TPV TECHNOLOGY LIMITED 冠捷科技有限公司 (Incorporated in Bermuda with limited liability) ANNUAL REPORT 2013

S USTAIN ABILITY

Corporate Information

Directors

Executive Director

Dr Hsuan, Jason
(Chairman and Chief Executive Officer)

Non-executive Directors

Mr Liu Liehong
Ms Wu Qun
Mr Du Heping
Dr Li Jun
Mr Jun Nakagome

Independent Non-executive Directors

Mr Chan Boon Teong
Dr Ku Chia-Tai
Mr Wong Chi Keung

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Office

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

Legal Advisors

Appleby
Kirkland & Ellis International LLP

Principal Bankers

Agricultural Bank of China Limited
Australia and New Zealand Banking Group Limited
Bank of America, N.A.
Bank of China Limited
Bank SinoPac
China Construction Bank Corporation
Chinatrust Commercial Bank, Ltd.
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland plc

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Company Secretary

Ms Lee Wa Ying

Principal Share Registrar

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Singapore Share Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

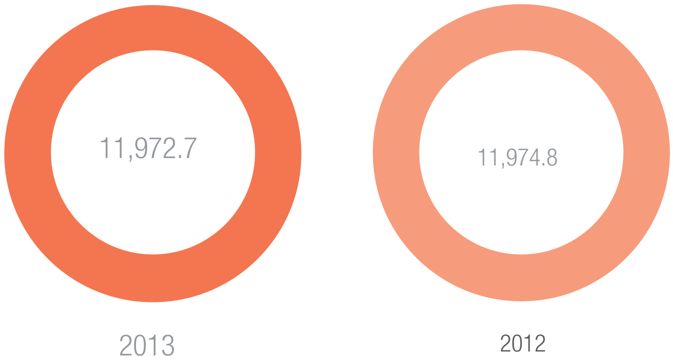
Company Website

www.tpv-tech.com

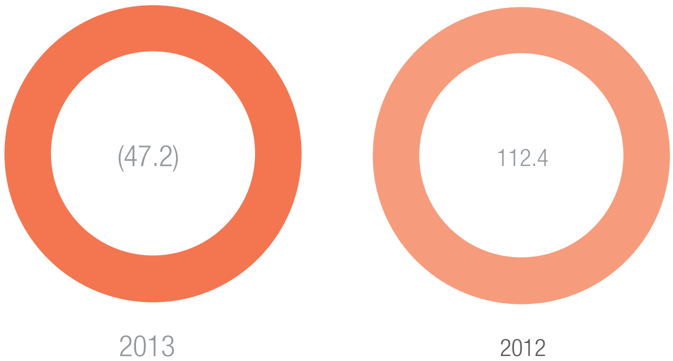
Contents

Financial Highlights

CONSOLIDATED REVENUE
(US$ MILLION)

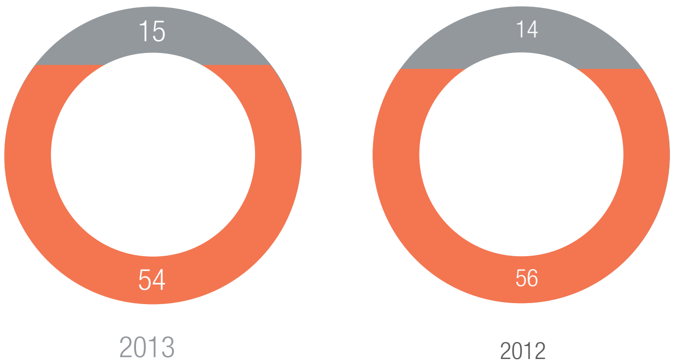


(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(US$ MILLION)



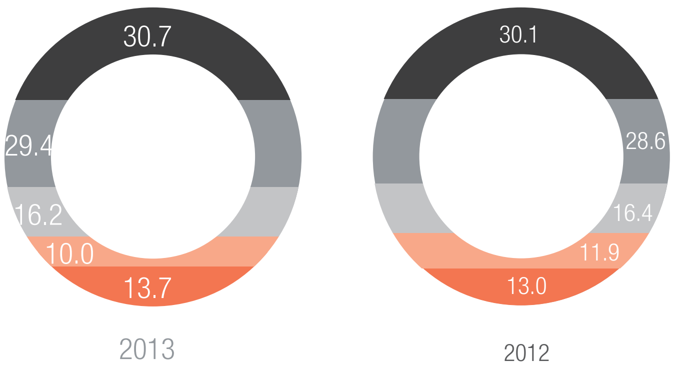
SHIPMENT BY PRODUCT SEGMENT
(MILLION UNITS)

TV
Monitor



REVENUE BY GEOGRAPHIC REGIONS
(%)

Europe
PRC
North America
South America
Rest of the World



Financial Highlights

	2013	2012 (Restated)	2011 (Restated)	2010 (Restated)	2009 (Restated)
OPERATING RESULTS (US$'000)					
Consolidated revenue	**11,972,698**	11,974,836	11,040,124	11,631,576	8,031,972
(Loss)/profit attributable to owners of the Company	**(47,246)**	112,408	120,398	169,349	141,214
Basic (loss)/earnings per share (US cents)	**(2.01)**	4.79	5.13	7.37	6.69
Dividends per share (US cents)	**0.128**	1.43	1.54	2.16	1.86
FINANCIAL POSITION (US$'000)					
Total assets	**6,258,694**	6,448,500	5,256,703	5,127,132	4,154,864
Cash and bank balances	**364,560**	497,871	303,337	184,426	270,438
Total borrowings and loans	**523,796**	422,352	440,163	472,533	215,336
Equity attributable to owners of Company	**1,767,126**	1,874,899	1,829,312	1,790,655	1,504,586
KEY FINANCIAL RATIOS					
Inventory turnover (days)	**45.7**	40.6	40.7	35.8	36.8
Trade receivables turnover (days)	**69.7**	71.9	75.9	63.9	73.8
Trade payables turnover (days)	**77.9**	72.6	75.1	69.1	69.1
Return on equity (%)	**n/a**	6.0	6.7	10.3	9.8
Return on assets (%)	**n/a**	1.9	2.3	3.6	3.8
Current ratio (%)	**110.8**	121.6	126.4	126.1	127.0
Gearing ratio* (%)	**12.8**	12.2	14.5	9.2	5.2
Interest coverage (times)	**0.1**	2.8	11.9	12.9	13.5
Dividend payout ratio (%)	**n/a**	29.8	30.0	29.9	29.9

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

Chairman's Statement

DEAR SHAREHOLDERS,

2013 was an exceptional year for the Group in many ways.

Operationally, we began to implement a wide-ranging program of robust changes to reposition ourselves to meet the fresh challenges that have arisen along with the emergence of new technologies and the rapidly evolving marketplace. These changes are designed to build a sustainable business model that will drive our innovative spirit and deliver profitable growth and returns for our shareholders. The measures we have already undertaken include the integration of TPV and TP Vision's operations in Brazil, the closure of the plant in Hungary, the merging of our two R&D centers in Europe into one later this year, and the optimization of our supply chain and inventory planning and management systems.

It was an exceptional year in other respects too, especially from a financial point of view. The significant slowdown in demand for TVs and monitors in the mature markets, the devaluation of emerging market currencies and one-off charges related to the restructuring of our global operations all set us back in terms of profitability and prevented us from reaching our business goals for 2013. Eventually, we incurred a loss of US$47 million — the first full-year loss in the Company's history. Yet we should never lose sight of the hard work and dedication of our team, who made it possible for us to equal last year's turnover figure of US$12 billion, despite all the challenges.

Our TV business encountered particularly strong headwinds. Demand in Europe, the core market for Philips TV, declined, whereas the momentum in Brazil, which we expected to be a growth driver, weakened considerably. These trends resulted in lower-than-expected sales and the build-up of excess inventory. At the same time, many of the world's currencies declined steeply against the US dollar, eroding the margins we anticipated and adversely affecting our profitability.

Even so, there were some highlights during the year. Building on our established reputation as a reliable provider of high-quality products, we deepened our business relationships with many of our existing ODM (original design manufacturer) clients and added a number of new accounts which will be crucial to our future growth.

Looking ahead, the TV market will be just as challenging this year as it was in 2013. We intend to adopt a proactive two-fold strategy to address this situation. Firstly, we will focus in pushing high-value premium-range products with innovative features such as UHD (ultra-high definition), Android based smart TVs and sets with screens of over 50 ins. Secondly, we will cut the number of our SKUs (stock-keeping units) from more than 300 to less than 200, and we will monitor our stock levels more closely, not only in terms of stock in hand, but also in channels and points of sales, in order to mitigate inventory risk.

The Group's TV operations have already been streamlined by a number of restructuring and integration projects; but there are more initiatives to come. In the months ahead, we will achieve greater economies of scale by further integrating the operations of TPV and TP Vision. That will include everything from procurement, manufacturing, R&D, sales and marketing through to customer service.

Time-to-market is another key factor for success in today's TV industry. We recognize that we did not always do so well in this respect in the past. So we have revamped our product planning strategy to make certain that we react to market changes more swiftly in the future. Even more importantly, we will turn around our TV business by placing greater emphasis on design, procurement and production positioning. Our goal is always to have the right products available at the right time and at the right points.

Chairman's Statement

Turning to the monitor business, I can say quite truthfully that TPV's results were brilliant, given last year's adverse market conditions. At a time when we saw double-digit declines in the sales of both desktop and notebook computers, our own shipments dipped by only 4 percent. We maintained our top position in the industry with an impressive 37 percent share of the global market. What's more, we commanded 50 percent of the China market, made considerable inroads in Europe (despite the weak market), and steered clear of the negative impact of Brazil's currency devaluation.

We are not content to rest on our laurels and wait for the markets to improve. In the coming months, we will vigorously and proactively bring new products to the market to help stabilize our shipments and turnover. We will also emphasize models for medical and educational use that will generate greater value through higher selling prices. We have already launched a number of aesthetically-pleasing and innovative monitors that won industry awards in 2013. We will continue in this vein by rolling out more products that offer added value to our customers during 2014.

In conclusion, TPV will carry through the transformation programs we launched back in 2013. While we still have a lot of work to do to complete the turnaround process, we remain excited about the road ahead, because we can foresee a golden future in which TPV will be an even more important provider of smart, intercommunicating displays that play a major role in everybody's lives.

I would like to thank all our stakeholders for the great support that you have given TPV during the past year. They include our highly motivated and hardworking management and employees around the world, who have persevered despite the adversities we have faced; our shareholders for their resolute support; and our customers and suppliers for their loyalty to us and their confidence in us. Finally, I would like to express my appreciation to our board of directors, whose guidance, as always, has been extremely valuable. One of our non-executive directors, Mr Lu Ming, has retired from the Board during the year, and I would like to give a special thanks to his noteworthy contributions to the Company during his tenure. In addition, I extend a warm welcome to Dr Li Jun, who will come onboard as a non-executive director.

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 19th March 2014

Management Discussion and Analysis

Industry Review

Global demand for TVs fell short of expectation in 2013. Shipments for the year were 207 million units, only 2 percent more than the previous year. While shipments to the growth markets in Asia Pacific, South America, Eastern Europe, and the Middle East and Africa grew, various negative political and economic developments in those regions slowed down the growth momentum considerably. Meanwhile, demand in developed economies continued to decline, most noticeably in Western Europe, where TV shipments fell by more than 10 percent in year-on-year terms, the second consecutive year they have fallen. A range of factors undermined demand. These ranged from economic weakness and high-penetration rates for TVs in developed countries to a lack of new features to stimulate replacement demand. Meanwhile, global monitor shipments decreased by 5 percent, from 151 million units to 143 million, in tandem with the shrinking PC market.

Group Results

Besides the adverse effects of global market conditions, TPV's financial results were impacted by currency fluctuations. Whereas the Group's total revenue remained flat at US$12 billion (2012: US$12 billion), it recorded a loss attributable to owners of the Company of US$47 million during the 2013 fiscal year (2012: a profit of US$112 million). The Group's blended gross profit ("GP") margin was 7.2 percent, compared to 7.5 percent in 2012.

The Group shipped 14.5 million LCD TVs during 2013, slightly more than 14.2 million it shipped in 2012. Its revenue from these amounted to US$5 billion, also a similar amount to 2012. Feeble demand in the European market and a rapid slowdown of growth in South America hit the Group's TV business particularly hard, both in terms of volumes and revenues, because they are the key markets for TP Vision.

The slow TV market also resulted in a build-up in inventory. The Group resorted to aggressive price cuts and sales promotions to clear this. The challenging environment put significant pressure on both the average selling price ("ASP") and GP margin. The ASP came down to US$345.40 (2012: US$353.20) per set, while the GP margin was 8.3 percent (2012: 9.6 percent). However, the inventory returned to a healthy level by the end of the year, and the greater integration of its operations has given the Group a freer hand and a stronger backbone with which to enter 2014.

Some one-off charges relating to the transformation of TP Vision to ensure its long-term growth, as well as adverse foreign currency fluctuation contributed to the underperformance of the Group's TV business which recorded an adjusted operating loss of US$214 million for the year.

The monitor business segment's shipments dipped by 3.8 percent to 54 million units, compared with 56.2 million in 2012. However, the Group maintained the ASP of its products at a level of US$104.80 in 2013, compared with US$102.10 in 2012. The main reason for this was the fact that last year's sales included bigger percentages of products with larger-size screens and value-added features than was the case in 2012. At the same time, the segment's revenue and GP margin recovered gradually from the trough they were in at the beginning of 2013. These totaled US$5.7 billion and 7.1 percent respectively, compared with US$5.7 billion and 6.5 percent in 2012.

The Group has also leveraged the surge in demand for multi functional display by rolling out a number of new products. The sales volume of these grew by 37 percent year-on-year in 2013. The Group will further explore this market and capitalize on every business opportunity it presents in collaboration with other players.

Operations Review

The Group has responded robustly to the challenges it has met with in the past two years. Last year in particular saw the implementation of a vigorous program to transform and optimize its entire production base.

The TPV and TP Vision manufacturing operations in Manaus, Brazil, were merged, sharing the same back-end functions. This strategy was designed to streamline their organizational structure and further centralize their functions, eliminate duplications between them, and achieve economies of scale, thereby reducing their costs and improving their efficiency.

The production capacity of the TP Vision factory in Hungary and the TPV plant in Gorzow, Poland, were also consolidated at the end of 2013.

Management Discussion and Analysis

The Group's new factory in Beijing, China, commenced production in the middle of 2013. It currently has two production lines for monitors and two for TVs. The facility's modern set-up and automated production lines, combined with close proximity to panel suppliers and other players in the supply chain, are set to create considerable synergies.

Besides these initiatives, the Group improved its efficiency by continuously enhancing its production lines through the introduction of improved automation technologies and redesigned production flows. These measures have enabled it to reduce its labor costs while standardizing product quality to a higher degree.

TP Vision's SAP-based IT system has now been fully integrated with that of TPV. This will enable a comprehensive real-time inventory record that will facilitate the Group's operations by allowing all its functions to use it to plan and control their procurement, production and accounting activities more effectively with more flexibility.

Finally, the Group has transformed the business structure of TP Vision in a way that enables it to stay abreast of market developments and respond to them immediately. These new arrangements have already played an effective role in improving its sales and inventory capabilities.

Research and Development ("R&D")

Following a major strengthening of its R&D capabilities in 2012, the Group further fine-tuned these in 2013. TP Vision has now created a single European innovation site located in Ghent, Belgium. This brings together the high-end innovation activities in Eindhoven, Netherlands, and Bruges, Belgium, into one science and technology cluster. Its team will focus on concept development and advanced development, as well as set development for the high-end range.

Meanwhile, TP Vision's R&D office in Singapore has now been replaced by an expanded team based in Bangalore, India. This bolsters the Group's firmware and software capabilities. In addition, the R&D team in Xiamen, China, has been enlarged to support the design and development of Philips TVs.

Besides focusing resources and competencies on existing technologies, the Group is anticipating future market trends and preparing to leverage the business opportunities they will create by investing in new up-and-coming ones. For example, it has established one team that is dedicated to expanding its UHD product offerings, as well as another that will be responsible for the design and development of curved displays. TPV is also investing in OLED (organic light-emitting diode) product research and yield improvement during 2014.

Management Discussion and Analysis

In recognition of the innovative design and aesthetics of its products, as well as their superior picture and sound quality, TPV was last year honored with a number of industry awards and accreditations from its customers. They included a Red Dot Design Award, iF Award, and Product Innovation Award.

Human Resources

As at 31st December 2013, the Group had a workforce of 32,906 worldwide, compared with 33,739 a year earlier. Our employees are regarded as TPV's most valuable assets, and they are remunerated in accordance with industry practice in the locations where they worked. Details of employee benefit expenses are disclosed in note 9 to the consolidated financial statements. It has maintained its emphasis on creating an equitable and inclusive working environment that positions it to attract and retain highly talented people from many different cultural backgrounds. Training and development play a key role in the Group, and it continues to enhance its capabilities and long-term competitiveness by encouraging all its employees to develop their knowledge and skills, and by encouraging them to engage in lifelong learning.

Its training programs cover a wide range of technical and functional subjects, as well as soft skills topics. These programs are delivered by in-house and external tutors. The Group also has an executive leadership, training and development program for selected middle management members. This aims to provide the Group with a continuous flow of management talent. Forty-five managers participated in this program in 2013.

Outlook

The TV market will undoubtedly be as challenging in 2014 as it was last year. Some markets will remain flat, while others may even register further declines. Yet there will still remain some pockets of opportunity for the Group to grow its business in places in Brazil and Asia Pacific. Eastern Europe also holds a lot of promise, provided its economic stability is not undermined by the current dispute between Russia and Ukraine escalating into a regional armed conflict.

Moreover, the Group will focus its strategies on rolling out more value-added products that offer better margins. TP Vision recently launched an exciting new range of high-end TVs that embrace the Android platform. They have garnered overwhelmingly positive feedback from consumers, and the continued collaboration with Koninklijke Philips Electronics N.V. ("Philips") creates great potential for the Group's future sales.

This year, TP Vision will also begin to incorporate Ambilight — an-award-winning technology that has previously been available only in high-end products — into a number of its mid-price models during 2014. Ambilight intelligently adjusts the light on the margins of a TV set to synchronize it with the brightness and color on the screen, thus creating a better viewing experience. Moreover, the technology blends in with the room's lighting to provide a harmonious and totally comfortable environment.

There has been a rapid increase in the popularity of the XXL segment (46 ins. and above) in the past few years, and this segment is set to fuel the growth of the entire industry in the future. The Group is determined to increase its shipments of XXL products to triple the 2012 figure.

The emergence of new technologies will likewise present new business opportunities for the monitor market. Apart from a desire to upgrade to larger display screen sizes, consumers are also seeking "more-in-one" products that combine entertainment and computing, as well as greater connectivity with new technology and other electronics. These have reclassified the PC monitor from being a peripheral item to an independent device. Here again, TPV intends to remain at the forefront by developing products with the capability to satisfy this new, expanded, role.

Operationally, the Group will further consolidate and integrate TP Vision and TPV. That will entail combining their business and support functions in order to achieve maximum economies of scale, while simultaneously increasing efficiency and reducing costs. In addition, TP Vision will consolidate its country offices into regional ones, which will speed up the flow of data and allow for greater decision-making flexibility in response to market trends.

Management Discussion and Analysis

Subsequent Development

On 20th January 2014, TPV and Philips entered into a term sheet under which TPV will acquire Philips' 30-percent stake in TP Vision for a deferred consideration. Following the completion of this transaction, TP Vision will become a wholly owned subsidiary of the TPV Group. The Group anticipates the new arrangement will enable it to integrate TP Vision's operations with those of TPV further, and to give it greater flexibility to compete in the highly dynamic TV market. The transaction was still being negotiated as of the date of this annual report.

Contingent Liabilities

Details of contingent liabilities are discussed in Note 39 to the consolidated financial statements.

Liquidity, Financial Resources and Capital Structure

As at 31st December 2013, the Group's cash and bank balances (including pledged bank deposit) totaled US$370.1 million (31st December 2012: US$501.7 million). Credit facilities secured from banks totaled US$4.5 billion (31st December 2012: US$4.4 billion), of which US$1.5 billion was utilized (31st December 2012: US$1.5 billion).

The Group recorded a US$44.8 million net cash inflow from operating activities for the year ended 31st December 2013, compared to net cash outflow of US$321.3 million for the first three quarters. This is due to the undertaking of an aggressive inventory reduction plan since September 2013. To further improve its liquidity and refinance the RMB denominated bond maturing in March 2014, the Group has drawn down a US$50 million 2-year term loan in the first quarter of 2014. The Group is also implementing different measures to strengthen its balance sheet by tightening controls around inventory, supply chain management and collection of trade receivables.

All the Group's debts were borrowed on a floating-rate basis except the 3-year RMB denominated bond the Group issued in year 2011 at a fixed coupon rate of 4.25 percent per annum. The maturity profile of the Group's debt as at 31st December 2013 was as follows:

	2013	2012
Duration	US$'000	US$'000
Within one year	317,969	142,867
Between one and five years	205,827	279,485
Wholly repayable within five years	523,796	422,352

The Group's gearing ratio, represented by the ratio of total borrowings and payable under discounting arrangement to total assets, was 12.8 percent (2012: 12.2 percent), whereas our current ratio was 110.8 percent at the end of 2013 (2012: 121.6 percent).

Foreign Exchange Risk

Given the Group's international operations and presence, it faces foreign exchange exposure, including transaction and translation exposure. Details of the risk are discussed in Notes 3.1(a)(i) and 35(a) to the consolidated financial statements.

Report of the Directors

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2013.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 19 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 45.

Proposed Final Dividend

The directors recommend the payment of a final dividend of US0.128 cent per ordinary share, totaling approximately US$3,002,420 for the year ended 31st December 2013.

The proposed final dividend is payable in cash to shareholders in US dollars save that those shareholders whose names appearing on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appearing on the record of members of the Company in Singapore will receive the equivalent amount in Singapore dollars, both calculated at the relevant exchange rates quoted by Standard Chartered Bank (Hong Kong) Limited or The Hongkong and Shanghai Banking Corporation Limited, in Hong Kong at or about 11:00 a.m. on Thursday, 29th May 2014.

The dividend cheques will be distributed to shareholders on or about Tuesday, 10th June 2014.

Closure of Registers of Members

The registers of members of the Company will be closed from Thursday, 29th May 2014 to Friday, 30th May 2014, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 28th May 2014 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 5:00 p.m. on Wednesday, 28th May 2014 (as the case may be).

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 29 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

Investment Properties

Details of the investment properties of the Group are set out in Note 18 to the consolidated financial statements.

Report of the Directors

Donations

Charitable and other donations made by the Group during the year amounted to approximately US$420,000.

Pension

Details of the pension are set out in Note 32 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 27 to the consolidated financial statements.

Share Option

At the annual general meeting held on 15th May 2003, shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme"). On 18th January 2011, 45,000,000 number of share options were granted with exercise price of HK$5.008 and exercisable within 10 years from the grant date.

The purpose of the Option Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to directors and employees of the Group.

The principal terms of the Option Scheme are summarized below:

(1) Participants of the Option Scheme

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

(2) Maximum number of shares

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

Since the Option Scheme expired on 14th May 2013, no further option can be granted under this scheme.

(3) Maximum entitlement of each participant

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

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

(4) Payment on acceptance of options

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

Report of the Directors

Share Option (Continued)

(5) Time of exercise of options

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

(6) Basis of determining the subscription price

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

(7) Remaining life of the Option Scheme

The Option Scheme has no remaining life as no further options may be granted but the provisions of the Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

Particulars of outstanding options under the Option Scheme at the beginning and at the end of the year and options exercised and lapsed during the year were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2013	Exercised	Lapsed	As at 31st December 2013
Director							
Dr Hsuan, Jason	18/01/2011	5.008 (Note)	18/01/2012–17/01/2021	150,000	—	—	150,000
			18/01/2013–17/01/2021	150,000	—	—	150,000
			18/01/2014–17/01/2021	150,000	—	—	150,000
			18/01/2015–17/01/2021	150,000	—	—	150,000
Employees	18/01/2011	5.008 (Note)	18/01/2012–17/01/2021	9,870,000	—	(762,500)	9,107,500
			18/01/2013–17/01/2021	9,870,000	—	(762,500)	9,107,500
			18/01/2014–17/01/2021	9,870,000	—	(762,500)	9,107,500
			18/01/2015–17/01/2021	9,870,000	—	(762,500)	9,107,500
				40,080,000	—	(3,050,000)	37,030,000

Note:

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

Distributable Reserves

Distributable reserves of the Company as at 31st December 2013, including contributed surplus, amounted to approximately US$123,483,000 (2012: US$123,320,000).

Report of the Directors

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 151.

Purchase, Sale and Redemption of Shares

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

Pre-emptive Rights

There is no provision for pre-emptive right under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

Directors

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

Executive Directors

Dr Hsuan, Jason

Non-executive Directors

Mr Liu Liehong	(Note 3)
Ms Wu Qun	(Notes 1 and 3)
Mr Du Heping	(Notes 1 and 3)
Dr Li Jun	(appointed on 16th March 2014) (Notes 2 and 3)
Mr Jun Nakagome	(Note 3)
Mr Lu Ming	(resigned on 16th March 2014)

Independent Non-executive Directors

Mr Chan Boon Teong	(Notes 3 and 4)
Dr Ku Chia-Tai	(Notes 3 and 4)
Mr Wong Chi Keung	(Notes 1, 3 and 4)

Notes:

(1) In accordance with Bye-law 99 of the Company's Bye-laws, Ms Wu Qun, Mr Du Heping and Mr Wong Chi Keung will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

(2) In accordance with Bye-law 102(B) of the Company's Bye-laws, Dr Li Jun will retire by rotation and, being eligible, will offer himself for re-election at the Company's forthcoming annual general meeting.

(3) None of the non-executive directors was appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

(4) The Company has received confirmation of independence from independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung, and considers them to be independent.

Report of the Directors

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without the payment of compensation, other than the statutory compensation.

Biographical Details of Directors and Senior Management

Directors

Dr Hsuan, Jason
Executive Director
Chairman & Chief Executive Officer (Age: 70)

Dr Hsuan, joined the Group in 1990 and has been the chairman and chief executive officer of the Company since 1999. Dr Hsuan is the chairman of nomination committee, investment committee and information disclosure committee and a member of remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Dr Hsuan is responsible for the overall corporate policies and business development of the Group. Before joining the Company, he had over 20 years of managerial experience in well-known multinational listed enterprises which include General Electric Company and PepsiCo Inc. Dr Husan graduated from the Department of Electrical Engineering of National Cheng Kung University, Taiwan in 1968, and holds a Doctorate degree of Philosophy in Systems Engineering from the Polytechnic Institute of Brooklyn and a Master's degree in Systems Engineering from Boston University. Dr Hsuan is also a non-executive director of Nanjing Panda Electronics Company Limited (a company listed on the Exchange and Shanghai Stock Exchange), chairman of Standard Investment (China) Limited, Shanghai Standard Food Co. and Standard Food (China) Limited, director of Standard Foods Corporation (a company listed on the Taiwan Stock Exchange) and an independent director of Array inc. (a company listed on the GreTai Securities Market). Dr Hsuan is the brother-in-law of Dr Chen Nai-Yung, senior vice president and chief information officer of the Company.

Mr Liu Liehong
Non-executive Director (Age: 45)

Mr Liu obtained his MBA degree from Xi'an Jiaotong University, China and titles of senior engineer and researcher. He is an industry expert enjoying special government allowance granted by China State Council. He has rich experience in managing large enterprises. Mr Liu is the chairman of the board, the executive director and chairman of strategic development and risk control committee of Great Wall Technology Company Limited ("GWT") (a company listed on the Exchange), and the director and general manager of China Electronics Corporation ("CEC"), which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr Liu previously served as the chairman of the board of China Electronics Industry Corporation and CEC Corecast Company Limited (a company listed on Shanghai Stock Exchange), the chairman of the board, legal representative and non-executive director of CCID Consulting Company Limited (a company listed on the Exchange), the president of China Center of Information Industry Development, the director of the Second Research and the deputy director of the Twenty Nine Research Institute of China Electronics Technology Group Corporation. Mr Liu became a non-executive director of the Company in October 2009.

Report of the Directors

Biographical Details of Directors and Senior Management (Continued)

Directors (Continued)

Ms Wu Qun
Non-executive Director (Age: 54)

Ms Wu, a graduate of the Research Institute for Fiscal Science, Ministry of Finance, China with a Doctorate degree in Accounting and received a title of senior accountant. Ms Wu has solid experience in capital and asset management. Currently, she is the chief corporate economist of CEC and the director of CEC's asset management department, a substantial shareholder of the Company within the meaning of Part XV of the SFO. She is also a director of China Great Wall Computer Group Company ("CGWCG"), the chairman of the board of CEC Huahong International Company Limited, a director of Shanghai Hua Hong (Group) Co., Ltd., and a director of China Integrated Circuit Design (Group) Corp., Ltd. She was previously appointed as the deputy general manager of CEC's asset management department, a director of Great Wall Information Industry Co., Ltd. (a company listed on Shenzhen Stock Exchange), the general manager of China Electronics Industry Corporation's finance department, a director of management and consulting department of Deloitte Touché Tohmatsu CPA Limited, a director of Deloitte Beijing substation department of risk management, the supervisor, accounting department of Research Institute for Fiscal Science, Ministry of Finance, China. Ms Wu was appointed as a non-executive director of the Company in October 2009. She is also a member of nomination committee and investment committee of the Company.

Mr Du Heping
Non-executive Director (Age: 59)

Mr Du, a graduate of Party School of the Central Committee of Communist Party of China, postgraduate education, specializing in Economic Management and obtained a title of senior business operator. He has extensive experiences in the field of science and technology development, production management as well as quality management. He is the president and executive director of GWT (a company listed on the Exchange), a substantial shareholder of the Company within the meaning of Part XV of the SFO, the vice chairman and the secretary of the Communist Party of Shenzhen Kaifa Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange). He is also the vice chairman of China Electronics Enterprises Association, the executive director of China Computer Industry Association, the chairman of Shenzhen Electronic Information Industry Association, the chairman of Shenzhen Computer Industry Association, the vice chairman of Shenzhen Municipal Science and Technology Association, the vice chairman of Shenzhen Computer Society and the chairman of the Association of Volunteers for Science Popularization in Shenzhen. Previously, he has been the chairman and the secretary of the Communist Party, the vice president and the secretary to the board of directors, the deputy general manager of China Great Wall Computer Shenzhen Co., Ltd. ("CGCSZ") (a company listed on Shenzhen Stock Exchange), a substantial shareholder of the Company within the meaning of Part XV of the SFO, the organizing officer in charge and factory manager of Great Wall Power Supplies Factory. Mr Du has been awarded the title of "Top 10 Outstanding Enterprisers of listed Companies in Guangdong 2010" in December 2010. Mr Du was appointed as a non-executive director of the Company in October 2009. He is also a member of information disclosure committee of the Company.

Report of the Directors

Biographical Details of Directors and Senior Management (Continued)

Directors (Continued)

Dr Li Jun

Non-executive Director (Age: 38)

Dr Li, graduated from Wu Han University with a doctorate degree in Photogrametry and Remote Sensing. Dr Li has over 10 years of working experiences in government industrial planning, enterprise strategic, informatization planning and science & technology management. He has successfully directed a number of influential monographs, on regional and municipal industrial planning, operation strategies of large scale state-owned enterprises directly under control of the central government and informatization planning projects. He also directed the writing of *China Strategic Emerging Industries Development and Application, China Strategic Emerging Industries Development and Management, Investment Financing M&A of China Strategic Emerging Industries and China Cloud Computing Industry Development and Application*. Dr Li currently is the Deputy General Manager of the Department of Planning, Science & Technology of CEC, which is substantial shareholder of the Company within the meaning of Part XV of the SFO. He previously served as the President and the Executive Director of CCID Consulting Company Limited (a company listed on the Exchange) and the Deputy Chief Engineer of China Center for Information Industry Development, which is the biggest think tank under the supervision of the Ministry of Industry and Information Technology. Dr Li was appointed as a non-executive director of the Company in March 2014. He is also a member of remuneration committee and investment committee of the Company.

Mr Jun Nakagome

Non-executive Director (Age: 56)

Mr Nakagome graduated from Sophia (Jochi) University with major in Economics. He has over 20 years of experience in general merchandizing industry as well as extensive experience in electronic and display industry. Mr Nakagome joined Mitsui & Co., Ltd. ("Mitsui") in 1981, one of the biggest trading firms in Japan (a company listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange and Fukuoka Stock Exchange). Currently, Mr Nakagome is the general manager of IT Innovation Division II, Innovation & Corporation Development Business Unit of Mitsui, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is also director in each of Mitsui Electronics Inc., a subsidiary of Mitsui and Moshi Moshi Hotline, Inc., an affiliated company of Mitsui (a company listed on the Tokyo Stock Exchange). Previously, he was a director of J-S Cube Inc., a subsidiary of Mitsui (resigned on 1st April 2013). Mr Nakagome was appointed as a non-executive director of the Company in April 2012. He is also a member of investment committee and information disclosure committee of the Company.

Mr Chan Boon Teong

Independent Non-executive Director (Age: 71)

Mr Chan graduated from Imperial College of the University of London with a Bachelor's degree in Electrical Engineering. Mr Chan also holds Master's degrees in Electrical Engineering and Operational Research from the Polytechnic University of New York City. He has over 40 years of experience in the financial, commercial, industrial and real estate business in the Southeast Asia region. Currently, Mr Chan is the honorary chairman and a senior consultant of Coastal Greenland Limited (a company listed on the Exchange). Previously, he was the chairman and an executive director of Coastal Greenland Limited, a director of the former Kowloon Stock Exchange, a Committee member of the 9th, 10th and 11th Plenary Sessions of the Chinese People's Political Consultative Conference from March 1998 to February 2013, a member of the 6th, 7th and 8th Standing Committee of the All-China Federation of Returned Overseas Chinese from 1999 to 2013 and a director of Cathay United Bank Co. Ltd., a subsidiary of a listed company in Taiwan (retired on 31st July 2013). Mr Chan was appointed as an independent non-executive director of the Company in May 1998. He is also the chairman of audit committee and remuneration committee and member of nomination committee, investment committee and information disclosure committee of the Company.

Report of the Directors

Biographical Details of Directors and Senior Management (Continued)

Directors (Continued)

Dr Ku Chia-Tai
Independent Non-executive Director (Age: 71)

Dr Ku holds a Bachelor's degree in Electrical Engineering from National Cheng Kung University, Taiwan, a Master's degree in Electrical Engineering from Rutgers, the State University of New Jersey, U.S.A. and a Doctorate degree in Electrical Engineering from the University of Pittsburgh, U.S.A. Dr Ku has over 30 years of managerial experience in both computer and telecommunications industries. He is currently an independent director of Systex Corporation (a company listed on Taiwan Stock Exchange). He previously was the general manager of Wang Computer (Taiwan) Limited, the president of GTE Taiwan Communication Systems Limited, the president of Siemens Telecom Systems Limited and the president of Beijing Switching International Co. Dr Ku was appointed as an independent non-executive director of the Company in May 1998. He is also the member of audit committee, nomination committee and remuneration committee of the Company.

Mr Wong Chi Keung
Independent Non-executive Director (Age: 59)

Mr Wong holds an MBA degree from the University of Adelaide, Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr Wong is also a responsible officer for asset management, advising on securities and corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the SFO of Hong Kong.

Mr Wong has over 36 years of experience in finance, accounting and management. He is currently an independent non-executive director and a member of the audit committee of ENM Holdings Limited, Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, Ngai Lik Industrial Holdings Limited and Zhuguang Holdings Group Company Limited, all of these companies are listed on the Exchange. Mr Wong was previously an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) for over ten years and an independent non-executive director of First Natural Foods Holdings Limited (resigned on 21st November 2013), both of them are listed on the Exchange. Mr Wong was appointed as an independent non-executive director of the Company in August 2004. He is also the member of audit committee, nomination committee, remuneration committee and an alternate member to Mr Chan Boon Teong of information disclosure committee of the Company.

Senior Management

Mr Houng Yu-Te
Senior Vice President (Age: 67)

Mr Houng, joined the Group in 1996, is responsible for the financial operations of the Group. He holds a Bachelor's degree in Accounting from Soochow University, Taiwan. Prior to joining the Group, he gained audit and finance experience from an international accounting firm in Taiwan and had worked for a number of companies for over 29 years in charge of accounting and finance operations.

Report of the Directors

Biographical Details of Directors and Senior Management (Continued)

Senior Management (Continued)

Mr Shane Tyau
Vice President and Chief Financial Officer (Age: 57)

Mr Tyau, joined the Group in 1998, is responsible for managing the financial risks and investor relations of the Group. He holds a Bachelor of Commerce degree from the University of Calgary, Canada. Prior to joining the Group, he had over 15 years of experience in commercial and corporate banking. Mr Tyau is also a member of information disclosure committee of the Company.

Mr Hsieh Chi-Tsung
Senior Vice President (Age: 62)

Mr Hsieh, is in charge of the Own Branding and Manufacturing (overseas) of the Group. He holds a Bachelor's degree in Mechanical Engineering from Feng Chia University, Taiwan and an Executive Master's degree in Business Administration from National Taipei University. He has worked as purchasing supervisor for over 30 years. Prior to joining the Group, he worked for well-known monitor manufacturers in Taiwan.

Mr Lu Being-Chang
Senior Vice President and Chief Operating Officer (Age: 66)

Mr Lu, joined the Group in 1999, is in charge of site operation, manufacturing and quality assurance of the Group. He graduated from National Cheng Kung University, Taiwan with a Bachelor's degree in Science and a Master's degree in Electrical Engineering. Prior to joining the Group, he served Sampo Electronic Company (a company listed on Taiwan Stock Exchange) for over 25 years and was in charge of products manufacturing, international sales, research and development.

Dr Chen Nai-Yung
Senior Vice President and Chief Information Officer (Age: 63)

Dr Chen, joined the Group in 2008, is in charge of the information technology and human resources of the Group. He graduated from National Taiwan University, Taiwan with a Bachelor's degree in Electrical Engineering and a Doctorate degree in Electrical Engineering from the University of Rhode Island, U.S.A. Prior to joining the Group, he worked for the Texas Instruments Incorporated (a company listed on New York Stock Exchange) and Semiconductor Manufacturing International Corporation (a company listed on the Exchange). Dr Chen is the brother-in-law of Dr Hsuan, Jason, the chairman and chief executive officer of the Group.

Mr Tuan Chen-Hua
Senior Vice President (Age: 61)

Mr Tuan, joined the Group in 1978, is responsible for the Group's own brand business in China and the Group's procurement operations. He holds a management degree in Business from Tsinghua University, Beijing. He was in charged for various businesses of the Group, such as materials procurement, Original Equipment Manufacturer ("OEM") and own brand. Since 2003, Mr Tuan has been responsible for the own brand business and led the team to realize a remarkable improvement in the said aspect, making AOC as one of the top brands of monitors among the world. He has been serving for the Group for over 36 years.

Mr Lee Neng-Sung
Vice President (Age: 63)

Mr Lee, joined the Group in 2002, is in charge of product strategy and planning for TV of the Group. Mr Lee graduated from National Chiao Tung University, Taiwan with a Bachelor's degree in Electronic Engineering and a MBA degree in the same university. Prior to joining the Group, he worked for Sampo Electronic Company (a company listed on Taiwan Stock Exchange) for over 20 years and was in charge of products manufacturing, research and development.

Report of the Directors

Biographical Details of Directors and Senior Management (Continued)

Senior Management (Continued)

Mr Tseng Tian-Lung
Vice President and Co-Chief Operating Officer (Age: 53)

Mr Tseng, joined the Group in 2005, is in charge of factory operation, quality assurance and innovation and development of monitors of the Group. He graduated from University of Florida, U.S.A. with a Master's degree in Industrial Engineering. Prior to joining the Group, he worked for Philips for 13 years and was in charge of OEM sales.

Directors' Interests in Contracts

There was no contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executives' Interests

As at 31st December 2013, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions in which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

Interests in ordinary shares of US$0.01 each of the Company

Name of director	Type of interest	Number of shares held (long position)
Dr Hsuan, Jason	Corporate (Note 1)	24,754,803

Notes:

(1) The interest of Dr Hsuan, Jason disclosed herein includes the holding of 24,754,803 shares by Bonstar International Limited, a company beneficially and wholly-owned by Dr Hsuan, Jason.

(2) The interests of directors in share options of the Company are detailed in the paragraph headed "Share Option".

Save as disclosed above and in the paragraph headed "Share Option", as at 31st December 2013, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

Report of the Directors

Directors' and Chief Executives' Interests (Continued)

Interests in ordinary shares of US$0.01 each of the Company (Continued)

As at 31st December 2013, the Group is controlled by CEC, which indirectly owns 35.06% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

Substantial Shareholders' Interests

As at 31st December 2013, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Interest in ordinary shares of US$0.01 each of the Company

Name of shareholder	Number of shares held (long position)
CEC	822,408,647 (Notes 1, 2)
CGWCG	570,450,000 (Notes 1, 2)
GWT	570,450,000 (Notes 1, 2)
CGCSZ	570,450,000 (Notes 1, 2)
China Great Wall Computer (H.K.) Holding Limited ("CGCHK")	370,450,000 (Notes 1, 2)
China National Electronics Imp. & Exp. Corporation	251,958,647 (Notes 1, 2)
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Notes 1, 2)
Mitsui	473,482,590 (Note 2)
Innolux Corporation ("Innolux")	150,500,000 (Note 3)
Chimei Corporation ("CMC")	150,500,000 (Note 3)
FMR LLC	117,500,000 (Note 4)

Notes:

(1) CGCHK, CGCSZ and CEIEC HK are the registered holders of the aggregate of 822,408,647 Shares held within the CEC Group, of which 370,450,000 Shares are held by CGCHK, 200,000,000 Shares are held by CGCSZ, and 251,958,647 Shares are held by CEIEC HK. CGCHK is a wholly-owned subsidiary of CGCSZ. CGCSZ is owned as to 53.92% by GWT. GWT is a company owned as to 62.11% by CGWCG, which is a wholly-owned subsidiary of CEC. CEIEC HK is an indirect wholly-owned subsidiary of CEC.

(2) CEC, CEIEC HK and Mitsui are parties to a consortium agreement dated 28th January 2010 (the "Consortium Agreement") and to a shareholders' agreement dated 28th January 2010 (the "Shareholders' Agreement"). The Consortium Agreement and the Shareholders' Agreement are agreements to which S.317(a) of the SFO applies. CEC and Mitsui are acting in concert with each other in respect of their aggregate 1,295,891,237 Shares.

(3) These Shares are held by Innolux. Innolux is owned as to 13.57% by CMC, and as to 3.57% by Linklinear Development Co. Ltd., which in turn is owned as to 54.22% by CMC.

(4) FMR LLC has become the substantial shareholder of the Company on 6th November 2013.

Management Contracts

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

Report of the Directors

Major Suppliers and Customers

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

Sales

— the largest customer	11.3%
— five largest customers combined	30%

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

Purchases

— the largest supplier	17.71%
— five largest suppliers combined	44.2%

Innolux being a substantial shareholder of the Company, has beneficial interest in one of the five largest suppliers disclosed above during the year.

Apart from disclosed above, none of the directors, their associates or any shareholder which to the knowledge of the directors owns more than 5 percent of the Company's issued share capital had an interest in the major suppliers or customers noted above.

Connected Transactions

Certain related party transactions as disclosed in Note 42 to the consolidated financial statements also constituted connected transaction under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, have been made by the Company in accordance with the requirements of the Listing Rules.

(1) Transaction with Mitsui and its associates (the "Mitsui Group")

The following transactions between the Group and the Mitsui Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement and Component Sourcing Agreement (details of which are contained in the Circular to shareholders dated 13th December 2012 (the "December 2012 Circular")).

At the special general meeting of shareholders held on 28th January 2013, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and their respective annual caps. The transaction amounts in respect of each of these continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	**Annual caps**
(i)	the sales to the Mitsui Group by the Group for the supply and delivery of Products (as defined in the December 2012 Circular) under the Supply Agreement	US$31,000	US$22,000,000
(ii)	The purchase of Components (as defined in the December 2012 Circular) by the Group from the Mitsui Group under the Component Sourcing Agreement	US$3,910,000	US$480,000,000

Report of the Directors

Connected Transactions (Continued)

(1) Transaction with Mitsui and its associates (the "Mitsui Group") (Continued)

Reference is made to the announcement of the Company dated 23rd November 2012, the transactions contemplated under the Framework Secondment Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(iii)	the secondment of various secondees from the Mitsui Group to the TPV Group under the Framework Secondment Agreement	US$194,196	US$1,100,000

(2) Transaction with CGCSZ and its subsidiaries (the "CGCSZ Group")

The following transactions between the Group and the CGCSZ Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement (details of which are contained in the Circular to shareholders dated 13th December 2012 (the "December 2012 Circular")).

At the special general meeting of shareholders held on 28th January 2013, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	the sales to the CGCSZ Group by the Group for the supply and delivery of LCD Monitors (as defined in the December 2012 Circular) under the Supply Agreement	Nil	US$22,000,000

(3) Transaction with the CEC Group (the "CEC Group")

Reference is made to the announcement of the Company dated 8th March 2013, the transactions between the Group and CEC contemplated under the Trademarks Licensing and Sales Agency Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The trademark fee paid to CEC Group under the Trademarks Licensing and Sales Agency Agreement dated 8th March 2013	US$187,000	US$430,850

Report of the Directors

Connected Transactions (Continued)

(4) Transaction with Nanjing CEC Panda LCD Technology Co., Ltd. and its subsidiaries (the "Panda LCD Group")

The following transactions between the Group and the Panda LCD Group (a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the Circular to shareholders dated 22nd June 2012 (the "June 2012 Circular")).

At the special general meeting of shareholders held on 17th July 2012, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	**Annual caps**
(i)	The procurement of the Products (as defined in the June 2012 Circular) by the Group from Panda LCD Group under the Procurement Agreement	US$108,214,000	US$556,800,000

(5) Transaction with Nanjing CEC PANDA Home Appliances Co., Ltd. and its associates (the "Nanjing Panda Group")

Reference is made to the announcement of the Company dated 25th October 2013, the transactions between the Group and the Nanjing Panda Group (a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) contemplated under the Supply Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	**Annual caps**
(i)	The sales to the Nanjing Panda Group by the Group for the supply and delivery of Products under the Supply Agreement (as defined in the announcement dated 25th October 2013)	US$2,583,000	US$4,000,000

Report of the Directors

Connected Transactions (Continued)

(6) Transaction with Philips and its subsidiaries (the "Philips Group")

Upon the completion of the acquisition of Philips' TV business in Europe and certain South America countries through a joint venture ("JV") with Philips on 1st April 2012, Philips has become a substantial shareholder of the JV. Accordingly, the following transactions between the Group and the Philips Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the agreements as shown below:

(a) At the special general meeting of shareholders held on 25th November 2009, the independent shareholders approved the following non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	**Annual caps**
(i)	The sales to the Philips Group by the Group for the supply and delivery of Products (as defined in the circular dated 23rd October 2009) under the Supply Agreement	US$1,550,000	US$2,380,000,000

(b) At the special general meeting of shareholders held on 6th March 2009, the independent shareholders approved the following non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	**Annual caps**
(i)	The trademark fee paid to Philips Group under the Trademark License Agreement dated 9th February 2009 (as defined in the Circular dated 17th February 2009)	US$9,588,000	US$9,900,000

(c) Reference is made to the announcement of the Company dated 29th September 2010, the transactions contemplated under the Trademark License Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	**Annual caps**
(i)	The trademark fee paid to Philips Group under the Trademark License Agreement dated 29th September 2010	US$8,955,000	Nil

Report of the Directors

Connected Transactions (Continued)

(6) Transaction with Philips and its subsidiaries (the "Philips Group") (Continued)

(d) At the special general meeting of shareholders held on 22nd February 2012, the independent shareholders approved the following non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of these continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The trademark license fee payable to Philips Group under the Trademark License Agreement (5 years contracts) (as defined in the circular dated 23rd December 2011)	EUR39,740,433	EUR81,400,000
(ii)	The trademark license fee payable to Philips Group under the Secondary Trademark License Agreement (5 years contracts) (as defined in the circular dated 23rd December 2011)	Nil	EUR1,980,000
(iii)	The receipt of Cost of Organization needed to manage the future CONSUMER CARE for products sold in the past, including possible work for back charging to suppliers paid by Philips (as defined in the circular dated 23rd December 2011)	EUR3,816,666	EUR4,500,000
(iv)	The receipt of rebate of 70% of the 3D patent royalty based on the Intellectual Property Agreement (as defined in the circular dated 23rd December 2011)	Nil	EUR525,000
(v)	The service fees paid to Philips Group for the services provided by Philips include, but not limited to, innovation and design, finance, HR, distribution, sales and marketing, warehousing, purchase, customer care and real estate under the Transitional Services Agreement (as defined in the circular dated 23rd December 2011)	EUR6,798,527	EUR19,320,000
(vi)	The service fee paid to Philips Group for the IT services provided by Philips under the IT Transitional Service Level Agreement (as defined in the circular dated 23rd December 2011)	EUR7,836,697	EUR12,000,000
(vii)	The purchase of remote controls (as defined in the circular dated 23rd December 2011) by the Group from the Philips Electronics Singapore Pte Ltd. under the Remote Control Sale Agreement	Nil	EUR3,300,000
(viii)	The license fee payable to Philips Group related to the access of the NET TV portal, the Smart TV dashboard and to the websites of content service providers under the NET TV License and Services Agreement (as defined in the circular dated 23rd December 2011)	EUR1,233,000	EUR2,900,000

Report of the Directors

Connected Transactions (Continued)

(6) Transaction with Philips and its subsidiaries (the "Philips Group") (Continued)

(d) (Continued)

		Transaction amounts of the continuing connected transactions	Annual caps
(ix)	The sales to the Philips My Shop by TP Vision Netherlands B.V. for the finished goods under the Online Shop and My Shop Agreement (as defined in the circular dated 23rd December 2011)	EUR3,706,319	EUR7,260,000
(x)	The sales to the Philips employee shops by respective TP Vision sales organizations (Total: 7) for the finished goods under the Employee Shop Agreements (as defined in the circular dated 23rd December 2011)	EUR2,102,004	EUR5,280,000
(xi)	The receipt related to the lease by TP Vision Indústria Eletrônica Ltda. of a property of 8,600 sq metres at Manaus to Philips Brazil (as defined in the circular dated 23rd December 2011)	EUR158,411	EUR2,260,000
(xii)	The receipt related to TP Vision Hungary Ltd. providing Philips Hungary various services in relation to tax audits (as defined in the circular dated 23rd December 2011)	EUR(5,257)	EUR100,000

(7) Transaction with Dixtal Biomédica Indústria e Comércio Ltda. ("Dixtal")

On 1st September 2013, the merger between TP Vision Indústria Eletrônica Ltda. and Envision Indústria de Produtos Eletrônicos Ltda. took place and thus the receipt related to lease by TP Vision Indústria Eletrônica Ltda. of a property in Brazil with Dixtal as mentioned above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2013 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The receipt related to lease by TP Vision Indústria Eletrônica Ltda. of a property in Brazil with Dixtal (as defined in the circular dated 23rd December 2011)	EUR144,253	EUR350,000

Report of the Directors

Connected Transactions (Continued)

(8) Argentina Non-TV Transactions

There are two types of continuing transactions between Argentina JV and Philips relating to the non-TV business unit of Argentina JV ("Argentina Non-TV Transactions"), the details of which are set out below:

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

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

Philips has confirmed to the Company that the Argentina Non-TV Transactions are on normal commercial terms.

As disclosed in our circular of 23rd December 2011, on the basis that the economics and results of the non-TV business unit of Argentina JV are for the account of Philips Argentina (and not TP Vision), and that it would be impractical and unduly burdensome for the Company to monitor the continuing transactions between Philips and Argentina JV relating to the non-TV business unit of Argentina JV, the Company has applied to the Exchange for a waiver from compliance with the requirements of Chapter 14A of Listing Rules in relation to the Argentina Non-TV Transactions. A waiver from compliance with the requirements of Chapter 14A of Listing Rules in relation to the Argentina Non-TV Transactions was granted by the Exchange on 13th December 2011.

These continuing connected transactions have been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that the transactions were (i) in the ordinary and usual course of business of the Group; (ii) conducted in accordance with the respective agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) on terms no less favourable than those available to or from independent third parties; and (iv) the aggregate amount of each class of the continuing connected transactions for the financial year ended 31st December 2013 has not exceeded their respective annual caps.

The Company's auditor was 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. The auditor has issued his unqualified letter and reported that in respect of the continuing connected transactions in notes (1) to (7) on pages 21–26:

(a) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

Report of the Directors

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 19th March 2014

Corporate Governance Report

Corporate Governance Practices

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

During the financial year of 2013, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for deviations from code provisions A.2.1, A.4.1 and A.6.7 of the CG Code, the reasons for which are explained below.

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

The Board

The Board is responsible for the leadership and control of the Company, and it oversees the Group's businesses, strategic decisions and performance. The Board has delegated authority and functions for managing the Group's day-to-day business to its management. In addition, the Board has delegated various functions to Board committees. Further details of these committees are set out in this report.

The Company enables the directors, upon reasonable request and in appropriate circumstances, to seek independent professional advice at the Company's expense. The Board shall resolve to provide separate appropriate independent professional advice to the directors, in order to assist them in discharging their duties.

The Company has arranged for appropriate liability insurance to indemnify directors for liabilities arising from their corporate activities. This insurance coverage is reviewed on an annual basis.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr Hsuan, Jason currently holds the offices of chairman and chief executive officer of the Company. The Board believes that vesting the roles of both positions in Dr Hsuan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of the management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. It includes:

— Having a majority of non-executive directors and independent non-executive directors on the Board;

— Having an Audit Committee consisting solely of independent non-executive directors;

— Having a majority of independent non-executive directors on the Remuneration Committee and Nomination Committee; and

— Ensuring that independent non-executive directors have free and direct access to the Company's management, internal audit division, external auditors and independent professional advisers, whenever it is considered necessary.

The Board believes that these measures will ensure that independent non-executive directors continue to monitor the Group's management and review and provide recommendations on key issues relating to strategy, risk and integrity in an efficient manner. The Board continuously reviews the effectiveness of the Group's corporate governance structure, in order to assess whether any changes, including the separation of the roles of chairman and chief executive officer, are necessary.

Corporate Governance Report

The Board (Continued)

Re-election of Directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The Company's non-executive directors are not appointed for a specific term. However, one-third of all the directors of the Company for the time being are subject to retirement by rotation at each annual general meeting, pursuant to bye-law 99 of the Bye-laws of the Company. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

Board Composition

During the year and up to the date of this report, the Board consisted of one executive director, namely Dr Hsuan, Jason (Chairman), five non-executive directors, namely Mr Liu Liehong, Ms Wu Qun, Mr Du Heping, Dr Li Jun (appointed on 16th March 2014), Mr Jun Nakagome and Mr Lu Ming (resigned on 16th March 2014), and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung. Independent non-executive directors constitute one-third of the Board and non-executive directors constitute more than half of the board.

Brief biographical particulars of the directors, together with information regarding the relationship among them, are set out in the Report of the Directors. Their mix of professional skills and experience is an important element in the proper functioning of the Board in ensuring a high standard of objective debate and overall input in the decision-making process.

Apart from annual confirmations of independence, which were made by the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, the Company also received quarterly confirmations of independence from these directors. The Board assessed the independence of the independent non-executive directors, and considered that all of them are independent within the definition of the Listing Rules.

Responsibilities of Directors

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. Apart from attending the schedule meetings which were fixed before the beginning of 2013, all Directors used their best endeavours to attend ad-hoc meetings, even on short notice, or participate by audio and video link.

Corporate Governance Report

Responsibilities of Directors (Continued)

The Board holds four regular meetings a year, at quarterly intervals, and it also meets as and when required in between them. The dates of the regular meetings are scheduled during the preceding year, in order to give all the directors sufficient notice to allow them to attend. The Board held nine meetings during 2013. The attendance of individual directors at these meetings is as follows:

Name of director	Attendances/Number of Board meetings held during the director's term of office in 2013
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	9/9
Non-executive Directors	
Mr Liu Liehong	5/9
Ms Wu Qun	6/9
Mr Du Heping	8/9
Mr Jun Nakagome	9/9
Mr Lu Ming (resigned on 16th March 2014)	8/9
Independent Non-executive Directors	
Mr Chan Boon Teong	9/9
Dr Ku Chia-Tai	9/9
Mr Wong Chi Keung	9/9

Note: Mr Liu Liehong, Ms Wu Qun, Mr Du Heping and Mr Lu Ming abstained from attending one board meeting to avoid possible conflicts of interest.

The company secretary keep the minutes of Board meetings for inspection by the directors.

The independent non-executive directors take an active role in Board meetings, and they make sound judgments on issues of strategy, policy, performance, accountability, resources and standards of conduct. They take the lead when potential conflicts of interest arise. They are also core members of the Company's Board committees.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code.

Directors' Continuing Professional Development Programme

Each newly appointed director is enabled to have a proper understanding of the operations and businesses of the Group and full awareness of his or her responsibilities and ongoing obligation under the Listing Rules, applicable legal requirements, and other regulatory requirements, as well as the Company's corporate governance policies. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company has arranged a 10-day site visit in Europe in April 2013 for the directors to understand our operations in Europe markets.

Corporate Governance Report

Directors' Continuing Professional Development Programme (Continued)

According to the records provided by the directors, a summary of training received by the directors during 2013 is as follows:

Name of director	Type of continuous professional development programmes Site visit in Europe	Reading materials relevant to the director's duties & responsibilities
Executive Director		
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	√	√
Non-executive Directors		
Mr Liu Liehong	√	√
Ms Wu Qun	√	√
Mr Du Heping	√	√
Mr Jun Nakagome	√	√
Mr Lu Ming (resigned on 16th March 2014)	√	√
Independent Non-executive Directors		
Mr Chan Boon Teong	√	√
Dr Ku Chia-Tai	√	√
Mr Wong Chi Keung	√	√

Model Code for Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by directors of the Company (the "Internal Rules"), the terms of which no less exacting than the required standards set out in the Model Code in the Listing Rules.

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the year ended 31st December 2013.

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

Delegation by the Board

The day-to-day management of the Company is delegated to its management; and its division heads are responsible for various aspects of the business.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly results, interim and annual reports and announcements for the Board's approval prior to publication, execution of the business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

Corporate Governance Report

Supply of and Access to Information

The chairman and chief executive officer periodically present the Group's updated strategies and objectives at Board meetings, to ensure that all directors are aware of the targets the Group has achieved.

The management is obliged to supply the Board and its committees with adequate information in a timely manner, so as to enable them to make informed decisions. If any director requires more information than is supplied by the management, he or she will have separate and independent access to the company secretary and management in order to make further enquires, if necessary.

All directors are entitled to access to Board papers, minutes and relevant materials.

Accountability and Audit

The directors acknowledge their responsibility for preparing the financial statements of the Company.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the directors continued to adopt the going concern approach in preparing the financial statements of the Company.

Since June 2000, the Company has been publishing its financial results on a quarterly basis to enhance transparency about its performance and to give details about the latest developments within the Group.

During the year, directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 43 to 44.

Board Committees

The Board has appointed five committees including the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Information Disclosure Committee, to discharge the Board functions. Sufficient resources are provided to enable the Board committees to undertake their specific roles. The respective role, responsibilities and activities of each Board committee are set out below:

Audit Committee

The Company has established the Audit Committee with specific written terms of reference that are in line with the relevant provisions of the CG Code. The terms of reference of the Audit Committee adopted by the Board are published on the websites of the Company, the Exchange and Singapore Exchange Ltd. ("SGX").

The Audit Committee is responsible for providing the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Corporate Governance Report

Audit Committee (Continued)

All members of the Audit Committee are independent non-executive directors. Between them, they possess a wealth of management experience in the financial, accounting, commercial, industrial, real-estate and telecommunication sectors. The Committee is chaired by Mr Chan Boon Teong, and its other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. Mr Wong Chi Keung is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. The Committee held six meetings in 2013. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Mr Chan Boon Teong *(chairman of the Audit Committee)*	6/6
Dr Ku Chia-Tai	6/6
Mr Wong Chi Keung	6/6

The work performed by the Audit Committee during the year included:

— Reviewing and revising its terms of reference to conform to the CG Code;

— Reviewing and recommending the annual financial statements for the year ended 31st December 2013;

— Reviewing and recommending the interim financial statements for the six months ended 30th June 2013;

— Reviewing and recommending the quarterly results;

— Reviewing the accounting policies adopted by the Group;

— Monitoring and analyzing connected transactions entered into by the Group during the year;

— Reviewing and approving internal audit reports and the system of internal control, and discussing these subjects with the management;

— Reviewing and approving the internal audit plan for 2014;

— Reviewing and recommending the appointment of external auditors as well as assessing their independence;

— Reviewing the engagement of external auditors to provide non-audit services with reference to the Group's policies;

— Monitoring any possible areas of fraud and illegal risk;

— Reviewing, investigating and taking appropriate follow-up actions of the reports and concerns raised by employees through the whistle-blowing system; and

— Having meetings with external auditors to discuss new corporate governance requirements.

The minutes of Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of Audit Committee meetings are sent to all its members for their comment and records, respectively.

Corporate Governance Report

Audit Committee (Continued)

The Audit Committee regularly meets the external auditors to discuss any areas of concern regarding the audit and review. It reviews the quarterly, interim and annual results before these are submitted to the Board. In reviewing the Group's financial results, the Committee focuses not only on the impact of changes in accounting policies and practices, but also on compliance with accounting standards, Listing Rules and legal requirements.

The Board agreed with the Audit Committee's proposal to re-appoint PricewaterhouseCoopers as the Company's external auditor for the year 2014. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 22nd May 2014.

The Company provides the Audit Committee with sufficient resources, including the advice of the external auditors and internal auditors at the Company's expense, to enable it to discharge its duties.

Auditors' Remuneration

During the year under review, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, was as follows:

Services rendered	**Fee paid/payable US$'000**
Audit service	3,951
Non-audit services	
— Tax compliance	440
— Tax consulting	308
— Other	32
	4,731

Auditors' remuneration disclosed in Note 8 to the financial statements include the amounts payable to PricewaterhouseCoopers and other subsidiaries' auditors.

Nomination Committee

The Company has established a nomination committee with specific written terms of reference that are in line with the relevant provisions of the CG Code. The terms of reference of the Nomination Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

The appointment and removal of directors should be reviewed by the nomination committee and then approved by the Board. Also, all the new directors are subject to election by the shareholders at the next annual general meeting, pursuant to bye-law 102(B) of the Bye-laws of the Company.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board of the Company and succession planning for the Directors.

It is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company, the other members include Ms Wu Qun, a non-executive director of the Company and Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung, all of whom are independent non-executive directors of the Company.

Corporate Governance Report

Nomination Committee (Continued)

The Nomination Committee shall meet as and when required, but in any event at least once per year. The Nomination Committee has the right to seek any independent professional advice, where necessary, at the Company's expense, to perform its responsibilities.

The Nomination Committee held two meetings during 2013. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Nomination Committee)*	2/2
Ms Wu Qun	2/2
Mr Chan Boon Teong	2/2
Dr Ku Chia-Tai	1/2
Mr Wong Chi Keung	2/2

During the year, the Nomination Committee has (i) reviewed the current structure and composition of the Board; and (ii) reviewed and recommended the Board Diversity Policy.

Subsequent to the financial year ended 31st December 2013 and up to the date of this report, a meeting of Nomination Committee was held on 16th March 2014 to assess the independence of Independent Non-Executive Director and review the re-appointment of Ms Wu Qun, Mr Du Heping, Mr Wong Chi Keung and Dr Li Jun as directors of the Company at the Annual General Meeting, and the appointment of Dr Li Jun as a non-executive director of the Company.

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of services. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee has set measurable objectives based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service to implement the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises nine directors. Three of them are independent non-executive directors, thereby promoting critical review and control of the management process. New directors of the Company will be appointed by the Board. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

Corporate Governance Report

Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference that are in line with the relevant provisions of the CG Code. The terms of reference of the Remuneration Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

The Remuneration Committee determines, with delegated responsibility, the remuneration packages of individual executive director and senior management with reference to their performance.

It is chaired by Mr Chan Boon Teong, an independent non-executive director who also serves as chairman of the Audit Committee. The other members include Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Dr Hsuan, Jason, the chairman and chief executive officer of the Company and Dr Li Jun (who was appointed on 16th March 2014), a non-executive director of the Company. The Remuneration Committee held two meetings during 2013. The attendance of individual members at Remuneration Committee meetings is as follows:

Name of director	Number of attendances
Mr Chan Boon Teong *(chairman of the Remuneration Committee)*	2/2
Dr Ku Chia-Tai	2/2
Mr Wong Chi Keung	2/2
Dr Hsuan, Jason	2/2
Mr Lu Ming (resigned on 16th March 2014)	2/2

During its meetings, the Remuneration Committee discussed and reviewed the remuneration policy and structure regarding the senior management and other employees of the Group in 2013 and the remuneration budget for 2014. The Remuneration Committee also reviewed and approved the remuneration packages of individual executive director and senior management with reference to their performance. To avoid conflicts of interest, the directors' fees of independent non-executive directors were discussed and approved by the Board and the independent non-executive directors have abstained from voting in this regard.

The remuneration of directors is determined in part by reference to the prevailing market conditions and their work load as directors and members of the Board committees of the Company.

Details of the directors' and senior management's emoluments are set out in Note 9 to the consolidated financial statements; and details of the Option Scheme and the director's interest in share options are set out in the Report of the Directors.

The Remuneration Committee has the right to seek any information it considers necessary to fulfill its duties, including the right to obtain appropriate external advice at the Company's expense. The Company provides the Remuneration Committee with sufficient resources to discharge its duties.

Investment Committee

The Company has established the Investment Committee with specific written terms of reference. The terms of reference of the Investment Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

The Investment Committee is responsible for reviewing the investment evaluation policies, evaluating investment proposals and making recommendations to the Board. It also reviews and reports to the Board the performance, forecast and business plan of the investments on a regular basis.

Corporate Governance Report

Investment Committee (Continued)

It is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company, the other members include Ms Wu Qun, Dr Li Jun (who was appointed on 16th March 2014) and Mr Jun Nakagome, all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

The Investment Committee shall meet as and when required, but in any event at least quarterly. The Investment Committee held four meetings during 2013. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Investment Committee)*	3/4
Ms Wu Qun	4/4
Mr Jun Nakagome	4/4
Mr Chan Boon Teong	4/4
Mr Lu Ming (resigned on 16th March 2014)	4/4

During the year, the Investment Committee has (i) reviewed the performance and forecast of certain joint ventures and factories; and (ii) reviewed and approved or made recommendations on investment proposals.

Information Disclosure Committee

The Company has established the Information Disclosure Committee on 21st March 2013 with specific written terms of reference.

The Information Disclosure Committee is responsible for reviewing any information which may give rise to disclosure obligations and making recommendations on disclosure decision to the Board of the Company or make any disclosure decision as delegated by the Board.

The Company has put in place a robust framework for the disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow the shareholders, customers, staff and other stakeholders to apprehend the latest position of the Company and its subsidiaries. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

It is chaired by Dr Jason Hsuan, the chairman and chief executive officer of the Company and the other members include Mr Du Heping and Mr Jun Nakagome, both of them are non-executive directors of the Company, Mr Chan Boon Teong, an independent non-executive director of the Company (Mr Wong Chi Keung is an alternate member of Mr Chan Boon Teong) and Mr Shane Tyau, the vice president and chief financial officer of the Company.

The Information Disclosure Committee held two meetings in 2013. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Information Disclosure Committee)*	2/2
Mr Du Heping	2/2
Mr Jun Nakagome	2/2
Mr Chan Boon Teong	2/2
Mr Shane Tyau	2/2

During the year, the Information Disclosure Committee has (i) reviewed the Company's policies and practices on information disclosure; and (ii) considered, reviewed and made decision on disclosure or non-disclosure of any information which give rise to disclosure obligations, including inside information.

Corporate Governance Report

Internal Control

The Board has overall responsibility for the Group's internal control system, and for reviewing its effectiveness. The Board is committed to implement an effective and efficient internal control system to safeguard the interests of shareholders and the Group's assets against unauthorised use and disposition, to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and to ensure compliance with applicable laws and regulations. The system of internal controls provides reasonable but not absolute assurance against material errors, losses or frauds. It has been implemented in accordance with an integrated internal control framework established by the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework. Under the framework, the management is responsible for the design, implementation, and maintenance of internal controls, while the Board reviews the effectiveness of the Group's system of internal controls on an ongoing basis through the Group Internal Audit Department.

During the year ended 31st December 2013, the Board and the Audit Committee has reviewed the effectiveness of the Group's internal control system. This covered all material controls, including financial, operational and compliance controls, and risk management functions. The review was conducted in compliance with the CG Code.

Internal Audit

The Head of the Group Internal Audit Department reports directly to the Audit Committee and the chairman and chief executive officer, and has direct access to the Board through the chairman of the Audit Committee.

The Group Internal Audit Department carries out audits in accordance with a risk-based audit plan that is reviewed and approved by the Audit Committee. Internal audits are conducted once a year for significant business units and on a rotation basis for other business units. The quarterly internal audit reports are submitted to the Audit Committee for review and approval.

During 2013, the Group Internal Audit Department conducted audits and issued internal audit reports to management covering various operational and finance functions of the Group. The quarterly internal audit reports and audit findings prepared by the Group Internal Audit Department were also reported to the Audit Committee and the chairman and chief executive officer on a quarterly basis. Relevant recommendations reported by the Group Internal Audit Department are implemented by the management to enhance the Group's internal control policies, procedures and practices further.

The Group Internal Audit Department also plays a vital role in the reporting channel of the whistle-blowing system and takes appropriate follow-up actions as instructed by the Audit Committee.

Company Secretary

Ms Lee Wa Ying was appointed as Company Secretary of the Company. The Company Secretary reports to the Chairman on governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among directors as well as with shareholders and management. She is also responsible for the professional development of directors. All directors have access to the advice and assistance of the Company Secretary in respect to their duties and any board governance matters. Ms Lee has confirmed that for the year under review, she has taken more than 15 hours of relevant professional training.

Voting by Poll

Since May 2005, the chairman of general meetings has voluntarily required poll voting for all resolutions put to those meetings. Separate resolutions on each substantially separate issue, including the election of individual directors, are proposed at general meetings.

Corporate Governance Report

Voting by Poll (Continued)

Details of the poll voting procedures and the rights of shareholders to demand a poll at general meetings are included in the circular to shareholders despatched together with the Company's annual report. The circular also contains relevant details of resolutions, including an explanatory statement in relation to the general mandate for the repurchase of shares and the biographies of retiring directors who are standing for re-election at annual general meetings.

The poll results are scrutinized by the Company's share registrar and published on the websites of the Company, the Exchange and SGX.

General Meetings with Shareholders

The Company's general meetings provides a useful platform for direct communication between the Board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The Company holds two general meetings during 2013. The 2013 annual general meeting ("2013 AGM") was held on 23rd May 2013 and the special general meeting ("SGM") was held on 28th January 2013. The Company's external auditor has attended the 2013 AGM. The attendance of individual directors at these meetings is as follows:

	Attendance at general meetings/ Number of general meeting held during the director's term of office in 2013	
Name of director	**2013 AGM**	**SGM**
Executive Director		
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	1/1	1/1
Non-executive Directors		
Mr Liu Liehong	1/1	0/1
Ms Wu Qun	1/1	0/1
Mr Du Heping	1/1	0/1
Mr Jun Nakagome	1/1	1/1
Mr Lu Ming (resigned on 16th March 2014)	1/1	0/1
Independent Non-executive Directors		
Mr Chan Boon Teong	1/1	0/1
Dr Ku Chia-Tai	1/1	1/1
Mr Wong Chi Keung	1/1	1/1

Code provision A.6.7 stipulates that non-executive directors should attend general meetings of the Company. Due to other business engagement, some of the directors cannot attend the SGM mentioned above.

Corporate Governance Report

Shareholders' Right

Convening a Special General Meeting

Pursuant to the bye-law 62 of the Bye-laws of the Company, a special general meeting may be convened by the Board upon requisition by any shareholder of the Company which as at the date of the deposit carries the right of voting at any general meeting of the Company. The shareholder shall make a written requisition to the Board of the Company at the Company's address below, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the special general meeting to be held within a further 21 days, the shareholder shall do so pursuant to the provision of Section 74(3) of the Companies Act of Bermuda.

Procedures for Putting Forward Proposals at General Meetings

Any shareholder who wish to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 7 days prior to the date of a general meeting through the Company Secretary whose contact details are set out below.

If a shareholder, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating shareholder) to stand for election as a Director, he or she should give to the secretary of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected, no earlier than the day after the dispatch of the notice of the relevant general meeting and no later than 7 days prior to the date appointed for the relevant general meeting. Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

Enquiries to the Board

Shareholders may send their enquiries to the Board of the Company in writing to the following address of the Company or by facsimile number or by access to the Company's website by clicking "Contact Us" on the homepage of the Company's website. The relevant address and facsimile number are as follows:

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

Fax: (852) 2546 8884

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or Board committees of the Company, where appropriate, to answer the shareholders' question.

Corporate Governance Report

Investor Relations

Communication with Shareholders and Investors

The Company gives high priority in ensuring our shareholders are provided with timely and equal access to accurate, complete and balanced information of the Company. The Board shall maintain open communications with shareholders and will regularly review its shareholders' communication policy to ensure its effectiveness.

The Company uses a number of formal communication channels to account for its performance to its shareholders, including annual reports and interim reports, quarterly results announcements, annual general meeting and video conferencing.

The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds presentations, road shows and conference calls for the international investment community from time to time.

Detailed information about the Company, including all information released by the Company to the Exchange, press releases, presentation materials on financial results, general corporate information and information of our board members and senior management are also posted on the Company's website.

Constitutional Documents

There was no change to the Company's Memorandum of Association and Bye-laws during the financial year 2013. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company, the Exchange and SGX.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF TPV TECHNOLOGY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 150, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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 31st 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th March 2014

Consolidated Income Statement

For the year ended 31st December 2013

	Note	2013 US$'000	2012 US$'000 (Restated — Note 2.1)
Revenue	5	**11,972,698**	11,974,836
Cost of sales		**(11,112,513)**	(11,075,906)
Gross profit		**860,185**	898,930
Other income	6	**137,976**	239,465
Other gains, net	7	**71,515**	15,629
Selling and distribution expenses		**(572,913)**	(495,381)
Administrative expenses		**(232,458)**	(206,855)
Research and development expenses		**(262,785)**	(283,550)
Operating profit	8	**1,520**	168,238
Finance income	10	**3,221**	4,423
Finance costs	10	**(97,111)**	(62,013)
Finance costs, net	10	**(93,890)**	(57,590)
Share of profits/(losses) of:			
Associates	20	**6,360**	6,203
Joint ventures	21	**(458)**	(1,570)
(Loss)/profit before income tax		**(86,468)**	115,281
Income tax expense	11	**(54,121)**	(31,194)
(Loss)/profit for the year		**(140,589)**	84,087
(Loss)/profit attributable to:			
Owners of the Company		**(47,246)**	112,408
Non-controlling interests		**(93,343)**	(28,321)
		(140,589)	84,087
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic	13	**(US2.01 cents)**	US4.79 cents
— Diluted	13	**(US2.01 cents)**	US4.79 cents
Dividends	14	**3,002**	33,542

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2013

	2013 US$'000	2012 US$'000 (Restated — Note 2.1)
(Loss)/profit for the year	**(140,589)**	84,087
Other comprehensive income/(loss), net of tax		
Items that may be reclassified to profit or loss		
Transfer to profit and loss on impairment of available-for-sale financial assets	**1,336**	—
Fair value gains on available-for-sales financial assets	**—**	407
Revaluation gain on property, plant and equipment, net of tax (Note 18(a))	**30,150**	—
Currency translation differences	**(72,889)**	(32,880)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of pension obligations, net of tax	**840**	(1,591)
Other comprehensive loss for the year, net of tax	**(40,563)**	(34,064)
Total comprehensive (loss)/income for the year	**(181,152)**	50,023
Attributable to:		
— Owners of the Company	**(86,192)**	80,315
— Non-controlling interests	**(94,960)**	(30,292)
	(181,152)	50,023

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31st December **2013** **US$'000**	2012 US$'000 (Restated — Note 2.1)	As at 1st January 2012 US$'000 (Restated — Note 2.1)
Assets				
Non-current assets				
Intangible assets	15	**531,131**	604,089	438,834
Property, plant and equipment	16	**655,102**	681,569	511,832
Land use rights	17	**63,091**	74,002	27,068
Investment properties	18	**101,019**	38,178	38,127
Investments in associates	20	**57,849**	36,787	31,470
Investments in joint ventures	21	**1,353**	1,781	9,764
Derivative financial instruments	35	**11,753**	2,839	—
Available-for-sale financial assets	22	**3,906**	1,158	734
Deferred income tax assets	31	**70,586**	67,448	21,079
Prepayments and other assets	24	**162,279**	56,814	14,705
		1,658,069	1,564,665	1,093,613
Current assets				
Inventories	23	**1,324,365**	1,455,949	1,010,323
Trade receivables	24	**2,250,740**	2,319,426	2,398,527
Deposits, prepayments and other receivables	24	**585,987**	574,223	398,871
Available-for-sale financial assets	22	**1,652**	—	—
Financial assets at fair value through profit or loss	25	**3,155**	4,153	5,855
Current income tax recoverable		**20,902**	15,635	3,128
Derivative financial instruments	35	**43,673**	12,713	35,840
Pledged bank deposits	26	**5,591**	3,865	7,209
Cash and bank balances	26	**364,560**	497,871	303,337
		4,600,625	4,883,835	4,163,090
Total assets		**6,258,694**	6,448,500	5,256,703
Equity				
Equity attributable to owners of the Company				
Share capital	27	**23,456**	23,456	23,456
Other reserves	29	**1,740,668**	1,828,690	1,784,511
Dividends	14 & 29	**3,002**	22,753	21,345
		1,767,126	1,874,899	1,829,312
Non-controlling interests		**(69,096)**	22,225	(3,234)
Total equity		**1,698,030**	1,897,124	1,826,078

Consolidated Balance Sheet (Continued)

		As at 31st December		As at 1st January
	Note	**2013**	2012	2012
		US$'000	US$'000 (Restated — Note 2.1)	US$'000 (Restated — Note 2.1)
Liabilities				
Non-current liabilities				
Borrowings and loans	30	**205,827**	279,485	78,163
Deferred income tax liabilities	31	**23,943**	11,890	9,778
Pension obligations	32	**16,297**	19,210	7,380
Other payables and accruals	33	**147,136**	223,452	41,347
Derivative financial instruments	35	**13,114**	28	—
Provisions	34	**3,632**	1,585	—
		409,949	535,650	136,668
Current liabilities				
Trade payables	33	**2,370,521**	2,370,845	2,034,840
Other payables and accruals	33	**1,227,237**	1,269,594	787,471
Current income tax liabilities		**40,599**	35,699	13,471
Provisions	34	**125,679**	133,347	71,325
Derivative financial instruments	35	**68,710**	63,374	24,850
Borrowings and loans	30	**317,969**	142,867	362,000
		4,150,715	4,015,726	3,293,957
Total liabilities		**4,560,664**	4,551,376	3,430,625
Total equity and liabilities		**6,258,694**	6,448,500	5,256,703
Net current assets		**449,910**	868,109	869,133
Total assets less current liabilities		**2,107,979**	2,432,774	1,962,746

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 19th March 2014 and were signed on its behalf.

Dr Hsuan, Jason
Director

Ms Wu Qun
Director

Balance Sheet

As at 31st December 2013

	Note	2013 US$'000	2012 US$'000
Assets			
Non-current assets			
Intangible assets	15	**—**	53
Investments in subsidiary and amounts due from subsidiaries	19	**918,399**	917,230
		918,399	917,283
Current assets			
Amounts due from subsidiary	19	**93,241**	89,479
Cash and bank balances	26	**271**	413
		93,512	89,892
Total assets		**1,011,911**	1,007,175
Equity			
Equity attributable to owners of the Company			
Share capital	27	**23,456**	23,456
Other reserves	29	**899,464**	878,378
Dividends	14 & 29	**3,002**	22,753
		925,922	924,587
Liabilities			
Non-current liabilities			
Borrowings and loans	30	**—**	79,549
Current liabilities			
Other payables and accruals	33	**3,484**	3,039
Borrowings and loans	30	**82,505**	—
		85,989	3,039
Total liabilities		**85,989**	82,588
Total equity and liabilities		**1,101,911**	1,007,175
Net current assets		**7,523**	86,853
Total assets less current liabilities		**925,922**	1,004,136

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 19th March 2014 and were signed on its behalf.

Dr Hsuan, Jason
Director

Ms Wu Qun
Director

Consolidated Statement of Changes In Equity

For the year ended 31st December 2013

	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Non-Controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2012 (previously stated)	23,456	1,807,219	(3,234)	1,827,441
Adoption of HKAS 19 (revised) (Note 2.1)	—	(1,363)	—	(1,363)
Balance as at 1st January 2012 (restated)	23,456	1,805,856	(3,234)	1,826,078
Comprehensive income/(loss)				
Profit/(loss) for the year (restated)	—	112,408	(28,321)	84,087
Other comprehensive income/(loss), net of tax, for the year				
Fair value gains on available-for-sale financial assets	—	407	—	407
Remeasurement of pension obligations	—	(1,538)	(53)	(1,591)
Currency translation differences				
— Group	—	(31,384)	(1,918)	(33,302)
— Associates and joint ventures	—	422	—	422
Other comprehensive loss for the year (restated)	—	(32,093)	(1,971)	(34,064)
Total comprehensive income/(loss) for the year (restated)	—	80,315	(30,292)	50,023
Transactions with owners in their capacity as owners				
Employee share option scheme:				
— Employee share-based compensation benefits	—	2,475	—	2,475
Non-controlling interests arising on business combination	—	—	17,660	17,660
Capital contribution from non-controlling interests	—	—	38,091	38,091
Redemption liability for written put option over shares in a subsidiary	—	(5,069)	—	(5,069)
2011 final and 2012 interim dividends paid	—	(32,134)	—	(32,134)
Total transaction with owners	—	(34,728)	55,751	21,023
Balance as at 31st December 2012 (restated)	23,456	1,851,443	22,225	1,897,124

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31st December 2013

	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Non-Controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2013 (previously stated)	23,456	1,853,677	22,014	1,899,147
Adoption of HKAS 19 (revised) (Note 2.1)	—	(2,234)	211	(2,023)
Balance as at 1st January 2013 (restated)	23,456	1,851,443	22,225	1,897,124
Comprehensive income/(loss)				
Loss for the year	—	(47,246)	(93,343)	(140,589)
Other comprehensive income/(loss), net of tax, for the year				
Fair value gains on property, plant and equipment (Note 18(a))	—	30,150	—	30,150
Transfer to profit and loss on impairment of available-for-sale financial assets	—	1,336	—	1,336
Remeasurement of pension obligations	—	840	—	840
Currency translation differences				
— Group	—	(72,429)	(1,617)	(74,046)
— Associates and joint ventures	—	1,157	—	1,157
Other comprehensive loss for the year, net of tax	—	(38,946)	(1,617)	(40,563)
Total comprehensive loss for the year	—	(86,192)	(94,960)	(181,152)
Transactions with owners in their capacity as owners				
Employee share option scheme:				
— Employee share-based compensation benefits	—	1,172	—	1,172
Capital contribution from non-controlling interest	—	—	3,639	3,639
2012 final dividends paid	—	(22,753)	—	(22,753)
Total transactions with owners	—	(21,581)	3,639	(17,942)
Balance as at 31st December 2013	23,456	1,743,670	(69,096)	1,698,030

Consolidated Statement of Cash Flows

For the year ended 31st December 2013

	Note	**2013 US$'000**	2012 US$'000
Cash flows from operating activities			
Net cash generated from operations	37	**139,878**	677,913
Interest paid		**(41,120)**	(27,903)
Income tax paid		**(53,910)**	(65,730)
Net cash generated from operating activities		**44,848**	584,280
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment and land use rights		**39,221**	69,517
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	2,341
Purchase of property, plant and equipment		**(170,386)**	(148,131)
Purchase of land use rights		**—**	(37,144)
Net purchase of available-for-sale financial assets		**(3,802)**	—
Purchase of financial assets at fair value through profit and loss		**(114)**	—
Purchase of intangible assets		**(17,743)**	(9,500)
Deposits for purchase of property, plant and equipment and land use rights		**—**	(959)
Deposit for investment in joint venture		**(4,624)**	—
Interest received		**3,221**	4,423
Investments in associates		**(13,689)**	—
Net cash (paid for)/acquired from business combination		**(4,119)**	2,495
Payable to Philips for net operating capital contributed		**—**	(306,184)
Dividends received from an associate		**114**	1,843
Net cash used in investing activities		**(171,921)**	(421,299)
Cash flows from financing activities			
Inception of subordinated loans		**—**	201,585
Net inception/(repayments) of borrowings and loans		**97,357**	(219,133)
Net (repayments)/proceeds under discounting arrangements		**(82,456)**	43,590
Net payments for derivative financial instruments — interest rate swap		**—**	1,000
Pledged bank deposits		**(1,726)**	3,344
Dividends paid to owners of the Company		**(22,753)**	(32,134)
Contribution to a subsidiary from its non-controlling interests		**3,639**	38,091
Net cash (used in)/generated from financing activities		**(5,939)**	36,343
Net (decrease)/increase in cash and bank balances		**(133,012)**	199,324
Cash and bank balances at beginning of the year		**497,871**	303,337
Currency translation difference		**(299)**	(4,790)
Cash and bank balances at end of the year		**364,560**	497,871

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell computer monitors and flat TV products. The Group manufactures mainly in the People's Republic of China (the "PRC"), Europe and Latin America and sells to Europe, the PRC, North and South America, Asian countries and the rest of the world.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Exchange") and secondary listing on Singapore Exchange.

These financial statements are presented in US dollars, unless otherwise stated. These financial statements have been approved for issue by the board of directors on 19th March 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit and loss (including derivative financial instruments), contingent consideration payable, redemption liability for written put option over shares in a subsidiary and investment properties, which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

For the year ended 31st December 2013, the Group's loss for the year amounted to US$141 million, which was primarily contributed by TP Vision — TV segment. The Group's core monitors and TV segments continued to contribute adjusted operating profit of US$234 million (Note 5) to the Group whilst TP Vision — TV segment incurred an adjusted operating loss of US$233 million (Note 5). After taking into account of the Group's budget and cash flow forecast, as well as the available banking facilities, the directors conclude there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and to meet its financial obligations as and when required. Therefore the directors consider the use of the going concern assumption in preparing the financial statements for the year ended 31st December 2013 as appropriate.

Other gains and losses are now presented net on the face of the consolidated income statement in 'other gains, net' with an analysis of the gross gains and losses provided in the notes. This change reflects management's preference on the presentation of the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2013 and currently relevant to the Group.

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group assessed the adoption of this standard and concluded that it did not result in any changes in the consolidated status of its subsidiaries.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group assessed the adoption of this standard and concluded that it did not have a significant impact on the Group's results and financial position except that certain new disclosures are introduced.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The adoption of this standard did not have an impact on the Group except that certain new disclosures are introduced.

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group has adopted this standard, which additional disclosures required in respect of fair value measurements are introduced. The adoption of this standard has no significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

Amendment to HKAS 1, 'Financial statement presentation', includes changes in presentation of other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' ("OCI") on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The Group has categorized 'Transfer to profit or loss on impairment of available-for-sale financial assets', 'Fair value gains on available-for-sale financial assets', 'Revaluation gain on property, plant, and equipment' and 'Currency translation differences' under 'Items that may be reclassified to profit or loss', while 'Remeasurement of pension obligations' under 'Items that will not be reclassified subsequently to profit or loss' in the statement of comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New standards and amendments to standards adopted by the Group (Continued)

HKAS 19 (revised), 'Employee benefits', introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The changes include: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group has applied the standard retrospectively. The adoption of this standard leads to the following changes on the Group's consolidated financial statements as previously reported:

— Increase in 'selling and distribution expenses' in consolidated income statement for the year ended 31st December 2012 by US$703,000.

— Decrease in other comprehensive income for the year ended 31st December 2012 by US$1,363,000.

— Increase in pension obligations as at 1st January 2012 and 31st December 2012 by US$1,363,000 and US$2,023,000 respectively.

— Decrease in retained earnings as at 1st January 2012 and 31st December 2012 by US$1,363,000 and US$2,234,000 respectively.

— Increase in non-controlling interest as at 1st January 2012 and 31st December 2012 by Nil and US$211,000 respectively.

Amendment to HKAS 36, 'Impairment of assets', addresses the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amount of cash-generating units ("CGUs") which has been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1st January 2014, however the Group has decided to early adopt the amendment as of 1st January 2013.

Amendment to HKFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognized financial assets and liabilities that are offset in the consolidated balance sheet, as well as those recognized financial assets and liabilities that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group has adopted the amendment and the new disclosures are introduced.

There are no other new standards or amendments to standards that are effective for the first time for the financial year beginning on or after 1st January 2013 that are expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards and interpretation that have been issued but not effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretation relevant to the Group have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 9, 'Financial instruments — classification and measurement of financial assets and financial liabilities'	Note
HKFRS 9, 'Financial instruments (Hedge accounting, and amendments to HKFRS 9, HKFRS 7 and HKAS 39)'	Note
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, 'Consolidation for investment entities'	1st January 2014
HKFRS 14, 'Regulatory deferral accounts'	1st January 2016
Amendment to HKAS 19, 'Employee benefits on defined benefit plans'	1st July 2014
Amendment to HKAS 32, 'Financial instruments: Presentation on offsetting financial asset and financial liability'	1st January 2014
Amendment to HKAS 39, 'Financial instruments: Recognition and measurement on novation of derivatives and hedge accounting'	1st January 2014
HK(IFRIC)21, 'Levies'	1st January 2014
Annual improvement to HKFRSs — 2010–2012 cycle	1st July 2014
Annual improvement to HKFRSs — 2011–2013 cycle	1st July 2014

Note: To be announced by HKICPA.

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and interpretation. The directors of the Company will adopt the new standards, amendments to standards and interpretation when they become effective.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized within 'other gains, net' in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-company transactions, balances and unrealized gains/losses are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are those companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in consolidated other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate or joint ventures, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/(loss)' of associates in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain and losses on the dilution of equity interest are recognized in the consolidated income statement.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman and Chief Executive Officer of the Company that makes strategic decisions.

Geographically, the chief operating decision maker, considers separate segments as the PRC, Europe, North and South America, Australia, Africa and others.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the US dollars (US$), which is the Company's functional and the Group's presentation currency.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within 'other gains, net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available-for-sale financial assets are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposal (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease of 30–50 years
Buildings	20 years
Leasehold improvements	20 years
Machinery and equipment	5 to 10 years
Moulds	2 years
Electrical appliances and equipment	3 to 5 years
Transportation equipment	3 to 5 years
Furniture, fixtures and miscellaneous equipment	1 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'other gains, net' in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.8 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.7 above.

2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each financial year end by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'other gains, net'.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives (not more than 15 years).

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

(c) Software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software costs recognized as assets are amortized using the straight-line method over their estimated useful lives of 5 years.

(d) Other intangible assets

Other intangible assets, other than goodwill represent mainly contractual customer relationships. These intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives of not more than 3 years.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are not subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'prepayments and other assets', 'trade receivables', 'deposits, prepayments and other receivables' and 'cash and bank balances' in the consolidated balance sheet (Notes 2.17 and 2.18).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other gains, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement (Continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as 'other gains, net'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

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. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.15 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognized immediately in the consolidated income statement within ‘other gains, net’.

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.18 Cash and bank balances

In the consolidated statement of cash flows, cash and bank balances includes cash in hand, deposits held at call with banks, but excludes pledged bank deposits and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within ‘borrowings and loans’ in current liabilities.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Borrowings and loans

Borrowings and loans are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings and loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

For the investment properties which are carried at fair values, they are held outside Hong Kong with a business model to consume substantially all the economic benefits embodied in the properties over time, rather than through sales. The presumption that investment properties being recovered entirely by sales is rebutted. And the related deferred income tax is measured based on the expected manner of realization.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangement, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangement only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.23 Employee benefits

The Group operates various pension schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans in the PRC, Hong Kong, Taiwan and overseas countries.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in consolidated income statement.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as 'employee benefit expense' when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.23 Employee benefits (Continued)

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

After vesting, when the share options are forfeited before expiry or expire, the amount previously recognized in 'employee share-based compensation reserve' will be transferred to 'retained earnings'.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.24 Share-based payments (Continued)

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.25 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provision for warranties is provided based on management's estimates of the repair costs per unit of product sold in the relevant years and is calculated based on historical experience of the level of repairs and replacements. Actual warranty expenditure is charged against the provision as incurred.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense within 'finance costs, net' in the consolidated income statement.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(a) Sales of goods

Sales of goods are recognized when the risk and rewards of the goods have been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligations that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales return at the time of sale.

(b) Rental income

Operating lease rental income from investment property is recognized in the consolidated income statement on a straight-line basis over the terms of lease.

(c) Brand promotion fee income

Brand promotion fee income is recognized in the consolidated income statement when the promotion and enhancement services are rendered and the amount of fee for the service is approved by the counterparty.

2.27 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

2.28 Government grants

Government grants are subsidies on export of computer monitors and flat TV products and economic assistance on certain projects provided by governments.

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognized within 'other income' in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants and subsidies relating to property, plant and equipment are offset against the costs of the related assets.

2.29 Research and development costs

Research costs are expensed as incurred.

Development costs relating to the design and testing of new or improved products and reassessment of production procedures for cost efficiency purposes are expensed as incurred as the directors consider that the related economic benefits generated from these developments have very limited useful lives and have therefore not been differentiated from research costs.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of significant accounting policies (Continued)

2.30 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.31 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payments made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.32 Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognize liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognized in the consolidated income statement immediately.

2.33 Redemption liability for written put option over shares in a subsidiary

The redemption liability for written put option over shares in a subsidiary is accounted for as financial liabilities. The amount is initially recognized at fair value within 'other payables and accruals' with a corresponding charge directly to equity. Such liability is subsequently measured at fair value with changes in the fair value recognized in the consolidated income statement. In the event that the put option expires and unexercised, the liability is derecognized with a corresponding adjustment to equity.

2.34 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statement and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the board of directors. Group Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Brazilian real and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Moreover, the conversion of Renminbi and Brazilian real into foreign currencies is subject to the rules and regulations of exchange control promulgated by the Chinese and Brazilian governments.

Management has set up a policy requiring Group companies to manage their foreign exchange risk against their functional currencies. Entities in the Group manage the amount of financial assets and liabilities denominated in foreign currencies together with the use of foreign exchange forward contracts and cross currency swaps to manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

As at 31st December 2013, if US dollar had fluctuated by 1 percent against Renminbi with all other variables held constant, post-tax loss/profit for the year would have been affected by US$3,954,000 (2012: US$4,829,000), mainly as a result of foreign exchange gains/losses on translation of either Renminbi denominated or US dollar denominated trade and other receivables, trade and other payables, derivative financial instruments, borrowings and loan and cash and bank balances.

As at 31st December 2013, if US dollars had fluctuated by 5 percent against Euro with all other variables held constant, post-tax loss/profit for the year would have been affected by US$32,313,000 (2012: US$19,318,000), mainly as a result of foreign exchange losses/gains on translation of either Euro denominated or US dollar denominated trade and other receivables, trade and other payables, derivative financial instruments and cash and bank balances.

As at 31st December 2013, if US dollar had fluctuated by 10 percent against Brazilian real with all other variables held constant, post-tax loss/profit for the year would have been affected by US$2,542,000 (2012: US$12,436,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated trade and other receivables, trade and other payables, derivative financial instruments and cash and bank balances.

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group's investments in equity securities classified as available-for-sales or at fair value through profit and loss are exposed to price risk. The Group maintains these equity securities investments for both trading and long-term strategic purposes and the Group's overall exposure to price risk is insignificant.

The Group's investments in equity securities which are publicly traded are listed in Taiwan Stock Exchange and the fair value is determined with reference to quoted market prices. For the Group's investments that are not publicly traded, management exercises their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the reporting date.

As at 31st December 2013 and 2012, the Group's exposure to price risk arising from equity securities classified as financial assets at fair value through profit or loss and available-for-sales financial assets is considered by management as not significant.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets except for cash at bank which earned a low interest. The Group's exposures to changes in interest rates are mainly attributable to its borrowings and loans. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group and the Company to fair value interest rate risk, which arises from the notes issued at a fixed coupon rate of 4.25% per annum in 2011 and due in March 2014. Details of the Group's borrowings and notes payable have been disclosed in Note 30.

The Group also invests in interest rate swaps and cross-currency interest rate swaps which expose the Group to cash flow and interest rate risk. Details of the Group's interest rate swaps and cross-currency interest rate swaps have been disclosed in Note 35.

The Company's amounts due from subsidiaries were interest-free and this exposes the Company to fair value interest rate risk.

As at 31st December 2013, if interest rates on borrowings and loans had been 10 basis points fluctuated with all other variables held constant, the Group's post-tax loss for the year would have been affected by US$241,000 (2012: US$397,000), mainly as a result of fluctuation on interest expenses on floating rate borrowings and loans.

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from derivative financial instruments and cash deposits with banks and financial institutions, as well as credit exposures to customers and debtors, including outstanding trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. The Group also uses trade receivables factoring facilities (with or without recourse) where appropriate to manage the credit risk of its trade debtors. As at 31st December 2013, trade receivables of approximately US$102,638,000 (2012: US$307,858,000) and US$7,986,000 (2012: Nil) were subject to non-recourse and recourse factoring arrangements respectively. An amount of US$5,264,000 (2012: US$33,067,000) is still due from three financial institutions and included in 'deposit, prepayment and other receivables' under non-recourse factoring arrangement; whilst an amount of US$7,986,000 (2012: Nil) was recognized in 'other payables and accruals' under a with-recourse factoring arrangement which receivables covered have not been derecognized.

As at 31st December 2013 and 2012, for cash and bank balances, derivative financial instruments, deposits and debt securities with banks and financial institutions, they are all deposited or traded with financial institutions with high credit ratings.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The table below shows the gross trade receivable balance of the five major customers aggregated on a global basis for companies at the reporting date.

Counterparties	**2013 US$'000**
Customer A	**366,197**
Customer B	**119,315**
Customer C	**103,134**
Customer D	**102,041**
Customer E	**93,299**
	783,986

Counterparties	2012 US$'000
Customer A	311,346
Customer D	115,082
Customer F	102,832
Customer C	70,839
Customer G	58,309
	658,408

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of banking facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all time.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities (Note 30) so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and exchange control.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group holds cash and bank balances of US$364,560,000 (2012: US$497,871,000) (Note 26) and trade receivables of US$2,250,740,000 (2012: US$2,319,426,000) (Note 24) that are expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of US$3,155,000 (2012: US$4,153,000) (Note 25), which could be readily realized to provide a further source of cash if the need arose.

The table below analyzes the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31st December 2013					
Borrowings and loans	**318,042**	**176,503**	**41,301**	**—**	**535,846**
Interest payments on borrowings	**11,099**	**3,537**	**1,515**	**—**	**16,151**
Trade payables	**2,370,521**	**—**	**—**	**—**	**2,370,521**
Other payables and accruals	**1,227,237**	**89,899**	**125,363**	**76,248**	**1,518,747**
Derivative financial instruments	**31,839**	**3,874**	**—**	**—**	**35,713**
At 31st December 2012					
Borrowings and loans	142,867	89,299	205,936	—	438,102
Interest payments on borrowings	11,978	9,124	3,630	—	24,732
Trade payables	2,370,845	—	—	—	2,370,845
Other payables and accruals	1,269,594	102,198	294,387	—	1,666,179
Derivative financial instruments	57,564	28	—	—	57,592

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2013				
Borrowings and loans	**82,578**	**—**	**—**	**82,578**
Interest payments on borrowings	**1,755**	**—**	**—**	**1,755**
Other payables and accruals	**3,484**	**—**	**—**	**3,484**
Financial guarantee contracts (Note)	**3,095,590**	**—**	**—**	**3,095,590**
At 31st December 2012				
Borrowings and loans	—	80,204	—	80,204
Interest payments on borrowings	3,409	1,704	—	5,113
Other payables and accruals	3,039	—	—	3,039
Financial guarantee contracts (Note)	3,496,984	—	—	3,496,984

Note:

These represents financial guarantees from the Company to its subsidiaries, and the amounts presented above represent the hypothetical payment should the guarantees be crystalized.

The table below analyzes the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2013				
Foreign exchange forward contracts				
— Inflow	**4,187,302**	**2,244,420**	**—**	**6,431,722**
— Outflow	**4,185,207**	**2,242,000**	**—**	**6,427,207**
At 31st December 2012				
Foreign exchange forward contracts				
— Inflow	1,097,184	—	—	1,097,184
— Outflow	1,093,384	—	—	1,093,384

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants for maintaining the Group's banking facilities and borrowings, the Group is not subject to any externally imposed capital requirements. The Group complied with the financial covenants attached to borrowings and loans as at 31st December 2013.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets. Total debt is calculated as total borrowings and loans (including 'current and non-current borrowings and loans' as shown in the consolidated balance sheet), and payable under discounting arrangement. Management considers a gearing ratio of not more than 70 percent as reasonable.

The gearing ratios at 31st December 2013 and 2012 were as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings and loans (Note 30)	**523,796**	422,352	**82,505**	79,549
Payables under discounting arrangement (Note 33)	**278,267**	363,583	**—**	—
Total debts	**802,063**	785,935	**82,505**	79,549
Total assets	**6,258,694**	6,448,500	**1,011,911**	1,007,175
Gearing ratio	**12.8%**	12.2%	**8.2%**	7.9%

3.3 Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31st December 2013. Refer to Note 18 for disclosures of the investment properties that are measured at fair value.

	Level 1 US$'000	**Level 2** US$'000	**Level 3** US$'000	**Total** US$'000
Assets				
Available-for-sale financial assets	582	—	4,976	5,558
Financial assets at fair value through profit or loss	3,155	—	—	3,155
Derivative financial instruments	—	55,426	—	55,426
	3,737	55,426	4,976	64,139
Liabilities				
Derivative financial instruments	—	81,824	—	81,824
Other payable — contingent consideration payable	—	—	4,818	4,818
Other payable — redemption liability for written put option over shares in a subsidiary	—	—	2,065	2,065
	—	81,824	6,883	88,707

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31st December 2012:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	708	—	450	1,158
Financial assets at fair value through profit or loss	4,153	—	—	4,153
Derivative financial instruments	—	15,552	—	15,552
	4,861	15,552	450	20,863
Liabilities				
Derivative financial instruments	—	63,402	—	63,402
Other payable — contingent consideration payable	—	—	13,582	13,582
Other payable — redemption liability for written put option over shares in a subsidiary	—	—	5,069	5,069
	—	63,402	18,651	82,053

There were no transfers between level 1, level 2 and level 3 fair value hierarchy classifications.

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity securities classified as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts and foreign exchange options is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31st December 2013:

	Available-for-sale financial assets US$'000	Other payable — contingent consideration payable US$'000	Other payable — redemption liabilities for written put option in a subsidiary US$'000
Opening balance	450	(13,582)	(5,069)
Additions	4,448	—	—
Gain on remeasurement of fair value	—	12,093	4,942
Unwinding of interests	—	(2,810)	(1,788)
Exchange difference	79	(519)	(150)
Impairment losses charged to consolidated income statement	(1)	—	—
Closing balance	4,976	(4,818)	(2,065)
Total (losses)/gains for the year included in consolidated income statement under 'other gains, net'	(1)	12,093	4,942
Changes in unrealized (losses)/gains for the year included in consolidated income statement as at 31st December 2013	(1)	12,093	4,942

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31st December 2012:

	Available-for-sale financial assets US$'000	Other payable — contingent consideration payable US$'000	Other payable — redemption liabilities for written put option in a subsidiary US$'000
Opening balance	433	—	—
Addition arisen from business combination	—	(11,829)	(5,069)
Unwinding of interests	—	(1,811)	—
Exchange difference	19	58	—
Impairment losses charged to consolidated income statement	(2)	—	—
Closing balance	450	(13,582)	(5,069)
Total losses for the year included in consolidated income statement under 'other gain, net'	(2)	—	—
Changes in unrealized losses for the year included in consolidated income statement as at 31st December	(2)	—	—

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

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

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The valuation of contingent consideration payable and the redemption liability upon Philips' exercise of the put option are based on the projected EBIT forecasted by TP Vision Group's management. The key assumptions adopted in projecting the future EBIT are the same key assumptions used for trademark license impairment, which are disclosed in Note 15.

If either the forecasted revenue growth rate had been lowered by 10% or the forecasted gross profit margin had been lowered by 0.5 percentage point, the contingent consideration payable and the redemption liability would be valued at zero.

On 20th January 2014, the Company entered into a term sheet with Philips pursuant to the proposed amendments to certain agreements on the contingent consideration to be paid to Philips for the 70% equity interest acquisition of TP Vision Group and the related Philip's put option for the remaining 30% equity interest. Refer to Note 43 for disclosure of event after balance sheet date.

(d) Fair value of financial assets and liabilities measured at amortized cost

The fair values of the trade and other receivables, pledged bank deposits, cash and bank balances, trade payables and other payable and accruals as at 31st December 2013 approximate their carrying amounts due to their short term maturities.

The fair values of the borrowings and loans (including bank overdraft, bank borrowings and subordinated loans) as at 31st December 2013 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31st December 2013			As at 31st December 2012		
	Gross amounts of recognized financial assets US$'000	**Gross amounts of recognized financial liabilities set off in the balance sheet US$'000**	**Net amounts of financial assets presented in the balance sheet US$'000**	Gross amounts of recognized financial assets US$'000	Gross amounts of recognized financial liabilities set off in the balance sheet US$'000	Net amounts of financial assets presented in the balance sheet US$'000
Derivative financial assets	**55,426**	**—**	**55,426**	15,552	—	15,552
Cash and bank balances	**54,769**	**—**	**54,769**	42,168	—	42,168
Trade receivables	**7,986**	**—**	**7,986**	—	—	—
Deposits, prepayments and other receivables	**5,264**	**—**	**5,264**	33,067	—	33,067
Total	**123,445**	**—**	**123,445**	90,787	—	90,787

The following table presents the net financial assets subject to enforceable master netting arrangements and similar agreements by counterparty.

As at 31st December 2013	**Net amounts of financial assets presented in the balance sheet US$'000**	**Related amounts not set off in the consolidated balance sheet: Financial liabilities US$'000**	**Related amounts not set off in the consolidated balance sheet: Cash collateral received US$'000**	**Net amount US$'000**
Counterparty A	**18,271**	**(18,271)**	**—**	**—**
Counterparty B	**13,778**	**(13,778)**	**—**	**—**
Counterparty C	**13,257**	**(13,257)**	**—**	**—**
Counterparty D	**7,986**	**(7,986)**	**—**	**—**
Counterparty E	**5,505**	**(5,505)**	**—**	**—**
Counterparty F	**5,769**	**(5,769)**	**—**	**—**
Counterparty G	**6,296**	**(5,409)**	**—**	**887**
Others	**52,583**	**(26,490)**	**—**	**26,093**
Total	**123,445**	**(96,465)**	**—**	**26,980**

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.4 Offsetting financial assets and financial liabilities (Continued)

(a) Financial assets (Continued)

As at 31st December 2012	Net amounts of financial assets presented in the balance sheet US$'000	Related amounts not set off in the consolidated balance sheet: Financial liabilities US$'000	Related amounts not set off in the consolidated balance sheet: Cash collateral received US$'000	Net amount US$'000
Counterparty E	3,460	(3,460)	—	—
Counterparty A	3,217	(3,217)	—	—
Counterparty G	2,588	(2,588)	—	—
Counterparty H	2,249	(2,249)	—	—
Counterparty I	24,008	(1,384)	—	22,624
Counterparty J	6,637	(2,057)	—	4,580
Counterparty K	22,123	(1,934)	—	20,189
Others	26,505	(13,159)	—	13,346
Total	90,787	(30,048)	—	60,739

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31st December 2013			As at 31st December 2012		
	Gross amounts of recognized financial liabilities US$'000	**Gross amounts of recognized financial assets set off in the balance sheet US$'000**	**Net amounts of financial liabilities presented in the balance sheet US$'000**	Gross amounts of recognized financial liabilities US$'000	Gross amounts of recognized financial assets set off in the balance sheet US$'000	Net amounts of financial liabilities presented in the balance sheet US$'000
Derivative financial liabilities	**81,824**	**—**	**81,824**	63,402	—	63,402
Borrowings and loans	**179,572**	**—**	**179,572**	148,526	—	148,526
Other payables and accruals	**286,253**	**—**	**286,253**	363,583	—	363,583
Total	**547,649**	**—**	**547,649**	575,511	—	577,511

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.4 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities (Continued)

The following table presents the net financial liabilities subject to enforceable master netting arrangements and similar agreements by counterparty.

As at 31st December 2013	Net amounts of financial liabilities presented in the balance sheet US$'000	Related amounts not set off in the consolidated balance sheet: Financial assets US$'000	Related amounts not set off in the consolidated balance sheet: Cash collateral pledged US$'000	Net amount US$'000
Counterparty A	**55,207**	**(18,271)**	**—**	**36,936**
Counterparty B	**34,418**	**(13,778)**	**—**	**20,640**
Counterparty C	**36,109**	**(13,257)**	**—**	**22,852**
Counterparty D	**7,986**	**(7,986)**	**—**	**—**
Counterparty E	**56,053**	**(5,505)**	**—**	**50,548**
Counterparty F	**26,393**	**(5,769)**	**—**	**20,624**
Counterparty G	**5,409**	**(5,409)**	**—**	**—**
Counterparty L	**40,000**	**(1,000)**	**—**	**39,000**
Counterparty M	**30,412**	**(1,819)**	**—**	**28,593**
Others	**255,662**	**(23,671)**	**—**	**231,991**
Total	**547,649**	**(96,465)**	**—**	**451,184**

As at 31st December 2012	Net amounts of financial liabilities presented in the balance sheet US$'000	Related amounts not set off in the consolidated balance sheet: Financial assets US$'000	Related amounts not set off in the consolidated balance sheet: Cash collateral pledged US$'000	Net amount US$'000
Counterparty E	19,105	(3,460)	—	15,645
Counterparty A	12,331	(3,217)	—	9,114
Counterparty G	19,045	(2,588)	—	16,457
Counterparty H	13,600	(2,249)	—	11,351
Counterparty J	2,057	(2,057)	—	—
Counterparty N	67,800	(76)	—	67,724
Counterparty O	55,558	(58)	—	55,500
Counterparty C	72,857	(1,622)	—	71,235
Counterparty P	44,259	(19)	—	44,240
Counterparty M	59,708	(35)	—	59,673
Counterparty Q	58,627	(40)	—	58,587
Others	150,564	(14,627)	—	135,937
Total	575,511	(30,048)	—	545,463

Notes to the Consolidated Financial Statements (Continued)

3 Financial risk management (Continued)

3.4 Offsetting financial assets and financial liabilities (Continued)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

An event of default under the terms of the above-mentioned agreements includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment); or bankruptcy.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Warranty provision

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily ranging from twelve to thirty-six months. Significant judgment is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold in the last thirty-six months. Where the warranty expenses incurred are different from the original provision, such difference would impact the consolidated income statement in the period in which the warranty expenses are incurred.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations required the use of estimates (Note 15).

Notes to the Consolidated Financial Statements (Continued)

4 Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Pending litigations

The Group had certain pending litigations at the reporting date. Management assesses whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case an accrual for the potential litigation expenses is recognized.

(e) Estimation of provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

(f) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

(g) Useful lives and impairment of property, plant and equipment and intangible assets other than goodwill

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of the assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the depreciation where useful lives are less than previously estimated lives, or provide impairment for technically obsolete or non-strategic assets that have been abandoned or sold.

The Group reviews property, plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

An impairment of US$44,833,000 of trademarks and patents was recognized during the year ended 31st December 2013, resulting in the carrying amount being written down to its recoverable amount. Refer to Note 15 for further details.

Notes to the Consolidated Financial Statements (Continued)

4 Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(h) Employee benefits — share-based payments

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

(i) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date. Refer to Note 3.3(b) for the fair value measurement of derivatives.

(j) Payables for trademark license and royalty

In determining the trademark license fee payable, management determines the estimate of the payable primarily based on the estimated sales forecasted for the license period. These assessments require the use of judgments and estimates. Management reassesses the estimated amount of the payable at each balance reporting date.

Other than the trademark license fee payable, the Group estimates other royalty payables based on agreed royalty rates, industry knowledge and other market information. Significant judgment is required in determining the royalty expenses and related royalty payables at reporting date. Where the royalty expenses incurred are different from the original estimate, such difference would impact the consolidated income statement in the year in which the royalty expenses are incurred.

(k) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 32.

(l) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognized in the consolidated income statement. It obtains independent valuations at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Refer to Note 18 for the fair value measurement of investment properties.

(m) Contingent consideration payable and redemption liability for written put option over shares in a subsidiary

The valuation of the Group's contingent consideration payable and redemption liability for written put option over shares in a subsidiary are based on TP Vision Group's post-acquisition performance.

Notes to the Consolidated Financial Statements (Continued)

4 Critical accounting estimates and judgments (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(m) Contingent consideration payable and redemption liability for written put option over shares in a subsidiary (Continued)

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

Judgment is applied to determine key assumptions (such as sales growth, gross margins growth and discount rate) adopted in the estimate of post-acquisition performance of TP Vision Group. Changes to key assumptions may impact the future payables amount (Note 3.3).

(n) Restructuring provision

The Group has planned and implemented certain restructuring exercise and programs. Significant judgment is required in determining the costs of restructuring. The Group estimates the restructuring provision based on the estimated redundancy costs and other factors such as the costs for closing down of plants and offices. Where the restructuring costs incurred are different from the original estimates, such difference is recognized in the consolidated income statement in the period in which the restructuring costs are incurred.

5 Segment information

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

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

The Group is organized on a worldwide basis into four main operating segments. They are (i) Monitors; (ii) TVs; (iii) TP Vision — TVs; and (iv) Others. Others mainly comprise the sales of chassis, spare parts, CKD, SKD and all-in-one computers.

The Group's chief operating decision-maker assesses the performance of the operating segments based on adjusted operating profit/(loss). Expenses are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs, share of (losses)/profits of associates and joint ventures and unallocated income and expenses are not included in the result for each operating segment that is reviewed by the Group's chief operating decision-maker.

Capital expenditure represented additions of property, plant and equipment, land use rights and intangible assets.

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

Notes to the Consolidated Financial Statements (Continued)

5 Segment information (Continued)

Segment liabilities mainly comprise pension obligations, trade payables, other payables and accruals, derivatives financial liabilities and provisions. They exclude current income tax liabilities, deferred income tax liabilities, borrowings and loans and other unallocated liabilities which are managed centrally.

Revenue from external customers is stated after elimination of inter-segment revenue and is categorized according to the final destination of shipment.

Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated income statement.

There are differences from the last annual financial statement in the basis of segmentation. The comparative segment information as at 31st December 2012 has been reclassified to align with the presentation of the latest segment information disclosure as a result of change in management's review on the Group's performance and resources.

The following tables present revenue and profit/(loss) information regarding the Group's reportable segments for the year ended 31st December 2013 and 2012 respectively.

	For the year ended 31st December 2013				
	Monitors US$'000	TVs US$'000	TP Vision — TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers					
— sales of goods	5,661,454	1,967,273	3,045,462	1,298,509	11,972,698
Inter-segment revenue	—	1,640,652	—	—	1,640,652
	5,661,454	3,607,925	3,045,462	1,298,509	13,613,350
Adjusted operating profit/(loss)	214,414	19,408	(233,183)	(3,944)	(3,305)
Depreciation of property, plant and equipment	(52,047)	(71,874)	(23,506)	(2,995)	(150,422)
Amortization of land use rights	—	—	—	(1,864)	(1,864)
Amortization of intangible assets	(5,406)	(9,943)	(46,180)	(799)	(62,328)
Restructuring costs	—	(6,196)	(30,235)	—	(36,431)
Impairment loss for trademarks and patents	—	(10,898)	(33,935)	—	(44,833)
Reversal of trademark license fee payable	—	—	55,218	—	55,218
Gain on disposal of properties and land use right in the PRC (Note 7(a))	86,578	—	—	—	86,578
Gain on remeasurement of contingent consideration payables and redemption liability for written put option over shares in a subsidiary	—	17,035	—	—	17,035
Capital expenditure	(64,374)	(105,053)	(45,913)	(8,454)	(223,794)

Notes to the Consolidated Financial Statements (Continued)

5 Segment information (Continued)

	For the year ended 31st December 2012 (Restated)				
			TP Vision		
	Monitors	TVs	— TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers					
— sales of goods	5,734,108	2,276,150	2,725,398	1,239,180	11,974,836
Inter-segment revenue	—	1,224,619	—	—	1,224,619
	5,734,108	3,500,769	2,725,398	1,239,180	13,199,455
Adjusted operating profit/(loss)	118,006	45,369	26,519	(8,977)	180,917
Depreciation of property, plant and equipment	(39,289)	(65,534)	(21,798)	(2,936)	(129,557)
Amortization of land use rights	—	—	—	(1,445)	(1,445)
Amortization of intangible assets	(4,600)	(9,098)	(43,945)	(744)	(58,387)
Restructuring costs	—	—	(45,443)	—	(45,443)
Capital expenditure	(61,485)	(145,709)	(18,954)	(8,537)	(234,685)

The following tables present segment assets and liabilities as at 31st December 2013 and 2012 respectively.

	As at 31st December 2013				
			TP Vision		
	Monitors	**TVs**	**— TVs**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Segment assets	**2,593,380**	**1,422,574**	**1,102,544**	**481,220**	**5,599,718**
Segment liabilities	**(1,478,327)**	**(1,233,336)**	**(601,310)**	**(381,086)**	**(3,694,059)**

	As at 31st December 2012 (Restated)				
			TP Vision		
	Monitors	TVs	— TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Segment assets	2,565,749	1,411,112	1,346,514	422,643	5,746,018
Segment liabilities	(1,311,606)	(1,005,598)	(1,051,449)	(347,176)	(3,715,829)

Notes to the Consolidated Financial Statements (Continued)

5 Segment information (Continued)

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

	2013 US$'000	2012 US$'000 (Restated)
Adjusted operating (loss)/profit for reportable segments	**(3,305)**	180,917
Unallocated income	**29,574**	25,779
Unallocated expenses	**(24,749)**	(38,458)
Operating profit	**1,520**	168,238
Finance income	**3,221**	4,423
Finance costs	**(97,111)**	(62,013)
Share of profits of associates	**6,360**	6,203
Share of losses of joint ventures	**(458)**	(1,570)
(Loss)/profit before income tax	**(86,468)**	115,281

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

	As at 31st December	
	2013 US$'000	2012 US$'000 (Restated)
Segment assets	**5,599,718**	5,746,018
Investment properties	**101,019**	38,178
Investments in associates	**57,849**	36,787
Investments in joint ventures	**1,353**	1,781
Available-for-sale financial assets	**5,558**	1,158
Deferred income tax assets	**70,586**	67,448
Financial assets at fair value through profit or loss	**3,155**	4,153
Current income tax recoverable	**20,902**	15,635
Pledged bank deposits	**5,591**	3,865
Cash and bank balances	**364,560**	497,871
Other unallocated assets	**28,403**	35,606
Total assets	**6,258,694**	6,448,500

Notes to the Consolidated Financial Statements (Continued)

5 Segment information (Continued)

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

	As at 31st December	
	2013	2012
	US$'000	US$'000
		(Restated)
Segment liabilities	**3,694,059**	3,715,829
Current income tax liabilities	**40,599**	35,699
Deferred income tax liabilities	**23,943**	11,890
Borrowings and loans	**523,796**	422,352
Other unallocated liabilities	**278,267**	365,606
Total liabilities	**4,560,664**	4,551,376

The analysis of revenue from external customers by geographical areas is as follows:

	2013	2012
	US$'000	US$'000
The PRC	**3,520,777**	3,419,395
Europe	**3,675,435**	3,604,540
North America	**1,941,095**	1,959,247
South America	**1,192,573**	1,422,092
Australia	**74,385**	75,701
Africa	**17,692**	16,972
Rest of the world	**1,550,741**	1,476,889
	11,972,698	11,974,836

At 31st December 2013, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$558,182,000 (31st December 2012: US$518,759,000), and the total of these non-current assets located in other countries is US$851,363,000 (31st December 2012: US$917,647,000).

For the year ended 31st December 2013, revenues of approximately US$1,355,508,000 (31st December 2012: US$1,354,642,000) are derived from a single external customer. These revenues are attributable to the sales of monitors and others. This customer is also the largest debtor at the reporting date.

Notes to the Consolidated Financial Statements (Continued)

6 Other income

	2013 US$'000	2012 US$'000
Fiscal refund, government grant and technical innovation subsidy (Note a)	**35,530**	30,674
Brand promotion fee income (Note b)	**85,630**	136,724
Compensation for product launch delay (Note c)	**98**	40,439
Localisation incentives (Note a)	**341**	7,976
Rental income	**4,095**	5,040
Income from sales of scrap materials	**6,279**	7,589
Miscellaneous income	**6,003**	11,023
	137,976	239,465

Notes:

(a) Fiscal refund, government grant, technical innovation subsidy and localisation incentives were from the municipal governments.

(b) TP Vision Group is entitled to charge Philips a brand promotion fee up to EUR172 million (approximate to US$222 million) for brand promotion and/or enhancement activities effective from 1st April 2012. Such activities can include advertising and promotion, sales and marketing, research and development and other activities that incentivize the distribution channels and reduce the cost of non-quality usage of the Philips' brand name.

(c) TP Vision Group obtained compensation from Philips due to the delay in the launch of certain products.

7 Other gains, net

	2013 US$'000	2012 US$'000
Gains from bargain purchase of subsidiaries	**—**	25,639
Realized and unrealized (losses)/gains on foreign exchange forward contracts and options — net	**(957)**	3,821
Realized and unrealized losses on interest rate swaps — net	**—**	(25)
Realized and unrealized (losses)/gains on cross currency swaps — net	**(4,242)**	2,541
Net exchange losses	**(40,567)**	(10,423)
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(1,007)**	424
Fair value losses of derivative financial instrument	**—**	(6,037)
Gains/(losses) on disposal of financial assets at fair value through profit or loss and available-for-sale financial assets	**646**	(36)
Gains/(losses) on disposal of property, plant and equipment and land use right — net (Note a)	**88,871**	(324)
Fair value gains on revaluation of investment properties — net (Note 18)	**2,814**	51
Impairment losses on available-for-sale financial assets (Note 22)	**(127)**	(2)
Transfer to profit and loss on impairment of available-for-sale financial assets	**(1,336)**	—
Impairment losses on trademarks and other intangible assets (Note 15)	**(44,833)**	—
Reversal of trademark license fee payable (Note b)	**55,218**	—
Gain on remeasurement of contingent consideration payables and redemption liability for written put option over shares in a subsidiary (Note c)	**17,035**	—
	71,515	15,629

Notes to the Consolidated Financial Statements (Continued)

7 Other gains, net (Continued)

Notes:

(a) The amount included gains on disposal of certain property and land use rights in the PRC of US$86,578,000 during the year ended 31st December 2013. As at 31st December 2013, receivables from the disposal of US$86,986,000 was included in 'deposits, prepayments and other receivables' (Note 24).

(b) Trademark license fee payable included the estimated royalty that TP Vision Group is obligated to pay to Philips under the Trademark License Agreement signed between Philips and TP Vision Group in relation to the use of the Philips' brand. The estimated trademark license fee payable is determined based on the discounted cash flow of the forecasted sales during the licensed period. During the year ended 31st December 2013, management has reassessed the forecasted sales in coming years based on assumption of revenue growth rate from 0.3% to 8.7% from 2014 to 2017, and considers the estimated cash outflow would be lower than the previous expected amount. Thus, a reversal of trademark license fee payable of US$55,218,000 was made during the year.

(c) The contingent consideration payable and redemption liability for written put option over shares in a subsidiary are estimated based on the forecasted EBIT of TP Vision Group. As TP Vision Group management has reassessed the forecasted EBIT and considers the estimated cash outflow would be lower than the previous expected amount, it resulted a gain on re-measurement of the contingent consideration payable and redemption liability for written put option over shares in a subsidiary.

8 Operating profit

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

	2013 US$'000	2012 US$'000 (Restated — Note 2.1)
Cost of inventories	**10,304,738**	10,365,455
Employee benefit expenses (including directors' emoluments) (Note 9)	**647,280**	620,453
Depreciation of property, plant and equipment (Note 16)	**150,422**	129,557
Amortization of land use rights (Note 17)	**1,864**	1,445
Amortization of intangible assets (Note 15)	**62,328**	58,387
Acquisition – related costs	**13**	3,149
Operating lease rental for land, buildings and machinery	**36,416**	38,886
Auditors' remuneration		
— Audit services	**4,774**	4,273
— Acquisition-related services	**—**	1,269
— Non-audit services	**2,049**	1,494
Charge for warranty provisions (Note 34)	**157,408**	131,174
Charge for restructuring provisions (Note 34)	**36,431**	45,443
Provision for impairment of trade receivables (Note 24)	**9,885**	8,390
Write-down of inventories to net realizable value	**22,574**	3,790
Impairment losses on property, plant and equipment (Note 16)	**9,260**	7,725
Donations	**420**	286

Notes to the Consolidated Financial Statements (Continued)

9 Employee benefit expenses

	2013 US$'000	2012 US$'000 (Restated — Note 2.1)
Wages, salaries and welfare	**604,673**	587,841
Termination benefits	**25,149**	19,582
Share options granted to a director and employees	**1,172**	2,475
Pension costs — defined contribution plans	**14,464**	9,808
Pension costs — defined benefit plan (Note 32)	**1,822**	747
	647,280	620,453

(a) Directors' emoluments

The remuneration of the directors for the year ended 31st December 2013 is set out below:

Name of director	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Pension US$'000	Share-based payments US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason (Note i)	—	316	—	24	434	774
Mr Liu Liehong	—	—	—	—	—	—
Mr Lu Ming	—	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—	—
Mr Du Heping	—	—	—	—	—	—
Mr Jun Nakagome (Note ii)	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	77

Notes to the Consolidated Financial Statements (Continued)

9 Employee benefit expenses (Continued)

(a) Directors' emoluments (Continued)

The remuneration of the directors for the year ended 31st December 2012 is set out below:

Name of director	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Pension US$'000	Share-based payments US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason (Note i)	—	327	—	41	752	1,120
Mr Liu Liehong	—	—	—	—	—	—
Mr Lu Ming	—	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—	—
Mr Du Heping	—	—	—	—	—	—
Mr Jun Nakagome (Note ii)	—	—	—	—	—	—
Mr Xu Haihe (Note iii)	—	—	—	—	—	—
Mr Tam Man Chi (Note iii)	—	—	—	—	—	—
Mr Chen Yen-Sung (Note iii)	—	—	—	—	—	—
Mr Robert Theodoor Smits (Note iii)	—	—	—	—	—	—
Mr Junichi Kodama (Note iii)	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	77

Notes:

(i) Dr Hsuan, Jason is also the chief executive officer of the Company.

(ii) Mr Jun Nakagome was appointed as director of the Company during the year ended 31st December 2012.

(iii) These directors resigned as directors of the Company during the year ended 31st December 2012.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2012: one) director whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining four (2012: four) individuals during the year are as follows:

	2013 US$'000	2012 US$'000
Basic salaries, housing allowances and other benefits in kind	**3,100**	2,157
Discretionary bonuses	**298**	746
	3,398	2,903

Notes to the Consolidated Financial Statements (Continued)

9 Employee benefit expenses (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands (in HK dollar)		
HK$4,500,001 to HK$5,000,000 (equivalent to US$580,114 to US$644,571)	**1**	—
HK$5,000,001 to HK$5,500,000 (equivalent to US$644,572 to US$709,028)	**—**	2
HK$5,500,001 to HK$6,000,000 (equivalent to US$709,029 to US$773,485)	**1**	1
HK$6,000,001 to HK$6,500,000 (equivalent to US$773,486 to US$837,942)	**—**	1
HK$6,500,001 to HK$7,000,000 (equivalent to US$837,942 to US$902,399)	**1**	—
HK$8,500,001 to HK$9,000,000 (equivalent to US$1,095,771 to US$1,160,227)	**1**	—

During the year, no director waived any emoluments and the Group had not paid any emoluments to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

9 Employee benefit expenses (Continued)

(c) Senior management remuneration by band

The emoluments fell within the following bands:

	Number of individuals 2013	2012
Emolument bands (in HK dollar)		
HK$2,500,001 to HK$3,000,000		
(equivalent to US$222,285 to US$386,742)	**1**	—
HK$3,000,001 to HK$3,500,000		
(equivalent to US$386,743 to US$451,199)	**2**	—
HK$3,500,001 to HK$4,000,000		
(equivalent to US$451,200 to US$515,656)	**1**	1
HK$4,000,001 to HK$4,500,000		
(equivalent to US$515,657 to US$580,113)	**2**	3
HK$4,500,001 to HK$5,000,000		
(equivalent to US$580,114 to US$644,571)	**1**	2
HK$5,000,001 to HK$5,500,000		
(equivalent to US$644,572 to US$709,028)	**—**	1
HK$5,500,001 to HK$6,000,000		
(equivalent to US$709,209 to US$773,485)	**1**	—

10 Finance costs, net

	2013 US$'000	2012 US$'000
Cash interest		
— Interest expense on bank borrowings and factoring/discounting arrangement	**29,982**	18,396
— Interest expense on subordinated loans	**7,107**	5,585
— Interest expense on notes payable	**4,031**	3,922
Non-cash interest		
— Unwinding of interests on license fee payable	**47,306**	29,992
— Unwinding of interests on subordinated loans	**4,087**	2,307
— Unwinding of interests on contingent consideration payable	**2,810**	1,811
— Unwinding of interests on redemption liability	**1,788**	—
Interest expenses	**97,111**	62,013
Interest income on short-term bank deposits	**(3,221)**	(4,423)
Finance costs, net	**93,890**	57,590

During the year, the Group has capitalized borrowing costs amounting to US$639,000 (2012: US$452,000) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of specific borrowing of 7.43% (2012: 7.53%).

Notes to the Consolidated Financial Statements (Continued)

11 Income tax expense

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit/(loss) generated in Hong Kong for the year (2012: Nil).

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

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2013	2012
	US$'000	US$'000
Current income tax		
— Current year	**62,377**	70,157
— Carry-back of current year tax loss against prior year taxable profit	**(8,530)**	—
— (Over)/under-provision in respect of prior years	**(381)**	886
Deferred income tax expense/(credit) (Note 31)	**655**	(39,849)
Income tax expense	**54,121**	31,194

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 15% (2012: 15%) applicable to profits/(loss) of the majority of the consolidated entities as follows:

	2013	2012
	US$'000	US$'000
(Loss)/profit before income tax	**(86,468)**	115,281
Calculated at a taxation rate of 15% (2012: 15%)	**(12,970)**	17,292
Different taxation rates in other countries	**1,685**	961
Change of taxation rate	**829**	3,216
Income not subject to tax	**(66,633)**	(41,622)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**—**	(786)
Expenses not deductible for tax purposes	**50,536**	30,162
Losses for which no deferred income tax asset was recognized	**53,947**	11,569
Utilization of previously unrecognized tax loss	**(1,773)**	(3,453)
Derecognition of prior year deferred income tax asset	**5,643**	—
(Over)/under-provision in respect of prior years	**(381)**	886
Withholding tax on unremitted earnings	**4,742**	1,669
Temporary differences for which no deferred income tax asset was recognized	**17,294**	8,618
Other taxes	**1,202**	2,682
Income tax expense	**54,121**	31,194

Notes to the Consolidated Financial Statements (Continued)

12 Profit attributable to owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of US$22,916,000 (2012: US$19,939,000).

13 (Loss)/earnings per share

(a) Basic

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

	2013	2012 (Restated — Note 2.1)
(Loss)/profit attributable to owners of the Company (US$'000)	**(47,246)**	112,408
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic (loss)/earnings per share (US cents per share)	**(2.01)**	4.79

(b) Diluted

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

Diluted (loss)/earnings per share for the year ended 31st December 2013 and 2012 equal basic (loss)/earnings per share as the exercise of the outstanding share options would be anti-dilutive.

14 Dividends

	2013 US$'000	2012 US$'000
Interim dividend, paid, of Nil US cent (2012: US0.460 cent) per ordinary share	**—**	10,789
Final, proposed, of US0.128 cent (2012: US0.970 cent) per ordinary share	**3,002**	22,753
	3,002	33,542

A dividend in respect of the year ended 31st December 2013 of US0.128 cent per share (2012: US0.970 cent per share) was proposed by the board of directors on 19th March 2014 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to US$3,002,420 has not been recognized as a liability in the financial statement, but reflected as an appropriation of retained profits for the year ending 31st December 2014.

Notes to the Consolidated Financial Statements (Continued)

15 Intangible assets

(a) Group

	Goodwill US$'000	Trademarks and patents US$'000	Software US$'000	Others US$'000	Total US$'000
At 1st January 2012					
Cost	389,098	69,920	—	—	459,018
Accumulated amortization	—	(20,184)	—	—	(20,184)
Net book amount	389,098	49,736	—	—	438,834
Year ended 31st December 2012					
Opening net book amount	389,098	49,736	—	—	438,834
Exchange differences	—	(3,311)	(114)	(604)	(4,029)
Additions arisen from business combination	3,627	195,737	—	18,807	218,171
Additions	—	—	9,500	—	9,500
Amortization (Note 8)	—	(45,681)	—	(12,706)	(58,387)
Closing net book amount	392,725	196,481	9,386	5,497	604,089
At 31st December 2012					
Cost	392,725	262,346	9,386	18,203	682,660
Accumulated amortization	—	(65,865)	—	(12,706)	(78,571)
Net book amount	392,725	196,481	9,386	5,497	604,089
Year ended 31st December 2013					
Opening net book amount	392,725	196,481	9,386	5,497	604,089
Exchange differences	—	5,106	283	(21)	5,368
Additions arisen from business combination (Note 41)	1,261	—	—	537	1,798
Additions	—	—	26,690	347	27,037
Amortization (Note 8)	—	(52,563)	(4,630)	(5,135)	(62,328)
Impairment (Note 7)	—	(44,833)	—	—	(44,833)
Closing net book amount	393,986	104,191	31,729	1,225	531,131
At 31st December 2013					
Cost	393,986	263,310	36,319	19,460	713,075
Accumulated amortization and impairment	—	(159,119)	(4,590)	(18,235)	(181,944)
Net book amount	393,986	104,191	31,729	1,225	531,131

Notes to the Consolidated Financial Statements (Continued)

15 Intangible assets (Continued)

(b) Company

	Trademarks US$'000
At 1st January 2012	
Cost	800
Accumulated amortization	(693)
Net book amount	107
Year ended 31st December 2012	
Opening net book amount	107
Amortization charge	(54)
Closing net book amount	53
At 31st December 2012	
Cost	800
Accumulated amortization	(747)
Net book amount	53
Year ended 31st December 2013	
Opening net book amount	53
Amortization charge	(53)
Closing net book amount	—
At 31st December 2013	
Cost	800
Accumulated amortization	(800)
Net book amount	—

Notes:

(i) Amortization charge for the Group included in 'cost of sales' and 'administrative expenses' amounted to US$55,061,000 (2012: US$45,628,000) and US$7,267,000 (2012: US$12,759,000) respectively in the consolidated income statement.

(ii) Amortization charge for the Company is included in 'administrative expenses' in the income statement.

(iii) No amortization charge on software was made for the year ended 31st December 2012 as it was not ready for use.

(iv) Impairment of the trademarks and patents for the Group is included in 'other gains, net' in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

15 Intangible assets (Continued)

Impairment tests for goodwill

Management reviews the business performance of the Group based on the products and services the respective businesses provide. Monitors and TVs are identified as the main products of the Group. Goodwill is monitored by management at the operating segment level. Management considers Monitors and TVs as two operating segments and CGUs. The following is a summary of goodwill allocation for each operating segment:

	2013	2012
	US$'000	US$'000
Monitors	**324,274**	324,274
TVs	**69,712**	68,451
	393,986	392,725

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated for the next four-year period using the estimated growth rates and gross profit margins stated below. Thereafter, the cash flows are extrapolated using the long-term growth rates stated below. These growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations in 2013 and 2012 are as follows:

	2013		2012	
	Monitors	**TVs**	Monitors	TVs
Gross profit margin	**8.7%**	**7.1%-7.4%**	7.0%	7.9%
Revenue reduction/growth rate	**-4%-0%**	**3%-31%**	4.0%	17.1%
Terminal growth rate	**2.0%**	**3.0%**	2.0%	3.0%

Management determined the budgeted gross profit margins based on past performances and their expectations of market developments. The sales reduction/growth rates are estimated based on the industry forecasts and management's expectations. The terminal growth rates are consistent with the expected inflation rates. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. The estimated recoverable amount of the CGUs exceeded their carrying values and the directors are of the opinion that there was no impairment of goodwill as at 31st December 2013 and 2012.

If the forecasted gross profit margins had been lowered by half percentage points for both businesses, the recoverable amounts would be lowered by 13% and 34% for the monitors business and TV business respectively, which would still exceed their carrying amounts.

Notes to the Consolidated Financial Statements (Continued)

15 Intangible assets (Continued)

Impairment test for trademarks

The Group tests whether the trademarks for China and outside China TV businesses are subject to any impairment, in accordance with the accounting policies as set in Note 2 of these consolidated financial statements. During the year ended 31st December 2013, management considered there was impairment indicators in relation to the trademarks due to continuous losses suffered by the businesses as a result of lower sales and gross profit margins than previously forecasted. Management has performed assessments on the recoverable amounts of the trademarks, as determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets and forecasts as approved by management, covering a period of up to five-years. Cash flows beyond the five-year period were extrapolated using the estimated growth rate of 3% (2012: 3%), which is consistent with the expected inflation rate. The growth rate does not exceed the long-term average growth rate for the TV business in which the Group operates.

Management determined the revenue growth rate and gross profit margin covering the forecast period to be the key assumptions. The revenue growth rate is estimated to range from 25% to 31% and 0.3% to 8.7% for the trademarks for China and outside China businesses respectively. The revenue growth rates and gross profit margins are estimated based on past performances and management's expectations of the market and product development. The directors are of the view that estimated gross margin is a sensitive and confidential information, disclosure of which will significantly affect the Group's business competitiveness. It is therefore not disclosed in these consolidated financial statements. The terminal growth rates used are consistent with the expected inflation rates. The discount rates applied for the trademarks for China and outside China businesses are 13% and 28% respectively, which are pre-tax and reflect specific risks relating to the Group and the industry it operates within.

After taking into account the expected operating environment and market conditions, trademarks for China and outside China businesses were impaired by US$10,049,000 and US$33,935,000 for the year ended 31st December 2013. Recoverable amounts of the trademarks for China and outside China businesses are same as their carrying amounts as at 31st December 2013.

If the forecasted revenue growth rates had been lowered by 10 percentage points, a further impairment of approximately US$1,059,000 would result for the trademark for China business.

If the forecasted gross profit margin had been lowered by 1.0 percentage point, a further impairment of approximately US$2,562,000 would result for the trademark for China business.

If the forecasted revenue growth rate had been lowered/increased by 10%, a further/reduced impairment of approximately US$30,677,000/US$33,664,000 would result for the trademark for outside China business.

If the forecasted gross profit margin had been lowered/increased by 0.1 percentage point, a further/reduced impairment of approximately US$16,288,000/US$19,682,000 would result for the trademark for outside China business.

Notes to the Consolidated Financial Statements (Continued)

16 Property, plant and equipment

Group

	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
At 1st January 2012											
Cost	17,420	207,891	6,613	57,876	139,216	226,812	149,414	4,659	50,898	76,825	937,624
Accumulated depreciation	—	(47,220)	(223)	(13,402)	(55,257)	(177,467)	(98,631)	(2,356)	(27,618)	—	(422,174)
Accumulated impairment losses	—	(2,695)	—	—	(170)	—	(48)	—	(8)	(697)	(3,618)
Net book amount	17,420	157,976	6,390	44,474	83,789	49,345	50,735	2,303	23,272	76,128	511,832
Year ended 31st December 2012											
Opening net book amount	17,420	157,976	6,390	44,474	83,789	49,345	50,735	2,303	23,272	76,128	511,832
Exchange differences	(2,930)	(3,900)	—	(728)	(2,964)	(332)	(311)	(2)	(438)	(923)	(12,528)
Additions	—	2,902	16	3,354	14,671	79,344	10,766	245	6,433	70,810	188,541
Additions arisen from business combination	31,808	42,203	—	3,291	28,073	3,316	11,137	66	1,034	16,431	137,359
Transfers	—	42,787	—	11,484	8,688	16,757	1,978	—	(760)	(82,549)	(1,615)
Disposals	(41)	(2)	—	(380)	(1,854)	(797)	(640)	(187)	(837)	—	(4,738)
Depreciation (Note 8)	—	(10,775)	(298)	(5,931)	(16,873)	(65,952)	(21,683)	(587)	(7,458)	—	(129,557)
Provision for impairment losses (Note 8)	—	—	—	(870)	(150)	(5,269)	(723)	—	(5)	(708)	(7,725)
Closing net book amount	46,257	231,191	6,108	54,694	113,380	76,412	51,259	1,838	21,241	79,189	681,569
At 31st December 2012											
Cost	46,257	291,468	6,629	74,641	177,077	313,878	165,673	4,555	54,582	80,595	1,215,355
Accumulated depreciation	—	(57,582)	(521)	(19,076)	(63,376)	(232,038)	(113,621)	(2,717)	(33,330)	—	(522,261)
Accumulated impairment losses	—	(2,695)	—	(871)	(321)	(5,428)	(793)	—	(11)	(1,406)	(11,525)
Net book amount	46,257	231,191	6,108	54,694	113,380	76,412	51,259	1,838	21,241	79,189	681,569

Notes to the Consolidated Financial Statements (Continued)

16 Property, plant and equipment (Continued)

Group (Continued)

	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31st December 2013											
Opening net book amount	46,257	231,191	6,108	54,694	113,380	76,412	51,259	1,838	21,241	79,189	681,569
Exchange differences	(2,980)	(7,120)	—	(2,927)	(6,014)	(415)	1,352	(250)	(543)	443	(18,454)
Additions	977	2,045	—	18,207	6,484	90,834	9,963	1,041	9,085	58,121	196,757
Additions arisen from business combination (Note 41)	—	—	—	—	739	—	708	—	103	—	1,550
Transfers (Note 18)	(2)	51,544	—	7,236	6,019	9,341	3,589	270	6,179	(94,394)	(10,218)
Disposals	(3,801)	(17,189)	—	(5,108)	(2,028)	(1,490)	(3,541)	(135)	(3,090)	(38)	(36,420)
Depreciation (Note 8)	—	(13,857)	(298)	(7,170)	(17,690)	(82,525)	(20,677)	(728)	(7,477)	—	(150,422)
Provision for impairment losses (Note 8)	—	—	—	(5,942)	(184)	(2,303)	(272)	—	(2)	(557)	(9,260)
Closing net book amount	40,451	246,614	5,810	58,990	100,706	89,854	42,381	2,036	25,496	42,764	655,102
At 31st December 2013											
Cost	40,451	297,740	6,629	80,581	175,366	328,324	156,991	5,375	62,314	44,726	1,198,497
Accumulated depreciation	—	(48,431)	(819)	(20,720)	(74,330)	(230,441)	(113,507)	(3,339)	(36,811)	—	(528,398)
Accumulated impairment losses	—	(2,695)	—	(871)	(330)	(8,029)	(1,103)	—	(7)	(1,962)	(14,997)
Net book amount	40,451	246,614	5,810	58,990	100,706	89,854	42,381	2,036	25,496	42,764	655,102

Depreciation expense of US$134,294,000 (2012: US$113,999,000) has been charged in 'cost of sales', US$1,888,000 (2012: US$2,208,000) in 'selling and distribution expenses', US$8,778,000 (2012: US$7,954,000) in 'administrative expenses', US$5,462,000 (2012: US$5,396,000) in 'research and development expenses'. Impairment loss of US$3,758,000 (2012: US$6,990,000) has been charged in 'cost of sales', US$5,887,000 (2012: Nil) in 'administrative expenses', reversal of impairment loss of US$385,000 (2012: impairment loss of US$735,000) in 'research and development expenses.'

No property, plant and equipment is restricted nor pledged as security for liabilities as at year ended 31st December 2013 and 2012.

Notes to the Consolidated Financial Statements (Continued)

17 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book amounts are analyzed as follows:

	Group	
	2013	2012
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**—**	1,290
Leases of between 10 and 50 years	**63,091**	72,712
	63,091	74,002

	2013	2012
	US$'000	US$'000
At 1st January	**74,002**	27,068
Exchange differences	**1,480**	961
Additions	**—**	46,144
Transfer from property, plant and equipment (Note 16)	**—**	1,615
Transfer to investment properties (Note 18)	**(9,611)**	—
Disposals	**(916)**	(341)
Amortization (Note 8)	**(1,864)**	(1,445)
At 31st December	**63,091**	74,002

Amortization of US$1,864,000 (2012: US$1,445,000) has been charged in 'cost of sales' in the consolidated income statement.

18 Investment properties

	Group	
	2013	2012
	US$'000	US$'000
At 1st January	**38,178**	38,127
Transfer in (Note a)	**19,829**	—
Net revaluation gains charged to equity (Note a)	**40,198**	—
Net revaluation gains charged to consolidated income statement (Note 7)	**2,814**	51
At 31st December	**101,019**	38,178

Note:

(a) Certain land use right and properties were transferred from property, plant and equipment and land use rights to investment properties during the year ended 31st December 2013, with net book value of US$19,829,000. Upon the transfer, revaluation gain of US$40,198,000, net of deferred tax of US$10,048,000, was charged to other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

18 Investment properties (Continued)

The investment properties are located in the PRC on land held on leases of between 10 and 50 years and in Poland on freehold land. The Group's investment properties comprise:

	Group	
	2013	2012
	US$'000	US$'000
Outside Hong Kong, held on:		
Freehold land	**9,990**	10,288
Lease of between 10 and 50 years	**91,029**	27,890
	101,019	38,178

The Group leases out some of the investment properties under operating leases, for a period of one to seventeen years. Rental income from these investment properties for the year is of US$3,176,000 (2012: US$2,505,000).

An independent valuation of the Group's investment properties was performed by the independent, professionally qualified valuer, Jones Lang LaSalle ("JLL"), who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, to determine the fair value of the investment properties as at 31st December 2013 and 2012. For all investment properties, their current use equates to the highest and best use. The following table analyzes the investment properties carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements at 31st December 2013 using significant unobservable inputs (Level 3)
	US$'000
Recurring fair value measurements	
Investment properties:	
— Industrial buildings — the PRC	91,029
— Industrial building — Poland	9,990
	101,019

The revaluation gains or losses are included in 'other gains, net' in income statement (Note 7). The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

Notes to the Consolidated Financial Statements (Continued)

18 Investment properties (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Industrial buildings		
	The PRC	**Poland**	**Total**
	US$'000	US$'000	US$'000
At 1st January	27,890	10,288	38,178
Transfer in	19,829	—	19,829
Net revaluation gains charged to equity	40,198	—	40,198
Net revaluation gains/(losses) charged to consolidated income statement	3,112	(298)	2,814
At 31st December	91,029	9,990	101,019
Total gains/(losses) for the year included in consolidated income statement, under 'other gains, net'	3,112	(298)	2,814
Change in unrealized gains/(losses) for the year included in consolidated income statement for investment properties held at 31st December 2013	3,112	(298)	2,814

Valuation processes of the Group

The Group's finance department reviews the valuations performed by JLL for financial reporting purpose. These valuation results are then reported to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of valuation results.

Notes to the Consolidated Financial Statements (Continued)

18 Investment properties (Continued)

Valuation techniques

For industrial buildings in the PRC and Poland, the valuations were based on income approach which largely used observable inputs (e.g. market rent, yield etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

Properties	Fair value at 31st December 2013 (US$'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Industrial buildings — the PRC	91,029	Income approach (term and reversionary yield method)	Market rent	RMB0.56–RMB1.80 per square meter per month (RMB1.18 per square meter per month)	The higher the rent, the higher the fair value.
			Term yield	6.5%–9.0% (8.2%)	The higher the yield, the lower the fair value.
			Reversionary yield	7.0%–9.5% (8.7%)	The higher the yield, the lower the fair value.
			Vacancy rate	2.0%–5.0% (3.0%)	The higher the vacancy rate, the lower the fair value.
Industrial property — Poland	9,990	Income capitalization approach	Market rent	Market rent for warehouse €2.5 to €3.3 per square meter per month (€2.9 per square meter per month); Market rent for office €7.0 to €9.0 per square meter per month (€8.0 per square meter per month);	The higher the rent, the higher the fair value.
			Capitalization rate	8.5% to 10.5% (9.5%)	The higher the capitalization rate, the lower the fair value.

There are inter-relationships between unobservable inputs. Increase lease terms may result in decrease in yield. Change of the leasing conditions, extension of the lease term and leasable area may result in decrease in rent.

Notes to the Consolidated Financial Statements (Continued)

19 Investments in subsidiaries and amounts due from subsidiaries

	Company 2013 US$'000	2012 US$'000
Investments, unlisted shares, at cost	**59,066**	59,066
Amounts due from subsidiaries	**952,574**	947,643
	1,011,640	1,006,709
Less: Non-current portion	**(918,399)**	(917,230)
Current portion	**93,241**	89,479

As at 31st December 2013 and 2012, the non-current amounts due from subsidiaries are unsecured, interest free and repayable on demand. However, the Company does not expect to recall these amounts within the next twelve months.

The following is a list of the principal subsidiaries at 31st December 2013:

Name	Place of incorporation/ establishment (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note d) directly	Interest held by the Company (Note d) indirectly	Interest held by non-controlling interest
Top Victory International Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	100%	—	—
Top Victory Investments Limited	Hong Kong	Trading of computer monitors and flat TVs and sourcing of materials	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note c)	—	100%	—
Top Victory Electronics (Fujian) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$40,000,000	—	100%	—
Top Victory Electronics (Taiwan) Company Limited[1]	Taiwan	Research and development of computer monitors and flat TVs and sourcing of certain components	92,000,000 ordinary shares of new taiwan dollar 10 each	—	100%	—
TPV Electronics (Fujian) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of US$45,000,000	—	100%	—

Notes to the Consolidated Financial Statements (Continued)

19 Investments in subsidiaries and amounts due from subsidiaries (Continued)

Name	Place of incorporation/ establishment (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note d) directly	Interest held by the Company (Note d) indirectly	Interest held by non-controlling interest
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited[1] (Note b)	The PRC, limited liability company	Trading of computer monitors and flat TVs	Paid-in capital of US$3,000,000	—	100%	—
TPV Technology (Wuhan) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$16,880,000	—	100%	—
TPV Display Technology (Wuhan) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$27,000,000	—	100%	—
Wuhan Admiral Technology Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of Renminbi ("RMB") 80,000,000	—	100%	—
Xiamen Admiral Electronics Technology Company Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB3,000,000	—	100%	—
TPV International (USA), Inc.	USA	Sales and distribution of computer monitors and flat TVs	1,000,000 ordinary shares of US$1 each	—	100%	—
Envision Indústria de Produtos Electrônicos Ltda.	Brazil	Production and sales of computer monitors and flat TVs	367,361,855 ordinary shares of Brazilian real 1 each	—	85.3%	14.7%
TPV Technology (Beijing) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of RMB320,000,000	—	100%	—
TPV Display Polska Sp.z o.o	Poland	Production and sales of computer monitors and flat TVs	357,600 ordinary share of Poland zloty 500 each	—	100%	—
MMD (Shanghai) Electronics Trading Company Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB20,000,000	—	100%	—
MMD (Shanghai) Electronics Technology Company Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB20,000,000	—	100%	—
TPV-INVENTA Holding Limited	Hong Kong	Sales and distribution of all-in-one PC products	20,000,000 ordinary shares of US$1 each	—	51%	49%

Notes to the Consolidated Financial Statements (Continued)

19 Investments in subsidiaries and amounts due from subsidiaries (Continued)

Name	Place of incorporation/ establishment (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note d) directly	indirectly	Interest held by non-controlling interest
TPV-INVENTA Technology (Fujian) Limited[1] (Note b)	The PRC, limited liability company	Production and sales of all-in-one PC products	Paid-in capital of US$15,000,000	—	51%	49%
TPV-INVENTA Technology Company Limited[1]	Taiwan	Research and development and after-sale services	15,250,000 ordinary shares of new taiwan dollar 10 each	—	51%	49%
TPV Display Technology (Xiamen) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of flat TVs and LCM modules	Paid-in capital of US$25,000,000	—	100%	—
TPV Display Technology (China) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors, flat TVs and all-in-one PC products	Paid-in capital of US$21,739,100	—	92%	8%
Trend Smart America Ltd	USA	Trading of flat TVs	Paid-in capital of US$200,000	—	100%	—
TPV CIS Ltd	Russia	Production and sales of flat TVs	Paid-in capital of US$19,679,857	—	100%	—
MMD Hong Kong Holding Limited	Hong Kong	Investment holding	1 ordinary share of HK$1 each	—	100%	—
PTC Technology Company Limited[1] (Note b)	The PRC, limited liability Company	Sales and distribution of flat TVs	Paid-in capital of RMB20,000,000	—	100%	—
PTC Consumer Electronics Company Limited[1] (Note b)	The PRC, limited liability Company	Sales and distribution of flat TVs	Paid-in capital of EUR1,240,000	—	100%	—
TPV Technology (Qingdao) Company Limited	The PRC, limited liability Company	Production and sales of computer monitors and flat TVs	Paid-in capital of US$30,000,000	—	80%	20%
TP Televisión Ibérica Spain S.L.	Spain	Sales and distribution of TVs	Paid-in capital of EUR34,100	—	70%	30%
TP Vision Belgium NV	Belgium	Research and development, sales and distribution of TVs	Paid-in capital of EUR10,000,000	—	70%	30%
TP Vision Czech Republic s.r.o.	Czech Republic	Sales and distribution of TVs	Paid-in capital of Czech koruna 9,783,000	—	70%	30%

Notes to the Consolidated Financial Statements (Continued)

19 Investments in subsidiaries and amounts due from subsidiaries (Continued)

Name	Place of incorporation/ establishment (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note d) directly	Interest held by the Company (Note d) indirectly	Interest held by non-controlling interest
TP Vision Finland Oy	Finland	Sales and distribution of TVs	Paid-in capital of EUR2,500	—	70%	30%
TP Vision France SAS	France	Sales and distribution of TVs	Paid-in capital of EUR724,000	—	70%	30%
TP Vision Germany GmbH	Germany	Sales and distribution of TVs	Paid-in capital of EUR501,000	—	70%	30%
TP Vision Netherlands B.V.	Netherlands	Sales and distribution of TVs	180 ordinary shares of EUR100 each	—	70%	30%
TP Vision Magyarorszag Korlatolt Felelossequ Tarsasag	Hungary	Sales and distribution of TVs	Paid-in capital of EUR4,500,272	—	70%	30%
TP Vision Italy Srl.	Italy	Sales and distribution of TVs	Paid-in capital of EUR200,000	—	70%	30%
TP Vision Singapore Pte. Ltd.	Singapore	Sales, manufacturing and distribution of TVs	Paid-in capital of Singapore dollar 8,300,000	—	70%	30%
TP Vision Sweden AB	Sweden	Sales and distribution of TVs	Paid-in capital of Swedish krona 50,000	—	70%	30%
TP Vision Switzerland AG	Switzerland	Sales and distribution of TVs	Paid-in capital of Swiss Franc 200,000	—	70%	30%
TP Vision Eurasia LLC	Russia	Sales and distribution of TVs	Paid-in capital of Russian ruble 46,000,000	—	70%	30%

[1] English translation is for identification purpose only.

Notes:

(a) These subsidiaries principally operate in their places of incorporation/establishment.

(b) These subsidiaries were established as foreign-owned enterprises in the PRC.

(c) The non-voting deferred shares shall not confer on the holders thereof voting rights or any rights and privileges to participate in profits and assets except that Top Victory Investments Limited may distribute profits in respect of any financial year the first HK$100,000,000,000,000 thereof among the holders of the "A" ordinary shares and the balance, if any, among the holders of the "A" ordinary shares and the non-voting deferred shares. Top Victory Investments Limited may distribute assets as regards the first HK$100,000,000,000,000 thereof among the holders of "A" ordinary shares and the balance, if any, among the holders of "A" ordinary shares and non-voting deferred shares.

(d) No difference between the interest held and the voting right held by the Company.

Notes to the Consolidated Financial Statements (Continued)

19 Investments in subsidiaries and amounts due from subsidiaries (Continued)

Material non-controlling interests

	2013 US$'000	2012 US$'000
Non-controlling interests attributed to TP Vision Group	**(58,383)**	34,208
Non-controlling interests attributed to other non-wholly owned subsidiaries	**(10,713)**	(11,983)
	(69,096)	22,225

Summarized financial information on subsidiaries with material non-controlling interests

Set out below is the summarized financial information of TP Vision Group that has non-controlling interests, which in the opinion of the directors, is material to the Group.

	TP Vision Group	
	2013 US$'000	2012 US$'000
Summarized balance sheet		
Non-current assets	**315,902**	365,205
Current assets	**945,932**	1,481,281
Non-current liabilities	**(335,378)**	(374,410)
Current liabilities	**(1,123,464)**	(1,324,740)
Summarized income statement (Note)		
Revenue	**2,896,843**	2,748,640
Loss for the year	**(328,523)**	(40,589)
Total comprehensive loss for the year	**(342,501)**	(57,150)
Summarized statement of cash flows (Note)		
Net cash (used in)/generated from operating activities	**(298,728)**	308,153
Net cash generated from investing and financing activities	**54,403**	39,876

Note: The amounts for the year ended 31st December 2013 and 2012 included both continued and discontinued operations as stated on financial information of TP Vision Group.

The information above is the amount before elimination of transactions within TPV Group.

Notes to the Consolidated Financial Statements (Continued)

20 Investments in associates

	2013 **US$'000**	2012 US$'000
Investment in L&T Display Technology (Fujian) Limited[1] ("L&T Fujian")	**24,012**	19,868
Investment in other associates	**33,837**	16,919
	57,849	36,787

Set out below is the associate of the Group as at 31st December 2013, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Name of entity	**Place of business/ country of incorporation**	**% of interest held indirectly**	**Nature of the relationship**	**Measurement method**
L&T Fujian	The PRC	49%	The associate manufactures and supplies monitors and spare parts to the Group	Equity

[1] English translation is for identification purpose only.

The associate is an unlisted limited liability company in the PRC and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associates except for those disclosed in Note 39.

Summarized financial information for material associate

Set out below are the summarized financial information of L&T Fujian for which are accounted using the equity method. The information below reflects the amounts presented in the financial statements of the associate — No difference in accounting policies between the Group and the associate.

	2013 **US$'000**	2012 US$'000
Summarized balance sheet		
Non-current assets	**29,954**	39,069
Current assets	**269,288**	205,156
Non-current liabilities	**—**	—
Current liabilities	**(250,238)**	(203,678)
Net assets	**49,004**	40,547
Summarized income statement		
Revenue	**1,089,210**	889,032
Profit from continuing operation	**7,259**	11,508
Profit for the year	**7,259**	11,508
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**7,259**	11,508
Dividend received from associate	**—**	—

Notes to the Consolidated Financial Statements (Continued)

20 Investments in associates (Continued)

Reconciliation of summarized financial information

Reconciliation of the summarized financial information of the material associate presented to the carrying value of the Group's interest in associates.

	2013	2012
	US$'000	US$'000
Opening net assets at 1st January	**40,547**	28,741
Exchange differences	**1,198**	298
Profit for the year	**7,259**	11,508
Other comprehensive income	**—**	—
Dividends	**—**	—
Closing net assets as at 31st December	**49,004**	40,547
Interest in the associate	**49%**	49%
Net assets attributable to the Group as at 31st December	**24,012**	19,868
Investment in other associates (Note a)	**33,837**	16,919
Carrying value as at 31st December	**57,849**	36,787

(a) Aggregate information of other associates

Set out below is the Group's share of results of other associates that are not individually material.

	2013	2012
	US$'000	US$'000
Profit from continuing operations	**2,803**	564
Profit for the year	**2,803**	564
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**2,803**	564

Other associates included L&T Display Technology (Xiamen) Limited, for which the Group has not recognized losses amounting to US$5,454,000 for the year ended 31st December 2013 (2012: US$2,174,000). The accumulated losses not recognized were US$8,249,000 as at 31st December 2013 (2012: US$2,795,000).

Notes to the Consolidated Financial Statements (Continued)

21 Investment in a joint venture

	Group 2013 US$'000	2012 US$'000
At 1st January	**1,781**	9,764
Exchange differences	**30**	114
Share of loss charged to consolidated income statement	**(458)**	(1,570)
Business combination achieved by stage	**—**	(6,527)
At 31st December	**1,353**	1,781

The directors are of the opinion that the joint venture is not material to the Group as at 31st December 2013 and 2012. The Group's joint venture is unlisted as at 31st December 2013 and 2012. The Group's share of result of this joint venture and its aggregated assets and liabilities, are as follows:

Name	Particulars of issued shares held/ registered capital	Place of incorporation/ establishment (Note a)	Attributable to the Group 2013 Assets US$'000	Liabilities US$'000	Revenue US$'000	Loss for the year US$'000	% Interest held indirectly
BriVictory Display Technology (Labuan) Corp. and its wholly owned subsidiary, Brivictory Display Technology (Poland) Sp. z.o.o.	15,999,998 ordinary shares with US$1 each	Malaysia and Poland	**1,362**	**(9)**	**—**	**(458)**	**49%**
			2012				
			1,794	(13)	38	(2,606)	49%

Note:

(a) The joint venture principally operates in the place of incorporation or establishment.

(b) The Group's interest in a joint venture, Three Titan Technology (Xiamen) Company Limited, has become a subsidiary of the Group since 1st October 2012.

There are no contingent liabilities and commitment relating to the Group's interest in a joint venture. Also the Group did not have commitment relating to its joint venture at 31st December 2013.

Notes to the Consolidated Financial Statements (Continued)

22 Available-for-sale financial assets

	Group	
	2013	2012
	US$'000	US$'000
At 1st January	**1,158**	734
Exchange differences	**79**	19
Additions	**4,448**	—
Net gains transferred to equity (Note 29)	**—**	407
Impairment losses charged to consolidated income statement (Note 7)	**(127)**	(2)
At 31st December	**5,558**	1,158
Less: non-current portion	**(3,906)**	(1,158)
Current portion	**1,652**	—

Impairment losses of US$127,000 (2012: US$2,000) has been charged to 'other gains, net' in the consolidated income statement.

The Group transfer US$1,336,000 (2012: Nil) from equity to consolidated income statement in relation to impairment of available-for-sales financial assets during the year.

Available-for-sale financial assets include the following:

	Group	
	2013	2012
	US$'000	US$'000
Listed securities		
— Equity securities — Taiwan	**582**	708
Unlisted securities		
— Equity securities — Taiwan	**438**	450
— Debt securities — The PRC	**1,652**	—
— Equity securities — Argentina	**2,886**	—
	5,558	1,158
Market value of listed securities	**582**	708

23 Inventories

	Group	
	2013	2012
	US$'000	US$'000
Raw materials	**498,596**	482,276
Work-in-progress	**104,075**	119,000
Finished goods	**719,191**	852,444
Production supplies	**2,503**	2,229
	1,324,365	1,455,949

The Group made inventory provision during the year to write down the inventories to net realizable value. The amounts of US$22,574,000 (2012: US$3,790,000) provided during the year has been included in 'cost of sales' in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

24 Trade and other receivables, deposits, prepayments and other assets

	Group	
	2013	2012
	US$'000	US$'000
Non-current		
Prepayments	**—**	425
Other assets (Note a)	**69,255**	49,672
Other receivables (Note b)	**93,024**	6,717
	162,279	56,814
Current		
Trade receivables	**2,282,535**	2,341,761
Less: Provision for impairment of trade receivables	**(31,795)**	(22,335)
Trade receivables, net	**2,250,740**	2,319,426
Deposits	**6,093**	6,088
Prepayments	**41,480**	58,844
Other receivables (Note b)		
— Value-added tax recoverable	**258,017**	297,886
— Others	**280,397**	211,405
	2,836,727	2,893,649
Total	**2,999,006**	2,950,463

Notes:

(a) At 31st December 2013, the non-current other assets of US$69,255,000 (31st December 2012: US$49,672,000) related to cash placed in an escrow account for certain consumer care obligations arising in TP Vision Group as set out in Trademark License Agreement between TP Vision Group and Philips. The receivables is classified as non-current as the related obligations fall due in more than one year.

(b) At 31st December 2013, included in other receivables is US$86,986,000 due from Fuqing Municipal People's Government relating to the disposal of certain properties and land use rights in the PRC of which US$33,031,000 and US$53,955,000 will be received in year 2014 and 2015 respectively.

The carrying amounts of trade receivables, other receivables and other assets approximate their fair values.

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment.

Notes to the Consolidated Financial Statements (Continued)

24 Trade and other receivables, deposits, prepayments and other assets (Continued)

At 31st December 2013 and 2012, the ageing analysis of gross trade receivables based on invoice date was as follows:

	Group	
	2013	2012
	US$'000	US$'000
0–30 days	**996,698**	1,220,302
31–60 days	**767,035**	689,300
61–90 days	**308,604**	303,201
91–120 days	**71,310**	67,938
Over 120 days	**138,888**	61,020
	2,282,535	2,341,761

The Group's credit risk control and the analysis of concentration of credit risk are disclosed in Note 3.

No significant defaults in the past was noted for existing customers with trade receivables that are neither past due nor impaired as at 31st December 2013.

As at 31st December 2013, gross trade receivables of US$196,398,000 (2012: US$176,852,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing analysis of these trade receivables is as follows:

	Group	
	2013	2012
	US$'000	US$'000
1–90 days	**141,593**	145,881
91–120 days	**26,113**	4,168
Over 120 days	**28,692**	26,803
	196,398	176,852

As at 31st December 2013, trade receivables of US$34,976,000 (2012: US$27,129,000) were impaired. The amount of the provision was US$31,795,000 as at 31st December 2013 (2012: US$22,335,000). The individually impaired receivables mainly relate to a balance due from an associate of US$13,776,000 and a number of other customers, which are in unexpectedly difficult economic situations. The past due ageing analysis of these impaired receivables is as follows:

	2013	2012
	US$'000	US$'000
1–120 days	**66**	1,751
Over 120 days	**34,910**	25,378
	34,976	27,129

Notes to the Consolidated Financial Statements (Continued)

24 Trade and other receivables, deposits, prepayments and other assets (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2013 **US$'000**	2012 US$'000
At 1st January	**22,335**	15,183
Provision for impairment of receivables (Note 8)	**9,885**	8,390
Receivables written off during the year as uncollectible	**(425)**	(1,238)
At 31st December	**31,795**	22,335

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within receivables, deposits, prepayments and other assets do not contain impaired assets.

The Group does not hold any collateral as security.

25 Financial assets at fair value through profit or loss

	Group	
	2013 **US$'000**	2012 US$'000
Listed securities, at market value:		
— Equity securities — Taiwan	**3,038**	4,153
— Equity securities — Other	**117**	—
	3,155	4,153

The fair value of the equity securities is based on their current bid prices in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains, net' in the consolidated income statement (Note 7).

Notes to the Consolidated Financial Statements (Continued)

26 Cash and bank balances and pledged bank deposits

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**328,899**	485,492	**271**	413
Short-term bank deposits	**35,661**	12,379	**—**	—
	364,560	497,871	**271**	413
Pledged bank deposits (Note 36)	**5,591**	3,865	**—**	—
	370,151	501,736	**271**	413

The cash and bank balances of US$364,560,000 (2012: US$497,871,000) is included for the purpose of the consolidated statement of cash flows.

The conversion of Renminbi and Brazilian real into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese and Brazilian government respectively. The carrying amounts of cash and bank balances and pledged bank deposits approximate their fair values.

27 Share capital

	2013	2012
	US$'000	US$'000
Authorized:		
4,000,000,000 (2012: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2012: 2,345,636,139) ordinary shares of US$0.01 each	**23,456**	23,456

A summary of the above movements in issued share capital of the Company is as follows:

	2013		2012	
	Number of issued ordinary shares of US$0.01 each	**Par value US$'000**	Number of issued ordinary shares of US$0.01 each	Par value US$'000
At 1st January and 31st December	**2,345,636,139**	**23,456**	2,345,636,139	23,456

Notes to the Consolidated Financial Statements (Continued)

28 Share-based payments

Under share option scheme which was granted on 18th January 2011 ("2011 Scheme"), the exercise price of the granted options is equal to HK$5.008. Options are conditional on completing four years' service (the vesting period). The options are exercisable within ten years from the grant date and expiring on 17th January 2021 (both days inclusive).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price in HK$ per share option	**Number of options (thousands)**	Average exercise price in HK$ per share option	Number of options (thousands)
At 1st January	**5.008**	**40,080**	5.241	64,218
Expired (Note a)	**—**	**—**	5.750	(20,138)
Lapsed (Note a)	**5.008**	**(3,050)**	5.008	(4,000)
At 31st December	**5.008**	**37,030**	5.008	40,080

Out of the 37,030,000 outstanding options (2012: 40,080,000 options), 18,515,000 options were exercisable as at 31st December 2013 (2012: 10,020,000 options). No option was exercised during the year (2012: Nil).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price in HK$ per share option	**Number of options (thousands)**	
Expiry date		**2013**	2012
17th January 2021 (Note b)	5.008	**37,030**	40,080
		37,030	40,080

The fair value of options granted of 2011 Scheme determined using the Binomial Option Pricing Model was HK$1.84 per option. The significant inputs into the model were closing share price of HK$4.96 at the grant date, exercise price shown above, volatility of 53.96%, a vesting period of four years, an expected option life of ten years, dividend yield of 3.11% per annum, a forfeiture rate of 3.28% and a risk-free interest rate of 2.73% per annum. The volatility measured at the grant date is referenced to the historical volatility of the Company.

The total expense for share options granted to directors and employees are recognized as 'employee benefit expenses' in the consolidated income statement (Note 9).

Notes:

(a) During the year, 3,050,000 (2012: 4,000,000) share options under 2011 Scheme were lapsed as a result of the cessation of employment of certain employees. During the year ended 31st December 2012, 20,138,000 share options under a previous share option scheme of the Group were expired on expiry date of 16th December 2012.

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

Notes to the Consolidated Financial Statements (Continued)

29 Reserves

	Group											
	Share premium	Capital reserve	Share redemption reserve	Employee share-based compensation reserve	Exchange reserve	Reserve fund (Note a)	Merger difference (Note b)	Available-for-sale financial assets fair value reserve	Assets revaluation surplus	Other reserves	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2013 (previously stated)	**759,464**	**68,202**	**12**	**18,335**	**(54,531)**	**82,435**	**10,001**	**(1,336)**	**7,854**	**(14,492)**	**977,733**	**1,853,677**
Adoption of HKAS 19 (revised) (Note 2.1)	—	—	—	—	—	—	—	—	—	—	**(2,234)**	**(2,234)**
Balance as at 1st January 2013 (restated)	**759,464**	**68,202**	**12**	**18,335**	**(54,531)**	**82,435**	**10,001**	**(1,336)**	**7,854**	**(14,492)**	**975,499**	**1,851,443**
Fair value gains on property, plant and equipment (Note 18(a))	—	—	—	—	—	—	—	—	**30,150**	—	—	**30,150**
Transfer to profit and loss on impairment of available-for-sale financial assets	—	—	—	—	—	—	—	**1,336**	—	—	—	**1,336**
Currency translation differences												
— Group	—	—	—	—	**(72,429)**	—	—	—	—	—	—	**(72,429)**
— Associates and joint venture	—	—	—	—	**1,157**	—	—	—	—	—	—	**1,157**
Loss for the year	—	—	—	—	—	—	—	—	—	—	**(47,246)**	**(47,246)**
Transfer from retained earnings	—	—	—	—	—	**8,221**	—	—	—	—	**(8,221)**	—
Employee share option scheme:												
— Employee share-based compensation benefits	—	—	—	**1,172**	—	—	—	—	—	—	—	**1,172**
Remeasurement of pension obligations	—	—	—	—	—	—	—	—	—	—	**840**	**840**
2012 final dividends paid	—	—	—	—	—	—	—	—	—	—	**(22,753)**	**(22,753)**
At 31st December 2013	**759,464**	**68,202**	**12**	**19,507**	**(125,803)**	**90,656**	**10,001**	—	**38,004**	**(14,492)**	**898,119**	**1,743,670**

Represented by:	
Other reserves	**1,740,668**
Proposed final dividend (Note 14)	**3,002**
	1,743,670

Notes to the Consolidated Financial Statements (Continued)

29 Reserves (Continued)

Group

	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note a) US$'000	Merger difference (Note b) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves US$'000	Retained profits US$'000	Total US$'000
At 1st January 2012 (previously stated)	759,464	68,202	12	15,860	(23,569)	74,071	10,001	(1,743)	7,854	(9,423)	906,490	1,807,219
Adoption of HKAS 19 (revised) (Note 2.1)	—	—	—	—	—	—	—	—	—	—	(1,363)	(1,363)
Balance as at 1st January 2012 (restated)	759,464	68,202	12	15,860	(23,569)	74,071	10,001	(1,743)	7,854	(9,423)	905,127	1,805,856
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	407	—	—	—	407
Currency translation differences												
— Group	—	—	—	—	(31,384)	—	—	—	—	—	—	(31,384)
— Associates and joint ventures	—	—	—	—	422	—	—	—	—	—	—	422
Profit for the year (restated)	—	—	—	—	—	—	—	—	—	—	112,408	112,408
Transfer from retained earnings	—	—	—	—	—	8,364	—	—	—	—	(8,364)	—
Employee share option scheme:												
— Employee share-based compensation benefits	—	—	—	2,475	—	—	—	—	—	—	—	2,475
Remeasurement of pension obligations	—	—	—	—	—	—	—	—	—	—	(1,538)	(1,538)
Redemption liability for written put option over shares in a subsidiary	—	—	—	—	—	—	—	—	—	(5,069)	—	(5,069)
Dividends paid:												
— 2011 final	—	—	—	—	—	—	—	—	—	—	(21,345)	(21,345)
— 2012 interim	—	—	—	—	—	—	—	—	—	—	(10,789)	(10,789)
At 31st December 2012 (restated)	759,464	68,202	12	18,335	(54,531)	82,435	10,001	(1,336)	7,854	(14,492)	975,499	1,851,443
Represented by:												
Other reserves												1,828,690
Proposed final dividend (Note 14)												22,753
												1,851,443

Notes to the Consolidated Financial Statements (Continued)

29 Reserves (Continued)

Company

	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note c) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2013	**759,464**	**12**	**18,335**	**11,433**	**111,887**	**901,131**
Profit for the year	**—**	**—**	**—**	**—**	**22,916**	**22,916**
Employee share option scheme:						
— Employee share-based compensation benefits	**—**	**—**	**1,172**	**—**	**—**	**1,172**
Dividends paid:						
— 2012 final	**—**	**—**	**—**	**—**	**(22,753)**	**(22,753)**
At 31st December 2013	**759,464**	**12**	**19,507**	**11,433**	**112,050**	**902,466**
Represented by:						
Other reserves						**899,464**
Proposed final dividend (Note 14)						**3,002**
						902,466

Company

	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note c) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2012	759,464	12	15,860	11,433	124,082	910,851
Profit for the year	—	—	—	—	19,939	19,939
Employee share option scheme:						
— Employee share-based compensation benefits	—	—	2,475	—	—	2,475
Dividends paid:						
— 2011 final	—	—	—	—	(21,345)	(21,345)
— 2012 interim	—	—	—	—	(10,789)	(10,789)
At 31st December 2012	759,464	12	18,335	11,433	111,887	901,131
Represented by:						
Other reserves						878,378
Proposed final dividend (Note 14)						22,753
						901,131

Notes to the Consolidated Financial Statements (Continued)

29 Reserves (Continued)

(a) In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, except for the TPV Technology (Suzhou) Company Limited where it is 30% of its registered capital, the subsidiaries will not be required to make any further appropriation. Pursuant to the relevant PRC regulations, this reserve can be used for making up losses and increase of capital.

(b) The merger difference of the Group represents the difference between the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganization (the "Reorganization"), which was completed on 21st September 1999, in preparation for a listing of the Company's shares on the Exchange, over the nominal value of the share capital of the Company issued in exchange thereof.

(c) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the share capital of the subsidiary acquired pursuant to the Reorganization and the value of the consolidated net assets of the subsidiary acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, as well as the issued share capital and premium is less than the realizable value of its assets.

30 Borrowings and loans

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Notes payable (Note a)	**—**	79,549	**—**	79,549
Bank borrowings (Note c)	**9,922**	15,862	**—**	—
Subordinated loans (Note b)	**195,905**	184,074	**—**	—
	205,827	279,485	**—**	79,549
Current				
Note payable (Note a)	**82,505**	—	**82,505**	—
Bank overdraft (Note c)	**23,414**	4,611	**—**	—
Bank borrowings (Note c)	**212,050**	138,256	**—**	—
	317,969	142,867	**82,505**	—
Total borrowings and loans	**523,796**	422,352	**82,505**	79,549

(a) Unsecured RMB denominated note payable was issued on 21st March 2011 at a total nominal value of RMB500,000,000 and bears interest at a rate of 4.25% per annum and matures in three years from the issue date. The carrying amount of the note payable, net of transaction costs of US$1,582,000, was determined at issuance of the note payable. The carrying amount of note payables approximate its fair value.

Notes to the Consolidated Financial Statements (Continued)

30 Borrowings and loans (Continued)

(b) Subordinated loans represent loans provided by Philips, including term loan ("Term Loan") to the Group and a shareholder loan ("Shareholder Loan") to TP Vision Group pursuant to the Term Loan Agreement and the Shareholders' Loan Agreement both dated 1st April 2012. Both the Term Loan and Shareholder Loan bear interest at EURO LIBOR plus margin ranged from 2.2% to 3.8% per annum and are unsecured. Term Loan matures in three years from the date of Term Loan Agreement, while EUR21,000,000 and EUR30,000,000 shareholder loan matures in three and five years from the date of Shareholder's Loan Agreement. The fair value of subordinated loans approximate their carrying amounts which bear interest at floating rates that are market dependent.

(c) The fair value of the bank overdraft and bank borrowings approximate their carrying amounts which bear interest at floating rates that are market dependent.

As at 31st December 2013, the Group's and the Company's borrowings and loans were repayable as follows:

	Group				Company	
	Bank borrowings and subordinated loans		Notes payable		Notes payable	
	2013	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**235,464**	142,867	**82,505**	—	**82,505**	—
Between one and two years	**171,571**	9,095	**—**	79,549	**—**	79,549
Between two and five years	**34,256**	190,841	**—**	—	**—**	—
Wholly repayable within five years	**441,291**	342,803	**82,505**	79,549	**82,505**	79,549

The exposure of the Group's borrowings and loans to interest rate change at 31st December 2013 is disclosed in Note 3.

As at 31st December 2013, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2013	2012
	US$'000	US$'000
Total available and undrawn facilities	**2,956,041**	2,896,898

Notes to the Consolidated Financial Statements (Continued)

31 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	Group	
	2013	2012
	US$'000	US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**36,567**	21,182
— Deferred income tax assets to be recovered within 12 months	**34,019**	46,266
	70,586	67,448
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(13,656)**	(1,020)
— Deferred income tax liabilities to be settled within 12 months	**(10,287)**	(10,870)
	(23,943)	(11,890)
Deferred income tax assets (net)	**46,643**	55,558

The gross movements on the deferred income tax account are as follows:

	2013	2012
	US$'000	US$'000
At 1st January	**55,558**	11,301
Exchange differences	**1,257**	876
Addition arisen from business combination	**—**	3,483
Income tax (charged)/credit (Note 11)	**(655)**	39,849
Deferred tax expense (charged)/credited to equity	**(9,517)**	49
At 31st December	**46,643**	55,558

Notes to the Consolidated Financial Statements (Continued)

31 Deferred income tax (Continued)

The natures of items giving rise to deferred tax assets and their respective movements during the year without taking into consideration the offsetting of balances within the same tax justification are as follows:

	Provisions and license fee payable		Pension obligations		Unrealized profits on inventories		Tax losses		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**60,214**	10,090	**1,458**	1,395	**4,305**	—	**5,480**	11,949	**19,168**	—	**90,625**	23,434
Exchange differences	**886**	112	**(332)**	1	**1**	1	**113**	—	**1,207**	338	**1,875**	452
Addition arisen from business combination	**—**	23,991	**—**	—	**—**	—	**—**	—	**—**	5,687	**—**	29,678
Credited/(charged) to consolidated income statement	**(17,125)**	26,021	**387**	47	**2,624**	4,304	**(928)**	(6,469)	**9,572**	13,143	**(5,470)**	37,046
Credited to equity	**—**	—	**565**	15	**—**	—	**—**	—	**—**	—	**565**	15
At 31st December	**43,975**	60,214	**2,078**	1,458	**6,930**	4,305	**4,665**	5,480	**29,947**	19,168	**87,595**	90,625

The natures of items giving rise to deferred tax liabilities and their respective movements in deferred income tax liabilities during the year without taking into consideration the offsetting of balances within the same tax justification are as follows:

	Unrealized losses on inventories		Unrealized gains on derivative financial instruments		Revaluation of properties		Withholding tax on distributable profits		Intangible asset amortization		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**—**	(120)	**(404)**	(1,234)	**(1,933)**	(1,918)	**(10,870)**	(8,861)	**(20,670)**	—	**(1,190)**	—	**(35,067)**	(12,133)
Exchange differences	**—**	—	**—**	—	**—**	—	**(13)**	(10)	**(583)**	470	**(22)**	(36)	**(618)**	424
Addition arisen from business combination	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(26,195)	**—**	—	**—**	(26,195)
Credited/(charged) to consolidated income statement	**—**	120	**(585)**	830	**(1,395)**	(15)	**(1,965)**	(1,999)	**8,368**	5,055	**392**	(1,188)	**4,815**	2,803
(Charged)/credited to equity	**—**	—	**—**	—	**(10,048)**	—	**—**	—	**—**	—	**(34)**	34	**(10,082)**	34
At 31st December	**—**	—	**(989)**	(404)	**(13,376)**	(1,933)	**(12,848)**	(10,870)	**(12,885)**	(20,670)	**(854)**	(1,190)	**(40,952)**	(35,067)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses amounting to US$392,291,000 (2012: US$182,344,000) that can be carried forward against future taxable income. Losses amounting to US$235,480,000 (2012: US$86,416,000) expire from 2014 to 2021.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling US$469,148,000 at 31st December 2013 (2012: US$412,739,000). Such amounts are permanently reinvested.

Deferred income tax assets are recognized for temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of temporary differences relating to accrued expenses that are tax-deductible in later years amounting to US$8,702,000 (2012: Nil).

Notes to the Consolidated Financial Statements (Continued)

32 Pension obligations

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

The Group's assets and liabilities of the defined benefit plans are held independently of the Group in separate trustee administered funds. The Group's major defined benefit plans are valued annually by qualified independent actuaries, Actuarial Consulting Co. Ltd and Mercer (Hong Kong) Limited, using the project unit credit method.

The amount recognized in the consolidated balance sheet is determined as follows:

	As at 31st December		As at 1st January
	2013	2012	2012
	US$'000	US$'000	US$'000
		(Restated)	(Restated)
Present value of funded obligations	**15,020**	14,517	8,048
Fair value of plan assets	**(4,399)**	(4,146)	(668)
Effect of assets ceiling	**76**	—	—
	10,697	10,371	7,380
Present value of unfunded obligations	**5,600**	8,839	—
Liability in the consolidated balance sheet	**16,297**	19,210	7,380

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

	2013	2012
	US$'000	US$'000
		(Restated — Note 2.1)
Current service cost	**2,913**	702
Interest cost	**570**	670
Interest income on plan assets	**(83)**	(106)
Past service cost and other cost	**(1,578)**	(747)
Charges for long term service awards	**—**	228
Total expenses, included in employee benefit expenses (Note 9)	**1,822**	747

Notes to the Consolidated Financial Statements (Continued)

32 Pension obligations (Continued)

Movements in the pension obligation over the year are as follows:

	Present value of obligations US$'000	Fair value of plan assets US$'000	Effect of asset ceiling US$'000	Total US$'000
At 1st January 2013 (Restated)	**23,356**	**(4,146)**		**19,210**
Current service cost	**2,913**	**—**	**—**	**2,913**
Interest (income)/expenses	**570**	**(83)**	**—**	**487**
Experience gains	**(326)**	**—**	**—**	**(326)**
Changes in asset ceiling	**—**	**—**	**76**	**76**
Exchange differences	**343**	**(255)**	**—**	**88**
Contributions:				
— Employers	**(1,066)**	**(1,167)**	**—**	**(2,233)**
— Plan participants	**137**	**—**	**—**	**137**
Benefit payments	**(1,123)**	**1,252**	**—**	**129**
Others (Note)	**(4,184)**	**—**	**—**	**(4,184)**
At 31st December	**20,620**	**(4,399)**	**76**	**16,297**

Movements in the pension obligation over the year are as follows:

	Present value of obligations US$'000 (Restated)	Fair value of plan assets US$'000	Total US$'000
At 1st January 2012 (Restated)	8,048	(668)	7,380
Current service cost	702	—	702
Interest (income)/expenses	670	(106)	564
Experience losses	1,571	35	1,606
Additions through business combination and others	19,013	(4,146)	14,867
Exchange differences	(26)	43	17
Contributions:			
— Employers	—	(656)	(656)
— Plan participants	92	—	92
Benefit payments	(1,352)	1,352	—
Others (Note)	(5,362)	—	(5,362)
At 31st December 2012 (Restated)	23,356	(4,146)	19,210

Note:

Others comprises primarily amounts acquired through the business combination in year 2012 which were subsequently released following the announcement of the closure of that location (Note 34). This release was netted in the consolidated income statement against related charges.

Notes to the Consolidated Financial Statements (Continued)

32 Pension obligations (Continued)

The significant actuarial assumptions used are as follows:

	2013	2012
Discount rates	**1.90%–6.08%**	1.50%–5.81%
Expected rates of future salary increment	**3.50%–5.34%**	3.50%–5.18%

The sensitivity of the overall pension liability to changes in the weighted principal assumption is as follow:

For Pension plan in Taiwan:	**Change in assumption**	**Impact on defined benefit obligation**
		US$'000
Discount rates	**+1%**	(675)
	–1%	782
Salary growth rate	**+1%**	675
	–1%	(597)

For Pension plan in Europe:	**Change in assumption**	**Impact on defined benefit obligation**
		US$'000
Discount rates	**+0.5%**	(1,368)
	–0.5%	1,613
Salary growth rate	**+0.5%**	1,524
	–0.5%	(1,440)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets are comprised as follows:

	2013		2012	
	US$'000	**%**	US$'000	%
Equities	**350**	**8%**	761	19%
Debt securities	**2,222**	**51%**	1,574	38%
Cash and deposits	**215**	**5%**	469	11%
Property	**224**	**5%**	513	12%
Others	**1,388**	**31%**	829	20%
	4,399	**100%**	4,146	100%

Notes to the Consolidated Financial Statements (Continued)

32 Pension obligations (Continued)

Expected contributions to the pension plans for the year ending 31st December 2014 are US$1,002,838 (2013: US$1,034,303).

Expected maturity analysis of undiscounted pension:

	Less than 1 year US$'000	**Over 1 years** US$'000	**Total** US$'000
Pension benefits	1,035	14,692	15,727

33 Trade payables, other payables and accruals

	Group		**Company**	
	2013 **US$'000**	2012 US$'000	**2013** **US$'000**	2012 US$'000
Non-current				
License fee payable	**131,964**	198,770	**—**	—
Contingent consideration payables	**4,818**	13,582	**—**	—
Redemption liability for written put option over shares in a subsidiary	**2,065**	5,069	**—**	
Accrued employee benefits	**2,844**	4,275	**—**	—
Others	**5,445**	1,756	**—**	—
	147,136	223,452	**—**	—
Current				
Trade payables	**2,370,521**	2,370,845	**—**	—
Other payables and accruals				
— Accrued employee benefits	**116,041**	126,657	**271**	189
— Accrued operating expenses	**165,216**	195,762	**3,213**	2,850
— Deferred brand promotion fee income	**—**	20,268	**—**	—
— Duty and tax payable other than income tax	**100,980**	176,742	**—**	—
— License fee payable	**86,580**	63,750	**—**	—
— Payables under discounting arrangement	**278,267**	363,583	**—**	—
— Payables for purchase of property, plant and equipment	**141,982**	115,611	**—**	—
— Others	**338,171**	207,221	**—**	—
	3,597,758	3,640,439	**3,484**	3,039
Total	**3,744,894**	3,863,891	**3,484**	3,039

Notes to the Consolidated Financial Statements (Continued)

33 Trade payables, other payables and accruals (Continued)

At 31st December 2013 and 2012, the ageing analysis of trade payables based on invoice date was as follows:

	Group	
	2013	2012
	US$'000	US$'000
0–30 days	**905,709**	803,429
31–60 days	**725,006**	889,770
61–90 days	**361,309**	332,457
Over 90 days	**378,497**	345,189
	2,370,521	2,370,845

The carrying amounts of trade payables, other payables and accruals approximate their fair values.

34 Warranty and restructuring provisions

	Group					
		2013			2012	
	Warranty provision	**Restructuring and other provisions**	**Total**	Warranty provision	Restructuring and other provisions	Total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
As at 1st January	**94,464**	**40,468**	**134,932**	71,325	—	71,325
Exchange difference	**220**	**1,330**	**1,550**	604	1,272	1,876
Charged to consolidated income statement (Note 8)	**157,408**	**42,256**	**199,664**	131,174	45,536	176,710
Utilized during the year	**(153,042)**	**(53,793)**	**(206,835)**	(108,639)	(6,340)	(114,979)
As at 31st December	**99,050**	**30,261**	**129,311**	94,464	40,468	134,932
— Non-current liabilities	**—**	**3,632**	**3,632**	—	1,585	1,585
— Current liabilities	**99,050**	**26,629**	**125,679**	94,464	38,883	133,347
Total	**99,050**	**30,261**	**129,311**	94,464	40,468	134,932

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from twelve months to thirty-six months on average. The provisions as at 31st December 2013 and 2012 have been made for expected warranty claims on products sold for which it is expected that the majority of this provision will be utilized in the next twelve months.

The restructuring provision mainly refers to the business model optimisation plan which consolidates similar positions and competencies within Finance, Information Technology, Human resources etc. into "Shared Service Centres" and the strategic decision to close down one location and merge two other locations into one during the years 2013 and 2012. These restructuring programs were decided and announced before the respective year end date. During the year ended 31st December 2013, restructuring costs of US$36,431,000 (2012: US$45,443,000) were provided for restructuring programs. An amount of US$51,758,000 (2012: US$6,340,000) was utilized in 2013. An amount of US$26,225,000 is expected to be utilized within the next twelve months.

Notes to the Consolidated Financial Statements (Continued)

35 Derivative financial instruments

	Group			
	2013		2012	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
Foreign exchange forward contracts and options (Note a)	**55,041**	**(69,484)**	11,411	(59,237)
Interest rate swaps (Note b)	**—**	**—**	74	—
Cross currency swaps (Note c)	**385**	**(12,340)**	4,067	(4,165)
	55,426	**(81,824)**	15,552	(63,402)
Less non-current portion:				
— Foreign exchange forward contracts and options (Note a)	**11,753**	**(9,240)**	62	(28)
— Cross currency swaps (Note c)	**—**	**(3,874)**	2,777	—
Non-current portion	**11,753**	**(13,114)**	2,839	(28)
Current portion	**43,673**	**(68,710)**	12,713	(63,374)

Changes in fair values of derivative financial instruments are recorded in 'other gains, net' in the consolidated income statement (Note 7).

(a) Foreign exchange forward contracts and options

The total notional principal amounts of the outstanding foreign exchange forward contracts and options as at 31st December 2013 are as follows:

	Group	
	2013 US$'000	2012 US$'000
Sell US dollar for Renminbi	**3,386,604**	556,000
Sell Renminbi for US dollar	**3,213,604**	557,680
Sell Euro for US dollar	**528,039**	867,443
Sell Brazilian real for US dollar	**290,517**	268,150
Sell Russian ruble for US dollar	**77,000**	229,298
Sell Indian rupee for US dollar	**180,000**	76,500
Sell Polish zloty for US dollar	**40,000**	40,000
Sell British pound for US dollar	**25,114**	20,057
Sell Polish zloty for Euro	**60,279**	28,356
Sell Swiss franc for Euro	**20,558**	27,335
Sell Russian ruble for Euro	**44,404**	27,050
Sell British pound for Euro	**10,251**	8,008
Other currency pairs	**75,992**	61,706
Total	**7,952,362**	2,767,583

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2013 was nil (2012: US$40,000,000).

Notes to the Consolidated Financial Statements (Continued)

35 Derivative financial instruments (Continued)

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31st December 2013 was US$536,529,000 (2012: US$630,252,000).

36 Pledge of assets

As at 31st December 2013, the Group's bank deposits of US$5,591,000 (2012: US$3,865,000) was pledged as security mainly for banking facilities of the Group for which US$5,511,000 (2012: US$3,865,000) have been utilized. In case the Group defaults under the facility agreements, the banks have the right to seize the pledged bank deposits.

37 Notes to the consolidated statement of cash flows

Reconciliation of operating profit to net cash generated from operations

	2013 US$'000	2012 US$'000 (Restated — Note 2.1)
Operating profit	**1,520**	168,238
Depreciation of property, plant and equipment	**150,422**	129,557
Amortization of land use rights	**1,864**	1,445
Amortization of intangible assets	**62,328**	58,387
Gains from bargain purchase of subsidiaries	**—**	(25,639)
(Gains)/losses on disposal of property, plant and equipment and land use rights, net (Note i)	**(88,871)**	324
Share options granted to a director and employees	**1,172**	2,475
Unrealized (gains)/losses on derivative financial instruments	**(21,452)**	57,840
Fair value loss of derivative financial instruments	**—**	6,037
Fair value gains on revaluation of investment properties	**(2,814)**	(51)
Fair value losses/(gains) on financial assets at fair value through profit or loss	**1,007**	(424)
(Gains)/losses on disposal of financial assets at fair value through profit or loss	**(646)**	36
Impairment losses on available-for-sale financial assets	**127**	2
Transfer to profit and loss on impairment of available-for-sale financial assets	**1,336**	—
Impairment loss on property, plant and equipment	**9,260**	7,725
Impairment loss on intangible assets	**44,833**	—
Reversal of trademark license fee payable	**(55,218)**	—
Remeasurement of contingent consideration payable and redemption liability for written put option over shares in a subsidiary	**(17,035)**	—
Operating profit before working capital changes	**87,833**	405,952
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— trade receivables	**30,950**	74,171
— deposits, prepayments and other receivables	**(11,196)**	(160,881)
— inventories	**59,293**	(261,342)
— trade payables	**(146)**	334,181
— warranty and other provisions, other payables and accruals and pension obligations	**(26,856)**	285,832
Net cash generated from operations	**139,878**	677,913

Notes to the Consolidated Financial Statements (Continued)

37 Notes to the consolidated statement of cash flows (Continued)

Note:

(i) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment and land use rights comprise:

	2013 US$'000	2012 US$'000
Net book amount of property, plant and equipment (Note 16)	**36,420**	4,738
Net book amount of land use rights (Note 17)	**916**	341
Gains/(losses) on disposal of property, plant and equipment and land use rights	**88,871**	(324)
Proceeds from disposal of property, plant and equipment and land use rights (Note ii)	**126,207**	4,755

(ii) Proceeds of US$86,986,000 are included in other receivables as at 31st December 2013.

38 Corporate guarantees

	Company	
	2013 US$'000	2012 US$'000
Guarantees in respect of banking facilities granted to subsidiaries	**3,095,590**	3,356,109
Guarantees in respect of trade payable to subsidiaries	**—**	140,875

39 Contingent liabilities

The Group has a number of legal and other proceedings at 31st December 2013. The directors are of the opinion that even if the outcome of the following litigations and complaints turn out to be unfavorable, their future settlement, in aggregate, may not have any material financial impact on the Group as a whole.

(a) In January 2009, a third party company filed a complaint in Germany against the Group. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent I").

As far as the Group is concerned, it is alleged among other matters that:

(i) they had infringed, actively induced, contributed to the infringement of Patent I by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not possible to determine the outcome of the case for the time being.

Notes to the Consolidated Financial Statements (Continued)

39 Contingent liabilities (Continued)

(b) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors are of the opinion that while the proceedings are still ongoing, it is not possible to determine the outcome of the case for the time being.

(c) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent II").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent II, and contributing to and actively inducing the infringement of Patent II by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent II.

On 19th September 2013, a final judgment was entered by the district court judge. While this case is currently on the appellate proceedings, the directors consider that it is not possible to determine the outcome of the case for the time being.

(d) In June 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain monitors and televisions ("Patent III").

As far as the Group and its associated companies concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent III.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

(e) In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by TP Vision Group. The matter is currently under consideration by the legal authorities. Under the terms of the Share Purchase Agreement with Philips, any damages arising from this claim will be fully indemnified by Philips.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

(f) In 2012 and 2013, in one specific country, the compensation payments to customers have been accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the Tax Authorities in that country following the submission of the relevant tax returns in 2013 and 2014.

The directors do not consider any liability arising being probable.

Notes to the Consolidated Financial Statements (Continued)

39 Contingent liabilities (Continued)

(g) In January 2013, a third party company filed an amended complaint to consolidate two underlying related complaints in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain computer monitors and televisions ("Patent IV").

As far as the Group and its associated companies are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent IV, and contributing to and actively inducing the infringement of Patent IV by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent IV.

The directors are of the opinion that while the proceedings are currently ongoing, it is not possible to determine the outcome of the case for the time being.

(h) In 2013, litigation continued with a third party company that filed patent infringement cases in Germany, alleging that the Group infringes patents relating to the protection of certain aspects of SmartTV and Net TV.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

(i) In 2013, the Civil Code of one specific country requires that all companies producing or importing goods with an audio/video replication functionality must pay 1% of turnover (either import or production value) fees to copyrights owners (unnamed list of authors) through the local union of copyright owners.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

40 Commitments

(a) Capital commitments

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

	Group	
	2013	2012
	US$'000	US$'000
Property, plant and equipment	**50,589**	79,272
Investments	**36,532**	22,457
	87,121	101,729

Notes to the Consolidated Financial Statements (Continued)

40 Commitments (Continued)

(a) Capital commitments (Continued)

As at 31st December 2013 and 2012, the Company did not have any significant capital commitments.

(b) Operating lease commitments — Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2013	2012
	US$'000	US$'000
Not later than one year	**23,532**	26,296
Later than one year and no later than five years	**54,080**	39,328
Later than five years	**24,634**	6,863
	102,246	72,487

As at 31st December 2013 and 2012, the Company did not have any significant commitments under operating leases.

(c) Operating lease commitments — Group as lessor

The Group leases various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 and 17 years, and the majority of lease arrangements are renewable at the end of the lease period.

The future aggregate minimum lease payments receivables under non-cancellable operating leases are as follows:

	Group	
	2013	2012
	US$'000	US$'000
No later than one year	**2,437**	3,504
Later than one year and no later than five years	**5,558**	2,716
Later than five years	**15,639**	—
	23,634	6,220

Notes to the Consolidated Financial Statements (Continued)

41 Business combination

(a) Acquisition of TV business from Qingdao Haier Electronics Limited.

In May 2013, TPV Technology (Qingdao) Company Limited ("TPVQD") entered into an agreement with Qingdao Haier Electronics Limited ("Haier") to purchase the TV manufacturing operation of Haier in Qingdao (the "operation"), for a consideration of RMB25,336,000 (equivalent to US$4,119,000). The acquired operation includes machinery, equipment, workforce, and contracts for production and sales of flat TV products. This acquisition is expected to increase the Group's economies of scale and competitiveness in the TV market. The acquisition was completed in June 2013. The goodwill of US$1,261,000 arising from the acquisition, represented the excess of consideration paid of US$4,119,000 less the Group's interest in fair value of the net assets acquired of US$2,858,000, is attributable to synergies from the added volume that came with the acquisition.

The fair value of total identifiable net assets of US$2,858,000 represented plant and equipment acquired of US$1,550,000, other receivables of US$771,000 and intangible assets — customer relationship of US$537,000.

The acquisition related costs included in administrative expenses in the consolidated income statement for the year ended 31st December 2013 amounted to US$13,000.

The acquired business contributed revenues from external customers of US$96,627,000 and contributed operating loss of US$753,000 to the Group for the year from the date of acquisition to 31st December 2013. As the operation was integral to Haier's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired operation to the Group should the acquisition had occurred on 1st January 2013. On this basis, no disclosure is made to this effect within the consolidated financial statements.

(b) Acquisition of 70% equity interest in TP Vision Group for the year ended 31st December 2012

On 1st April 2012, the Group completed the acquisition of a 70% equity interest in TP Vision Group from Philips pursuant to the SPA dated 1st November 2011. Philips retains the remaining 30% equity interest in TP Vision Group, and has the right to sell or transfer, partly or all, of this remaining 30% equity interest in TP Vision Group to the Group pursuant to the Shareholders' Agreement dated 1st April 2012.

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

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

A gain from bargain purchase of US$24,803,000 has been recognized in 'other gains-net', in the consolidated income statement of the Group for the year ended 31st December 2012, attributable to the recognition of fair market values of net assets acquired at higher values than the contingent consideration payable.

Notes to the Consolidated Financial Statements (Continued)

41 Business combination (Continued)

(b) Acquisition of 70% equity interest in TP Vision Group for the year ended 31st December 2012 (Continued)

(i) Calculation of the gain from bargain purchase

The following table summarizes the estimated consideration payable to Philips at the acquisition date and the calculation of the gain from bargain purchase:

	US$'000
Purchase consideration	
— Cash	—
— Contingent consideration	11,829
Total purchase consideration	11,829
Less: Fair value of the net asset acquired (Note ii)	36,632
Gain from bargain purchase	24,803

(ii) Net assets acquired

The fair values of the assets acquired and liabilities assumed as at the acquisition date are as follows:

	US$'000
Property, plant and equipment	115,544
Intangible assets	213,401
Investments in associates	649
Deferred income tax assets — net	3,483
Other non-current assets	18,835
Inventories	185,295
Cash and bank balances	6,407
Other current assets	89,086
Pension obligations	(14,867)
Other non-current liabilities	(225,861)
Payable to Philips for net operating capital contributed	(306,184)
Other current liabilities	(33,455)
Fair value of total identifiable net assets acquired	52,333
Non-controlling interest	(15,701)
Fair values of total identifiable net assets acquired	36,632

Notes to the Consolidated Financial Statements (Continued)

41 Business combination (Continued)

(b) Acquisition of 70% equity interest in TP Vision Group for the year ended 31st December 2012 (Continued)

(ii) Net assets acquired (Continued)

The Group's acquired intangible assets mainly represent a five year trademark, license agreement between TP Vision Group and Philips, whereby TP Vision Group is granted the right to use the Philips brand for its products sold.

The payable to Philips represented TP Vision Group's agreed payment to Philips for the net operating capital contributed by Philips prior to the Group's 70% investment in the business and as calculated in accordance with the provisions specified in the SPA. The amount has been fully paid during the year ended 31st December 2012.

The Group recognizes TP Vision Group's non-controlling interests at their proportionate share of TP Vision's fair value of total identifiable net assets.

The acquisition-related costs included in administrative expenses in the consolidated income statement for the year ended 31st December 2012 amounted to US$4,414,000.

(iii) Transactions with Philips separate from the acquisition

In relation to the acquisition, TP Vision Group entered into agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision Group.

TP Vision Group is entitled to charge Philips a brand promotion fee up to EUR172 million (approximate to US$222 million) for brand promotion and/or enhancement activities. Such activities can include advertising and promotion, sales and marketing, research and development and other activities which incentivize the distribution channels and reduce the cost of non-quality. The fee is charged based on 5% of TP Vision Group revenue and recognized upon approval of Philips. Refer to Note 6 for the brand promotion fee recognized for the year ended 31st December 2013 and 2012.

TP Vision Group is also entitled to charge Philips a compensation of EUR32 million (approximate to US$40 million) due to the delay in launch of certain products for the year ended 31st December 2012.

The directors are of the view that these represent transactions with Philips that were separate from the business combination and are therefore did not form part of the net assets acquired and were recognized separately in accordance with HKFRS 3 (Revised).

42 Related party transactions

As at 31st December 2013, the major shareholders of the Company are China Electronics Corporation ("CEC"), Mitsui & Co., Ltd. ("Mitsui") and Innolux Corporation ("Innolux"), which owned 35.06%, 20.19% and 6.42% of the Company's issued shares respectively.

The Group is controlled by CEC, which indirectly owns 35.06% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatization programs. In the ordinary course of the Group's business, the Group has certain transactions with state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities, acquisition and sales of property, plant and equipment and land use rights and depositing and borrowing money.

Notes to the Consolidated Financial Statements (Continued)

42 Related party transactions (Continued)

(a) Significant transactions with related parties

During the years ended 31st December 2013 and 2012, the Group had the following significant transactions with its associates, joint ventures, and its substantial shareholders, CEC, Mitsui and Innolux.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They were summarized as follows:

	Group	
	2013	2012
	US$'000	US$'000
Sales of goods to associates	**348,660**	286,207
Sales of goods to a joint venture (Note ii)	**—**	31
Sales of goods to CEC and its subsidiaries	**2,893**	12,918
Sales of goods to Mitsui and its subsidiaries	**—**	15,977
Sales of goods to Innolux and its subsidiaries	**108**	3
Purchases of goods and services from associates	**(87,392)**	(69,211)
Purchase of property, plant and equipment from an associate	**(14,453)**	—
Purchases of goods from a joint venture (Note ii)	**—**	(28,890)
Purchases of goods from CEC and its subsidiaries	**(108,214)**	(70,513)
Purchases of goods from Mitsui and its subsidiaries	**—**	(334)
Purchases of goods from Innolux and its subsidiaries	**(785,454)**	(838,469)
Rental income from associates	**2,652**	2,836
Rental income from a joint venture (Note ii)	**51**	563
Royalty paid to CEC and its subsidiaries	**(187)**	—
Emolument paid to the secondees from Mitsui and its subsidiaries	**(194)**	—

(i) The above information only presents the transactions with these companies for the period when they are categorized as related parties.

(ii) Three Titans Technology (Xiamen) Company Limited, which was a joint venture, has become a subsidiary of the Group since 1st October 2012.

(b) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2013	2012
	US$'000	US$'000
Salaries and other short-term employee benefits	**4,985**	4,100
Share-based payments	**267**	287
	5,252	4,387

Notes to the Consolidated Financial Statements (Continued)

42 Related party transactions (Continued)

(c) Year-end balances

	Group 2013 US$'000	2012 US$'000
Receivables from associates (Note i)	**171,281**	102,631
Receivables from a joint venture (Note i)	**—**	1
Receivables from substantial shareholders and their subsidiaries		
— CEC and its subsidiaries (Notes i & ii)	**5,474**	—
— Innolux and its subsidiaries (Note i)	**36**	350
	5,510	350
Payables to associates (Note iii)	**88,599**	30,974
Payable to a joint venture (Note iii)	**—**	22
Payables to substantial shareholders and their subsidiaries (Note iv)		
— CEC and its subsidiaries	**15,565**	14,596
— Mitsui and its subsidiaries	**33**	502
— Innolux and its subsidiaries	**92,654**	47,843
	108,252	62,941

	Company 2013 US$'000	2012 US$'000
Receivable from subsidiaries	**952,574**	947,643

Notes:

(i) Receivables from associates, joint venture and substantial shareholders were mainly presented in the consolidated balance sheet within 'trade receivables'. Provision of US$13,776,000 was held against a trade receivable from an associate as at 31st December 2013 (Note 24). The general credit term for the receivables is from 60 days to 120 days after the date of sales. The receivables are unsecured in nature and bear no interest.

(ii) The balance included US$4,624,000 (equivalent to RMB28,000,000) for the capital contribution injected to a joint venture company established with a subsidiary of CEC pursuant to an agreement signed in April 2012. The Group withheld the investment during the year and the amount was presented in the consolidated balance sheet within 'deposits, prepayments and other receivables'. The receivable is unsecured and bears no interest. No provision is held against the receivable as at 31st December 2013.

(iii) Payables to related parties were presented in the consolidated balance sheet within 'trade payables' and 'other payables and accruals'. The payables bear no interest with repayment date due within one year.

(iv) The above balances are presented only if the companies remained as related parties during the year ended 31st December 2013.

43 Event after the balance sheet date

On 20th January 2014, the Company entered into a term sheet with Philips relating to the proposed acquisition of the remaining 30% interest of TP Vision Group and the proposed amendments to certain agreements in connection with the Philips TV business in Europe and certain South American countries and licensing of Philips trademarks.

Five-Year Financial Summary

	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Results					
(Loss)/profit attributable to owners of the Company	**(47,246)**	112,408	120,398	169,349	141,214
Assets and liabilities					
Total assets	**6,258,694**	6,448,500	5,256,703	5,127,132	4,154,864
Total liabilities	**(4,560,664)**	(4,551,376)	(3,430,625)	(3,333,948)	(2,648,239)
Net assets	**1,698,030**	1,897,124	1,826,078	1,793,184	1,506,625

TPV

VISION INNOVATOR

www.tpv-tech.com