Committee

The Board established the Executive Committee in October 2005 with specific written terms of reference. The Board has delegated responsibilities to the Executive Committee for making certain decisions for the management of the Group. The Executive Committee comprises 3 executive directors, namely Mr. LI Dongsheng, Mr. HAO Yi and Mr. YAN Xiaolin.

E. INVESTOR RELATIONS

The Group maintains regular dialogue with the investors to keep them abreast of its business development through various channels such as meetings, conference calls and plant visits.

Since April 2001, the Group has voluntarily commenced releasing monthly shipment data for its key products. Other corporate information including interim and annual reports, announcements and press releases are disseminated after release through its company website on a timely basis. The Group also holds press and analyst conferences at least twice a year following the interim and annual results announcements with the Chairman of the board and senior management present to answer questions from media and investors in order to maintain an effective two-way communication.

In addition, the Group takes a proactive approach to communicating with investors and analysts by participating in different international investor conferences and road shows in Hong Kong, Macau, Beijing, Taiwan, Singapore, Japan, the US and Europe, etc. to ensure that they have a comprehensive and thorough understanding of the Group.

The Group has been honored with the Silver Award under the category of "Traditional Annual Report : Global Consumer Product" for its 2012 annual report at The 2013 International Annual Report Competition (ARC) Awards, following the Honors Award received at The 2010 International Annual Report Competition (ARC) Awards for its 2009 annual report. The competition is organized by MerComm, Inc. in the U.S., is one of the largest international competition honoring outstanding achievement in annual reports of various companies around the world.

At the same time, the Group has also won a Bronze Award under the category of "Annual Report – Overall Presentation : Technology" for its 2012 annual report at The International Mercury Excellence Awards 2013/14. These awards have recognized the Group's efforts in striving for excellence in investor relations and financial reporting.

Key Investor Relations Events in 2013:

Date	Event
January	Meetings with investors during the CES in the U.S. Luncheon with media reporters
February	2012 annual results announcement (press conference and analyst briefing)
March	Post-results meetings with investors in Hong Kong (organized by JP Morgan) Post-results meetings with investors in Hong Kong (organized by BOCI) Post-results meetings with investors in Hong Kong (organized by CICC) Post-results meetings with investors in Hong Kong (organized by ICBCI) Post-results meetings with investors in Hong Kong (organized by Orient Patron) Post-results meetings with investors in Shanghai (organized by CICC) Investor conference in Taipei (organized by Bank of America Merrill Lynch) Non-deal road show in Singapore (organized by Bank of America Merrill Lynch) Investor conference in Hong Kong (organized by Credit Suisse)

Date	Event
April	2013 AGM 2013 1st quarter results announcement (investor & media teleconferences) Post-results meetings with investors in Hong Kong (organized by BOCOM)
May	Post-results meetings with investors in Hong Kong (organized by BOCI) Post-results meetings with investors in Hong Kong (organized by CICC) Post-results meetings with investors in Hong Kong (organized by Ji-Asia) Investor conference in Beijing (organized by BOCI) Investor conference in Hong Kong (organized by BNP) Plant visit arranged for investors
June	Investor conference in Beijing (organized by JP Morgan) Plant visit arranged for investors Investor conferences in Hong Kong (organized by UBS) Investor conferences in Shenzhen (organized by CICC) Non-deal road show in the U.S. (organized by JP Morgan) Non-deal road show in the U.S. (organized by CITIC) Plant visit arranged for investors
July	Non-deal road show in Singapore (organized by DBS Vickers) Dinner with stock commentators
August	EGM 2013 interim results announcement (press conference and analyst briefing) Post-results meetings with investors in Hong Kong (organized by CICC) Post-results meetings with investors in Hong Kong (organized by DBS Vickers) Post-results meetings with investors in Hong Kong (organized by BOCI) Post-results meetings with investors in Hong Kong (organized by JP Morgan) Investor conferences in Hong Kong (organized by Bank of America Merrill Lynch)
September	Non-deal road show in Frankfurt (organized by Credit Suisse) Non-deal road show in London (organized by Credit Suisse) Non-deal road show in London (organized by China Construction Bank, London) Non-deal road show in Zurich (organized by Credit Suisse) Investor conferences in Hong Kong (organized by RHB OSK)
October	2013 3rd quarter results announcement (investor & media teleconferences) Meeting with media reporters Post-results meetings with investors in Hong Kong (organized by Standard Chartered)

Date	Event
November	Post-results meetings with investors in Hong Kong (organized by BOCI) Non-deal road show in Beijing (organized by Bank of America Merrill Lynch) Investor conferences in Macau (organized by Citi Group) Investor conferences in Singapore (organized by Morgan Stanley) Non-deal road show in Tokyo (organized by OKASAN) Plant visit arranged for investors
December	Investor conferences in Beijing (organized by CICC) Investor conferences in Hong Kong (organized by Societe Generale) Plant visit arranged for investors

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at http://multimedia.tcl.com. For inquiries and suggestions, please send an email to ir@tclhk.com or hk.ir@tcl.com or directly by raising questions at the AGM of the Company.

F. COMPANY SECRETARY

The position of Company Secretary is held by Ms. PANG Siu Yin, a practising solicitor of Hong Kong who is not an employee of the Company. The Company Secretary can contact the Company through the financial controller of the Company, Mr. SIN Man Lung. The Company Secretary reported to the chairman of the Board from time to time. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

Since Ms. PANG was appointed in 1999, she has to take no less than 15 hours of relevant professional training during the year 2013. She has fulfiled the requirement during the year under review.

HUMAN RESOURCES

In the year 2013, the Group implemented a series of human resources management initiatives for "Quality Growth and Delicacy Management" which served as a direct and effective support for bolstering the Company's strategy, enhancing its organizational performance, and facilitating the growth of its employees.

1. Basic Information on Human Resources

As of 31 December 2013, there were a total of 29,030 employees worldwide and approximately 4.9% of them were employed outside of Mainland China, the distribution of which is set out as follows:

Mainland China	27,601
Rest of Asia (including Hong Kong and Australia)	987
North America (including Mexico)	12
Europe	430

As compared to the corresponding period last year, due to the growth in the Group's sales volume and the decrease in the overall staff numbers compared with those in last year, its efficiency per capita was enhanced.

2. Key Effort on Human Resources

In the year 2013, driven by a trend towards the internet, the global LCD TV market changed profoundly and drastically. Accordingly, the Group was the first to launch TCL iQIYI TV+ products, which received satisfactory responses in the TV industry, but due to an active participation from numerous internet enterprises in the TV market in different ways, the continuing operation of the Group was under great pressure. Meanwhile, the Group's LCD TV sales volume achieved more than double-digit growth, unprecedentedly ranking the third position worldwide. Nevertheless, the Group still faced huge challenges in terms of quality and operational efficiency, etc.

To complement the corporate development strategy, the Group adopted a series of human resources initiatives to enhance assessment and encouragement, talent introduction, staff training and development, strategic communication as well as to improve its employee morale:

- The Group continued to implement the operation model of "Transparency, Simplification, Standardization and Computerization" with an aim to augment speed and efficiency, and to address customer needs and market changes promptly. The Group established a model of assessment and incentives with integration of business and operation, created a high-performance-oriented culture, and advocated the full participation in the operation and share of benefits of corporate development with its staff.

- With industrial transformation and shift of competition pattern, the Group was dedicated to recruit intermediate-level and pre-eminent talents and international talents. In the year 2013, the Group carried out the Long Bench plan to recruit comprehensive management talents with overseas experiences and to build up talent pool. It also began the experts' recruitment program to recruit top expertise talents of research and development area in a flexible way of cooperation. Meanwhile, the Group assigned more than 120 personnel's recruitment team to carry out a series of recruitment activities in about a hundred key colleges and universities in over 20 cities nationwide, thereby successfully attracting over 500 excellent masters and undergraduates to be supplemented in various areas of research and development, manufacturing and marketing of the Group, which reserved talents for the long-term development of the Group.

- In the year 2013, the Group continued to invest more in the internal talent cultivation consistently. Centered on the three directions of "International Talents Cultivation based on Future Business Expansion", "Middle and Front-line Managers Cultivation based on Performance Improvement" and "Construction of Professional Expertise Cadres Team based on Core Business Improvement", the Group worked on talent review and demand analysis to find out talent shortcomings and gap; and then carried out a series of cultivation programs individually, therefore laying the foundation for the Group's current performance improvement and future sustainable development.

- In the year 2013, the Group re-adjusted its strategies, announced the brand new 3033 strategic targets and established a new strategic orientation: "Establishment of Product-driven Organization based on Market Insight", "Internet-oriented Layout", "Brand Globalization" and "Upgrade of fundamental Capacities"; at the same time, launched a cultural reform based on the concept of "Equality, Openness, Simplicity, Professionalism, Quality Priority and User Orientation", which was inculcated extensively and thoroughly to its employees with various forms of internal communications. This served to ensure a consistency of understanding to the above strategies throughout the whole Group, and provided assurances for the implementation of the Group's strategies.

3. Social Responsibility

In the previous year, the Group has always adhered to its principle of performing social responsibility, and contributed to the community with concrete action by actively taking part in campaigns such as educational support, school-enterprise cooperation and public charity.

Focus on Education

- Mr. LI Dongsheng, the chairman of the Group is an entrepreneur with a strong sense of social responsibility. He always believes that education is the root of building our country and the base to make our nation powerful. Creating opportunities for the youth means creating the same for ourselves and creating social value. As of the year 2013, the "Hua Min Fund" (華萌基金) founded by Mr. LI together with his spouse, Ms. WEI Xue has devoted over RMB50 million in total to subsidize the high school in need and university students groups not covered by compulsory education in Guangdong and Yunnan Provinces.

- In the year 2013, TCL Foundation (TCL公益基金會) founded by TCL Corporation, the ultimate holding company of the Group, together with the China Youth Development Foundation established "TCL Hope Project Candlelight Award" (TCL希望工程燭光獎), with an aim to provide comprehensive support for eminent village school teachers who have been persevering in the basic education of places with the hardest conditions in the PRC. TCL Hope Project Candlelight Award will invest over RMB25 million in the first five years to help improve the living conditions of village school teachers, enhance their teaching skills and motivate more village school teachers to devote themselves to the respected rural education, thereby bringing about a bright future for our children.

- The hearts of millions of compatriots were shocked by the outbreak of earthquake in Ya'an, Sichuan on 20 April 2013. The Group's Shenzhen Platform, Global Manufacturing Center and ODM Business Unit actively donated money with a total of RMB146,205.60 to the disaster area, and purchased 114 sets of 32-inch TCL TVs which were all donated as teaching equipments in classrooms, audio-visual classrooms and science rooms in the second primary school of Yandao town located in Ying Jing County (the worst hit area) in Ya'an, Sichuan.

- Suggested by Dr. TSENG Shieng-chang Carter, an Independent Non-executive Director of the Group, the Group continued to carry out "A Caring Tomorrow Subsidized Program"(「真愛明天助學計劃」) to subsidize the children from poverty-stricken areas and disaster-hit areas. The Group has so far contributed RMB150,000.

School-Enterprise Cooperation

– With an aim to provide a technical and practical platform for colleges and universities and to cultivate talents for the society, the Group started to establish a long-term strategic partnership with famous colleges and universities in the country. The Group aided in college talent development through the establishment of "TCL Club" on campus (TCL俱樂部), sponsoring science and technology activities held by college students and organizing career talks and mock job interviews contest, etc on campus.

– In order to provide opportunities to people from colleges and universities to learn more about the enterprise and help students get preparation for employment, the Group organized "TCL OPEN DAY" activity, inviting teachers from employment office of colleges to visit and have informal talks so as to perform on-site investigation and understanding of enterprises. Meanwhile, the Group launched the first session of "the plan of fostering eagles" (「育鷹計劃」) training camp which aimed at under-graduate college students to help them learn about the operation of enterprises before employment, nurture professional awareness and lay a good foundation for employment and social services.

Public Charity

– On 29 March 2013, the Group cooperated with the Chayu farm workgroup of the sixth batch of aiding Tibet work team of Guangdong province (廣東省第六批援藏工作隊察隅農場工作組) to actively support the aiding Tibet program of Guangdong Province, and donated 60 sets of TV to workers in the Chayu farm of Chayu county in Tibet Linzhi area (西藏林芝地區察隅縣察隅農場), bringing more enjoyment of leisure time to the workers in the future.

– On 13 April 2013, the Group officially started a major theme activity "You are My Hero" with "Iron Man 3". 28 Good Samaritans, recommended by Cyber citizens, from 28 cities such as Tianjin, Shijiazhuang, Nanning and Lanzhou were elected as super hero stars, and praised in the local mainstream newspapers and LED large panels. Their heroic deeds were widely spread through these media, conveying a positive spirit and encouraging more people in the society.

– On 20 April 2013, the staff of the Ya'an office of Chengdu branch company of the Group started rescue and relief work at relief station of "TCL Foundation" (TCL公益基金會) eight hours after the outbreak of Ya'an earthquake. They distributed seven trucks of relief supplies transported by "TCL Foundation" right after the disaster occurred. The relief supplies containing urgently needed supplies such as life-detection instrument, high-speed testing instrument, electric generator, plug board and a large amount of clothes, tents, food and drinking water were carried to the places where it is most needed in the disaster areas in the shortest possible time, which provided great assistant to victims' urgent needs.

- In November 2013, in order to help more children protect and enhance their eyesight scientifically and effectively, the Group launched a major community project "National Eye Care Project for A Hundred Primary Schools" (全國百家小學護眼工程) together with Liven Top (來同科技), established children vision training bases in several cities such as Chongqing, Guangzhou and Hangzhou respectively and organized large-scale experiencing activities. Recently, in the 2013 annual ceremony of China Education, the Group donated TCL Disney Children TV sets to Tsinghua University Primary School and aided in providing free vision training for adolescents and children in Beijing.

The directors of the Company are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 98 to 215.

The Board does not recommend the payment of any final dividend in respect of the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 216. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 28 April 2014, Monday, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered on that day. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) no later than 4:30 p.m. on 25 April 2014, Friday.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands ("Cayman Law") which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company had an aggregate of HK$2,745,480,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents premium arising on an issue of shares of the Company, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the Articles and Cayman law. Subject to compliance with certain requirements under Cayman Law, share premium may be applied for payment of dividend by the Company. After transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company in future would be HK$3,484,416,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$258,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	26%
– the five largest suppliers combined	57%

Sales

– the largest customer	6%
– the five largest customers combined	22%

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers, except those disclosed in note 41(a) to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. LI Dongsheng

Mr. HAO Yi (appointed as an acting chief executive officer and an alternate director with effect from 4 June 2013, and then appointed as an executive director, the chief executive officer and a member of the executive committee with effect from 13 August 2013)

Mr. YAN Xiaolin (appointed as a non-executive director with effect from 24 April 2013, and then re-designated as an executive director and appointed as a member of the executive committee with effect from 13 August 2013)

Mr. ZHAO Zhongyao (resigned as an executive director and the chief executive officer and ceased as a member of the executive committee with effect from 13 August 2013)

Mr. YU Guanghui (resigned as an executive director and ceased as a member of the executive committee with effect from 13 August 2013)

Ms. XU Fang (resigned as an executive director with effect from 24 April 2013)

Non-executive directors:

Mr. Albert Thomas DA ROSA, Junior

Mr. BO Lianming (ceased as an executive director and re-designated as a non-executive director with effect from 22 April 2013)

Mr. HUANG Xubin

Mr. SHI Wanwen (appointed as a non-executive director with effect from 13 August 2013)

Independent non-executive directors:

Mr. TANG Guliang

Mr. Robert Maarten WESTERHOF

Ms. WU Shihong

Dr. TSENG Shieng-chang Carter

In accordance with article 99 of the Articles and the corporate governance code adopted by the Company, Mr. HAO Yi, Mr. YAN Xiaolin and Mr. SHI Wanwen, all of them being newly appointed directors of the Company during the year, will hold office until the next following general meeting of the Company (i.e. the forthcoming AGM) and shall then be eligible for re-election. The Board proposed Mr. HAO Yi and Mr. YAN Xiaolin to be elected as executive directors of the Company and Mr. SHI Wanwen to be elected as a NED of the Company at the forthcoming AGM.

In accordance with Article 116 of the Articles, at each AGM, not less than one-third of the directors for the time being shall retire from office by rotation and, under the corporate governance code adopted by the Company, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years. All retiring directors shall be eligible for re-election.

Accordingly, Mr. LI Dongsheng, Mr. Albert Thomas DA ROSA, Junior, Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter shall retire from office by rotation at the conclusion of the AGM. They, being eligible, will offer themselves for re-election at the AGM.

Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter will only hold office until the conclusion of the AGM even if they are not to retire by rotation.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID EMPLOYEES

The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the INEDs to be independent.

Particulars of the remuneration of the directors and the five highest paid employees (including senior management) during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 54 to 72 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 2.4 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 40 to 52 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2013, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company 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 were as follows:

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests *(Note 1)*			
LI Dongsheng	38,379,799	4,000,000	1,100,932	3,535,289	47,016,020	3.526%
HAO Yi	1,163	–	622,776	1,649,778	2,273,717	0.170%
YAN Xiaolin	–	–	34,600	283,467	318,067	0.024%
Albert Thomas DA ROSA, Junior	54,762	–	8,571	266,667	330,000	0.025%
BO Lianming	191,036	–	27,691	1,155,700	1,374,427	0.103%
HUANG Xubin	43,257	–	17,303	708,711	769,271	0.058%
SHI Wanwen	549,378	–	17,314	141,778	708,470	0.053%
TANG Guliang	54,762	–	8,571	266,667	330,000	0.025%
Robert Maarten WESTERHOF	21,429	–	8,571	300,000	330,000	0.025%
WU Shihong	54,762	–	8,571	266,667	330,000	0.025%

(B) Interests in Associated Corporation of the Company – Long Positions

TCL Corporation *(Note 2)*

Name of Director	Number of ordinary shares held: Personal interests	Number of ordinary shares held: Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
LI Dongsheng	511,570,300	–	–	511,570,300	5.996%
HAO Yi	–	201,600	–	201,600	0.002%
YAN Xiaolin	793,000	–	4,048,900	4,841,900	0.057%
BO Lianming	2,663,175	–	4,122,840	6,786,015	0.080%
HUANG Xubin	1,933,360	–	2,900,040	4,833,400	0.057%
SHI Wanwen	5,799,518	–	3,561,480	9,360,998	0.110%

(C) Interests in Associated Corporation of the Company – Long Positions

TCL Communication *(Note 3)*

Name of Director	Number of ordinary shares held: Personal interests	Number of ordinary shares held: Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Communication
LI Dongsheng	38,356,756	–	13,256,165	51,612,921	4.440%
HAO Yi	201,133	–	–	201,133	0.017%
YAN Xiaolin	–	–	422,200	422,200	0.036%
BO Lianming	65,700	–	3,598,987	3,664,687	0.315%
HUANG Xubin	–	–	2,016,035	2,016,035	0.173%
SHI Wanwen	83,715	–	293,600	377,315	0.032%

(D) Interests in Associated Corporation of the Company – Long Positions
Tonly Holdings *(Note 4)*

Name of Director	Number of ordinary shares held: Personal interests	Number of ordinary shares held: Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Holdings
LI Dongsheng	3,537,979	253,800	–	3,791,779	2.844%
HAO Yi	116	–	–	116	0.0001%
Albert Thomas DA ROSA, Junior	5,476	–	–	5,476	0.004%
BO Lianming	19,103	–	–	19,103	0.014%
HUANG Xubin	4,325	–	–	4,325	0.003%
SHI Wanwen	54,937	–	–	54,937	0.041%
TANG Guliang	5,476	–	–	5,476	0.004%
Robert Maarten WESTERHOF	2,142	–	–	2,142	0.002%
WU Shihong	5,476	–	–	5,476	0.004%

(E) Interests in Associated Corporation of the Company – Long Positions
Huizhou Techne *(Note 5)*

Name of Director	Number of ordinary shares held: Personal interests	Number of ordinary shares held: Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Huizhou Techne
WU Shihong	802,700	–	–	802,700	0.349%

(F) Interests in Associated Corporation of the Company – Long Positions

CSOT *(Note 6)*

Name of Director	Injection capital *(Note 7)*	Approximate percentage of injection capital of CSOT
BO Lianming	RMB15,160,000	0.146%

Notes:

1. The shares are restricted shares granted to the relevant directors under the Award Scheme of the Company and were not vested as at 31 December 2013.

2. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

3. TCL Communication is a subsidiary of TCL Corporation.

4. Tonly Holdings is a subsidiary of TCL Corporation.

5. Huizhou Techne is a subsidiary of TCL Corporation.

6. CSOT is a subsidiary of TCL Corporation.

7. As at 31 December 2013, Mr. BO Lianming was deemed to be interested in CSOT since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple") as to approximately 64.68% and Star Ripple in turn held 0.146% of the injection capital of CSOT.

Save as disclosed above, as at 31 December 2013, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(i) Long positions in shares of the Company:

Shareholders	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	816,094,475 *(Note 1)*	61.19% *(Note 2)*

Notes:

1. TCL Corporation was deemed to be interested in 816,094,475 shares held by T.C.L. Industries, its direct wholly-owned subsidiary, for the purpose of the SFO.

2. Such percentage was calculated based on the issued share capital of the Company as at 31 December 2013, being 1,333,598,514 shares in issue.

3. The following Directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

   (a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;
   (b) Mr. BO Lianming is an executive director, president and chief operating officer of TCL Corporation;
   (c) Mr. HUANG Xubin is an executive director and the chief financial officer of TCL Corporation;
   (d) Mr. SHI Wanwen is a senior vice president of TCL Corporation;
   (e) Mr. YAN Xiaolin is a senior vice president and the chief technology officer of TCL Corporation; and
   (f) Mr. HAO Yi is a vice president of TCL Corporation.

Save as disclosed above, as at 31 December 2013, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The directors have estimated the value of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

The following share options were outstanding under the share option schemes of the Company during the year:

	Number of share options									Price of Company's shares	
Name or category of participant	At 1 January 2013	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2013	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	At grant date HK$	At exercise date HK$
Directors											
Executive directors											
LI Dongsheng	1,395,754	–	–	(1,395,754)	–	–	25-Aug-08	2.45	Note 1	2.33	6.02
	3,977,200	–	–	(441,911)	–	3,535,289	5-Jul-11	3.17	Note 3	3.17	4.37
	5,372,954	–	–	(1,837,665)	–	3,535,289					
HAO Yi*	–	1,649,778	–	–	–	1,649,778	5-Jul-11	3.17	Note 3	3.17	N/A
YAN Xiaolin**	–	283,467	–	–	–	283,467	5-Jul-11	3.17	Note 3	3.17	N/A
BO Lianming***	158,354	–	–	(158,354)	–	–	25-Aug-08	2.45	Note 1	2.33	5.91
	1,275,700	(1,275,700)	–	–	–	–	5-Jul-11	3.17	Note 3	3.17	N/A
	1,434,054	(1,275,700)	–	(158,354)	–	–					
ZHAO Zhongyao****	158,354	–	–	(158,354)	–	–	25-Aug-08	2.45	Note 1	2.33	6.25
	2,341,800	(1,827,800)	–	(514,000)	–	–	8-Nov-10	3.60	Note 2	3.60	6.11
	5,568,100	(4,949,422)	–	(618,678)	–	–	5-Jul-11	3.17	Note 3	3.17	4.42
	8,068,254	(6,777,222)	–	(1,291,032)	–	–					
YU Guanghui	359,211	–	–	(359,211)	–	–	25-Aug-08	2.45	Note 1	2.33	6.46
XU Fang*****	123,610	–	–	(123,610)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	183,000	(183,000)	–	–	–	–	8-Nov-10	3.60	Note 2	3.60	N/A
	951,900	(951,900)	–	–	–	–	5-Jul-11	3.17	Note 3	3.17	N/A
	1,258,510	(1,134,900)	–	(123,610)	–	–					
	16,492,983	**(7,254,577)**	**–**	**(3,769,872)**	**–**	**5,468,534**					
Non-Executive directors											
Albert Thomas DA ROSA, Junior	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	6.20
	300,000	–	–	(33,333)	–	266,667	5-Jul-11	3.17	Note 3	3.17	4.42
	330,000	–	–	(63,333)	–	266,667					
BO Lianming***	–	1,275,700	–	(120,000)	–	1,155,700	5-Jul-11	3.17	Note 3	3.17	4.42
HUANG Xubin	222,980	–	–	(222,980)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	797,300	–	–	(88,589)	–	708,711	5-Jul-11	3.17	Note 3	3.17	6.13
	1,020,280	–	–	(311,569)	–	708,711					
SHI Wanwen******	–	141,778	–	–	–	141,778	5-Jul-11	3.17	Note 3	3.17	N/A
TANG Guliang	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	5.91
	300,000	–	–	(33,333)	–	266,667	5-Jul-11	3.17	Note 3	3.17	4.42
	330,000	–	–	(63,333)	–	266,667					
Robert Maarten WESTERHOF	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	300,000	–	–	–	–	300,000	5-Jul-11	3.17	Note 3	3.17	N/A
	330,000	–	–	(30,000)	–	300,000					
WU Shihong	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	300,000	–	–	(33,333)	–	266,667	5-Jul-11	3.17	Note 3	3.17	4.42
	330,000	–	–	(63,333)	–	266,667					
	2,340,280	**1,417,478**	**–**	**(651,568)**	**–**	**3,106,190**					

	Number of share options									Price of Company's shares	
Name or category of participant	At 1 January 2013	Reclass-ification	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2013	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	At grant date HK$	At exercise date HK$
Other employees and those who have contributed or may contribute to the Group	6,085,109	–	–	(5,864,411)	(220,698)	–	25-Aug-08	2.45	Note 1	2.33	5.66
	530,600	2,010,800	–	(412,600)	–	2,128,800	8-Nov-10	3.60	Note 2	3.60	6.09
	21,549,300	3,826,299	–	(1,897,465)	–	23,478,134	5-Jul-11	3.17	Note 3	3.17	6.21
	28,165,009	5,837,099	–	(8,174,476)	(220,698)	25,606,934					
	46,998,272	–	–	(12,595,916)	(220,698)	34,181,658					

* Mr. HAO Yi was appointed as an acting chief executive officer and an alternate director of the Company with effect from 4 June 2013, and then was appointed as an executive director, the chief executive officer and a member of the executive committee of the Company with effect from 13 August 2013.

** Mr. YAN Xiaolin was appointed as a non-executive director of the Company with effect from 24 April 2013, and then re-designated as an executive director and was appointed as a member of the executive committee of the Company with effect from 13 August 2013.

*** Mr. BO Lianming ceased as an executive director and re-designated as a non-executive director of the Company with effect from 22 April 2013.

**** Mr. ZHAO Zhongyao resigned as an executive director and the Chief Executive Officer of the Company and also ceased as a member of the Executive Committee of the Company with effect from 13 August 2013.

***** Ms. XU Fang resigned as an executive director of the Company with effect from 24 April 2013.

****** Mr. SHI Wanwen was appointed as a non-executive director of the Company with effect from 13 August 2013.

Note 1: One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013. They were all exercised or lapsed as at 31 December 2013.

Note 2: 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 3: One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

SHARE AWARD SCHEME

The Board on 6 February 2008 resolved to adopt the Share Award Scheme (the "Share Award Scheme") pursuant to which existing shares would be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the scheme.

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of connected transactions and continuing connected transactions with TCL Corporation (being the ultimate controlling shareholder of the Company) and its subsidiaries (excluding the Group) (being an associate (as defined in the Listing Rules) of TCL Corporation) (collectively, the "TCL Group").

The Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.31 of the Listing Rules) during the year ended 31 December 2013:

On 19 April 2013, TCL New Technology, a wholly-owned subsidiary of the Company, entered into two club membership acquisition agreements with Shenzhen TCL Optoelectronics, a non-wholly owned subsidiary of TCL Corporation, pursuant to which TCL New Technology agreed to acquire and Shenzhen TCL Optoelectronics agreed to sell further club membership interests, including but not limited to the exclusive rights to occupy and use the premises and the ancillary services at Unit 201 to Unit 708 of Category A to H of the 2nd to 7th Floor of B8 building and the whole floor of 6th Floor of D4 building, TCL Science Park, No. 1001, Zhongshanyuan Road, Xili, Nanshan District, Shenzhen, the PRC, for office and industrial research use from the date of the agreement to 12 September 2056, at cash consideration in the sum of approximately RMB51,416,000 (equivalent to approximately HK$63,756,000).

On 26 June 2013, each of TCL King (Huizhou), a wholly-owned subsidiary of the Company and TCL Technoly Electronics (Huizhou) Company Limited, a non-wholly owned subsidiary of the Company before the spin-off of Tonly Group (collectively, the "Purchasers"), entered into a transfer agreement with Huizhou TCL Mobile Communication Company Limited (the "Vendor"), a wholly-owned subsidiary of TCL Communication Technology Holding Limited ("TCL Communication") and an indirect non-wholly owned subsidiary of TCL Corporation, pursuant to which the Vendor would transfer a relevant portion of a piece of land located in Sub-division 38, Zhong Kai High Tech Park, Huizhou, Guangdong Province, the PRC, together with the buildings thereon to each of the Purchasers (the "Transfer"). The total consideration of the Transfer was approximately RMB72,918,000 (equivalent to approximately HK$91,148,000).

For implementing the spin-off of Tonly Holdings, a wholly-owned subsidiary of the Company before the completion of the spin-off), the Company entered into the variation deed (''Second Variation Deed (2013)") with TCL Corporation and T.C.L. Industries on 15 July 2013 for the purpose of modifying the scope of restricted activities from carrying on by TCL Corporation and T.C.L. Industries and their respective associates pursuant to Deed of Non-Competition (1999) *(Note 1)* and First Variation Deed (2002) *(Note 2)* so as to permit TCL Corporation and T.C.L. Industries to participate the research and development, manufacturing and sales relating to AV products (excluding TV sets) ("Relevant Business") through Tonly Holdings, while at the same time, TCL Corporation and T.C.L. Industries entered into the deed of non-competition ("Deed of Non-Competition (Tonly)") in favour of Tonly Holdings pursuant to which they undertook that they shall not and shall procure that their respective associates not to, directly or indirectly, carry on or be engaged or interested in the Relevant Business (except for holding interest in Tonly Holdings). Since TCL Corporation through its wholly owned subsidiary, T.C.L. Industries is the controlling shareholder of the Company, the proposed non-competition arrangement as contemplated by the Second Variation Deed (2013) and the Deed of Non-Competition (Tonly) constitutes a connected transaction of the Company under the Listing Rules.

On 15 November 2013, TCL King (Chengdu), a wholly-owned subsidiary of the Company, entered into a capital injection agreement with Finance Company, TCL Corporation and JRD Shenzhen, a wholly-owned subsidiary of TCL Communication) pursuant to which TCL King (Chengdu), TCL Corporation and JRD Shenzhen, all being shareholders of Finance Company with respective equity interest of 14%, 82% and 4% therein, agreed to inject a total of RMB1,000,000,000 (approximately equivalent to HK$1,271,779,000) into Finance Company on a pro rata basis. The amount of capital injection to be made by TCL King (Chengdu) will be RMB140,000,000 (approximately equivalent to HK$178,049,000). Since the capital injection is on a pro rata basis, Finance Company will remain held as to 14% by TCL King (Chengdu). Upon completion of capital injection by its shareholders, the total registered capital of Finance Company will be increased from RMB500,000,000 (approximately equivalent to HK$635,890,000) to RMB1,500,000,000 (approximately equivalent to HK$1,907,669,000). As at 31 December 2013, the Company has already fulfilled its capital injection obligation under the said agreement.

Note 1: The deed executed by TCL Corporation, TCL Electronics Corporation (deregistered on 29 January 2002) and T.C.L. Industries on 15 November 1999 in favour of the Company whereby each of TCL Corporation, TCL Electronics Corporation and T.C.L. Industries has undertaken not to directly or indirectly, carry on or be engaged or interested in the manufacture, assembly, distribution and maintenance of AV products, white goods and products relating to internet related information technology, which was disclosed in the Company's prospectus dated 17 November 1999.

Note 2: The variation deed entered into among TCL Corporation, T.C.L. Industries and the Company on 10 June 2002 excluding the manufacture, assembly, distribution and maintenance of white goods from the scope of non-competition business.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2013:

(a) Pursuant to the Master TCL Trademark License Agreement dated 26 October 2011 entered into between the Company and TCL Corporation under which TCL Group has agreed to grant to the Group an exclusive (subject to certain limited exceptions which are related to existing obligation or businesses of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks including "TCL" for the manufacture, production, sale and distribution of electronic products including televisions and AV products. During the year, no payment has been made by the Group to TCL Group as royalties and HK$236,233,000 was paid by the Group to TCL Group as reimbursement of branding advertising costs.

    On 31 December 2013, a supplemental agreement was entered into between the Company and TCL Corporation pursuant to which the parties agreed, with effective from 1 January 2014, the annual amount of general branding advertising costs payable by the Group to TCL Corporation under the Master TCL Trademark License Agreement be increased from 1.5% to 2.0% of the annual net sales of the Group. Save for this amendment, other terms and conditions under the Master TCL Trademark License Agreement remain unchanged.

(b) Pursuant to the Master Electronic and Electrical Goods Sourcing Agreement dated 26 October 2011 entered into between the Company and TCL Corporation in connection with the purchase of electronic or electrical products from TCL Group, the Group purchased finished goods from TCL Group amounting to HK$8,491,000 during the year.

(c) Pursuant to the Master Sourcing Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, the Group (i) sold overseas materials to TCL Group amounting to HK$1,062,414,000; (ii) purchased overseas materials from TCL Group amounting to HK$1,209,670,000 during the year.

(d) Pursuant to the Master Supply Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, the Group (i) purchased goods produced or manufactured in the PRC from TCL Group amounting to HK$11,269,982,000; (ii) sold goods to TCL Group amounting to HK$3,216,425,000 during the year.

(e) Pursuant to the Master Financial Services Agreement dated 26 October 2011 entered into among the Company, TCL Corporation and Finance Company, a non-wholly owned subsidiary of TCL Corporation, the Group paid fees and commissions for the other financial services thereunder amounting to HK$22,242,000 during the year. The maximum outstanding balance of deposits placed by the Group with Finance Company amounting to HK$3,766,486,000, and there was no facility provided to the Group by Finance Company with bank instruments as security during the year.

The interest rates offered by Finance Company were not lower than the interest rates offered by other independent financial institution during the year.

Pursuant to the Master Financial Services Agreement, if a qualified member of the Group demands repayment of any money deposited by it with Finance Company in accordance with the relevant terms and procedure and Finance Company fails to follow the repayment demand, such member shall then have the right to:

(a) offset the relevant outstanding deposit amount against up to the same amount of any outstanding loans owed by it and/or any financing provided to it by Finance Company and/or TCL Corporation; and/or

(b) transfer the right mentioned in (a) above to other qualified members of the Group; and/or

(c) request TCL Corporation to repay immediately the outstanding deposit amount on behalf of Finance Company in full.

There was no collateral provided by Finance Company for the deposit placed by the Group during the year.

(f) Pursuant to the Master Logistics Service Supply Agreement dated 26 October 2011 entered into between the Company and Shenzhen Speed Distribution Platform Company Limited ("Speed Distribution"), a wholly-owned subsidiary of TCL Corporation, the Group may from time to time request Speed Distribution for provision of certain logistics services. The Group paid HK$208,679,000 to Speed Distribution for all the cost and expenses incurred by Speed Distribution for provision of the logistics services during the year.

(g) Pursuant to the Master Call Centre Services Supply Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, TCL Group has agreed to provide the call centre services to the Group. The Group paid HK$27,200,000 to TCL Group for all the cost and expenses incurred by TCL Group for provision of the call centre services during the year.

(h) Pursuant to the Master Subcontracting Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, the Group (i) paid subcontracting fees to TCL Group amounting to HK$38,808,000; (ii) received subcontracting fees from TCL Group amounting to HK$87,772,000 during the year.

(i) Pursuant to the Master Lease, Production Line and Vehicle (Lessor) Agreement dated 26 October 2011 entered into between the Company as lessor and TCL Corporation as lessee, the Group received rental income from TCL Group amounting to HK$2,200,000 during the year.

(j) Pursuant to the Master Lease (Tenant) Agreement dated 26 October 2011 entered into between the Company as tenant and TCL Corporation as landlord, the Group paid rental cost to TCL Group amounting to HK$20,712,000 during the year.

(k) Pursuant to the Master Service Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, no content income was shared by the Group in respect of the provision of value added services to end users; and HK$76,799,000 was paid by the Group to TCL Group as service fees in respect of the provision of certain basic services during the year.

(l) Pursuant to the Intellectual Property Services Agreement dated 26 October 2011 entered into between TCL New Technology and TCL Corporation Technology Centre (a department of TCL Corporation), the Group paid service fee to TCL Corporation Technology Centre amounting to HK$940,000 during the year.

(m) Pursuant to the Master After Sale Service Agreement dated 24 October 2012 entered into between the Company and TCL Corporation, the Group received service fees from TCL Group in connection with the provision of after sale service to TCL Group for commercial use display products sold by TCL Group in the PRC amounting to HK$24,656,000 during the year.

(n) Pursuant to the Strategic Cooperation Framework Agreement dated 27 November 2012 entered into between the Company and TCL Corporation, the Group (i) paid service fee to TCL Group for the Joint Design Centre Project provided by TCL Group amounting to HK$20,677,000; (ii) paid service fee to TCL Group for the Strategic Mutual Research and Mid-to-Long-Term Planning Project provided by TCL Group amounting to HK$53,504,000 during the year.

The directors of the Company confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst &

Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 54 to 72 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDIT COMMITTEE

The Company has an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITORS

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for reappointment as auditors of the Company at the forthcoming AGM.

ON BEHALF OF THE BOARD

LI Dongsheng
Chairman

Hong Kong
24 February 2014

EY 安永

To the shareholders of TCL Multimedia Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TCL Multimedia Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 98 to 215, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of 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 Company and of the Group as at 31 December 2013, and of the Group's loss 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.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
24 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
TURNOVER	5	39,494,703	36,025,004
Cost of sales		(34,080,664)	(29,880,087)
Gross profit		5,414,039	6,144,917
Other revenue and gains		889,845	586,200
Selling and distribution expenses		(4,538,621)	(4,221,231)
Administrative expenses		(1,060,920)	(950,746)
Research and development costs		(424,574)	(335,855)
Other operating expenses		(27,712)	(51,487)
		252,057	1,171,798
Finance costs	6	(185,966)	(274,782)
Share of profits and losses of:			
A joint venture		(2,479)	4,184
Associates		(30,586)	(17,704)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	33,026	883,496
Income tax expense	10	(155,949)	(57,121)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(122,923)	826,375
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	12	88,722	95,162
PROFIT/(LOSS) FOR THE YEAR		(34,201)	921,537

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
PROFIT/(LOSS) FOR THE YEAR		(34,201)	921,537
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedge:			
Effective portion of changes in fair value of the hedging instruments arising during the year		(21)	(94)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		94	–
		73	(94)
Exchange fluctuation reserve:			
Translation of foreign operations		131,110	2,183
Release upon liquidation of subsidiaries		7,148	3,642
OTHER COMPREHENSIVE INCOME FOR THE YEAR		138,331	5,731
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		104,130	927,268
Profit/(loss) attributable to:			
Owners of the parent	11	(48,075)	910,916
Non-controlling interests		13,874	10,621
		(34,201)	921,537
Total comprehensive income attributable to:			
Owners of the parent		84,324	905,215
Non-controlling interests		19,806	22,053
		104,130	927,268
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic			
– For profit/(loss) for the year		HK(3.61) cents	HK69.65 cents
– For profit/(loss) from continuing operations		HK(8.96) cents	HK62.37 cents
Diluted			
– For profit/(loss) for the year		HK(3.61) cents	HK69.03 cents
– For profit/(loss) from continuing operations		HK(8.96) cents	HK61.82 cents

Details of the dividends for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,407,598	2,484,028
Prepaid land lease payments	16	156,306	146,266
Goodwill	17	119,638	119,638
Other intangible assets	18	280	419
Investment in a joint venture	20	8,333	11,574
Investments in associates	21	512,871	158,921
Available-for-sale investments	22	6,677	6,677
Deferred tax assets	34	18,485	150,707
Total non-current assets		3,230,188	3,078,230
CURRENT ASSETS			
Inventories	23	4,971,680	6,731,951
Trade receivables	24	3,797,379	4,338,139
Bills receivable	25	5,158,738	7,087,252
Other receivables	26	1,920,027	2,502,247
Tax recoverable		29,969	24,363
Pledged deposits	28	–	826,220
Cash and bank balances	28	3,047,524	3,431,337
Total current assets		18,925,317	24,941,509
CURRENT LIABILITIES			
Trade payables	29	5,472,647	9,263,133
Bills payable	30	5,108,314	5,176,951
Other payables and accruals	31	4,067,483	4,894,826
Interest-bearing bank and other borrowings	32	870,343	2,607,644
Due to TCL Corporation	27	24,933	–
Due to T.C.L. Industries	27	387,710	–
Tax payable		142,551	213,276
Provisions	33	436,629	430,845
Total current liabilities		16,510,610	22,586,675
NET CURRENT ASSETS		2,414,707	2,354,834
TOTAL ASSETS LESS CURRENT LIABILITIES		5,644,895	5,433,064

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		5,644,895	5,433,064
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	1,132,012	402,346
Deferred tax liabilities	34	30,502	38,873
Total non-current liabilities		1,162,514	441,219
Net assets		4,482,381	4,991,845
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	1,333,599	1,321,003
Reserves	36	3,024,687	3,444,244
		4,358,286	4,765,247
Non-controlling interests		124,095	226,598
Total equity		4,482,381	4,991,845

LI Dongsheng
Director

HAO Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

GROUP	Attributable to owners of the parent												
	Issued capital HK$'000 (Note 35)	Share premium account HK$'000 (Note 35)	Share option reserve HK$'000 (Note 36 (a)(i))	Capital reserve HK$'000 (Note 36 (a)(ii))	Reserve funds HK$'000 (Note 36 (a)(iii))	Hedging reserve HK$'000 (Note 36 (a)(v))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Shares held for the Award Scheme HK$'000 (Note 35)	Awarded share reserve HK$'000 (Note 36 (a)(iv))	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	1,072,276	3,215,422	44,711	59,099	915,188	-	472,411	(2,122,648)	(126,249)	3,442	3,533,652	119,033	3,652,685
Profit for the year	-	-	-	-	-	-	-	910,916	-	-	910,916	10,621	921,537
Other comprehensive income/ (loss) for the year:													
Cash flow hedge	-	-	-	-	-	(94)	-	-	-	-	(94)	-	(94)
Exchange differences on:													
Translation of foreign operations	-	-	-	-	-	-	2,223	-	-	-	2,223	(40)	2,183
Release upon liquidation of subsidiaries	-	-	-	-	-	-	3,642	-	-	-	3,642	-	3,642
Release upon deemed partial disposal of equity interests in subsidiaries	-	-	-	-	-	-	(11,472)	-	-	-	(11,472)	11,472	-
Total comprehensive income/ (loss) for the year	-	-	-	-	-	(94)	(5,607)	910,916	-	-	905,215	22,053	927,268
Issue of shares for acquisition of subsidiaries	246,497	391,931	-	-	-	-	-	-	-	-	638,428	13,373	651,801
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	25,249	25,249
Acquisition of non-controlling interests	-	-	-	(1,767)	-	-	-	-	-	-	(1,767)	(14,306)	(16,073)
Deemed partial disposal of equity interests in subsidiaries	-	-	-	(6,338)	-	-	-	-	-	-	(6,338)	61,777	55,439
Equity-settled share option arrangements	-	-	21,547	-	-	-	-	-	-	-	21,547	-	21,547
Issue of shares upon exercise of share options	2,230	5,020	(1,787)	-	-	-	-	-	-	-	5,463	-	5,463
Share options lapsed during the year	-	-	(21,969)	-	-	-	-	21,969	-	-	-	-	-
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	718	(86)	632	-	632
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(581)	(581)
Final 2011 dividend declared	-	(204,033)	-	-	-	-	-	-	-	-	(204,033)	-	(204,033)
Interim 2012 dividend	-	(127,552)	-	-	-	-	-	-	-	-	(127,552)	-	(127,552)
Transfer from retained profits	-	-	-	-	81,663	-	-	(81,663)	-	-	-	-	-
At 31 December 2012	1,321,003	3,280,788*	42,502*	50,994*	996,851*	(94)*	466,804*	(1,271,426)*	(125,531)*	3,356*	4,765,247	226,598	4,991,845

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the parent												
GROUP	Issued capital HK$'000 (Note 35)	Share premium account HK$'000 (Note 35)	Share option reserve HK$'000 (Note 36 (a)(i))	Capital reserve HK$'000 (Note 36 (a)(ii))	Reserve funds HK$'000 (Note 36 (a)(iii))	Hedging reserve HK$'000 (Note 36 (a)(v))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Shares held for the Award Scheme HK$'000 (Note 35)	Awarded share reserve HK$'000 (Note 36 (a)(iv))	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	1,321,003	3,280,788	42,502	50,994	996,851	(94)	466,804	(1,271,426)	(125,531)	3,356	4,765,247	226,598	4,991,845
Profit/(loss) for the year	-	-	-	-	-	-	-	(48,075)	-	-	(48,075)	13,874	(34,201)
Other comprehensive income for the year:													
Cash flow hedge	-	-	-	-	-	73	-	-	-	-	73	-	73
Exchange differences on:													
Translation of foreign operations	-	-	-	-	-	-	125,178	-	-	-	125,178	5,932	131,110
Release upon liquidation of a subsidiary	-	-	-	-	-	-	7,148	-	-	-	7,148	-	7,148
Total comprehensive income/(loss) for the year	-	-	-	-	-	73	132,326	(48,075)	-	-	84,324	19,806	104,130
Distribution of Tonly Group:													
2013 special interim dividend (note 13)	-	(386,467)	-	-	-	-	-	-	-	-	(386,467)	(122,106)	(508,573)
Less: Distribution received by the Award Scheme (note 35)	-	8,855	-	-	-	-	-	-	-	-	8,855	-	8,855
Release upon the Distribution of Tonly Group	-	-	-	10,652	(54,671)	-	(50,955)	94,974	-	-	-	-	-
Deemed distribution to non-controlling shareholders	-	-	-	(4,314)	-	-	-	-	-	-	(4,314)	4,314	-
Equity-settled share option arrangements	-	-	16,912	-	-	-	-	-	-	-	16,912	-	16,912
Issue of shares upon exercise of share options	12,596	34,774	(13,092)	-	-	-	-	-	-	-	34,278	-	34,278
Share options lapsed during the year	-	-	(175)	-	-	-	-	175	-	-	-	-	-
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	(9,260)	-	(9,260)	-	(9,260)
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	44,172	(2,991)	41,181	-	41,181
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(4,517)	(4,517)
Final 2012 dividend declared	-	(192,470)	-	-	-	-	-	-	-	-	(192,470)	-	(192,470)
Transfer to retained profits	-	-	-	-	(5,253)	-	-	5,253	-	-	-	-	-
At 31 December 2013	1,333,599	2,745,480*	46,147*	57,332*	936,927*	(21)*	548,175*	(1,219,099)*	(90,619)*	365*	4,358,286	124,095	4,482,381

* These reserve accounts comprise the consolidated reserves of HK$3,024,687,000 (2012: HK$3,444,244,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		33,026	883,496
From a discontinued operation	12	105,664	110,749
Adjustments for:			
Finance costs		192,673	278,296
Share of profits and losses of a joint venture and associates		32,999	13,518
Loss/(gain) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net		(236,925)	2,156
Gain on bargain purchase of subsidiaries		–	(144,627)
Loss on liquidation of subsidiaries	7	8,257	3,460
Bank interest income		(59,620)	(126,992)
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges		28,364	(33,982)
Depreciation	15	306,536	300,746
Impairment of items of property, plant and equipment	7	536	31,231
Amortisation of other intangible assets	7	150	174
Amortisation of prepaid land lease payments	16	4,278	3,995
Equity-settled share option expense	7	16,912	21,547
Equity-settled Award Scheme expense	7	–	632
		432,850	1,344,399
Decrease/(increase) in inventories		1,501,410	(2,360,832)
Increase in trade receivables		(263,502)	(442,511)
Decrease in bills receivable		2,126,516	558,642
Decrease/(increase) in other receivables		304,910	(469,560)
Increase/(decrease) in trade payables		(2,989,969)	2,515,212
Increase/(decrease) in bills payable		36,087	(92,561)
Increase in other payables and accruals		119,890	1,015,057
Increase in provisions		172,026	121,559
Cash generated from operations		1,440,218	2,189,405
Interest paid		(192,673)	(278,296)
Income taxes paid		(112,848)	(129,875)
Net cash flows from operating activities		1,134,697	1,781,234

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash flows from operating activities		1,134,697	1,781,234
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		59,620	126,992
Dividend received		–	13,763
Purchases of items of property, plant and equipment		(546,425)	(593,212)
Prepayment of land lease payments		(31,273)	(4,548)
Proceeds from disposal of items of property, plant and equipment and the associated prepaid land lease payments		351,175	24,929
Capital injection in an associate		(178,049)	–
Acquisition of subsidiaries	37(a)(i),(ii)	–	175,126
Acquisition of a subsidiary that is not a business	37(b)	–	(8,415)
Acquisition of an associate	37(c)	(226,572)	–
Decrease/(increase) in pledged deposits		374,543	(570,386)
Net cash flows used in investing activities		(196,981)	(835,751)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	35	34,278	5,463
Purchase of shares for the Award Scheme	35	(9,260)	–
Distribution of Tonly Group	37(d)	(695,149)	–
New bank and other loans		7,197,183	10,708,596
Repayment of bank loans		(8,142,700)	(11,278,357)
Increase/(decrease) in loans from TCL Corporation		24,567	(139,927)
Increase/(decrease) in loans from T.C.L. Industries		387,710	(970,239)
Acquisition of non-controlling interests		–	(16,073)
Deemed partial disposal of equity interests in subsidiaries		–	55,439
Dividends paid		(192,470)	(331,585)
Dividends paid to non-controlling shareholders		(4,517)	(581)
Net cash flows used in financing activities		(1,400,358)	(1,967,264)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(462,642)	(1,021,781)
Cash and cash equivalents at beginning of year		3,431,337	4,452,001
Effect of foreign exchange rate changes, net		78,829	1,117
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,047,524	3,431,337
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,047,524	3,431,337

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	1,171,170	1,503,202
CURRENT ASSETS			
Due from subsidiaries	19	2,803,661	2,031,075
Other receivables	26	66,613	62,914
Cash and bank balances		316,400	19,223
Total current assets		3,186,674	2,113,212
CURRENT LIABILITIES			
Other payables and accruals	31	37,128	23,935
Interest-bearing bank borrowings	32	402,481	153,183
Total current liabilities		439,609	177,118
NET CURRENT ASSETS		2,747,065	1,936,094
TOTAL ASSETS LESS CURRENT LIABILITIES		3,918,235	3,439,296
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	32	1,132,012	402,346
Net assets		2,786,223	3,036,950
EQUITY			
Issued capital	35	1,333,599	1,321,003
Reserves	36(b)	1,452,624	1,715,947
Total equity		2,786,223	3,036,950

LI Dongsheng
Director

HAO Yi
Director

1. CORPORATE INFORMATION

TCL Multimedia Technology Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at 13/F, TCL Tower, 8 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- manufacture and sale of colour television sets; and
- manufacture and sale of audio-visual ("AV") products (discontinued during the year ended 31 December 2013 (note 12)).

In the opinion of the directors, T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a company incorporated in Hong Kong, is the immediate holding company of the Company and the ultimate holding company of the Company is TCL Corporation ("TCL Corporation"), which is registered in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to the transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (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. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int *13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The application of HKFRS 11 does not change the equity accounting conclusion of the Group in respect of its investment in a joint venture.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, a joint venture and associates are included in notes 19, 20 and 21, respectively to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 26 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments* [4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39* [4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [1]
HKFRS 14	*Regulatory Deferral Accounts* [3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC)-Int 21	*Levies* [1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 [2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 [2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and a joint venture

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or a joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Buildings	2% – 4.5%
Leasehold improvements	20% – 50%
Plant and machinery	9% – 20%
Furniture, fixtures and equipment	18% – 33.3%
Motor vehicles	18% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction and plant and machinery in the process of installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and installation and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 to 10 years.

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other revenue and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to TCL Corporation and T.C.L. Industries, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges (continued)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instruments are also recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instruments is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss as other expenses.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) income from the rendering of services, when the services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Share-based payments

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss 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 Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, a joint venture and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Derecognition of financial assets – Receivables purchase arrangements

The Group has entered into certain receivables purchase arrangements with banks on its trade receivables. As at 31 December 2013, the Group has determined that it has transferred substantially all the risks and rewards of ownership associated with certain trade receivables factored to banks under these arrangements. Accordingly, the relevant trade receivables with an aggregate carrying amount of HK$9,331,000 (2012: HK$519,070,000) were fully derecognised. Further details are given in note 24 to the financial statements.

Estimation uncertainty

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, are described below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$119,638,000 (2012: HK$119,638,000). Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 21 to the financial statements.

(iii) Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

(iv) Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying amount of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(v) Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

(vi) Warranty provisions

As further explained in note 33 to the financial statements, the Group makes provisions for the warranties it gives on the sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is 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 it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

(vii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary difference arising from the warranty provisions and patent fee provisions and the unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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 on deferred tax assets are included in note 34 to the financial statements.

(viii) PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical television segments and other product types and has three reportable operating segments as follows:

(a) Television segment – manufacture and sale of television sets in:
– the PRC market
– the overseas markets

(b) AV segment – manufacture and sale of AV products (discontinued during the year ended 31 December 2013 (note 12)); and

(c) Others segment – comprises information technology and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, share of profits and losses of a joint venture and associates as well as head office and corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Group

	Continuing operations								Discontinued operation					
	Television-PRC market		Television-Overseas markets		Others		Total continuing operations		AV		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:														
Sales to external customers	25,665,747	23,146,374	11,884,234	11,939,494	1,944,722	939,136	39,494,703	36,025,004	2,256,667	3,659,851	-	-	41,751,370	39,684,855
Intersegment sales	3,354,244	5,882,870	-	-	288,711	194,448	3,642,955	6,077,318	61,765	13,212	(3,704,720)	(6,090,530)	-	-
Total	29,019,991	29,029,244	11,884,234	11,939,494	2,233,433	1,133,584	43,137,658	42,102,322	2,318,432	3,673,063	(3,704,720)	(6,090,530)	41,751,370	39,684,855
Segment results	60,954	902,571	(96,731)	158,710	(27,084)	76,773	(62,861)	1,138,054	91,737	83,330	-	-	28,876	1,221,384
Bank interest income							39,052	96,061	20,568	30,931			59,620	126,992
Corporate income/(expenses), net							275,866	(62,317)	-	-			275,866	(62,317)
Finance costs							(185,966)	(274,782)	(6,707)	(3,514)			(192,673)	(278,296)
Share of profits and losses of:														
A joint venture	-	-	(2,479)	4,184	-	-	(2,479)	4,184	-	-	-	-	(2,479)	4,184
Associates	(46,614)	(31,506)	-	-	16,028	13,802	(30,586)	(17,704)	66	2	-	-	(30,520)	(17,702)
Profit before tax							33,026	883,496	105,664	110,749			138,690	994,245
Income tax expense							(155,949)	(57,121)	(16,942)	(15,587)			(172,891)	(72,708)
Profit/(loss) for the year							(122,923)	826,375	88,722	95,162			(34,201)	921,537
Other segment information:														
Depreciation and amortisation	240,936	232,390	27,164	34,747	32,021	25,277	300,121	292,414	10,843	12,501	-	-	310,964	304,915
Impairment recognised in profit or loss	531	18,573	5	1,965	-	10,693	536	31,231	-	-	-	-	536	31,231

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Group

	PRC		Europe		North America		Others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	27,276,884	23,526,775	2,395,566	2,274,474	504,188	513,623	11,574,732	13,369,983	41,751,370	39,684,855
Non-current assets	2,905,505	2,595,877	176,156	176,131	117,249	140,670	12,793	14,845	3,211,703	2,927,523

The revenue information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customer

For the years ended 31 December 2012 and 2013, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue from continuing operations.

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts	179,821	205,513
Loans from TCL Corporation	469	48,579
Loans from T.C.L. Industries	3,824	15,069
Loan from an associate	1,852	5,621
Total	185,966	274,782

7. PROFIT BEFORE TAX

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

	Group	
	2013	2012
	HK$'000	HK$'000
Cost of inventories sold	33,943,388	29,751,070
Depreciation	295,946	288,583
Research and development costs	521,065	378,366
Less: Government grants released*	(96,491)	(42,511)
	424,574	335,855
Amortisation of other intangible assets (note 18)	150	174
Amortisation of prepaid land lease payments	4,025	3,657
Minimum lease payments under operating leases in respect of land and buildings	90,123	88,686
Auditors' remuneration	13,222	13,597
Employee benefits expenses (including directors' remuneration (note 8)):		
Wages and salaries	2,026,105	1,915,715
Equity-settled share option expense	16,912	21,547
Equity-settled Award Scheme expense	–	632
Defined contribution expense	192,251	157,020
	2,235,268	2,094,914

7. PROFIT BEFORE TAX (CONTINUED)

	Group 2013 HK$'000	Group 2012 HK$'000
Foreign exchange gains, net	(254,201)	(36,911)
Impairment of items of property, plant and equipment (note 15)**	536	31,231
Impairment of trade receivables, net (note 24)**	8,037	14,383
Write-down of inventories to net realisable value	258,578	178,398
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	14,929	(13,548)
Realised loss/(gain) on settlement of derivative financial instruments	6,506	(31,394)
Rental income, net	(5,213)	(41,670)
Bank interest income	(39,052)	(96,061)
Government grants***	(73,305)	(59,221)
Loss/(gain) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net**	(236,941)	2,413
Gain on bargain purchase of subsidiaries (note 37(a)(i))	–	(143,749)
Loss on liquidation of subsidiaries (note 37(e))**	8,257	3,460
Restructuring cost provision (note 33)**	10,882	–
Product warranty provision:		
Additional provision	377,792	171,370
Reversal of unutilised provision	(18,383)	(5,998)
	359,409	165,372

Notes:

* Certain government grants have been received for research activities in the PRC. The government grants released have been deducted from the research and development costs to which they are related. There are no unfulfilled conditions or contingencies relating to these grants.

** These expenses are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** Certain government grants have been received for the enhancement of technologies applied in certain of the Group's production lines in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	1,879	1,950
Other emoluments:		
Salaries, allowances and benefits in kind	4,403	3,717
Discretionary bonuses	849	6,333
Equity-settled share option benefits	3,481	8,648
Pension scheme contributions	237	196
	8,970	18,894
	10,849	20,844

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	2013				2012			
	Fees	Equity-settled share option benefits	Discretionary bonuses	Total remuneration	Fees	Equity-settled share option benefits	Discretionary bonuses	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. TANG Guliang	300	65	-	365	300	178	133	611
Mr. Robert Maarten WESTERHOF	300	65	-	365	300	178	133	611
Ms. WU Shihong	300	65	-	365	300	178	133	611
Dr. TSENG Shieng-chang Carter (note (i))	-	-	-	-	-	-	-	-
	900	195	-	1,095	900	534	399	1,833

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

The remuneration paid to executive directors and non-executive directors during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Executive directors:						
Mr. LI Dongsheng	120	650	-	859	-	1,629
Mr. HAO Yi (note (ii))	46	1,460	-	402	52	1,960
Mr. YAN Xiaolin (note (iii))	82	-	-	69	-	151
Mr. ZHAO Zhongyao (note (iv))	74	1,678	-	1,203	80	3,035
Mr. YU Guanghui (note (v))	74	615	849	-	105	1,643
Ms. XU Fang (note (vi))	40	-	-	206	-	246
	436	4,403	849	2,739	237	8,664
Non-executive directors:						
Mr. Albert Thomas DA ROSA, Junior	225	-	-	65	-	290
Mr. BO Lianming (note (vii))	120	-	-	276	-	396
Mr. HUANG Xubin	152	-	-	172	-	324
Mr. SHI Wanwen (note (viii))	46	-	-	34	-	80
	543	-	-	547	-	1,090
	979	4,403	849	3,286	237	9,754

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Executive directors:						
Mr. LI Dongsheng	120	650	2,140	2,362	–	5,272
Mr. BO Lianming	120	–	430	758	–	1,308
Mr. ZHAO Zhongyao	120	2,161	2,183	3,743	71	8,278
Mr. YU Guanghui	120	906	296	–	125	1,447
Ms. XU Fang	120	–	483	599	–	1,202
	600	3,717	5,532	7,462	196	17,507
Non-executive directors:						
Mr. Albert Thomas DA ROSA, Junior	225	–	133	178	–	536
Mr. HUANG Xubin	225	–	269	474	–	968
	450	–	402	652	–	1,504
	1,050	3,717	5,934	8,114	196	19,011

8. DIRECTORS' REMUNERATION (CONTINUED)

Notes:

(i) Dr. TSENG Shieng-chang Carter agreed to waive his director's remuneration for the year ended 31 December 2013 of HK$300,000 (2012: HK$300,000), and such remuneration would be donated to a charity fund held by the Company.

(ii) Mr. HAO Yi was appointed as an executive director of the Company with effect from 13 August 2013.

(iii) Mr. YAN Xiaolin was appointed as a non-executive director of the Company with effect from 24 April 2013, and was re-designated as an executive director of the Company with effect from 13 August 2013.

(iv) Mr. ZHAO Zhongyao resigned as an executive director of the Company with effect from 13 August 2013.

(v) Mr. YU Guanghui resigned as an executive director of the Company with effect from 13 August 2013.

(vi) Ms. XU Fang resigned as an executive director of the Company with effect from 24 April 2013.

(vii) Mr. BO Lianming acted as an executive director of the Company, and was re-designated as a non-executive director of the Company with effect from 22 April 2013.

(viii) Mr. SHI Wanwen was appointed as a non-executive director of the Company with effect from 13 August 2013.

Save as disclosed in note (i) above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2012: two), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2012: three) non-directors, highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	6,521	6,072
Discretionary performance related bonuses	865	3,505
Equity-settled share option benefits	394	3,307
Pension scheme contributions	1,958	1,822
	9,738	14,706

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

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	1	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	–	1
HK$5,000,001 to HK$5,500,000	1	1
HK$6,000,001 to HK$6,500,000	–	1
	3	3

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2013 HK$'000	2012 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	2,354	8,956
Overprovision in prior years	–	(3,836)
Current – Elsewhere		
Charge for the year	105,244	152,772
Overprovision in prior years	(7,930)	(8,509)
Deferred	56,281	(92,262)
Total tax charge for the year	155,949	57,121

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2013 HK$'000	2012 HK$'000
Profit before tax	33,026	883,496
Tax at the statutory/applicable tax rates of different countries/jurisdictions	(10,560)	190,252
Lower tax rates for specific provinces or enacted by local authority	(26,607)	(69,068)
Adjustments in respect of current tax of previous periods	(7,930)	(12,345)
Profits and losses attributable to a joint venture and associates	8,266	3,380
Income not subject to tax	(23,684)	(37,561)
Expenses not deductible for tax	48,443	48,795
Tax losses utilised from previous periods	(68,165)	(105,101)
Tax losses not recognised	231,002	40,047
Others	5,184	(1,278)
Tax charge at the Group's effective rate	155,949	57,121

10. INCOME TAX EXPENSE (CONTINUED)

The share of tax attributable to a joint venture and associates amounting to tax credit of HK$225,000 (2012: tax charge of HK$368,000) and tax charge of HK$5,574,000 (2012: HK$6,158,000), respectively, is included in "Share of profits and losses of a joint venture and associates" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions and are subject to income taxes at tax rates ranging from 15% to 25%.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 includes a loss of HK$57,776,000 (2012: HK$55,308,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DISCONTINUED OPERATION

On 15 August 2013, the Company completed the spin-off (the "AV Spin-off") of its business in relation to the manufacture and sale of AV products through a separate listing of its wholly-owned subsidiary, Tonly Electronics Holdings Limited ("Tonly Holdings") on the Main Board of the Hong Kong Stock Exchange. Further details of the AV Spin-off are set out in the listing document of Tonly Holdings dated 17 July 2013. Upon the completion of the AV Spin-off, the Company distributed its entire interests in Tonly Holdings as a special interim dividend by way of distribution in specie to the Company's qualifying shareholders (the "Distribution") (note 13) and Tonly Holdings ceased to be a subsidiary of the Company thereafter.

12. DISCONTINUED OPERATION (CONTINUED)

The results of Tonly Holdings and its subsidiaries (collectively, the "Tonly Group") attributable to the Group for the period/year are presented below:

	Period from 1 January to 15 August 2013 HK$'000	2012 HK$'000
Turnover	2,256,667	3,659,851
Cost of sales	(1,967,212)	(3,226,910)
Gross profit	289,455	432,941
Other revenue and gains	90,296	90,818
Selling and distribution expenses	(81,525)	(141,929)
Administrative expenses	(100,418)	(125,418)
Research and development costs	(84,986)	(142,151)
Other operating expenses	(517)	–
	112,305	114,261
Finance costs	(6,707)	(3,514)
Share of profit of an associate	66	2
Profit before tax from the discontinued operation	105,664	110,749
Income tax expense	(16,942)	(15,587)
Profit for the period/year from the discontinued operation	88,722	95,162
Profit attributable to:		
Owners of the parent	71,140	95,162
Non-controlling interests	17,582	–
	88,722	95,162

12. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by Tonly Group are as follows:

	Period from 1 January to 15 August 2013 HK$'000	2012 HK$'000
Operating activities	(444,085)	297,954
Investing activities	113,424	198,212
Financing activities	(40,764)	8,503
Net cash inflow/(outflow)	(371,425)	504,669

	2013	2012
Earnings per share from the discontinued operation:		
Basic	HK5.35 cents	HK7.28 cents
Diluted	HK5.29 cents	HK7.21 cents

The calculations of the basic and diluted earnings per share from the discontinued operation are based on:

	Period from 1 January to 15 August 2013 HK$'000	2012 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent from the discontinued operation, used in the basic and diluted earnings per share calculation	71,140	95,162

12. DISCONTINUED OPERATION (CONTINUED)

	Number of shares 2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 14)	1,330,093,157	1,307,869,318
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	13,456,203	11,776,472
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	1,343,549,360	1,319,645,790

13. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim dividend – HK28.99 cents (2012: HK10.00 cents) per ordinary share (note)	386,467	132,032
2012 final dividend – HK14.80 cents per ordinary share	–	195,687
	386,467	327,719

Note: On 15 July 2013, the board of directors of the Company (the "Board") declared a special interim dividend of HK28.99 cents per share and which was satisfied by way of the Distribution (note 12). Further details of the Distribution and the net assets distributed in the Distribution are set out in note (c) under the heading of restricted share award scheme of note 35 and note 37(d) to the financial statements, respectively.

The Board does not recommend the payment of any final dividend in respect of the year.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings/(loss) per share are based on:

	2013 HK$'000	2012 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation		
From continuing operations	(119,215)	815,754
From the discontinued operation	71,140	95,162
	(48,075)	910,916

	Number of shares 2013	Number of shares 2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	1,330,093,157	1,307,869,318
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	–	11,776,472
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	1,330,093,157	1,319,645,790

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2013 in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	1,703,060	263,711	1,629,543	410,479	53,551	215,925	4,276,269
Accumulated depreciation and impairment	(305,464)	(168,511)	(921,872)	(348,013)	(35,909)	(12,472)	(1,792,241)
Net carrying amount	1,397,596	95,200	707,671	62,466	17,642	203,453	2,484,028
At 1 January 2013, net of accumulated depreciation and impairment	1,397,596	95,200	707,671	62,466	17,642	203,453	2,484,028
Additions	74,153	26,868	92,733	76,304	8,750	285,820	564,628
Distribution of Tonly Group (note 37(d))	-	(3,032)	(67,709)	(14,429)	(3,245)	(202,711)	(291,126)
Disposals	(68,740)	(3,732)	(21,119)	(13,830)	(1,692)	(145)	(109,258)
Depreciation provided during the year	(74,853)	(48,213)	(118,483)	(58,877)	(6,110)	-	(306,536)
Impairment (note 7)	(9)	-	(527)	-	-	-	(536)
Transfers	182,058	10,794	1,923	23,427	513	(218,715)	-
Exchange realignment	36,386	2,509	17,799	3,797	691	5,216	66,398
At 31 December 2013, net of accumulated depreciation and impairment	1,546,591	80,394	612,288	78,858	16,549	72,918	2,407,598
At 31 December 2013:							
Cost	1,865,973	236,134	1,475,753	302,443	46,231	85,391	4,011,925
Accumulated depreciation and impairment	(319,382)	(155,740)	(863,465)	(223,585)	(29,682)	(12,473)	(1,604,327)
Net carrying amount	1,546,591	80,394	612,288	78,858	16,549	72,918	2,407,598

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012							
At 1 January 2012:							
Cost	1,041,750	110,354	1,091,750	336,514	46,984	16,300	2,643,652
Accumulated depreciation and impairment	(214,929)	(84,409)	(659,716)	(294,796)	(34,869)	(12,472)	(1,301,191)
Net carrying amount	826,821	25,945	432,034	41,718	12,115	3,828	1,342,461
At 1 January 2012, net of accumulated depreciation and impairment	826,821	25,945	432,034	41,718	12,115	3,828	1,342,461
Additions	349,120	34,451	88,135	61,075	12,382	276,848	822,011
Acquisition of subsidiaries (note 37(a)(i),(ii))	206,558	79,304	365,724	23,060	1,161	1,672	677,479
Disposals	(238)	(1,506)	(20,925)	(464)	(1,927)	(2,025)	(27,085)
Depreciation provided during the year	(59,782)	(44,983)	(129,981)	(59,874)	(6,126)	–	(300,746)
Impairment (note 7)	–	–	(27,667)	(3,564)	–	–	(31,231)
Transfers	74,411	2,013	570	600	–	(77,594)	–
Exchange realignment	706	(24)	(219)	(85)	37	724	1,139
At 31 December 2012, net of accumulated depreciation and impairment	1,397,596	95,200	707,671	62,466	17,642	203,453	2,484,028
At 31 December 2012:							
Cost	1,703,060	263,711	1,629,543	410,479	53,551	215,925	4,276,269
Accumulated depreciation and impairment	(305,464)	(168,511)	(921,872)	(348,013)	(35,909)	(12,472)	(1,792,241)
Net carrying amount	1,397,596	95,200	707,671	62,466	17,642	203,453	2,484,028

Note: As at 31 December 2013, the certificate of ownership with respect to certain buildings of the Group with an aggregate carrying amount of HK$174,459,000 (2012: HK$222,082,000) had not been obtained from the relevant government authorities.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's land and buildings are situated in the PRC and elsewhere and are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
Freehold	265,244	274,883
Short term leases	120,976	121,059
Medium term leases	1,160,371	1,001,654
	1,546,591	1,397,596

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	149,323	88,699
Additions	53,576	4,548
Disposal	(4,992)	–
Amortised during the year	(4,278)	(3,995)
Acquisition of subsidiaries (note 37(a)(i))	–	52,972
Acquisition of a subsidiary that is not a business (note 37(b))	–	7,065
Distribution of Tonly Group (note 37(d))	(38,821)	–
Exchange realignment	4,564	34
Carrying amount at 31 December	159,372	149,323
Current portion included in other receivables (note 26)	(3,066)	(3,057)
Non-current portion	156,306	146,266

16. PREPAID LAND LEASE PAYMENTS (CONTINUED)

The Group's leasehold land is situated in the PRC and is held under the following lease terms:

	2013 HK$'000	2012 HK$'000
Short term leases	27,595	27,515
Medium term leases	131,777	121,808
	159,372	149,323

17. GOODWILL

	Group	
	2013 HK$'000	2012 HK$'000
Cost and carrying amount at 1 January and 31 December	119,638	119,638

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the PRC television products cash-generating unit for impairment testing.

The recoverable amount of the PRC television products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 12% (2012: 12%).

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rate used is before tax and reflects specific risks relating to the unit.

18. OTHER INTANGIBLE ASSETS

Group

	Patents and licences HK$'000	Trademarks HK$'000	Total HK$'000
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation and impairment	–	419	419
Amortisation provided during the year (note 7)	–	(150)	(150)
Exchange realignment	–	11	11
At 31 December 2013	–	280	280
At 31 December 2013:			
Cost	32,884	59,395	92,279
Accumulated amortisation and impairment	(32,884)	(59,115)	(91,999)
Net carrying amount	–	280	280
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation and impairment	–	594	594
Amortisation provided during the year (note 7)	–	(174)	(174)
Exchange realignment	–	(1)	(1)
At 31 December 2012	–	419	419
At 31 December 2012 and at 1 January 2013:			
Cost	32,363	59,310	91,673
Accumulated amortisation and impairment	(32,363)	(58,891)	(91,254)
Net carrying amount	–	419	419

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	4,023,724	4,164,481
Due from subsidiaries	2,815,816	2,180,721
Due to subsidiaries	(61,769)	–
Capital contribution in respect of employee share-based compensation	80,600	72,616
	6,858,371	6,417,818
Provision for impairment	(2,883,540)	(2,883,541)
	3,974,831	3,534,277
Less: Portion of amounts due from subsidiaries classified as current assets	(2,803,661)	(2,031,075)
	1,171,170	1,503,202

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for certain balances due from subsidiaries totalling HK$2,803,661,000 (2012: HK$2,031,075,000) which are repayable on demand.

The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2013	2012	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.**	PRC	RMB120,000,000	70	70	Manufacture of television products
Inner Mongolia TCL King Electrical Appliance Company Limited**	PRC	RMB88,130,825	100	100	Manufacture of television products
Manufacturas Avanzadas, S.A. de. C.V.	Mexico	US$15,866,637	100	100	Manufacture of television products
TTE Corporation@	British Virgin Islands/ Hong Kong	US$10,000	100	100	Investment holding
Shenzhen TCL New Technology Company Limited**	PRC	RMB10,608,600	100	100	Manufacture and sale of television products
TCL (Vietnam) Corporation Limited	Vietnam	VND37,135,000,000	100	100	Manufacture and sale of television products
TCL Electrical Appliance Sales Co., Ltd.**	PRC	RMB30,000,000	100	100	Operation of a distribution network in the PRC
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	100	100	Trading of television products and components

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2013	2012	Principal activities
TCL Electronics (Thailand) Co. Limited	Thailand	THB255,000,000	100	100	Trading of television products and components
TCL Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$25,000	100	100	Investment holding
TCL Belgium S.A.	Belgium	EUR61,500	100	100	Investment holding
TCL International Electronics (BVI) Limited@	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
TTE (North America) Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
TCL Information Technology Industrial (Group) Co., Ltd.@	British Virgin Islands/ Hong Kong	US$4,500,000	100	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**	PRC	RMB100,880,000	100	100	Manufacture of television products
TCL King Electrical Appliances (Huhehaote) Company Limited**	PRC	RMB21,400,000	100	100	Manufacture of television products

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2013	% of equity attributable to the Company 2012	Principal activities
TCL King Electrical Appliances (Huizhou) Company Limited*	PRC	RMB485,863,120	100	100	Manufacture and sale of television products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited**	PRC	RMB21,400,000	100	100	Manufacture of television products
TCL King Electrical Appliances (Wuxi) Company Limited**	PRC	RMB78,835,125	70	70	Manufacture of television products
TCL OEM Sales Limited#	Hong Kong	HK$2	–	80	Trading of AV products and components
TCL Overseas Electronics (Huizhou) Limited*	PRC	RMB106,819,156	100	100	Manufacture of television products
TCL Overseas Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
TCL Overseas Marketing Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Trading of television products and components

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2013	2012	Principal activities
TCL Technoly Electronics (Huizhou) Co., Ltd.*/#	PRC	RMB76,000,000	–	80	Manufacture and sale of AV products and components
TTE Technology Inc.	USA	US$75,954,000	100	100	Trading of television products and components
TCL Overseas Marketing (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	100	Trading of television products and components
TCL Operations Polska SP. ZO.O.	Poland	PLN126,716,500	100	100	Manufacture of television products
TCL Technology (HK) Company Limited#	Hong Kong	HK$50,000,000	–	80	Trading of AV products and components

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2013	2012	Principal activities
TCL Optoelectronics Technology (Huizhou) Co., Ltd.@	PRC	RMB576,000,000	100	100	Manufacture and sale of television products and trading of components
Huizhou TCL Coretronic Co., Ltd.	PRC	RMB32,000,000	100	100	Manufacture of television components
Guangdong Regency Optics-Electron Corp.#	PRC	RMB50,000,000	-	48	Manufacture and sale of AV components

@ Direct subsidiaries of the Company

These entities are subsidiaries of Tonly Holdings and were therefore distributed to the qualifying shareholders of the Company as a result of the Distribution.

* Registered as wholly-foreign-owned enterprises under the PRC law

** Registered as Sino-foreign joint ventures under the PRC law

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 substantial 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.

20. INVESTMENT IN A JOINT VENTURE

	Group 2013 HK$'000	2012 HK$'000
Share of net assets	8,333	11,574

The Group's trade receivables due from a joint venture are disclosed in note 24 to the financial statements.

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares/ registered capital	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
TCL Sun, Inc.	Ordinary shares of PHP100 each	Philippines	50	50	50	Trading of television products

21. INVESTMENTS IN ASSOCIATES

	Notes	Group 2013 HK$'000	2012 HK$'000
Share of net assets	(a)	445,063	158,921
Goodwill on acquisition	(b)	67,808	–
		512,871	158,921

The Group's trade receivables, other receivables, trade payables and other payables due from/to the associates are disclosed in notes 24, 26, 29 and 31 to the financial statements, respectively.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital/ issued share capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
TCL Finance Co., Ltd. ("Finance Company")	Ordinary shares RMB1,500,000,000	PRC	14	Provision of financial services
Guangdong Yijiatong Technical Development of Digital Home Co., Ltd.	Ordinary shares RMB10,000,000	PRC	20	Provision of technical services
Toshiba Visual Products (China) Co., Ltd. ("Toshiba")	Ordinary shares RMB50,000,000	PRC	49	Trading of television products and components
Huizhou Bri-King Optronics Co., Ltd.	Ordinary shares US$12,000,000	PRC	49	Manufacture and sale of television products and components
Amlogic, Inc. ("Amlogic")	Preference shares* US$50,000,000 Ordinary shares US$75,000,000	United States/ PRC	18.89	Manufacture and sale of semiconductors

* The preference shares carry voting power and rights to dividends. In case of liquidation, the preferential shareholders have priority to receive the assets as available for distribution.

The Group's shareholdings in the associates are all held through wholly-owned subsidiaries of the Company.

Although the Group holds less than 20% of the voting power of Finance Company and Amlogic, in the opinion of the directors, the Group is in a position to exercise significant influence over Finance Company and Amlogic through its representation in the board of directors and its participation in policy-making processes of Finance Company and Amlogic.

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

All the above associates have been accounted for using the equity method in these financial statements. The financial years of the above associates are coterminous with that of the Group.

The Group has continued to recognise its share of loss of Toshiba beyond its original investment cost because the Group has agreed with the other joint venture partner to finance any further losses in proportion to their respective share of equity interests.

Notes:

(a) Summarised financial information of associates

(i) Finance Company, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the provision of financial services and is accounted for using the equity method.

The following table illustrates the summarised financial information of Finance Company, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Current assets	4,870,550	4,401,588
Non-current assets	3,630,931	2,402,444
Current liabilities	(6,357,872)	(6,071,312)
Net assets	2,143,609	732,720
Reconciliation to the Group's interest in the associate:		
Percentage of the Group's interest	14%	14%
Group's share of net assets of the associate and carrying amount of the investment	300,105	102,581
Revenues	273,802	226,079
Profit for the year	114,483	98,583
Total comprehensive income for the year	114,483	98,583

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

(a) Summarised financial information of associates (continued)

(ii) The following table illustrates the aggregate summarised financial information of the Group's associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the associates' losses for the year	(46,614)	(31,506)
Share of the associates' total comprehensive loss	(46,614)	(31,506)
Aggregate carrying amount of the Group's investments in these associates	144,958	56,340

(b) Impairment of goodwill

The Group's goodwill on acquisition of an associate as at 31 December 2013 arose from the acquisition of Amlogic during the year. Further details of this acquisition are set out in note 37(c) to the financial statements.

The goodwill has been allocated to the manufacture and sale of semiconductors cash-generating unit and its recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 17% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%. In the opinion of the directors, no impairment loss against the goodwill is considered necessary as the recoverable amount of the Group's interest in this cash-generating unit is higher than its carrying amount.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013 HK$'000	2012 HK$'000
Unlisted equity investments, at cost	8,359	8,359
Provision for impairment	(1,682)	(1,682)
	6,677	6,677

22. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The Group's available-for-sale investments represent investments in unlisted equity securities in the PRC. In the opinion of the directors, the fair value of these unlisted equity investments cannot be reliably measured because (a) these investments do not have quoted market prices in an active market; (b) the range of reasonable fair value estimates is significant for these investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating fair value. As such, all these unlisted equity securities are stated at cost less any impairment losses.

23. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	1,543,063	2,061,988
Work in progress	110,838	243,575
Finished goods	3,317,779	4,426,388
	4,971,680	6,731,951

24. TRADE RECEIVABLES

		Group	
		2013	2012
	Note	HK$'000	HK$'000
Due from third parties		2,677,038	3,018,240
Provision for impairment		(211,437)	(216,885)
		2,465,601	2,801,355
Due from related parties:			
Companies controlled by TCL Corporation	27	886,457	1,107,501
Associates of TCL Corporation	27	3,169	2,965
A joint venture	27	42,500	25,344
Associates	27	399,652	400,974
		1,331,778	1,536,784
		3,797,379	4,338,139

24. TRADE RECEIVABLES (CONTINUED)

The majority of the Group's sales in the PRC are conducted on a cash-on-delivery basis or on commercial bills guaranteed by banks with credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were made on the open-account basis with credit terms of no more than 180 days.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Current to 90 days	3,278,385	3,855,007
91 to 180 days	376,613	433,945
181 to 365 days	127,681	40,491
Over 365 days	14,700	8,696
	3,797,379	4,338,139

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

	Group	
	2013 HK$'000	2012 HK$'000
At 1 January	216,885	215,042
Impairment losses recognised (note 7)	8,037	14,383
Distribution of Tonly Group	(288)	–
Amount written off as uncollectible	(4,211)	(9,603)
Exchange realignment	(8,986)	(2,937)
At 31 December	211,437	216,885

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers who were in financial difficulties and only a portion of the receivables is expected to be recovered.

24. TRADE RECEIVABLES (CONTINUED)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	3,190,956	3,699,306
Less than 91 days past due	556,432	618,086
91 – 180 days past due	35,390	2,037
Over 180 days past due	14,601	18,710
	3,797,379	4,338,139

Receivables that were neither past due nor impaired relate to a large number of diversified 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 who 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 there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The Group has entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2013, trade receivables factored to banks aggregated to HK$9,331,000 (2012: HK$519,070,000) were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to the banks.

25. BILLS RECEIVABLE

As at 31 December 2013, certain bills receivable of the Group with an aggregate amount of HK$639,949,000 (2012: HK$88,050,000) were pledged as securities for the Group's bills payable (note 30). At 31 December 2012, certain bills receivable of the Group with an aggregate amount of HK$246,640,000 were pledged as securities for the Group's bank loans (note 32).

26. OTHER RECEIVABLES

		Group		Company	
		2013	2012	2013	2012
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments and deposits		343,498	417,653	1,093	1,054
Other receivables		1,537,569	1,902,644	65,520	61,841
Prepaid land lease payments	16	3,066	3,057	–	–
Prepaid royalties		4,077	7,916	–	–
Derivative financial instruments	(a)	7,856	72,394	–	–
Due from companies controlled by TCL Corporation	27	23,944	19,559	–	19
Due from associates of TCL Corporation	27	–	71,949	–	–
Due from an associate	27	17	7,075	–	–
		1,920,027	2,502,247	66,613	62,914

Note:

(a) (i) Forward currency contracts – cash flow hedge

The Group's forward currency contracts are designated as hedging instruments in respect of forecast future sales in Euro and Polish Zloty to which the Group has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to expected future sales from January to June 2014 were assessed to be highly effective.

(ii) Non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts and interest rate swaps to manage its exchange rate exposures and interest rate exposures, respectively. They are not designated for hedge purposes and are measured at fair value through profit or loss. A net loss of HK$14,929,000 (2012: net gain of HK$13,548,000) as a result of the changes in the fair value of these non-hedging derivative financial contracts was recognised in profit or loss for the year ended 31 December 2013.

26. OTHER RECEIVABLES (CONTINUED)

The fair values of derivative financial instruments were classified as level 2 of the fair value hierarchy.

The fair value of the Group's forward currency contracts is determined by discounting the estimated future cash flows which are based on forward exchange rates and contract forward rates, and the discount rate used reflects the credit risk of the forward contract counterparties.

The fair value of the Group's interest rate swaps is determined by discounting the estimated future cash flows which are based on forward interest rates and contract interest rates, and the discount rate used reflects the credit risk of the swap counterparties.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

27. DUE FROM/TO TCL CORPORATION/COMPANIES CONTROLLED BY TCL CORPORATION/ASSOCIATES OF TCL CORPORATION/T.C.L. INDUSTRIES/A JOINT VENTURE/ASSOCIATES

The amounts are unsecured, repayable within one year and interest-free, except for an aggregate amount of HK$24,933,000 due to TCL Corporation and an aggregate amount of HK$387,710,000 due to T.C.L. Industries as at 31 December 2013 which bore interest at fixed rates of 6.60% and 1.485% per annum, respectively.

28. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2012, the Group had time deposits of HK$106,486,000 and HK$719,734,000 pledged as securities for the Group's bank loans (note 32) and bills payable (note 30), respectively.

Included in the Group's cash and bank balances are deposits of HK$1,899,516,000 (2012: HK$2,281,635,000) placed with Finance Company, a financial institution approved by the People's Bank of China. The interest rates for these deposits ranged from 0.39% to 1.27% (2012: from 0.39% to 1.33%) per annum, which were determined with reference to the savings rates offered by the People's Bank of China. Further details of the interest income attributable to the deposits with Finance Company are set out in note 41 to the financial statements.

29. TRADE PAYABLES

		Group	
		2013	2012
	Note	HK$'000	HK$'000
Due to third parties		3,207,302	6,537,503
Due to related parties:			
Companies controlled by TCL Corporation	27	2,235,038	2,682,750
Associates of TCL Corporation	27	21,845	15,254
Associates	27	8,462	27,626
		2,265,345	2,725,630
		5,472,647	9,263,133

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current to 90 days	5,326,876	8,940,845
91 to 180 days	15,798	137,000
181 to 365 days	44,262	125,620
Over 365 days	85,711	59,668
	5,472,647	9,263,133

The trade payables are non-interest-bearing and are normally settled with credit periods ranging from 30 to 120 days.

30. BILLS PAYABLE

As at 31 December 2013, certain bills payable of the Group with an aggregate amount of HK$635,890,000 were secured by certain bills receivable of the Group (note 25). At 31 December 2012, certain bills payable of the Group with an aggregate amount of HK$804,045,000 were secured by certain bills receivable (note 25) and certain time deposits of the Group (note 28).

31. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2013	2012	2013	2012
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	(a)	2,571,564	2,831,831	1,213	954
Accruals		688,328	779,181	28,170	22,978
Receipts in advance		783,936	1,218,435	–	3
Derivative financial instruments	26(a)	8,883	19,685	–	–
Due to companies controlled by TCL Corporation	(b)	10,421	–	7,745	–
Due to TCL Corporation	(b)	–	45,475	–	–
Due to T.C.L. Industries	(b)	4,200	219	–	–
Due to an associate	(b)	151	–	–	–
		4,067,483	4,894,826	37,128	23,935

Notes:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

(b) The amounts due to companies controlled by TCL Corporation, TCL Corporation, T.C.L. Industries and an associate are unsecured, interest-free and repayable on demand.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	–	–	–	LIBOR + 1.10	2013	106,198
Bank loans – unsecured	1.86 to 4.20/ LIBOR + (1.70 to 2.20)	2014	825,343	0.60 to 1.48/ LIBOR + (0.75 to 1.70)	2013	2,156,914
Trust receipt loans – unsecured	–	–	–	LIBOR + 1.60	2013	97,892
Loan from an associate – secured	–	–	–	4.70	2013	246,640
Loan from an associate – unsecured	1.38	2014	45,000	–	–	–
			870,343			2,607,644
Non-current						
Bank loans – unsecured	LIBOR + 2.41	2015-2016	1,132,012	LIBOR + 1.70	2014	402,346
			1,132,012			402,346
			2,002,355			3,009,990

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Company

	2013			2012		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	LIBOR + 1.70	2014	402,481	LIBOR + 1.70	2013	153,183
Non-current						
Bank loans – unsecured	LIBOR + 2.41	2015-2016	1,132,012	LIBOR + 1.70	2014	402,346
			1,534,493			555,529

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	825,343	2,361,004	402,481	153,183
In the second year	207,385	402,346	207,385	402,346
In the third to fifth years, inclusive	924,627	–	924,627	–
	1,957,355	2,763,350	1,534,493	555,529
Loan from an associate repayable:				
Within one year	45,000	246,640	–	–
	2,002,355	3,009,990	1,534,493	555,529

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 31 December 2013, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) Certain of the Group's bank loans as at 31 December 2012 were secured by:

(i) pledge of certain of the Group's time deposits amounting to HK$106,486,000; and

(ii) pledge of certain of the Group's bills receivable amounting to HK$246,640,000.

(c) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$302,207,000 (2012: HK$1,355,187,000) as at the end of the reporting period.

Included in bank loans are the following amounts denominated in currencies other than the functional currencies of the entities to which they relate:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollar	1,702,999	2,763,350	1,534,493	555,529

33. PROVISIONS

Group

	Notes	Restructuring cost HK$'000	Warranties HK$'000	Total HK$'000
At 1 January 2013		–	430,845	430,845
Additional provision		10,882	380,194	391,076
Amount utilised during the year		(10,052)	(190,616)	(200,668)
Reversal of unutilised amounts	7	–	(18,383)	(18,383)
Distribution of Tonly Group	37(d)	–	(176,089)	(176,089)
Exchange realignment		–	9,848	9,848
At 31 December 2013		830	435,799	436,629

33. PROVISIONS (CONTINUED)

Warranties

The Group provides warranties ranging from three months to three years to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Restructuring cost

Restructuring plans were drawn up in the current year for certain reorganisation and rationalisation of the Group's business in order to optimise its industrial base and hence profitability. The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments on acquisition HK$'000	Withholding tax for dividend HK$'000	Total HK$'000
At 1 January 2012		13,790	–	–	13,790
Acquisition of subsidiaries	37(a)(i),(ii)	–	23,123	–	23,123
Deferred tax charged/(credited) to profit or loss during the year		2,433	(3,317)	2,889	2,005
Exchange realignment		(32)	(13)	–	(45)
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013		16,191	19,793	2,889	38,873
Distribution of Tonly Group	37(d)	–	–	(4,409)	(4,409)
Deferred tax charged/(credited) to profit or loss during the year		(1,650)	(3,789)	1,549	(3,890)
Exchange realignment		7	(50)	(29)	(72)
Gross deferred tax liabilities at 31 December 2013		14,548	15,954	–	30,502

34. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

Group

	Note	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and other provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2012		38,000	462	4,505	42,967
Deferred tax credited to profit or loss during the year		35,000	69,808	2,558	107,366
Exchange realignment		–	257	117	374
Gross deferred tax assets at 31 December 2012 and 1 January 2013		73,000	70,527	7,180	150,707
Distribution of Tonly Group	37(d)	–	(69,379)	–	(69,379)
Deferred tax credited/(charged) to profit or loss during the year		(60,000)	4	(1,317)	(61,313)
Exchange realignment		–	(673)	(857)	(1,530)
Gross deferred tax assets at 31 December 2013		13,000	479	5,006	18,485

The Group has tax losses of HK$4,847,708,000 (2012: HK$4,304,833,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries in which the Group operates. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

34. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC, except for the deferred tax liabilities of HK$2,889,000 as at 31 December 2012 which represent the withholding taxes for the earnings from certain PRC subsidiaries to be remitted. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$2,388,852,000 at 31 December 2013 (2012: HK$2,803,132,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. SHARE CAPITAL

Shares

	Company	
	2013	2012
	HK$'000	HK$'000
Authorised:		
2,200,000,000 shares of HK$1.00 each	2,200,000	2,200,000
Issued and fully paid:		
1,333,598,514 (2012: 1,321,002,598) shares of HK$1.00 each	1,333,599	1,321,003

35. SHARE CAPITAL (CONTINUED)

Shares (continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2012		1,072,275,768	1,072,276	3,215,422	4,287,698
Issue of shares upon exercise of share options		2,229,639	2,230	5,020	7,250
Issue of consideration shares	37(a)(i)	246,497,191	246,497	391,931	638,428
		1,321,002,598	1,321,003	3,612,373	4,933,376
Dividend paid		–	–	(331,585)	(331,585)
At 31 December 2012 and 1 January 2013		1,321,002,598	1,321,003	3,280,788	4,601,791
Issue of shares upon exercise of share options	(a)	12,595,916	12,596	34,774	47,370
		1,333,598,514	1,333,599	3,315,562	4,649,161
Dividend paid		–	–	(192,470)	(192,470)
Distribution of Tonly Group:					
2013 special interim dividend	12, 13	–	–	(386,467)	(386,467)
Less: Distribution received by the Award Scheme	(b)	–	–	8,855	8,855
At 31 December 2013		1,333,598,514	1,333,599	2,745,480	4,079,079

Notes:

(a) During the year, the subscription rights attaching to 8,402,674, 926,600 and 3,266,642 share options were exercised at the subscription prices of HK$2.45, HK$3.60 and HK$3.17 per share, respectively, resulting in the issue of 12,595,916 shares of HK$1.00 each for a total cash consideration of HK$34,278,000 before expenses. An amount of HK$13,092,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) Details of the Distribution received by the Award Scheme are set out in note (c) of the restricted share award scheme below.

35. SHARE CAPITAL (CONTINUED)

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The Scheme became effective on 15 February 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The purpose of the Scheme is to recognise the contribution of eligible participants, to motivate them by providing incentives to them, to help the Company retain its existing full-time or part-time employees (including any executive and non-executive director or proposed executive and non-executive director) of the Company and its subsidiaries (the "Employees") and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Pursuant to the Scheme and subject to shareholders' approval, the maximum number of shares in respect of which options may be granted under the Scheme is such a number of shares representing 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the Scheme and any other scheme).

The maximum number of shares in respect of which options may be granted to any one participant in a 12-month period shall not exceed 1% (0.1% for connected persons) of the issued share capital of the Company. The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of offer of the share options. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Hong Kong Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

35. SHARE CAPITAL (CONTINUED)

Share options (continued)

The following share options were outstanding under the Scheme during the year:

	2013		2012	
	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$	Number of options '000
At 1 January	3.066	46,998	3.574	59,087
Lapsed during the year	2.450	(220)	6.253	(9,859)
Exercised during the year	2.721	(12,596)	2.450	(2,230)
At 31 December	3.197	34,182	3.066	46,998

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.739 per share (2012: HK$4.312 per share).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options '000	Exercise price* per share HK$	Exercise period
2,129	3.60	Note 2
32,053	3.17	Note 3
34,182		

35. SHARE CAPITAL (CONTINUED)

Share options (continued)

2012

Number of options '000	Exercise price* per share HK$	Exercise period
8,623	2.45	Note 1
3,055	3.60	Note 2
35,320	3.17	Note 3
46,998		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Note 1: One-third of such share options were exercisable after the expiry of 12 months from the date of grant, a further one-third were exercisable after the expiry of 24 months from the date of grant, and the remaining one-third was exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013. These were all exercised or lapsed as at 31 December 2013.

Note 2: 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 3: One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth are exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninth is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

The 12,595,916 share options exercised during the year resulted in the issue of 12,595,916 ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$12,596,000 and HK$34,774,000, respectively.

At the end of the reporting period, the Company had 34,181,658 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,181,658 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$34,182,000 and HK$75,090,000, respectively.

35. SHARE CAPITAL (CONTINUED)

Restricted share award scheme

On 6 February 2008 (the "Adoption Date"), the Board approved a restricted share award scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (the "Selected Employees") in accordance with the provisions of the Award Scheme and the maximum number of the Awarded Shares awarded to the Selected Employees under the Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Pursuant to the Award Scheme, the Board shall select the Selected Employees and determine the number of shares to be awarded. The Board shall pay BOCI-Prudential Trustee Limited (the "Trustee"), the trustee engaged by the Company for the purpose of administrating the Award Scheme, the purchase price and the related expenses from the Company's resources for the shares to be purchased by the Trustee. The Trustee shall purchase from the market such a number of shares awarded as specified by the Board and shall hold such shares until they vest in accordance with the rules of the Award Scheme.

Upon adoption of the Award Scheme, the Board also resolved to provide a total amount not exceeding HK$50 million to the Trustee for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contribution to the Group and an incentive to retain them for the continual operation and development of the Group.

On 21 April 2008, the shareholders had further approved the Board to implement the Award Scheme to its full extent (i.e., to provide further funds, in addition to the HK$50 million as mentioned in the preceding paragraph, to the Trustee in accordance with the terms of the Award Scheme for purchase of the Awarded Shares up to 10% of the issued share capital of the Company as at the Adoption Date).

The Award Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of five years and shall be automatically renewed for one successive five-year term unless earlier terminated as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Employees under the Award Scheme.

35. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

The following Awarded Shares were outstanding under the Award Scheme during the year:

	2013 Number of Awarded Shares '000	2012 Number of Awarded Shares '000
At 1 January	44,557	44,812
Purchased during the year (note a)	1,500	–
Awarded and vested (note b)	(15,629)	(255)
At 31 December	30,428	44,557

Notes:

(a) For the year ended 31 December 2013, the Trustee purchased 1,500,000 Awarded Shares at a total cost (including related transaction costs) of HK$9,260,000. No Awarded Shares had been purchased by the Trustee for the year ended 31 December 2012.

(b) For the year ended 31 December 2013, 19,073,239 Awarded Shares were granted to certain Selected Employees as settlement of their performance bonuses for the year ended 31 December 2012. The weighted average fair value of the Awarded Shares on the date of grant was HK$4.58 per share. 15,628,650 Awarded Shares had been awarded and vested for the year ended 31 December 2013.

(c) On 15 July 2013, the Board declared a special interim dividend of HK28.99 cents per share, which was satisfied by way of the Distribution. Under the Distribution, each qualifying shareholder of the Company was entitled to one share of Tonly Holdings for every whole multiple of ten shares of the Company held on 7 August 2013, the record date for ascertaining entitlements to the special interim dividend (the "Distribution Record Date"). On the Distribution Record Date, the Company held 30,543,871 Awarded Shares as maintained by the Trustee and was therefore entitled to 3,054,387 shares of Tonly Holdings, amounted to HK$8,855,000. Further details of the Distribution and the net assets distributed in the Distribution are set out in notes 12, 13 and 37(d) to the financial statements, respectively.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 102 and 103 of the financial statements.

(i) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(ii) Capital reserve

The Group's capital reserve represented the excess of the nominal value of the shares of the subsidiaries acquired prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor as well as the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(iii) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Company's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

(iv) Awarded share reserve

The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

36. RESERVES (CONTINUED)

(b) Company

	Share premium account HK$'000	Share option reserve^Δ HK$'000	Capital reserve^# HK$'000	Accumulated losses HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve* HK$'000	Total HK$'000
At 1 January 2012	3,215,422	44,711	738,936	(2,590,505)	(126,249)	3,442	1,285,757
Total comprehensive income for the year	-	-	-	344,432	-	-	344,432
Issue of shares for acquisition of subsidiaries	391,931	-	-	-	-	-	391,931
Equity-settled share option arrangements	-	21,547	-	-	-	-	21,547
Issue of shares upon exercise of share options	5,020	(1,787)	-	-	-	-	3,233
Share options lapsed during the year	-	(21,969)	-	21,969	-	-	-
Vesting of shares under the Award Scheme	-	-	-	-	718	(86)	632
Final 2011 dividend declared	(204,033)	-	-	-	-	-	(204,033)
Interim 2012 dividend	(127,552)	-	-	-	-	-	(127,552)
At 31 December 2012 and 1 January 2013	3,280,788	42,502	738,936	(2,224,104)	(125,531)	3,356	1,715,947
Total comprehensive income for the year	-	-	-	12,108	-	-	12,108
Distribution of Tonly Group:							
2013 special interim dividend (notes 12, 13)	(386,467)	-	-	-	-	-	(386,467)
Less: Distribution received by the Award Scheme (note 35)	8,855	-	-	-	-	-	8,855
Release upon the Distribution of Tonly Group	-	-	-	224,136	-	-	224,136
Equity-settled share option arrangements	-	16,912	-	-	-	-	16,912
Issue of shares upon exercise of share options	34,774	(13,092)	-	-	-	-	21,682
Share options lapsed during the year	-	(175)	-	175	-	-	-
Purchase of shares for the Award Scheme	-	-	-	-	(9,260)	-	(9,260)
Vesting of shares under the Award Scheme	-	-	-	-	44,172	(2,991)	41,181
Final 2012 dividend declared	(192,470)	-	-	-	-	-	(192,470)
At 31 December 2013	2,745,480	46,147	738,936	(1,987,685)	(90,619)	365	1,452,624

36. RESERVES (CONTINUED)

(b) Company (continued)

Δ The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

The capital reserve arose as a result of the Group reorganisation in 1999 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

Year ended 31 December 2012

(i) On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation, pursuant to which the Company agreed to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd. ("TOT") and its 60% owned-subsidiary, Huizhou TCL Coretronic Co., Ltd. ("Huizhou Coretronic") (collectively the "TOT Entities") from TCL Corporation at a consideration of HK$788,791,000 by way of issuing 246,497,191 ordinary shares of the Company at an issue price of HK$3.20. The TOT Entities are mainly engaged in the manufacture and sale of LCD modules to subsidiaries of TCL Corporation and other domestic and overseas LCD TV manufacturers.

The acquisition was completed on 18 January 2012 (the "Completion Date"). The purchase price was settled by the issue of 246,497,191 new shares of the Company at a market price of HK$2.59 per share on the Completion Date. The aggregate fair value of the consideration shares issued is approximately HK$638,428,000.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (continued)

Year ended 31 December 2012 (continued)

(i) (continued)

The aggregate fair values of the identifiable assets and liabilities of the TOT Entities as at the Completion Date are as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment		663,215
Prepaid land lease payments	16	52,972
Inventories		43,780
Trade receivables		643,881
Bills receivable		56,484
Other receivables		50,806
Tax recoverable		1,424
Cash and bank balances		188,989
Trade payables		(568,318)
Other payables and accruals		(59,397)
Interest-bearing bank and other borrowings		(246,105)
Due to TCL Corporation		(8,450)
Tax payables		(1,014)
Deferred tax liabilities		(22,717)
Total identifiable net assets at fair value		795,550
Non-controlling interests		(13,373)
		782,177
Gain on bargain purchase*	7	(143,749)
Satisfied by shares of the Company		638,428

* The gain on bargain purchase arose mainly from the change in market prices of the consideration shares issued by the Company between the date on which the sale and purchase agreement was concluded and the Completion Date.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (continued)

Year ended 31 December 2012 (continued)

(i) (continued)

Since the completion of the acquisition, the TOT Entities contributed approximately HK$2,867,985,000 to the Group's turnover and incurred a loss of approximately HK$4,625,000 to the consolidated profit for the year ended 31 December 2012.

An analysis of the cash flows in respect of the acquisition of the TOT Entities is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	188,989
Net inflow of cash and cash equivalents included in cash flows from investing activities	188,989

(ii) On 10 December 2012, TCL Technoly Electronics (Huizhou) Co., Ltd. ("TCL Technoly (Huizhou)"), a former 80% owned subsidiary of the Group, entered into a capital injection agreement with certain independent third parties to invest RMB30,000,000 (equivalent to approximately HK$36,996,000) for a 60% equity interest of the enlarged capital of Guangdong Regency Optics-Electron Corp. ("Regency Optics-Electron"). Regency Optics-Electron is mainly engaged in the manufacture and sale of AV modules and light guide plates. The capital injection was completed on 25 December 2012.

The Group has elected to measure the non-controlling interest in Regency Optics-Electron at the non-controlling interest's proportionate share of Regency Optics-Electron's identifiable net assets.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (continued)

Year ended 31 December 2012 (continued)

(ii) (continued)

The aggregate fair values of the identifiable assets and liabilities of Regency Optics-Electron as at the date of capital injection are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	14,264
Inventories	28,283
Trade receivables	7,545
Bills receivable	13,879
Other receivables	45,415
Cash and bank balances	23,133
Trade payables	(14,061)
Other payables and accruals	(54,929)
Deferred tax liabilities	(406)
Total identifiable net assets at fair value	63,123
Non-controlling interests	(25,249)
	37,874
Gain on bargain purchase	(878)
Satisfied by cash	36,996

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Acquisition of subsidiaries (continued)

Year ended 31 December 2012 (continued)

(ii) (continued)

An analysis of the cash flows in respect of the capital injection of Regency Optics-Electron is as follows:

	HK$'000
Cash consideration	(36,996)
Cash and bank balances acquired	23,133
Net outflow of cash and cash equivalents included in cash flows from investing activities	(13,863)

Since the completion of the capital injection, Regency Optics-Electron had neither contributed to the Group's turnover nor consolidated profit for the year ended 31 December 2012.

Had the capital injection taken place at the beginning of the year, the attributable revenue and the profit to the Group for the year ended 31 December 2012 would have been HK$39,713,753,000 and HK$923,295,000, respectively.

(b) Acquisition of a subsidiary that is not a business

Year ended 31 December 2012

On 20 January 2012, the Group entered into a share transfer agreement with Huizhou Techne Corporation ("Huizhou Techne"), a non-wholly-owned subsidiary of TCL Corporation, pursuant to which the Group agreed to acquire and Huizhou Techne agreed to sell the entire equity interest in Huizhou Keda Precision Parts Co., Ltd. ("Huizhou Keda"), a wholly-owned subsidiary of Huizhou Techne, at a cash consideration of RMB6,848,000 (equivalent to approximately HK$8,415,000). Huizhou Keda is principally engaged in the design and sale of LCD modules and its major asset is a piece of land located in Huizhou, the PRC. The acquisition was completed on 27 February 2012.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Acquisition of a subsidiary that is not a business (continued)

Year ended 31 December 2012 (continued)

As Huizhou Keda had not carried out any significant business activities except for holding a piece of land, the acquisition of Huizhou Keda has been accounted for by the Group as an asset acquisition.

The net assets acquired by the Group in the above transaction are as follows:

	HK$'000
Net assets acquired:	
Prepaid land lease payments (note 16)	7,065
Other receivables	1,350
Satisfied by cash	8,415

An analysis of the net cash outflow of cash and cash equivalents in respect of the asset acquisition is as follows:

	HK$'000
Cash consideration	(8,415)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,415)

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Acquisition of an associate

Year ended 31 December 2013

In July 2013, the Group entered into 13 stock transfer agreements with certain independent third parties, and pursuant to which the Group agreed to acquire a total of 6,746,885 shares of preferred equity interest of Amlogic, representing approximately 18.89% of Amlogic's total equity interest, for a cash consideration of US$29,000,000 (equivalent to approximately HK$226,572,000). Amlogic is a fabless semiconductors manufacturer for a wide range of consumer application including smart televisions and tablets. The acquisition was completed on 22 July 2013.

The assets and liabilities acquired by the Group on the date of completion were as follows:

	HK$'000
The Group's share of net identifiable assets at fair value	158,764
Goodwill	67,808
Satisfied by cash	226,572
Net outflow of cash and cash equivalents included in cash flows from investing activities	226,572

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) The AV Spin-off and the Distribution

Year ended 31 December 2013

During the year, the Group completed the AV Spin-off and the Distribution. Further details are set out in note 12 to the financial statements.

Details of the aggregate net assets of Tonly Group distributed by the Company under the Distribution and the financial impact are summarised below:

	Notes	HK$'000
Net assets distributed:		
Property, plant and equipment	15	291,126
Prepaid land lease payments	16	38,821
Investment in an associate		460
Deferred tax assets	34	69,379
Inventories		446,314
Trade receivables		836,152
Bills receivable		9,551
Prepayments, deposits and other receivables		152,960
Other investment		134,216
Tax recoverable		810
Derivative financial instruments		21,258
Pledged deposits		477,540
Cash and bank balances		695,149
Trade payables		(963,602)
Bills payable		(262,341)
Other payables and accruals		(1,057,019)
Interest-bearing bank borrowings		(106,252)
Tax payable		(84,685)
Derivative financial instruments		(10,766)
Provisions	33	(176,089)
Deferred tax liabilities	34	(4,409)
Non-controlling interests		(122,106)
		386,467
Special interim dividend	13	(386,467)
		–

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) The AV Spin-off and the Distribution (continued)

Year ended 31 December 2013 (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the Distribution is as follows:

	2013 HK$'000
Net outflow of cash and cash equivalents included in cash flows from financing activities	695,149

(e) Liquidation of subsidiaries

Year ended 31 December 2013

TCL Retail (HK) Limited and TTE Technology Canada Ltd., wholly-owned subsidiaries of the Group, had been dormant for a number of years and were wound-up voluntarily during the year.

	HK$'000
Net assets of subsidiaries:	
Inventories	1,115
Other payables	(6)
	1,109
Release of exchange fluctuation reserve upon liquidation	7,148
Loss on liquidation of subsidiaries (note 7)	(8,257)
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(e) Liquidation of subsidiaries (continued)

Year ended 31 December 2012

Huizhou TCL King Technology Co., Ltd. and TCL Overseas Investment (Singapore) Pte. Ltd., wholly-owned subsidiaries of the Group, had been dormant for a number of years and were wound-up voluntarily in August and October 2012, respectively. Sizzon Pte Ltd., an 80% owned subsidiary of the Group, had been dormant for a number of years and was wound-up voluntarily in October 2012.

	HK$'000
Net liabilities of subsidiaries:	
Other receivables	7
Other payables and accruals	(189)
	(182)
Release of exchange fluctuation reserve upon liquidation	3,642
Loss on liquidation of subsidiaries (note 7)	(3,460)
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	–	–	1,645,571	1,611,785
Guarantees given to suppliers in connection with the payment of purchases by subsidiaries	–	–	775,160	1,007,708
	–	–	2,420,731	2,619,493

As at 31 December 2013, the guarantees given to banks in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$191 million (2012: HK$915 million), and the guarantees given to suppliers in connection with the payments of purchases by subsidiaries were utilised to the extent of approximately HK$111 million (2012: HK$117 million).

In addition, the Company provided guarantees to banks in connection with foreign exchange and interest rate swap contracts entered into by certain subsidiaries of the Group. As at 31 December 2013, the aggregate notional amounts of unsettled foreign exchange and interest rate swap contracts amounted to HK$2,138 million (2012: HK$5,156 million) and HK$78 million (2012: HK$2,138 million), respectively.

39. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and factories under operating lease arrangements. These leases are negotiated for terms ranging from one to seven years.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	53,323	56,496
In the second to fifth years, inclusive	42,055	45,424
After five years	153	493
	95,531	102,413

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	78,328	44,092
Capital contribution payable to a joint venture	96,928	–
	175,256	44,092
Authorised, but not contracted for:		
Land and buildings	385,484	753,614
	560,740	797,706

As at the end of the reporting period, the Company had no significant commitment.

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2013 HK$'000	2012 HK$'000
A joint venture:			
Sale of finished goods	(ii)	128,530	125,292
TCL Corporation:			
Interest expense	(iv)	469	48,579
Other finance service fees	(ix)	4,318	24,500
T.C.L. Industries:			
Interest expense	(v)	3,824	15,069
Associates:			
Interest income	(vii)	10,880	9,414
Interest expense	(viii)	1,852	5,621
Other finance service fees	(ix)	22,242	889
Sale of finished goods	(ii)	787,482	616,947
Sale of raw materials	(i)	2,036	6,848
Subcontracting fee expense	(x)	75,914	31,061

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2013 HK$'000	2012 HK$'000
Companies controlled by TCL Corporation:			
Sale of raw materials	(i)	1,548,910	170,429
Sale of finished goods	(ii)	1,667,516	1,059,858
Purchases of raw materials	(iii)	9,773,780	6,030,194
Purchases of finished goods	(iii)	1,659,690	1,930,160
Subcontracting fee expense	(x)	38,808	43,136
Subcontracting income	(xi)	87,772	82,772
Rental, maintenance fees and facilities usage fees	(xii)	2,200	58,999
Rental expense	(xiii)	19,124	34,969
Reimbursement of brand advertising costs	(xiv)	236,233	211,361
Logistics service fee expense	(xv)	208,679	90,415
Call centre service fee expense	(xvi)	27,200	20,197
Recharge of expenses	(xvii)	–	1,437
Reimbursement of research and development and rental expenses	(xix)	75,120	69,646
Construction management fee expense	(xx)	3,826	3,686
After-sales service income	(vi)	24,656	4,623
Associates of TCL Corporation:			
Sale of finished goods	(ii)	–	5
Rental expense	(xiii)	2,275	30,465
Service fee expenses	(xviii)	76,799	86,087

Notes:

(i) The sale of raw materials were made at cost (2012: from 0% to 7%).

(ii) The sale of finished goods were made by reference to the prevailing market prices for comparable transactions.

(iii) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers.

(iv) The interest was charged at rate of 6.60% (2012: from 6.94% to 8.20%) per annum.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(v) The interest was charged at rate of 1.49% (2012: from 2.28% to 6.00%) per annum.

(vi) The after-sales service income was determined with reference to the rates of other similar services for comparable transactions and the amount of general after-sales service expenses of the Group in the past.

(vii) The interest was charged at rates ranging from 0.39% to 1.27% (2012: from 0.39% to 1.33%) per annum, which were determined with reference to the savings rates quoted by the People's Bank of China.

(viii) The interest was charged at rate of 1.38% (2012: from 4.70% to 5.90%) per annum.

(ix) The other finance service fees were determined with reference to the rates of other similar services for comparable transactions.

(x) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(xi) The subcontracting income was determined with reference to the rates of other similar services for comparable transactions.

(xii) The rental, maintenance fees and facilities usage fees and the rental income were determined with reference to the rates of other similar premises and comparable transactions.

(xiii) The rental expense was charged at rates ranging from RMB9.50 to RMB82.00 (2012: from RMB9.02 to RMB81.00) per square metre.

(xiv) The brand advertising costs represent advertising costs incurred by TCL Corporation and were reimbursed by the Group at cost which was calculated at 1.5% (2012: 1.5%) of the aggregate net sales of TV products using TCL A brand and TCL B brand and at 0.25% (2012: 0.25%) of the aggregate net sales of TV products of OEM brands, as defined in the Master TCL Trademark License Agreement.

(xv) The logistics service fee was determined with reference to the rates of other similar services for comparable transactions.

(xvi) The call centre service fee was calculated based on the actual cost in connection with the provision of the call centre service.

(xvii) The recharge for electricity and water was paid with reference to the rates charged by relevant service providers.

(xviii) The service fee expenses of the internet television software were charged at agreed rates between the parties and at RMB12 (2012: RMB12) for each internet television targeted for non-rural areas and rural areas in the PRC, respectively.

(xix) The research and development expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Corporation. The rental expenses were determined with reference to the rates of other similar premises for comparable transactions.

(xx) The construction management fee expense was determined with reference to the rates of other similar services for comparable transactions.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other major transactions with related parties:

(i) On 19 April 2013, Shenzhen TCL New Technology Company Limited ("TCL New Technology"), a wholly-owned subsidiary of the Company, entered into two club membership acquisition agreements with TCL Optoelectronics Tech (Shenzhen) Company Limited ("Shenzhen TCL Optoelectronics"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which TCL New Technology agreed to acquire and Shenzhen TCL Optoelectronics agreed to sell further membership interests in two premises in the R&D Elite Club for office and industrial use at a cash consideration of approximately RMB51,416,000 (equivalent to approximately HK$63,756,000). The transaction was completed on 19 April 2013. Further details of this transaction are set out in the Company's announcement dated 19 April 2013.

(ii) On 26 June 2013, each of TCL King Electrical Appliances (Huizhou) Company Limited ("TCL King (Huizhou)"), a wholly-owned subsidiary of the Company and TCL Technoly (Huizhou) (collectively, the "Purchasers"), entered into a transfer agreement with Huizhou TCL Mobile Communication Company Limited (the "Vendor"), a wholly-owned subsidiary of TCL Communication Technology Holding Limited ("TCL Communication") and an indirect non-wholly owned subsidiary of TCL Corporation, pursuant to which the Vendor would transfer a relevant portion of a piece of land located in sub-division 38, Zhong Kai High Tech Park, Huizhou, Guangdong Province, the PRC, together with the buildings thereon to each of the Purchasers (the "Transfer"). The total consideration of the Transfer was approximately RMB72,918,000 (equivalent to approximately HK$91,148,000) of which approximately RMB42,175,000 (equivalent to approximately HK$52,719,000) was paid by TCL King (Huizhou). The transaction was completed on 26 December 2013. Further details of this transaction are set out in the Company's announcement dated 26 June 2013.

(iii) On 15 November 2013, TCL King Electrical Appliances (Chengdu) Company Limited ("TCL King (Chengdu)"), a wholly-owned subsidiary of the Company, entered into a capital injection agreement with Finance Company, TCL Corporation and JRD Communication (Shenzhen) Ltd ("JRD Shenzhen"), a wholly-owned subsidiary of TCL Communication, pursuant to which TCL King (Chengdu), TCL Corporation and JRD Shenzhen, all being existing shareholders of Finance Company with respective equity interest of 14%, 82% and 4%, agreed to inject a total of RMB1,000,000,000 (approximately equivalent to HK$1,271,779,000) into Finance Company on a pro rata basis. The capital injection was completed on 6 December 2013, and the amount injected by TCL King (Chengdu) was RMB140,000,000 (approximately equivalent to HK$178,049,000). Further details of this transaction are set out in the Company's announcement dated 15 November 2013.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with a joint venture of the Group and associates of TCL Corporation included in note 41(a), all the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in other receivables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals and amounts due to TCL Corporation and T.C.L. Industries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the financial controller. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet the borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At subsidiary level, financing is generally done on a short term floating rate basis. Long term financings are normally done at Group level.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

	GROUP	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2013		
Hong Kong dollar	(25)	113
United States dollar	(25)	5,227
Renminbi	(25)	698
Hong Kong dollar	25	(113)
United States dollar	25	(5,227)
Renminbi	25	(698)
2012		
Hong Kong dollar	(25)	–
United States dollar	(25)	6,908
Renminbi	(25)	617
Hong Kong dollar	25	–
United States dollar	25	(6,908)
Renminbi	25	(617)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sale contracts. The Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurs, so as to alleviate the impact on business due to exchange rate fluctuations. The Group uses forward currency contracts to reduce the foreign currency exposures.

It is the Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	GROUP	
	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2013		
If Hong Kong dollar weakens against United States dollar	5	(112,401)
If Renminbi weakens against United States dollar	5	(59,275)
If Macau Pataca weakens against United States dollar	5	6,598
If Macau Pataca weakens against Euro	5	8,528
If Hong Kong dollar strengthens against United States dollar	(5)	112,401
If Renminbi strengthens against United States dollar	(5)	59,275
If Macau Pataca strengthens against United States dollar	(5)	(6,598)
If Macau Pataca strengthens against Euro	(5)	(8,528)
2012		
If Hong Kong dollar weakens against United States dollar	5	(108,160)
If Renminbi weakens against United States dollar	5	(158,241)
If Macau Pataca weakens against United States dollar	5	4,028
If Macau Pataca weakens against Euro	5	30
If Hong Kong dollar strengthens against United States dollar	(5)	108,160
If Renminbi strengthens against United States dollar	(5)	158,241
If Macau Pataca strengthens against United States dollar	(5)	(4,028)
If Macau Pataca strengthens against Euro	(5)	(30)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 24 and 26, respectively, to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2013			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	877,397	284,423	930,504	2,092,324
Trade payables	5,472,647	–	–	5,472,647
Bills payable	5,108,314	–	–	5,108,314
Other payables	2,595,219	–	–	2,595,219
Due to TCL Corporation	26,578	–	–	26,578
Due to T.C.L Industries	389,540	–	–	389,540
	14,469,695	284,423	930,504	15,684,622

	2012			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	2,617,759	414,070	–	3,031,829
Trade payables	9,263,133	–	–	9,263,133
Bills payable	5,176,951	–	–	5,176,951
Other payables	2,897,210	–	–	2,897,210
	19,955,053	414,070	–	20,369,123

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

	2013			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	407,022	284,423	930,504	1,621,949
Other payables	8,958	–	–	8,958
	415,980	284,423	930,504	1,630,907
The maximum amount of the guarantee given to banks in connection with banking facilities granted to subsidiaries	1,645,571	–	–	1,645,571
The maximum amount of the guarantee given to suppliers in connection with the payment of purchases by subsidiaries	775,160	–	–	775,160
	2,420,731	–	–	2,420,731

	2012			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	154,303	414,070	–	568,373
Other payables	954	–	–	954
	155,257	414,070	–	569,327
The maximum amount of the guarantee given to banks in connection with banking facilities granted to subsidiaries	1,611,785	–	–	1,611,785
The maximum amount of the guarantee given to suppliers in connection with the payment of purchases by subsidiaries	1,007,708	–	–	1,007,708
	2,619,493	–	–	2,619,493

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are 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 for managing capital during years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of interest-bearing bank and other borrowings, interest-bearing amounts due to TCL Corporation, interest-bearing amounts due to T.C.L. Industries, less cash and bank balances and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	Notes	2013 HK$'000	2012 HK$'000
Interest-bearing bank and other borrowings	32	2,002,355	3,009,990
Due to TCL Corporation	27	24,933	–
Due to T.C.L. Industries	27	387,710	–
Less: Cash and bank balances	28	(3,047,524)	(3,431,337)
Pledged deposits	28	–	(826,220)
Net cash		(632,526)	(1,247,567)
Equity attributable to owners of the parent		4,358,286	4,765,247
Gearing ratio		–	–

43. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12). In addition, certain comparative amounts have been reclassified to conform with the current year's presentation.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 24 February 2014.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
RESULTS					
CONTINUING OPERATIONS					
TURNOVER	**39,494,703**	36,025,004	29,026,214	23,627,170	26,743,755
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**33,026**	883,496	488,161	(1,046,285)	410,993
Income tax expense	**(155,949)**	(57,121)	(122,592)	(95,412)	(121,663)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(122,923)**	826,375	365,569	(1,141,697)	289,330
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**88,722**	95,162	95,872	168,284	114,730
PROFIT/(LOSS) FOR THE YEAR	**(34,201)**	921,537	461,441	(973,413)	404,060
Profit/(loss) attributable to:					
Owners of the parent	**(48,075)**	910,916	452,600	(983,161)	396,523
Non-controlling interests	**13,874**	10,621	8,841	9,748	7,537
	(34,201)	921,537	461,441	(973,413)	404,060

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**22,155,505**	28,019,739	24,131,861	18,500,653	14,921,161
Total liabilities	**(17,673,124)**	(23,027,894)	(20,479,176)	(15,250,996)	(11,208,696)
Non-controlling interests	**(124,095)**	(226,598)	(119,033)	(105,211)	(91,786)
	4,358,286	4,765,247	3,533,652	3,144,446	3,620,679