FIH® 富智康™

FIH Mobile Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2038

ANNUAL REPORT 2013

CONTENTS

CORPORATE INFORMATION

FIH MOBILE LIMITED (the "Company", and together with its subsidiaries, the "Group")

EXECUTIVE DIRECTORS

TONG Wen-hsin *(Chairman)*
CHIH Yu Yang *(Chief Executive Officer)*
LEE Jer Sheng

NON-EXECUTIVE DIRECTOR

LEE Kuo Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

COMPANY SECRETARY

LAW Sai Hay

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square, P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

HEAD OFFICE

No. 18 Youyi Road
Langfang Economic and
Technological Development Zone
Hebei Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Peninsula Tower
538 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Clifford Chance, Hong Kong
Mayer Brown JSM, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Beijing
Bank of China
China Guangfa Bank
China Merchants Bank
Chinatrust Commercial Bank
Citibank
Industrial Bank
Industrial and Commercial Bank of China
Mizuho Corporate Bank
Standard Chartered Bank
Taipei Fubon Bank
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

2038

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thanks to the great work from our dedicated management team and employees, we successfully delivered a financial performance recovery in 2013 amid a challenging environment. I submit the Group has now come out of the turnaround period and entered into a stage of transformation that will make us stronger and better in the future.

I am pleased to report that, in 2013, several key breakthroughs were made to enhance the Group's capabilities and competitive edge. With continuous review and reform on our team structure, we now have a leaner organisation with higher efficiency. Our better control of operating costs now enables us to respond to challenges in a dynamic market. We also kept introducing more automation into our operations that further enhanced our productivity and competitiveness, while coping with the rising labour cost in China. Looking at current global smartphone markets now, we are blessed by the right decision we made 18 months ago to focus on Chinese local customers, who have been enjoying significant market growth in recent years. Our customer base diversification into the growing segments has helped and should help us weather better market uncertainties in 2013 and beyond.

With all these efforts, the Group is now in a good position to propel itself into the next level in 2014. The following strategic directions have been set to drive for our further advancement.

First of all, we will aggressively explore opportunities in the emerging markets. In addition to our good progress in China, we are engaging in new businesses in Indonesia, India, Africa, etc. by cooperating with existing and new customers. It is our belief that these markets will witness the next wave of surging smartphone demand in the next 3 to 5 years and we should prepare ourselves well for it.

Secondly, we are actively expanding into other new product categories. Smart handset accessories, "App-cessories", or wearable devices are exciting areas that we consider with great potential. We believe that, by leveraging off our core competency in building hand-held wireless devices, the Group should be able to tap into these business potentials associated with upcoming waves of new products. We will constantly invest in special solutions and advanced technology, while incubating and facilitating product innovations from in-house and external sources.

Thirdly, we are building our capabilities into other parts of the industry value chain. We aim to better serve our strategic customers by not only offering hardware, integrated design and manufacturing, software development and supply chain management services, but also broadening our scope of end-to-end service platform to other parts of the value chain. New initiatives have been started to look into providing after-sales services, value-added distribution and other hardware-software-integrated product and services offerings. More innovations will emerge as we look further into different new business models that will bring us greater profitability and prosperity in the future.

Last but not least, I would like to thank our shareholders and customers for the trust and confidence in the Group and its management team, as well as over 63,000 employees across 9 different jurisdictions for their contribution and commitment. With your continuing support, we are confident to deliver greater successes in 2014 and the years to come.

With best regards,

TONG Wen-hsin
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

2013 continued to be a challenging year for the Group. Despite a more stable macro environment, we note some of our customers experienced lower demand driven by fierce competition in handset industry; while some faced strategic uncertainty due to leadership change or ongoing transition period after being merged by other entity. Meanwhile, some PRC (People's Republic of China) brands have enjoyed market share gain by launching mid-to-low price-point smartphone devices that better suit the demand of end users, especially in emerging markets. In terms of geographic performance, the emerging markets, like China and South East Asia, became the main growth contributor of global handset industry. To cope with the fast changing environment, we continued to improve our operation efficiency, introduce automated manufacturing processes and reinforce our ODM (original design manufacturing) capability, which have helped the Group strengthen the leading position among our competitors. Our efforts have started to pay-off in 2013, reflecting in stable revenue size, lower SG&A (selling, general and administrative) expenses, and substantial earnings recovery.

After continuing optimising our organisation structure, conducting site consolidation and divesting less-utilised assets, we successfully converted into a more nimble and flexible counterpart for our customers, and are capable in handling high mix orders with smaller volumes. We diversified our customer base and penetrated into several Chinese brands, who have experienced solid growth amid the tough market. As the handset industry market share continues to reshuffle, we expect a more diversified customer base could reduce the risks of over-reliance on specific accounts. However, these efforts were partially offset by weaker demand from some of our customers. As a result, our revenue slightly declined by US$243 million (or 4.6%) year-on-year to US$4,997 million in 2013.

Our gross margin expanded to 4.48% in 2013 from gross loss of 0.01% in 2012, driven by improving utilisation and more favourable revenue mix. We keep on managing our operating expense with better workforce management, site consolidation and cost optimisation. The implementation and development of automated manufacturing processes also mitigated the impact of rising labour cost and lifted the yield rate. We will continue to roll out automated facilities into more production lines and further improve the contribution of existing flexible production lines and industrial engineering methods. Our operating profit improved to US$129 million in 2013 from operating loss of US$218 million in 2012, increased by US$347 million year-on-year. Basic earnings per share for 2013 is US1.04 cents.

Regarding segment operation, Asia segment remained our major performance contributor. The revenue from our new customers were partially offset by weaker demand of others; however, thanks to better revenue mix and higher yield – we improved the earnings to US$228 million in 2013 from US$32 million in 2012. Our repair business in the States and Mexico has grown steadily. With less impairment loss, the earnings of America segment improved to US$83 million in 2013 from US$20 million in 2012. While for Europe, we downsized our operation and recognised US$5 million of impairment loss on buildings. To secure the business, we adopted a more aggressive pricing strategy and strived to improve the operation efficiency and recorded earnings of US$35 million in 2013, when compared with loss of US$9 million in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Our commitment to deploy meaningful resources in R&D (research and development), highly vertical integration production lines and solid ODM capability have been recognised by both our existing and new customers. Throughout 2013, we successfully obtained more ODM business from our customers. We believe the ODM business model is a win-win strategy for the Group and our customers. It could help enrich our customers' product portfolio, shorten time-to-market and improve product competitiveness, allowing our customers to have better resource allocation and be more focused on marketing and brand-building in the highly competitive environment.

The improving operations demonstrate our business is now on the right track. We will maintain our strategy in penetrating into new customers and new markets, improving efficiency and enhancing ODM partnerships. We expect a promising growth in 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a cash balance of US$2,124 million (2012: US$1,917 million). The cash balance is expected to be able to finance its operations. The Group's gearing ratio, expressed as a percentage of interest bearing external borrowings of US$138 million (2012: US$215 million) over total assets of US$5,586 million (2012: US$5,088 million), was 2.47% (2012: 4.23%). All of the external borrowings were denominated in US Dollars. The Group borrowed according to real demand and there were no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest bearing external borrowings were all at fixed rate ranging from 1.36% to 3.35% per annum with original maturity of three months.

As at 31 December 2013, the Group's cash and cash equivalents were mainly held in US Dollars and RMB.

Net cash from operating activities for the year ended 31 December 2013 was US$232 million.

Net cash used in investing activities for the year ended 31 December 2013 was US$13 million, of which, mainly, US$104 million represented purchase of property, plant and equipment from cash provided by customer, US$104 million represented cash transferred by customer for purchase of property, plant and equipment, US$77 million represented the expenditures on property, plant and equipment related to the facilities in the Group's major sites in the PRC, US$44 million represented net increase in bank deposits, US$3 million represented capital contribution to a joint venture, US$1 million represented investment in an available-for-sale investment, US$22 million represented proceeds from disposal of property, plant and equipment and US$2 million represented dividend from an associate.

Net cash used in financing activities for the year ended 31 December 2013 was US$55 million, primarily due to net decrease in bank borrowings of US$72 million and proceeds of US$17 million from the issue of shares to employees.

EXPOSURES TO CURRENCY RISK AND RELATED HEDGES

In order to mitigate foreign currency risks, the Group actively utilised natural hedge technique to manage its foreign currency exposures by non-financial methods, such as managing the transaction currency, leading and lagging payments, receivable management, etc.

Besides, the Group sometimes entered into short-term forward foreign currency contracts (usually with tenors less than 3 months) to hedge the currency risk resulting from its short-term bank borrowings (usually with tenors of 3 months) denominated in foreign currencies. Also, the Group, from time to time, utilised a variety of forward foreign currency contracts to hedge its exposure to foreign currencies.

CAPITAL COMMITMENT

As at 31 December 2013, the capital commitment of the Group was US$15.8 million (2012: US$27.2 million). Usually, the capital commitment will be funded by cash generated from operations.

PLEDGE OF ASSETS

As at 31 December 2012, a subsidiary of the Company pledged its corporate assets of approximately US$0.3 million to secure general banking facilities granted to the Group. There was no pledge of the Group's assets as at 31 December 2013.

OUTLOOK

2013 was an adjustment year for the Group. We have successfully turned-around amid a continuously challenging environment by improving our earnings to black from loss-making in 2012. We aim to carry on the healthy growth momentum in 2014.

We note the handset ecosystem has changed following the emergence of new OEM (original equipment manufacturing) brands, service, software and handset application. We have been urging ourselves to keep up with the environment, searching for future trends and expanding our service offerings, so we could weather through all the challenges, better serve our customers and continue to grow our business. To amplify our business, we define three key areas to pursue in 2014: 1) New Business Model: we recognise our customers are adjusting their business models to better position themselves in the ever-changing environment. In response, we strive to provide our customers with value-added/end-to-end solutions from design and manufacturing to repair services and logistics and distribution, and will actively explore appropriate business opportunities. By expanding our service portfolio and scope, our customers could receive better support from the Group, and optimise their resource allocation to their focus areas. An intertwined business could also imply a more stable long-term relationship; 2) New Market: the emerging markets have surpassed the developed markets in terms of growth contribution in the handset industry, mainly driven by the upgrade from feature phone to smartphone. We plan to raise our exposure in these fast-growing markets, including South East Asia, Russia, etc. by cooperating with current customers and building relationship with new customers, to capture the growth potential; and 3) New Product and New Technology: new product and technology arise every day, and some may become the next killer application despite relatively small market size at this point. We encourage our employees to bring up innovation at work and proactively reach out our customers for all the pioneer projects (e.g. wearable device). With advanced technology and relevant experience, we are the reliable counterpart when our customers plan to step in new business areas. In addition to revenue expansion, we will continue to improve our efficiency, which is one of the main factors helping the Group deliver sequential earnings improvement throughout 2012 to 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The fast changing and highly competitive handset sector has created challenges to the Group. However, with our leading scale, global presence and outstanding talents, we have confidence to deliver a transformation story in 2014.

EMPLOYEES

As at 31 December 2013, the Group had a total of 63,499 (2012: 70,051) employees. Total staff costs incurred during the year 2013 amounted to US$435 million (2012: US$462 million). The Group offers a comprehensive remuneration policy which is reviewed by the management on a regular basis.

The Company has adopted a share scheme and a share option scheme respectively. The share option scheme complies with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The emoluments payable to the directors of the Company are determined by the board of directors of the Company (the "Board") from time to time with reference to the Company's performance, their duties and responsibilities with the Company, their contributions to the Company and the prevailing market practice as well as the recommendations from the Company's remuneration committee.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

TONG Wen-hsin (Mr.), Chinese (Taiwan) and aged 48, is now the Chairman and an executive director of the Company. He has over 22 years of experience in the investment banking, finance and information technology fields as well as general management experience. He joined the Company as director of investments and investor relations in July 2004 and has been a member of the Company's senior management team since then. During the period from May to December 2012, he was the head overseeing and supervising the respective functions and responsibilities of different departments of the Company, including its investment management, investor relations, accounting/tax, finance, business control, operation management, legal and compliance, company secretarial and internal audit services departments. Mr. Tong is also a director of certain subsidiaries of the Company, namely Chiun Mai Communication Systems, Inc. (formerly known as Chi Mei Communication Systems, Inc.) ("CMCS"), FIH Co., Ltd., Fu Hong Enterprises Limited and Success World Holdings Limited respectively. He resigned as a director of Ways Technical Corp., Ltd. ("Ways Technical"), a limited company incorporated in Taiwan and whose shares are traded on the Taiwan OTC Exchange, effective 25 June 2013. Before joining the Company, Mr. Tong worked at ABN AMRO Rothschild, where he was a director of the equity capital markets department, responsible for capital raising and underwriting of various equity and equity-linked issues of Asian corporate clients. Prior to that, he worked in the equity capital markets department of Jardine Fleming and Robert Fleming (which is now part of JP Morgan) in Hong Kong and London, as well as in the marketing and sales departments of International Business Machines Corporation in Taiwan. Mr. Tong holds a MBA degree from London Business School, United Kingdom, which he obtained in 1995.

CHIH Yu Yang (Mr.), Chinese (Taiwan) and aged 55, joined the Company as an executive director in August 2009. He is the chief executive officer and the chairman of the corporate governance committee respectively of the Company. Mr. Chih is the chairman and chief executive officer of CMCS in Taiwan, a subsidiary of the Company which is the primary mobile handset design services arm of the Group. Mr. Chih joined the Group in 2005 when the Group acquired CMCS. Prior to that, Mr. Chih was the founder of CMCS since its establishment in 2001. He is also a director of certain other subsidiaries of the Company, namely Evenwell Digitech Inc., Executstar International Limited, FIH Technology Korea Ltd., Greater Success Investments Limited and Transworld Holdings Limited respectively. He has 34 years of extensive experience in the communication industries. From 1997 to 2001, Mr. Chih was the vice president and general manager of Communication B.U. in BenQ (formerly Acer Communication and Multimedia, Inc.) where he was responsible for BenQ's cellular phone business. Prior to that, he held various engineering and managerial positions in companies including ITT Corporation, GTE Corporation and Rockwell Semiconductor Systems. Mr. Chih obtained a Bachelor of Science degree in Electrical Engineering from National Tsing Hua University in Taiwan in 1980.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Dr. LEE Jer Sheng (Mr.), Chinese (Taiwan) and aged 50, joined the Company as an executive director in June 2010. He is a member of the corporate governance committee of the Company. Dr. Lee joined the Company as director of mechanical production in June 2004. Before joining the Company, he had worked for 鴻海精密工業股份有限公司 (also known as Hon Hai Precision Industry Co. Ltd.), the ultimate controlling shareholder of the Company ("Hon Hai") since February 1998 and had been one of the principal managers responsible for the handset manufacturing services business of Hon Hai, its subsidiaries and associates (collectively, the "Hon Hai Group") since January 2002. Dr. Lee has almost 22 years of mechanical engineering and production management experience. He is also a director of certain subsidiaries of the Company, namely Ease Cheer Holdings Limited, Eastern Leap Holdings Limited, Eastern Source Investments Limited, Everfame Technologies Limited, Excel True Holdings Limited, Extra Harmony Limited, Extra High Enterprises Limited, FIH Co., Ltd., FIH India Private Limited (formerly known as Foxconn India Private Limited), 富智康精密組件(北京)有限公司 (also known as FIH Precision Component (BeiJing) Co., Ltd.) (formerly known as 富士康精密組件(北京)有限公司 (also known as Foxconn Precision Component (BeiJing) Co., Ltd.)), FIH Precision Electronics (Lang Fang) Co., Ltd. (formerly known as Foxconn Precision Electronics (Lang Fang) Co., Ltd.), FIH (Tian Jin) Precision Industry Co., Ltd. (formerly known as Foxconn (Tian Jin) Precision Industry Co., Ltd.), Grand Champion Trading Limited, 深圳富泰宏精密工業有限公司 (also known as Shenzhen Futaihong Precision Industrial Co., Ltd.), Success World Holdings Limited, Transworld Communication Systems Inc. and Wise Excel Limited respectively. Dr. Lee is also a director of Ways Transworld Inc. (a joint venture of the Company). He also serves as a director of Ways Technical. Prior to that, Dr. Lee held various positions in automotive industry in Taiwan. Dr. Lee received a B.S. in Aerospace Engineering from National Cheng Kung University, Taiwan in 1986 and a Ph.D. in Mechanical Engineering and Applied Mechanics from the University of Michigan (Ann Arbor), US in 1993.

Dr. LEE Kuo Yu (Ms.), Chinese (Taiwan) and aged 55, joined the Company as a non-executive director on 30 May 2013. She was appointed as a member of the audit committee, remuneration committee and nomination committee respectively of the Company effective 30 May 2013. Dr. Lee joined Hon Hai in April 2008 and is now a vice president in charge of Business Administration in Hon Hai. Prior to joining Hon Hai in 2008, Dr. Lee was the chief financial officer of CyberTAN Technology Inc., a Taiwan listed public company. She has over 31 years of operation and corporate management related experience. Dr. Lee obtained a Bachelor of Arts degree in Economics from National Taiwan University, Taiwan in 1981 and a Ph.D. in Business Administration from the National Chengchi University, Taiwan in 2001.

LAU Siu Ki (Mr.), Chinese (Hong Kong) and aged 55, joined the Company as an independent non-executive director in December 2004. He is the chairman of the audit committee, remuneration committee and nomination committee respectively of the Company. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. He graduated from Hong Kong Polytechnic in 1981. Mr. Lau is a member of both the Association of Chartered Certified Accountants ("ACCA") and Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. Mr. Lau also serves as an independent non-executive director of Binhai Investment Company Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Samson Holding Ltd. and TCL Communication Technology Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He resigned as an independent non-executive director of Carry Wealth Holdings Limited, whose shares are listed on the Stock Exchange, effective 13 July 2011.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Daniel Joseph MEHAN (Mr.), American and aged 69, joined the Company as an independent non-executive director in July 2007. He is a member of the audit committee, remuneration committee and nomination committee respectively of the Company. He was the chief information officer of the Federal Aviation Administration from 1999 to 2005. Prior to that, Dr. Mehan was senior level executive who held a variety of leadership positions at AT&T for over 20 years, including international vice president and international chief information officer. Dr. Mehan has strong background in information systems, cyber security, business management, marketing initiatives and technology development. Dr. Mehan received both his Ph.D. in Operations Research and Master of Science in Systems Engineering from University of Pennsylvania, US.

CHEN Fung Ming (Mr.), Chinese (Taiwan) and aged 67, joined the Company as an independent non-executive director in November 2008. Mr. Chen is the chairman of Prolight Opto Technology Corp. in Taiwan which provides high power LED packaging for lighting application. From 2006 to 2008, Mr. Chen was a director of Beyond Innovation Technology Corp. in Taiwan specialising in IC design for video application. He has extensive experience in the electronics and lighting industries. Mr. Chen obtained a Bachelor of Science degree in Physics from Fu Jen Catholic University in Taiwan in 1970. He also received from the University of Wisconsin-Madison, US, a Master of Science degree in Physics and a Master of Science degree in Computer Science in 1974.

SENIOR MANAGEMENT

CHAO Shan Ping, Henry (Mr.), Chinese (Taiwan) and aged 57, joined the Company as director of electronic parts production and assembly in June 2004. Before joining the Company, Mr. Chao was with Hon Hai since September 1996 and was responsible for SMT and computer motherboard manufacturing processes and had been one of the principal managers responsible for the handset manufacturing services business of the Hon Hai Group since March 2001. He is also a director of certain subsidiaries of the Company, namely Effinville International Limited, Eternity Sparkle Holdings Limited, Ever Lucky Industrial Limited, Extra Power International Limited, FIH India Developer Private Limited (formerly known as Foxconn India Developer Private Limited), 富智康精密組件(北京)有限公司 (also known as FIH Precision Component (BeiJing) Co., Ltd.) (formerly known as 富士康精密組件(北京)有限公司 (also known as Foxconn Precision Component (BeiJing) Co., Ltd.)), FIH Precision Electronics (Lang Fang) Co., Ltd. (formerly known as Foxconn Precision Electronics (Lang Fang) Co., Ltd.), FIH Technology Korea Ltd., Honxun Electrical Industry (Hangzhou) Co., Ltd., KSB International Limited, Rocombe Limited and Topper World Investments Limited respectively. Prior to that, Mr. Chao held various production and engineering management positions with Wang Computer and Delta Electronics. He has over 29 years of experience in engineering management. Mr. Chao received a Bachelor's degree in Industrial Engineering from National Taipei University of Technology, Taiwan in 1978.

KO Ming Chung (Mr.), Chinese (Taiwan) and aged 50, joined the Company as director of mechanical production in June 2004. Before joining the Company, he was with Hon Hai since July 1992 and had been one of the principal managers responsible for the handset manufacturing services business of the Hon Hai Group since July 2000. Mr. Ko has over 29 years of mechanical engineering and production management experience. He is also a director of certain subsidiaries of the Company, namely FIH India Developer Private Limited (formerly known as Foxconn India Developer Private Limited), 富智康精密組件(北京)有限公司 (also known as FIH Precision Component (BeiJing) Co., Ltd.) (formerly known as 富士康精密組件(北京)有限公司 (also known as Foxconn Precision Component (BeiJing) Co., Ltd.)) and 富泰京精密電子(北京)有限公司 (also known as Futaijing Precision Electronics (Beijing) Co., Ltd.) respectively. Prior to that, Mr. Ko held various positions in mechanical engineering and production with Philips and Matsushita Electric (Taiwan) Co., Ltd. Mr. Ko received a Master of Science degree in Mechanical Engineering from National Taiwan University, Taiwan in 1992.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

WANG Chien Ho, Janson (Mr.), Chinese (Taiwan) and aged 54, joined the Company as director of electronic parts manufacturing and SMT and system assembly in June 2004. Before joining the Company, Mr. Wang joined the Hon Hai Group in June 1996 as an operation manager. He was then responsible for SMT and mother board manufacturing in Czech Europe as director of factory operation in 1999. In 2004, he was responsible for setting up a new factory of PCBA and engine production in FIH Europe in Hungary. Mr. Wang was promoted to a vice president responsible for ODM operation in Shenzhen, China in 2007. From 2009, he has started to be based in northern China. Mr. Wang is also a director of certain subsidiaries of the Company, namely 深圳富泰宏精密工業有限公司 (also known as Shenzhen Futaihong Precision Industrial Co., Ltd.) and 衡陽富泰宏精密工業有限公司 (also known as Hengyang Futaihong Precision Industrial Co., Ltd) respectively. He has over 27 years of extensive experience in manufacturing operation and engineering management. Mr. Wang obtained a Bachelor degree in Electronics Engineering from Feng Chia University, Taiwan in 1982.

TAM Kam Wah, Danny (Mr.), Chinese (Hong Kong with British nationality) and aged 50, joined the Company as senior manager of financial control in October 2004. Mr. Tam is the chief financial officer of the Company. He is responsible for accounting and internal and external financial reporting, financial planning, taxation, internal control, investor relations, corporate governance, risk management and performance management of the Group. Mr. Tam has over 26 years of experience in accounting and finance in Hong Kong listed companies and multinational companies. He is also the statutory auditor of FIH Technology Korea Ltd., a subsidiary of the Company in Korea. Prior to joining the Company, he worked as a financial controller for ITT Industries and Hutchison Harbour Ring Ltd. and he also worked as an accounting manager for Coates Brothers (HK) Co., Ltd. Mr. Tam is a fellow of the Association of Chartered Certified Accountants, an associate of Chartered Institute of Management Accountants and an associate of Hong Kong Institute of Certified Public Accountants. Mr. Tam received a BBA from Chinese University of Hong Kong in 1988, a Master of Applied Finance from Macquarie University, Australia in 1994, a Master of Business Administration degree from University of Ottawa, Canada in 1996, and a Master of Arts degree in Information System and a Master of Arts degree in Electronic Business from City University of Hong Kong in 1999 and 2002 respectively. Mr. Tam also received a Master of Accounting from Jinan University in 2005.

KUO Chun Hung (Mr.), Chinese (Taiwan) and aged 47, is the Public Relation Manager of the Company. He is responsible for government relations, investment application, and plant and land resources optimisation. He joined the Company as senior financial officer in June 2004 and was the treasurer and head of the finance department of the Company in 2012–2013. He is also the supervisor of certain subsidiaries of the Company, namely 富泰京精密電子(北京)有限公司 (also known as Futaijing Precision Electronics (Beijing) Co., Ltd.) and FIH Precision Electronics (Lang Fang) Co., Ltd. (formerly known as Foxconn Precision Electronics (Lang Fang) Co., Ltd.) respectively. Before joining the Company, he was one of the financial managers of the Hon Hai Group since September 2000. Mr. Kuo has 20 years of experience in finance and accounting. He joined the cement projects of IFC (International Financial Corporation, a member of World Bank) and GIC (Government of Singapore Investment Corporation) in Jiangsu, China from 1995 to 2000. Mr. Kuo received a Bachelor of Finance Management from Chengchi University, Taiwan in 1993 and a MBA from Tsinghua University, Beijing in 2005. He had completed the Corporate Leadership and Strategy program of EMBA program with MIT Sloan School of Management.

REPORT OF THE DIRECTORS

The Board is pleased to announce this annual report, particularly the audited consolidated results of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are set out in the consolidated financial statements on pages 115 to 118. The Group is a vertically integrated manufacturing services provider for handset industry worldwide. It provides a full range of manufacturing services to its customers in connection with the production of handsets.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated financial statements on pages 40 and 41. The Board does not recommend the payment of any dividends in respect of the year ended 31 December 2013.

RESERVES

Movements in reserves of the Group during the year are set out on page 44.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution amounted to approximately US$1,856,968,000.

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in note 27 to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the results of the Group for the last five financial years is set out on page 120.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the consolidated financial statements respectively.

BANK LOANS

Details of bank loans are set out in note 26 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

TONG Wen-hsin
CHIH Yu Yang
LEE Jer Sheng

Non-executive Directors

LEE Jin Ming (resigned on 30 May 2013)
LEE Kuo Yu (appointed on 30 May 2013)

Independent Non-executive Directors

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

Having received written confirmations from each of the independent non-executive directors of their independence pursuant to rule 3.13 of the Listing Rules, the Company considers each independent non-executive director to be independent.

Pursuant to article 112 of the articles of association of the Company (the "Articles"), one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every three years. In accordance with article 112 of the Articles, Dr. LEE Jer Sheng and Mr. CHEN Fung Ming will retire from office by rotation at the Company's forthcoming annual general meeting and, being eligible, will offer themselves for re-election at such meeting. Pursuant to article 95 of the Articles, Dr. LEE Kuo Yu was appointed as a non-executive director effective 30 May 2013 and, being eligible, will offer herself for re-election at the Company's forthcoming annual general meeting.

Mr. TONG Wen-hsin resigned as a director of certain subsidiaries of the Company, namely Evenwell Holdings Limited, Wide-Ranging Investments Limited and FIH (Nan Jing) Communications Co., Ltd. (formerly known as Foxconn (Nan Jing) Communications Co., Ltd.) with effect from 16 September 2013, 31 October 2013 and 14 January 2014 respectively. He also resigned as the statutory auditor of a subsidiary of the Company, namely FIH Technology Korea Ltd., with effect from 31 December 2013.

Pursuant to the approval of the Board on 17 October 2013, the Company granted 441,607 shares to Dr. LEE Jer Sheng under the share scheme of the Company adopted by the Board on 12 January 2005, as amended by the shareholders of the Company on 4 August 2006 and further amended by the Board on 29 October 2009 (the "Former Share Scheme").

REPORT OF THE DIRECTORS

Pursuant to the approval of the Board on 17 October 2013, the fee for each of Messrs. LAU Siu Ki and CHEN Fung Ming and Dr. Daniel Joseph MEHAN for serving as an independent non-executive director of the Company was adjusted from HK$17,500 to HK$20,000 (equivalent to approximately US$2,578) per month (less any necessary statutory deductions) with effect from 1 November 2013; in addition, the allowance for Mr. LAU Siu Ki for serving as the chairman of the audit committee, remuneration committee and nomination committee respectively of the Company was adjusted from HK$5,000 to HK$6,000 (equivalent to approximately US$773) per month (less any necessary statutory deductions) with effect from 1 November 2013.

Pursuant to the approval of the Board on 17 October 2013 and the approval of the Company's shareholders on 26 November 2013, the appointment of Mr. LAU Siu Ki as an independent non-executive director of the Company was renewed for a term of three years ending on 30 November 2016 subject to retirement and re-election under the Articles. He is entitled to a fee for his services as an independent non-executive director of the Company of HK$20,000 (equivalent to approximately US$2,578) per month (less any necessary statutory deductions). He is also entitled to an allowance for his services as the chairman of the audit committee, remuneration committee and nomination committee respectively of the Company of HK$6,000 (equivalent to approximately US$773) per month (less any necessary statutory deductions).

During the year, expenses allowances of approximately US$2,210 and US$8,030 were paid to Mr. CHIH Yu Yang and Dr. LEE Jer Sheng respectively.

SERVICE CONTRACTS

None of the directors of the Company has entered into a service contract with the Company which has not expired and which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's 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 or at any time during the year.

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, the interests and short positions, if any, of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
TONG Wen-hsin *(Note 1)*	Company	Personal Interest	2,142,305	0.0283%
	Hon Hai	Personal Interest	58,604	0.0004%
CHIH Yu Yang	Company	Personal Interest	6,183,396	0.0816%
	Hon Hai	Personal Interest	31,017	0.0002%
	CMCS *(Note 2)*	Personal Interest	1,000	0.0007%
LEE Jer Sheng *(Note 3)*	Company	Personal Interest	3,004,976	0.0397%
		Jointly-held Interest	100,000	0.0013%
LEE Kuo Yu	Hon Hai	Personal Interest	307,847	0.0023%

Notes:

1. 2,142,305 shares include 1,126,063 shares which are issuable upon exercise of share options granted under the share option scheme of the Company adopted by the Board on 12 January 2005 (the "Former Share Option Scheme").

2. The Company indirectly, through its wholly-owned subsidiaries, holds approximately 86.17% of the entire issued share capital of CMCS, a company incorporated in Taiwan.

3. 3,004,976 shares include 2,094,000 shares which are issuable upon exercise of share options granted under the Former Share Option Scheme and upon vesting of the share grants granted under the Former Share Scheme. 100,000 shares are beneficially and jointly owned by Dr. LEE Jer Sheng and Ms. TING Kuei Feng, the spouse of Dr. LEE Jer Sheng. Accordingly, Dr. LEE Jer Sheng is deemed to be interested in 100,000 shares which are jointly held by him and his spouse for the purposes of the SFO.

REPORT OF THE DIRECTORS

Save as disclosed above, none of the directors or chief executive of the Company had, as at 31 December 2013, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any director of the Company, as at 31 December 2013, shareholders (other than the directors or chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	**Capacity/ Nature of interest**	**Total number of ordinary shares**	**Approximate percentage of interest in the Company**
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	67.08%
Hon Hai *(Note)*	Interest of a controlled corporation	5,081,034,525	67.08%

Note: Foxconn (Far East) Limited is a direct wholly-owned subsidiary of Hon Hai, and therefore, Hon Hai is deemed or taken to be interested in the 5,081,034,525 shares which are beneficially owned by Foxconn (Far East) Limited for the purposes of the SFO.

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any persons (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the five members of the senior management of the Company (whose biographical details are disclosed in "Profile of Directors and Senior Management" above) during the year were within the following bands:

	Number of senior management
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	3

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Group during the year are summarised as follows:

Purchase Transaction

The Group has purchased materials and components from the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework materials and components supply agreement entered into among the Company, Hon Hai, Innolux Corporation (formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) and 鴻準精密工業股份有限公司 (also known as Foxconn Technology Company Limited) (both associates of Hon Hai) on 19 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007 and 19 November 2010) (the "Purchase Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Purchase Agreement (the "Purchase Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Purchase Transaction for the three years ended 31 December 2013.

Hon Hai is the leading player in the computer, communication and consumer electronics ("3C") manufacturing services industry. Under the convergence trend of the 3C industries, an increasing number of types of materials and components manufactured by the Hon Hai Group are used for the manufacture of handsets. The Company believes that it is an important competitive advantage of the Group in the handset manufacturing service industry that the Group together with the members of the Hon Hai Group can provide a range of vertically integrated manufacturing services to the customers.

On 17 October 2013, the Company and Hon Hai entered into a supplemental agreement (the "Supplemental Purchase Agreement"), which would become effective only after obtaining the approval by the Company's shareholders other than Hon Hai and its associates (as defined in the Listing Rules) (the "Independent Shareholders"), to extend the term of the Purchase Agreement to 31 December 2016.

On the same date, the Company also proposed new annual caps for the Purchase Transaction for the three years ending 31 December 2016 at US$751 million for 2014, US$804 million for 2015 and US$860 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Purchase Transaction in 2013;
- the historical percentage of the amount of the Purchase Transaction to the Group's turnover;
- the anticipated growth of the Purchase Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the proposed annual cap amounts for the three years ending 31 December 2016 for the Purchase Transaction, the Purchase Transaction is a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Purchase Transaction, the Supplemental Purchase Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were subject to the approval of the Independent Shareholders. On 26 November 2013, the Purchase Transaction, the Supplemental Purchase Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

Product Sales Transaction

The Group has sold parts or other products manufactured or owned by it to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) on 18 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007 and 19 November 2010) (the "Product Sales Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Product Sales Agreement (the "Product Sales Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Product Sales Transaction for the three years ended 31 December 2013.

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Product Sales Transaction in response to the Hon Hai Group's needs from time to time, provided that the Hon Hai Group purchases from the Group at prices comparable to market prices and/or which are considered to be fair and reasonable to the Company.

In view of the Group's production capabilities and expertise in handset manufacturing, it was anticipated that the Hon Hai Group would purchase additional products manufactured by the Group under the Product Sales Transaction pursuant to the Product Sales Agreement. The Company considered that it was in its interest to utilise the Group's available handset manufacturing capacities, expertise, resources and facilities to manufacture and sell additional products at prices agreeable to the Company thereby generating additional income for the Group. As such, the Company envisaged that the then existing annual cap for the Product Sales Transaction for 2013 might not be sufficient.

Therefore, on 13 June 2013, the Company proposed a new annual cap for the Product Sales Transaction for the year ended 31 December 2013 at US$656 million, which was determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the audited actual amount of the Product Sales Transaction for the year ended 31 December 2012;
- the additional products which the Group might sell to the Hon Hai Group for 2013 as agreed between the parties having regard to the corresponding production plan for such additional products; and
- an additional buffer of 5%.

Based on the proposed annual cap for the Product Sales Transaction for the year ended 31 December 2013, as the relevant percentage ratios (as calculated based on the requirements under rule 14.07 of the Listing Rules) were more than 5%, the Product Sales Transaction constitutes a non-exempt continuing connected transaction for the Company under the Listing Rules and therefore the Product Sales Transaction and the relevant proposed annual cap for the year ended 31 December 2013 were subject to the approval of the Independent Shareholders. On 19 July 2013, the Product Sales Transaction and the relevant proposed annual cap for the year ended 31 December 2013 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

On 17 October 2013, the Company and Hon Hai entered into a supplemental agreement (the "Supplemental Product Sales Agreement"), which would become effective only after obtaining the Independent Shareholders' approval, to extend the term of the Product Sales Agreement to 31 December 2016.

On the same date, the Company also proposed new annual caps for the Product Sales Transaction for the three years ending 31 December 2016 at US$526 million for 2014, US$563 million for 2015 and US$603 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Product Sales Transaction in 2013;
- the historical percentage of the amount of the Product Sales Transaction to the Group's turnover;
- the anticipated growth of the Product Sales Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the proposed annual cap amounts for the three years ending 31 December 2016 for the Product Sales Transaction, the Product Sales Transaction is a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Product Sales Transaction, the Supplemental Product Sales Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were subject to the approval of the Independent Shareholders. On 26 November 2013, the Product Sales Transaction, the Supplemental Product Sales Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

Sub-contracting Income Transaction

The Group has provided certain services (such as molding, metal stamping for handsets and desktop computers, handset repair services and other services) to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework sub-contracting agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 26 July 2012) between the Company and Hon Hai (the "Sub-contracting Income Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Sub-contracting Income Agreement (the "Sub-contracting Income Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Sub-contracting Income Transaction for the three years ended 31 December 2013.

The Company considers it in its best interests to generate more income as well as enhance utilisation of its assets by carrying out the Sub-contracting Income Transaction as long as the services are provided at prices that are fair and reasonable pursuant to the Sub-contracting Income Agreement.

On 17 October 2013, the Company and Hon Hai entered into a supplemental agreement (the "Supplemental Sub-contracting Income Agreement"), which would become effective only after obtaining the Independent Shareholders' approval, to extend the term of the Sub-contracting Income Agreement to 31 December 2016.

On the same date, the Company also proposed new annual caps for the Sub-contracting Income Transaction for the three years ending 31 December 2016 at US$308 million for 2014, US$329 million for 2015 and US$352 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Sub-contracting Income Transaction in 2013;
- the historical percentage of the amount of the Sub-contracting Income Transaction to the Group's turnover;
- the anticipated growth of the Sub-contracting Income Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the proposed annual cap amounts for the three years ending 31 December 2016 for the Sub-contracting Income Transaction, the Sub-contracting Income Transaction is a non-exempt continuing connected transaction for the Company under the Listing Rules. Accordingly, the Sub-contracting Income Transaction, the Supplemental Sub-contracting Income Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were subject to the approval of the Independent Shareholders. On 26 November 2013, the Sub-contracting Income Transaction, the Supplemental Sub-contracting Income Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

Non-real Property Lease Expense Transaction

On 13 June 2013, the Company and Hon Hai entered into the framework lease agreement relating to movable non-real properties (the "Non-real Property Lease Expense Agreement") which would become effective only after obtaining the Independent Shareholders' approval. Pursuant to the Non-real Property Lease Expense Agreement, the Group has agreed to lease movable non-real properties such as equipment and machines (the "Non-real Properties") from the Hon Hai Group as agreed between the parties from time to time for a period from the date of obtaining the Independent Shareholders' approval up to 31 December 2013 upon and subject to the terms and conditions set out therein. Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Non-real Property Lease Expense Agreement (the "Non-real Property Lease Expense Transaction") constitute a continuing connected transaction for the Company.

In carrying out the Product Sales Transaction and other manufacturing projects, the Group may require the use of the Non-real Properties including specialised equipment and machines. By leasing such Non-real Properties from the Hon Hai Group, the Group may gain access to the use of such Non-real Properties at rental rates agreeable to the Company saving capital expenditures.

On the same date, the Company had proposed to set annual cap for the Non-real Property Lease Expense Transaction for the year ended 31 December 2013 at US$13 million, which was determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the corresponding Non-real Properties to be leased by the Group from the Hon Hai Group as agreed between the parties having regard to the manufacturing projects of the Group which might be carried out in 2013 and might require the leasing of the Non-real Properties from the Hon Hai Group; and

- an additional buffer of 5%.

Based on the proposed annual cap for the Non-real Property Lease Expense Transaction for the year ended 31 December 2013, the relevant percentage ratios were more than 0.1% but less than 5%. In view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, the Non-real Property Lease Expense Transaction, the Non-real Property Lease Expense Agreement and the relevant proposed annual cap for the year ended 31 December 2013 were subject to the approval of the Independent Shareholders. On 19 July 2013, the Non-real Property Lease Expense Transaction, the Non-real Property Lease Expense Agreement and the relevant proposed annual cap for the year ended 31 December 2013 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

On 17 October 2013, the Company and Hon Hai entered into a supplemental agreement (the "Supplemental Non-real Property Lease Expense Agreement"), which would become effective only after obtaining the Independent Shareholders' approval, to extend the term of the Non-real Property Lease Expense Agreement to 31 December 2016.

On the same date, the Company also proposed new annual caps for the Non-real Property Lease Expense Transaction for the three years ending 31 December 2016 at US$22 million for 2014, US$23 million for 2015 and US$25 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Non-real Property Lease Expense Transaction in 2013;
- the historical percentage of the amount of the Non-real Property Lease Expense Transaction to the Group's turnover;
- the anticipated growth of the Non-real Property Lease Expense Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the proposed annual cap amounts for the three years ending 31 December 2016 for the Non-real Property Lease Expense Transaction, the relevant percentage ratios were less than 5%. In view of the connections between the Non-real Property Lease Expense Transaction and the Product Sales Transaction, the Non-real Property Lease Expense Transaction, the Supplemental Non-real Property Lease Expense Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were subject to the approval of the Independent Shareholders. On 26 November 2013, the Non-real Property Lease Expense Transaction, the Supplemental Non-real Property Lease Expense Agreement and the relevant proposed annual cap amounts for the three years ending 31 December 2016 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

General Services Expense Transaction

The Hon Hai Group has provided general administrative, support, utility and other related services to the Group from time to time for a term up to 31 December 2013 pursuant to the general services agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010) between the Company and Hon Hai (the "General Services Expense Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the General Services Expense Agreement (the "General Services Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the General Services Expense Transaction for the three years ended 31 December 2013.

Certain production facilities of the Group are located at premises owned and managed by the Hon Hai Group and leased to the Group under the Lease Expense Transaction (as defined below). Within such premises, the Hon Hai Group provides a number of general administrative, support, utility and other related services to all tenants, including the Group, which are necessary for the tenants to carry out their operations in such locations. The Company considers it more cost effective for the Group to share some other services provided by the Hon Hai Group, such as product testing, specialist inspection and information technology and communication services.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the General Services Expense Agreement to 31 December 2016.

On the same date, the Company also set new annual caps for the General Services Expense Transaction for the three years ending 31 December 2016 at US$20 million for 2014, US$22 million for 2015 and US$23 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the General Services Expense Transaction in 2013;
- the historical percentage of the amount of the General Services Expense Transaction to the Group's turnover;
- the anticipated growth of the General Services Expense Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the new annual cap amounts for the three years ending 31 December 2016 for the General Services Expense Transaction, all relevant percentage ratios were less than 5%. In accordance with rule 14A.34 of the Listing Rules, the General Services Expense Transaction was only subject to the reporting and announcement requirements of the Listing Rules. On 17 October 2013, the Company published the corresponding announcement.

Consolidated Services and Sub-contracting Expense Transaction

The Hon Hai Group has provided services including research and development services, design services, repair services and sub-contracting services to the Group from time to time for a term up to 31 December 2013 pursuant to the framework consolidated services and sub-contracting agreement entered into among the Company, Hon Hai, PCE Industry Inc. (a subsidiary of Hon Hai) and Sutech Industry Inc. (a wholly-owned subsidiary of the Company) on 24 October 2007 (as amended by a supplemental agreement dated 19 November 2010) (the "Consolidated Services and Sub-contracting Expense Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Consolidated Services and Sub-contracting Expense Agreement (the "Consolidated Services and Sub-contracting Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ended 31 December 2013.

The Company considers that the services provided by the Hon Hai Group under the Consolidated Services and Sub-contracting Expense Transaction as requested by the Group can enhance the Group's handset manufacturing and related capacity in its handset manufacturing business, provide the Group with greater flexibility and allow the Group to carry on its business more efficiently.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Consolidated Services and Sub-contracting Expense Agreement to 31 December 2016.

On the same date, the Company also set new annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2016 at US$69 million for 2014, US$74 million for 2015 and US$79 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Consolidated Services and Sub-contracting Expense Transaction in 2013;
- the historical percentage of the amount of the Consolidated Services and Sub-contracting Expense Transaction to the Group's turnover;
- the anticipated growth of the Consolidated Services and Sub-contracting Expense Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the new annual cap amounts for the three years ending 31 December 2016 for the Consolidated Services and Sub-contracting Expense Transaction, all relevant percentage ratios were less than 5%. In accordance with rule 14A.34 of the Listing Rules, the Consolidated Services and Sub-contracting Expense Transaction was only subject to the reporting and announcement requirements of the Listing Rules. On 17 October 2013, the Company published the corresponding announcement.

Equipment Purchase Transaction

The Group has purchased equipment from the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework equipment purchase agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010) between the Company and Hon Hai (the "Equipment Purchase Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Equipment Purchase Agreement (the "Equipment Purchase Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Equipment Purchase Transaction for the three years ended 31 December 2013.

The Hon Hai Group is able to customise standard industry equipment to varying degrees to better suit the production processes of the Group. Purchasing equipment from the Hon Hai Group helps accelerate the delivery time of the equipment to the Group. The Group in the past also purchased used equipment that was in good condition from the Hon Hai Group at the book value of the equipment in Hon Hai's accounts. It is usually more convenient for the Group to obtain the required maintenance services for the customised equipment from the Hon Hai Group.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Equipment Purchase Agreement to 31 December 2016.

On the same date, the Company also set new annual caps for the Equipment Purchase Transaction for the three years ending 31 December 2016 at US$91 million for 2014, US$98 million for 2015 and US$105 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Equipment Purchase Transaction in 2013;
- the historical percentage of the amount of the Equipment Purchase Transaction to the Group's turnover;
- the anticipated growth of the Equipment Purchase Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the new annual cap amounts for the three years ending 31 December 2016 for the Equipment Purchase Transaction, all relevant percentage ratios were less than 5%. In accordance with rule 14A.34 of the Listing Rules, the Equipment Purchase Transaction was only subject to the reporting and announcement requirements of the Listing Rules. On 17 October 2013, the Company published the corresponding announcement.

Equipment Sale Transaction

The Group has sold equipment to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework equipment sale agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007 and 19 November 2010) between the Company and Hon Hai (the "Equipment Sale Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Equipment Sale Agreement (the "Equipment Sale Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Equipment Sale Transaction for the three years ended 31 December 2013.

From time to time certain equipment of the Group no longer meets the production needs of the Group which may be as a result of a number of factors, such as new product specifications required by customers, capacity planning and new production arrangements. However, such equipment may be useful to the Hon Hai Group for its businesses. The Group may sell such equipment to the Hon Hai Group at prices the Company considers to be fair and reasonable generating more income for the Group.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Equipment Sale Agreement to 31 December 2016.

On the same date, the Company also set new annual caps for the Equipment Sale Transaction for the three years ending 31 December 2016 at US$25 million for 2014, US$26 million for 2015 and US$28 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual amount and recent trend of the Equipment Sale Transaction in 2013;
- the historical percentage of the amount of the Equipment Sale Transaction to the Group's turnover;
- the anticipated growth of the Equipment Sale Transaction taking into account development of the Group's business; and
- an additional buffer of 5%.

Based on the maximum amount of the new annual cap amounts for the three years ending 31 December 2016 for the Equipment Sale Transaction, all relevant percentage ratios were less than 5%. In accordance with rule 14A.34 of the Listing Rules, the Equipment Sale Transaction was only subject to the reporting and announcement requirements of the Listing Rules. On 17 October 2013, the Company published the corresponding announcement.

Lease Expense Transaction

The Hon Hai Group has leased premises to the Group from time to time for a term up to 31 December 2013 pursuant to the framework lease agreement entered into between 深圳富泰宏精密工業有限公司 (also known as Shenzhen Futaihong Precision Industrial Co., Ltd.) (a wholly-owned subsidiary of the Company), which was subsequently replaced by the Company as the party thereto, and Hon Hai dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 20 September 2006, 24 October 2007 and 19 November 2010) (the "Lease Expense Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Lease Expense Agreement (the "Lease Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Lease Expense Transaction for the three years ended 31 December 2013.

A part of the Group's operations in the PRC is located in the Hon Hai Group's industrial parks in the PRC in view of the benefits of locating close to the members of the Hon Hai Group which possess leading capabilities and expertise amid the convergence trend within the 3C industries, and the physical proximity can lead to additional savings and efficiency to the Group if the Group's customers select these members of the Hon Hai Group as the vendors approved by the customers of the Group.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Lease Expense Agreement to 31 December 2016.

Based on the Company's estimation of the annual amounts for the Lease Expense Transaction for the three years ending 31 December 2016, the Lease Expense Transaction constitutes a *de minimis* continuing connected transaction for the Company exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to rule 14A.33(3) of the Listing Rules. The Company will continue to monitor the amounts derived from the Lease Expense Transaction, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the Lease Expense Transaction and comply with the Listing Rules as and when required.

Lease Income Transaction

The Group has leased premises to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework lease agreement dated 24 October 2007 (as amended by a supplemental agreement dated 19 November 2010) between the Company and Hon Hai (the "Lease Income Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Lease Income Agreement (the "Lease Income Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Lease Income Transaction for the three years ended 31 December 2013.

The Group has built its own manufacturing premises and there may be surplus space from time to time. The Company considers it in its best interests to lease out such surplus space and generate additional income for the Group at prices comparable to the market and/or above the costs attributable to the leased premises pursuant to the Lease Income Agreement.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the Lease Income Agreement to 31 December 2016.

Based on the Company's estimation of the annual amounts for the Lease Income Transaction for the three years ending 31 December 2016, the Lease Income Transaction constitutes a *de minimis* continuing connected transaction for the Company exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to rule 14A.33(3) of the Listing Rules. The Company will continue to monitor the amounts derived from the Lease Income Transaction, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the Lease Income Transaction and comply with the Listing Rules as and when required.

General Services Income Transaction

The Group has provided general administrative, support, utility and other related services to the Hon Hai Group from time to time for a term up to 31 December 2013 pursuant to the framework general services agreement dated 24 October 2007 (as amended by a supplemental agreement dated 19 November 2010) between the Company and Hon Hai (the "General Services Income Agreement"). Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the General Services Income Agreement (the "General Services Income Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the General Services Income Transaction for the three years ended 31 December 2013.

The Group will from time to time lease premises owned by the Group to the Hon Hai Group under the Lease Income Transaction. Within such premises, the Group will have its operation together with its general administrative, support, utility and other related services. The Company considers it efficient and in the interest of the Company to generate additional income by extending its existing general administrative, support, utility and other related services to the Hon Hai Group that operates on such premises or as requested by the Hon Hai Group from time to time at a fair and reasonable price determined based on the General Services Income Agreement.

On 17 October 2013, the Company entered into a supplemental agreement with Hon Hai to extend the term of the General Services Income Agreement to 31 December 2016.

Based on the Company's estimation of the annual amounts for the General Services Income Transaction for the three years ending 31 December 2016, the General Services Income Transaction constitutes a *de minimis* continuing connected transaction for the Company exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to rule 14A.33(3) of the Listing Rules. The Company will continue to monitor the amounts derived from the General Services Income Transaction, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the General Services Income Transaction and comply with the Listing Rules as and when required.

Continuing Connected Transactions contemplated by Joint Venture

With reference to the announcement of the Company dated 31 January 2013 (the "31 January 2013 Announcement"), pursuant to the amended and restated joint venture agreement dated 31 January 2013 entered into among First Honest Enterprises Limited (a wholly-owned subsidiary of the Company, "First Honest"), RadioShack Global Sourcing (Hong Kong) Ltd. (a wholly-owned subsidiary of RadioShack Corporation, "RSH") and FIH RadioShack (Asia) Retail Holdings Limited (formerly known as Perfect Legend Development Limited, the "JV") in relation to the formation of the JV between First Honest and RSH as well as the management of the JV and its subsidiaries (the "JV Agreement"), First Honest formed the 51%-owned JV with RSH, upon which certain ancillary transactions were agreed on the same date. Among such ancillary transactions, the following transactions constituted continuing connected transactions for the Company:

HH Master Sourcing Agreement

It was agreed that the JV and the relevant members of the Hon Hai Group would enter into a master sourcing agreement in the form agreed in principle (the "HH Master Sourcing Agreement"), pursuant to which the JV and its subsidiaries (the "JV Group") would from time to time purchase consumer electronics and related products from the Hon Hai Group from the date of the agreement until two years thereafter. As Hon Hai is the ultimate controlling shareholder of the Company, the HH Master Sourcing Agreement constituted a continuing connected transaction for the Company and as set out in the 31 January 2013 Announcement, the Company had set the annual cap for the transactions contemplated under the HH Master Sourcing Agreement for the year ended 31 December 2013.

The JV and the relevant members of the Hon Hai Group are still negotiating further detailed terms of the HH Master Sourcing Agreement, on the basis of the form agreed in principle. After the JV and the relevant member(s) of the Hon Hai Group finalise and enter into the HH Master Sourcing Agreement, the Company will monitor the transaction amounts and any related plans in respect of the HH Master Sourcing Agreement, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the transactions contemplated under the HH Master Sourcing Agreement and comply with the Listing Rules as and when required.

Other continuing connected transactions

With reference to the 31 January 2013 Announcement, the transactions contemplated by the RSH Master Sourcing Agreement, the RSH Licence Agreement, the RSH Royalty Agreement, the SMS Marketing Licence Agreement and the HH Royalty Agreement (each term being defined in the 31 January 2013 Announcement) respectively constituted continuing connected transactions for the Company. Pursuant to rule 14A.33(4) of the Listing Rules, the transactions contemplated under the RSH Master Sourcing Agreement, the RSH Licence Agreement and the RSH Royalty Agreement respectively were continuing connected transactions exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. Pursuant to rule 14A.33(3) of the Listing Rules, the transactions contemplated under the SMS Marketing Licence Agreement and the HH Royalty Agreement respectively were *de minimis* continuing connected transactions exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the date of this annual report, (1) the transactions contemplated under the RSH Master Sourcing Agreement, the RSH Licence Agreement and the RSH Royalty Agreement respectively remain to be exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules; and (2) the transactions contemplated under the SMS Marketing Licence Agreement remain to be a *de minimis* continuing connected transaction exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Company will continue to monitor the respective amounts derived from any such transactions, and if required, will set annual cap(s) for any subsequent financial year(s) in respect of the relevant transactions and comply with the Listing Rules as and when required.

Further, as to the HH Royalty Agreement, the JV and Hon Hai are still discussing the need to enter into the HH Royalty Agreement. The Company will continue to monitor the situation and comply with the Listing Rules as and when required.

Annual Consideration

The total consideration of each continuing connected transaction not falling under rule 14A.33 of the Listing Rules *(Note)* as undertaken by the Group during the year is as follows:

Continuing connected transaction	**Paying Group**	**Total consideration for the year ended 31 December 2013** (US$'million)
Purchase Transaction	Group	300.693
Product Sales Transaction	Hon Hai Group	110.845
Sub-contracting Income Transaction	Hon Hai Group	144.352
Non-real Property Lease Expense Transaction	Group	4.892
General Services Expense Transaction	Group	15.621
Consolidated Services and Sub-contracting Expense Transaction	Group	44.821
Equipment Purchase Transaction	Group	40.420
Equipment Sale Transaction	Hon Hai Group	20.280
Lease Expense Transaction	Group	2.662
Lease Income Transaction	Hon Hai Group	2.229
General Services Income Transaction	Hon Hai Group	3.565

Note: The transactions contemplated under the HH Master Sourcing Agreement, the RSH Master Sourcing Agreement, the RSH Licence Agreement, the RSH Royalty Agreement, the SMS Marketing Licence Agreement and the HH Royalty Agreement respectively are not included because the HH Master Sourcing Agreement and the HH Royalty Agreement have not yet been entered into as aforesaid, and the other transactions fall under rule 14A.33 of the Listing Rules as aforesaid.

Annual Review

Pursuant to rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to report on the continuing connected transactions of the Group not falling under rule 14A.33 of the Listing Rules. The Company's auditors were engaged to report on such 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 auditors have issued their unqualified letter containing their findings and conclusions in respect of such continuing connected transactions in accordance with rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The auditors have reported their findings and conclusions to the Board. The independent non-executive directors of the Company have reviewed the transactions and the findings and conclusions and confirmed that the transactions are:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The related party transactions referred to in note 36(a) to the consolidated financial statements have also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules (which details are disclosed above).

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

SHARE OPTION SCHEMES AND SHARE SCHEMES

Termination of Former Schemes and Adoption of New Schemes

The Former Share Option Scheme and the Former Share Scheme were adopted by the Board on 12 January 2005. The Former Share Scheme was amended by the shareholders of the Company at the extraordinary general meeting of the Company held on 4 August 2006 and by the Board at the Board meeting held on 29 October 2009.

As the Former Share Option Scheme and the Former Share Scheme will be valid and effective only until (inclusive of) 2 February 2015 and considering that the permitted option period provided under the Former Share Option Scheme limited the vesting period of the options only up to 2 February 2015 (same as the expiry date of the Former Share Option Scheme) which limited the flexibility for the Board when considering the grant of options, ordinary resolutions were proposed at the Company's extraordinary general meeting held on 26 November 2013 (the "26 November 2013 EGM") to approve the adoption of a new share option scheme (the "New Share Option Scheme") and a new share scheme (the "New Share Scheme") of the Company as well as the consequential termination of the Former Share Option Scheme and the Former Share Scheme. At the 26 November 2013 EGM, ordinary resolutions were passed by the shareholders of the Company to approve the adoption of the New Share Option Scheme and the New Share Scheme as well as the consequential termination of the Former Share Option Scheme and the Former Share Scheme.

The New Share Option Scheme and the New Share Scheme shall be valid and effective for a period of 10 years from 26 November 2013 until 25 November 2023, unless otherwise terminated in accordance with their respective terms.

For the avoidance of doubt, no further options will be granted under the Former Share Option Scheme after its termination, and no further shares will be granted under the Former Share Scheme after its termination, but in all other respects, the provisions of the Former Share Option Scheme and the Former Share Scheme respectively shall remain in full force and effect. Accordingly, all options granted prior to the termination of the Former Share Option Scheme and not then exercised shall remain valid and shall continue to be subject to the provisions of the Former Share Option Scheme and Chapter 17 of the Listing Rules, and all shares granted prior to the termination of the Former Share Scheme and not then vested shall remain valid and shall continue to be subject to the provisions of the Former Share Scheme.

Apart from the Former Share Option Scheme, the Former Share Scheme, the New Share Option Scheme and the New Share Scheme, at no time during the year was the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debenture of, the Company or any other body corporate.

Movements of Share Options

Movements of the share options granted under the Former Share Option Scheme during the year were as follows:

Category of grantee	Outstanding at the beginning of the year	Date of grant during the year	Granted during the year	Vesting period	Exercise price	Exercised during the year	Lapsed/ Expired during the year	Cancelled during the year	Outstanding at the end of the year
Directors									
TONG Wen-hsin	1,346,063	–	–	each year on 1 January from 2012 to 2014	HK$3.62	(220,000)	–	–	1,126,063
LEE Jer Sheng	1,701,553	–	–	each year on 1 January from 2012 to 2014	HK$3.62	–	–	–	1,701,553
Employees	203,327,018	–	–	each year on 1 January from 2012 to 2014	HK$3.62	(35,835,551)	(12,648,992)	–	154,842,475
	206,374,634		–			(36,055,551)	(12,648,992)	–	157,670,091

During the year, no option was granted under the New Share Option Scheme.

Summary of Principal Terms of Share Option Schemes

Former Share Option Scheme (prior to its termination)

The purpose of the Former Share Option Scheme was to attract skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the Former Share Option Scheme, the Board might, at its absolute discretion, offer any employees, management members and directors of the Company, or any of its subsidiaries, and third party service providers, including employees of Hon Hai and its subsidiaries, options to subscribe for shares on the terms set out in the Former Share Option Scheme.

The total number of shares in respect of which options might be granted under the Former Share Option Scheme immediately prior to its termination shall be 425,995,209 shares, representing approximately 5.61% of the issued share capital of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of options granted to each grantee in any 12-month period up to the date of the latest grant should not exceed 1% of the issued share capital of the Company from time to time.

The period within which the options must be exercised would be specified by the Board at the time of the offer of grant, and must expire no later than 10 years from the effective date of the Former Share Option Scheme. An offer of grant of an option must be accepted by the date being a date not more than 30 days after the date of the offer. The amount payable on acceptance of an offer was HK$1.00.

The subscription price for shares in respect of an option grant should be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

New Share Option Scheme

The purpose of the New Share Option Scheme is to attract skilled and experienced personnel, to incentivise them to remain with the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the future development and expansion of the Group, by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the New Share Option Scheme, the Board (or its duly authorised officer(s) or delegate(s)) may, at its/their absolute discretion, offer any employees, management members and directors of the Company, or any of its subsidiaries, and third party service providers, including employees of Hon Hai and its subsidiaries, options to subscribe for shares on the terms set out in the New Share Option Scheme.

The total number of shares in respect of which options may be granted under the New Share Option Scheme shall be 757,380,227 shares, representing approximately 9.98% of the issued share capital of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company from time to time.

The minimum period for which the options must be held before they can be exercised and the period within which the options must be exercised (the "vesting period") will be specified by the Board (or its duly authorised officer(s) or delegate(s)) at the time of the offer of grant. The vesting period is up to six years (or such other period which must not be more than 10 years from the date of grant of the relevant options) as determined by the Board (or its duly authorised officer(s) or delegate(s)) at the time of granting the relevant options. An offer of grant of an option must be accepted by the date being a date not more than 30 days after the date of the offer. The amount payable on acceptance of an offer is HK$1.00.

The subscription price for shares in respect of an option grant shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Information on Share Schemes

Former Share Scheme (prior to its termination)

The Former Share Scheme was not subject to the provisions of Chapter 17 of the Listing Rules. The trustee for the Former Share Scheme might either subscribe for new shares at nominal value or purchase shares from the market in accordance with the terms of the Former Share Scheme.

Pursuant to the approval of the Board on 22 April 2013, the Company awarded a total of 10,633,361 ordinary shares (including 7,076,603 ordinary shares which were purchased from the market by the trustee as per the Former Share Scheme) to a total of 73 beneficiaries under the Former Share Scheme, in respect of which some share awards are subject to the corresponding lock-up periods.

In addition, pursuant to the approval of the Board on 17 October 2013, the Company awarded a total of 92,215,205 ordinary shares (including 5,656,574 ordinary shares which were purchased from the market by the trustee as per the Former Share Scheme) to a total of 3,530 beneficiaries under the Former Share Scheme, in respect of which some share awards are subject to the corresponding lock-up periods.

New Share Scheme

The New Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. The trustee for the New Share Scheme may either subscribe for new shares at nominal value or purchase shares from the market in accordance with the terms of the New Share Scheme.

At the 26 November 2013 EGM, an ordinary resolution was passed to grant a general mandate to the Board (or its duly authorised officer(s) or delegate(s)) to allot, issue and deal with additional shares under the New Share Scheme not exceeding 2% of the issued share capital of the Company as at the date of the 26 November 2013 EGM, amounting to an aggregate of 151,476,045 shares.

During the year, no share was awarded under the New Share Scheme.

At the forthcoming annual general meeting of the Company, an ordinary resolution will be proposed to grant a general mandate to the Board (or its duly authorised officer(s) or delegate(s)) to allot, issue and deal with additional shares under the New Share Scheme not exceeding 2% of the issued share capital of the Company as at the date of such meeting (the "Scheme Mandate").

As at 20 March 2014, the issued share capital of the Company comprised 7,591,722,124 shares of US$0.04 each. Subject to the passing of an ordinary resolution approving the Scheme Mandate and on the basis that no shares will be issued, purchased or bought-back prior to the forthcoming annual general meeting, exercise in full of the Scheme Mandate will result in 151,834,442 shares being allotted and issued under the Scheme Mandate. On the basis of the closing price of HK$4.67 per share as at 20 March 2014 and the Scheme Mandate being exercised in full, the aggregate market value of the 151,834,442 shares to be allotted and issued pursuant thereto would be approximately HK$709,066,844. The Company expects that the costs attributable to the grant of any shares under the New Share Scheme will be accounted for by reference to the market value of such shares at the time of grant. The Company will give due consideration to any financial impact arising from the grant of shares under the New Share Scheme before exercising the Scheme Mandate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 77.93% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 39.50%. Purchases from the Group's five largest suppliers accounted for approximately 53.64% of the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 29.82%.

None of the directors of the Company or any of their associates (as defined in the Listing Rules) or any shareholders (which, to the best knowledge of the directors, own more than 5% of the issued share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any director or any person engaged in the full-time employment of the Company) were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the directors and based on the information publicly available to the Company, there was sufficient public float as required by the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company and the Companies Law of the Cayman Islands.

PENSION SCHEMES

Details of the Group's pension scheme and the basis of calculation are set out in note 37 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has established and maintained an audit committee in accordance with the requirements of the Listing Rules, particularly the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code"). Its primary duties are to review the Group's financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board. The audit committee is comprised of three non-executive directors, two of whom are independent non-executive directors (among whom one of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules).

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013 and this annual report and recommended the same to the Board for approval.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the code provisions set out in the CG Code.

AUDITORS

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu who are due to retire and, being eligible, will offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

Tong Wen-hsin
Chairman

Hong Kong, 20 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF FIH MOBILE LIMITED
(FORMERLY KNOWN AS FOXCONN INTERNATIONAL HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of FIH Mobile Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 119, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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 Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
Turnover	6	**4,996,949**	5,239,800
Cost of sales		**(4,773,061)**	(5,240,425)
Gross profit (loss)		**223,888**	(625)
Other income, gains and losses	7	**270,638**	192,523
Selling expenses		**(18,439)**	(21,068)
General and administrative expenses		**(191,282)**	(214,978)
Research and development expenses		**(155,747)**	(173,380)
Impairment loss recognised for property, plant and equipment	14	**(16,819)**	(102,246)
Impairment loss recognised for interest in an associate	19	**(4,130)**	–
Interest expense on bank borrowings	26	**(6,115)**	(11,442)
Share of (loss) profit of associates		**(681)**	1,228
Share of losses of joint ventures		**(369)**	(448)
Profit (loss) before tax	8	**100,944**	(330,436)
Income tax (expense) credit	11	**(23,660)**	14,369
Profit (loss) for the year		**77,284**	(316,067)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**326**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**46,313**	10,013
Share of translation reserve of associates		**(264)**	643
Share of translation reserve of joint ventures		**(73)**	(16)
Reserves released upon loss of control over a subsidiary		**–**	(86)
Reserves released upon partial disposal of interest in an associate		**–**	(737)
		45,976	9,817
Other comprehensive income for the year		**46,302**	9,817
Total comprehensive income (expense) for the year		**123,586**	(306,250)
Profit (loss) for the year attributable to:			
Owners of the Company		**77,714**	(316,423)
Non-controlling interests		**(430)**	356
		77,284	(316,067)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
Total comprehensive income (expense) attributable to:			
Owners of the Company		**124,255**	(306,266)
Non-controlling interests		**(669)**	16
		123,586	(306,250)
Earnings (loss) per share	*13*		
Basic		**US1.04 cents**	(US4.33 cents)
Diluted		**US1.04 cents**	(US4.33 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
Non-current assets			
Property, plant and equipment	*14*	**987,286**	1,094,471
Investment properties	*15*	**2,795**	–
Prepaid lease payments	*16*	**48,492**	49,378
Available-for-sale investments	*18*	**1,188**	85
Interests in associates	*19*	**25,249**	31,940
Interests in joint ventures	*20*	**6,358**	3,741
Deferred tax assets	*21*	**61,790**	41,127
Deposit for acquisition of prepaid lease payments	*17*	**31,275**	30,340
Deposits for acquisition of property, plant and equipment		**–**	37
		1,164,433	1,251,119
Current assets			
Inventories	*22*	**225,919**	347,918
Trade and other receivables	*23*	**1,678,245**	1,132,308
Bank deposits	*31*	**393,089**	440,133
Bank balances and cash	*31*	**2,124,079**	1,916,998
		4,421,332	3,837,357
Current liabilities			
Trade and other payables	*25*	**1,585,167**	1,203,455
Bank borrowings	*26*	**137,780**	214,901
Provision	*32*	**31,503**	30,211
Tax payable		**90,140**	70,781
		1,844,590	1,519,348
Net current assets		**2,576,742**	2,318,009
Total assets less current liabilities		**3,741,175**	3,569,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
Capital and reserves			
Share capital	27	**302,963**	292,493
Reserves	28	**3,395,702**	3,223,304
Equity attributable to owners of the Company		**3,698,665**	3,515,797
Non-controlling interests		**9,824**	10,758
Total equity		**3,708,489**	3,526,555
Non-current liabilities			
Deferred tax liabilities	21	**15**	9,090
Deferred income	33	**32,671**	33,483
		32,686	42,573
		3,741,175	3,569,128

The consolidated financial statements on pages 40 to 119 were approved and authorised for issue by the board of directors on 20 March 2014 and are signed on its behalf by:

TONG WEN-HSIN
DIRECTOR

CHIH YU YANG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Special reserve US$'000 *(note 28)*	Other reserve US$'000 *(note a)*	Legal reserve US$'000 *(note 28)*	Translation reserve US$'000	Share compensation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2012	288,987	813,391	15,514	–	161,707	433,679	45,433	1,981,298	3,740,009	18,685	3,758,694
Other comprehensive income (expense) for the year	–	–	–	–	–	10,157	–	–	10,157	(340)	9,817
(Loss) profit for the year	–	–	–	–	–	–	–	(316,423)	(316,423)	356	(316,067)
Total comprehensive income (expense) for the year	–	–	–	–	–	10,157	–	(316,423)	(306,266)	16	(306,250)
Issue of ordinary shares under Option Schemes and Share Schemes	3,506	50,041	–	–	–	–	(39,761)	–	13,786	–	13,786
Purchase of additional interests in a subsidiary *(note a)*	–	–	–	(3,159)	–	–	–	–	(3,159)	(7,943)	(11,102)
Payment made for equity-settled share-based payments *(note 38)*	–	–	–	–	–	–	(2,691)	–	(2,691)	–	(2,691)
Recognition of equity-settled share-based payments *(note 38)*	–	–	–	–	–	–	74,118	–	74,118	–	74,118
Profit appropriations	–	–	–	–	3,586	–	–	(3,586)	–	–	–
Transfer *(note b)*	–	–	–	–	–	–	(1,349)	1,349	–	–	–
Balance at 31 December 2012	292,493	863,432	15,514	(3,159)	165,293	443,836	75,750	1,662,638	3,515,797	10,758	3,526,555
Other comprehensive income (expense) for the year	–	–	–	326	–	46,215	–	–	46,541	(239)	46,302
Profit (loss) for the year	–	–	–	–	–	–	–	77,714	77,714	(430)	77,284
Total comprehensive income (expense) for the year	–	–	–	326	–	46,215	–	77,714	124,255	(669)	123,586
Issue of ordinary shares under Option Schemes and Share Schemes	10,470	122,046	–	–	–	–	(115,689)	–	16,827	–	16,827
Purchase of additional interests in a subsidiary *(note a)*	–	–	–	(33)	–	–	–	–	(33)	(265)	(298)
Payment made for equity-settled share-based payments *(note 38)*	–	–	–	–	–	–	(5,897)	–	(5,897)	–	(5,897)
Recognition of equity-settled share-based payments *(note 38)*	–	–	–	–	–	–	47,716	–	47,716	–	47,716
Profit appropriations	–	–	–	–	947	–	–	(947)	–	–	–
Transfer *(note b)*	–	–	–	–	–	–	(584)	584	–	–	–
Balance at 31 December 2013	302,963	985,478	15,514	(2,866)	166,240	490,051	1,296	1,739,989	3,698,665	9,824	3,708,489

Notes:

(a) The amounts represent the remeasurement of defined benefit pension plans and the other reserves from the purchase of additional interests in a non-wholly owned subsidiary of the Company during the years ended 31 December 2013 and 2012. As a result of the acquisition, the difference of US$33,000 (2012: US$3,159,000) between the consideration paid of US$298,000 (2012: US$11,102,000) and the amount of non-controlling interests of US$265,000 (2012: US$7,943,000) acquired was directly recognised in equity.

(b) The amount represents aggregate of the amount previously recognised in share compensation reserve in respect of those share options forfeited after vesting date, and the amount previously recognised in share compensation reserve in respect of those differences between the market prices of vested share awards at grant date and market prices of ordinary shares subsequently purchased by trustee from the stock market.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**100,944**	(330,436)
Adjustments for:			
Depreciation and amortisation		**154,842**	215,661
Share-based payment expenses		**47,716**	74,118
Impairment loss recognised for property, plant and equipment		**16,819**	102,246
Write down of inventories		**14,809**	23,754
Loss on disposal of property, plant and equipment		**6,820**	19,128
Interest expense		**6,115**	11,442
Impairment loss recognised for interest in an associate		**4,130**	–
Share of loss (profit) of associates		**681**	(1,228)
Share of losses of joint ventures		**369**	448
Loss of disposal of prepaid lease payments		**277**	–
Allowance (reversal of allowance) for doubtful debts		**83**	(4,140)
Loss on disposal of available-for-sale investments		**27**	–
Gain on disposals of subsidiaries		**–**	(19)
Gain on partial disposal of an associate	19	**–**	(4,098)
Deferred income recognised to income		**(1,816)**	(2,429)
Interest income		**(52,517)**	(57,802)
Operating cash flows before movements in working capital		**299,299**	46,645
Decrease in inventories		**110,887**	166,471
(Increase) decrease in trade and other receivables		**(514,055)**	255,636
Increase in trade and other payables		**328,271**	106,547
Increase in provision		**1,358**	1,302
Cash generated from operations		**225,760**	576,601
Income taxes paid		**(32,020)**	(16,456)
Interest paid		**(5,970)**	(12,102)
Interest received		**50,436**	56,740
Payments made for share-based payment expenses		**(5,897)**	(2,691)
NET CASH FROM OPERATING ACTIVITIES		**232,309**	602,092

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment from cash provided by customer		**(103,924)**	–
Purchase of property, plant and equipment		**(77,041)**	(42,355)
Capital contribution to a joint venture		**(3,060)**	–
Purchase of an available-for-sale investment		**(1,150)**	–
Cash transferred by customer for purchase of property, plant and equipment		**103,924**	–
Withdrawal (placement) of bank deposits for investing purpose		**44,577**	(31,534)
Proceeds on disposal of property, plant and equipment		**21,691**	70,414
Dividend income from an associate		**1,628**	1,951
Proceeds on disposal of prepaid lease payments		**246**	–
Proceeds from disposal of available-for-sale investments		**21**	–
Consideration received for disposals of assets classified as held for sale	*24*	**–**	58,509
Net proceeds on partial disposal of an associate		**–**	16,822
Net cash outflow from loss of control over a subsidiary	*30*	**–**	(3,860)
Refunded deposits received in respect of assets classified as held for sale	*24*	**–**	(15,810)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(13,088)**	54,137
FINANCING ACTIVITIES			
Bank borrowings repaid		**(2,477,300)**	(3,324,301)
Bank borrowings raised		**2,405,524**	3,056,065
Proceeds from issue of shares		**16,827**	13,786
Purchase of additional interests in a subsidiary		**(298)**	(11,102)
NET CASH USED IN FINANCING ACTIVITIES		**(55,247)**	(265,552)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**163,974**	390,677
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,916,998**	1,512,461
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**43,107**	13,860
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		**2,124,079**	1,916,998

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 February 2000 under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 February 2005. The Company's parent company is Foxconn (Far East) Limited (incorporated in the Cayman Islands) and its ultimate holding company is Hon Hai Precision Industry Co. Ltd. ("Hon Hai") (incorporated in Taiwan and its shares are listed on the Taiwan Stock Exchange Corporation). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged as a vertically integrated manufacturing services provider for handset industry worldwide. The Group provides a full range of manufacturing services to its customers in connection with the production of handsets.

The English name of the Company has been changed from "Foxconn International Holdings Limited" to "FIH Mobile Limited" with effect from 30 May 2013, and the Company's adoption of its formal Chinese name of "富智康集團有限公司" has also become effective on the same date. Furthermore, the registration of "FIH Mobile Limited 富智康集團有限公司" as the new English and Chinese names of the Company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) has become effective from 24 June 2013.

The consolidated financial statements are presented in United States Dollars ("US$") which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretation Committee (the "IFRIC") of the IASB for the first time in the current year:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19 (as revised in 2011)	Employee benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to IAS 1	Presentation of items of other comprehensive income
IFRIC 20	Stripping costs in the production phase of a surface mine

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Amendments to IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities"

The Group has applied the amendments to IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with IAS 32 "Financial instruments: Presentation"; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The amendments to IFRS 7 have been applied retrospectively. In addition, the amendments to IFRS 7 introduce more disclosures relating to the Group's offsetting arrangements, which are set out in note 5.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interests in other entities", IAS 27 (as revised in 2011) "Separate financial statements" and IAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and SIC – INT 12 "Consolidation – Special purpose entities". IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. The application of IFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, SIC – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The application of IFRS 11 has no material impact on the amounts reported in the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Other than the additional disclosures required by IFRS 12, the application of IFRS 12 has no any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 13 "Fair value measurement"

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

IAS 19 "Employee benefits" (as revised in 2011)

In the current year, the Group has applied IAS 19 "Employee benefits" (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011) and the Group has applied the relevant transitional provisions. The application of IAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years, and hence the Group does not restate the comparative amounts on a retrospective basis. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in note 37.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Amendments to IAS 1 "Presentation of items of other comprehensive income"

The Group has applied the amendments to IAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[1]
Amendments to IAS 19	Defined benefit plans: Employee contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[3]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle[2]
IFRS 9	Financial instruments[3]
IFRS 14	Regulatory deferral accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

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

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

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on the amounts reported in respect of the Group's available-for-sale investment which are currently carried at cost less impairment. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group, and the disclosures of the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in which the investment is acquired.

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

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

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

Property, plant and equipment

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

Property, plant and equipment which are transferred from customers in cash but the Group does not have control on such property, plant and equipment are not recognised as property, plant and equipment in the consolidated statement of financial position in accordance with IFRIC - INT 18 "Transfers of assets from customers".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress and freehold land) over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Land that has an unlimited useful life is not depreciated.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, such transfer does not change the carrying amount of the property transferred. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Prepaid lease payments

Prepaid lease payments represent payment for leasehold interests in land under operating lease arrangements and are released to profit or loss over the term of relevant land leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

Leasehold land classified as operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss upon disposal of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. 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 exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

Borrowing costs

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 capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'general and administrative expenses'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs *(Continued)*

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Inventories

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

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

The Group's financial liabilities are generally classified into other financial liabilities. Other financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options or ordinary shares granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options or ordinary shares granted vest immediately, with a corresponding increase in equity (share compensation reserve). The fair value of the ordinary shares granted shall be measured at the market price of the shares, and the fair value of the share options granted shall be estimated by applying an option pricing model.

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

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

When new ordinary shares are issued pursuant to the award scheme, the fair value of the ordinary shares granted that vest immediately or without lock-up period is recognised as an expense in full at the grant date with corresponding increase in equity (share compensation reserve). When the ordinary share awards are granted with lock-up period, which has same meaning as vesting period, the fair value of such amounts granted at the grant date is expensed on a straight-line basis over the lock-up period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements in applying accounting policies

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

Significant influence over interests in associates

Although the Group only owns less than 20% equity interests in Diabell Co., Ltd. ("Diabell") and Ways Technical Corp., Ltd. ("Ways Technical"), the Group has significant influence over Diabell and Ways Technical by virtue of its right to appoint one out of five directors to the board of directors of Diabell and two out of seven directors to the board of directors of Ways Technical (see note 19).

Classification of investments as joint ventures

位吉股份有限公司 (also known as Ways Transworld Inc.) ("Ways Transworld") and FIH RadioShack (Asia) Retail Holdings Limited ("FIH RadioShack") are limited liability companies whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Ways Transworld and FIH RadioShack are classified as joint ventures of the Group (see note 20).

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The impairment of certain property, plant and equipment used to provide manufacturing services to customers in connection with the production of handsets is based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses. An impairment loss of US$16,819,000 (2012: US$102,246,000), being the excess of the carrying amount over the recoverable amount of property, plant and equipment, was recognised in profit or loss in the current year. The carrying amount of the relevant property, plant and equipment as at 31 December 2013 is US$987,286,000 (2012: US$1,094,471,000) (see note 14).

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

Key sources of estimation uncertainty *(Continued)*

Provision for warranty

Provision has been made for the costs to repair or replace defective goods, such as labour costs (whether incurred internal or external) and material costs, and costs that may not be recoverable from suppliers for the rework, in accordance with contractual terms or the Group's policy. In determining the amount of provisions, the management estimates the extent of repairs and replacements with reference to its past experience, technological needs and industrial averages for defective products. The estimation may be adversely affected by many factors, including additional variations to the manufacturing plans requested by the customers or because of technical needs, and unforeseen problems and circumstances. Any of these factors may affect the extent of repair or replacement required and therefore affect the ultimate repair and replacement costs to be incurred in the future periods. As at 31 December 2013, the provision is US$31,503,000 (2012: US$30,211,000).

Details of the movement on the provision are set out in note 32.

Income taxes

As at 31 December 2013, a deferred tax asset of US$11,315,000 (2012: US$5,962,000) in relation to unused tax losses of US$37,715,000 (2012: US$47,700,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of US$925,708,000 (2012: US$927,020,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future.

As at 31 December 2013, an income tax of US$4,890,000 (2012: nil) has been recognised in respect of the withholding tax provided for distributed profits of certain subsidiaries in the People's Republic of China (the "PRC"). No deferred tax has been provided for the undistributed profits of US$803,983,000 (2012: US$748,213,000) in remaining subsidiaries in the PRC as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax assets were also recognised for other deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$206,448,000 (2012: US$216,873,000).

At 31 December 2013, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$144,570,000 (2012: US$158,929,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In cases where the actual future taxable profits generated are less or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 US$'000	2012 US$'000
Financial assets		
Loans and receivables	**4,076,744**	3,312,840
Available-for-sale financial assets	**1,188**	85
Fair value through profit or loss		
Derivatives	**1,907**	–
Financial liabilities		
Amortised cost	**1,461,772**	1,214,861
Fair value through profit or loss		
Derivatives	**1,085**	1,374

Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances and cash, available-for-sale investments, trade and other receivables, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (see note 26 for details of these borrowings). The directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise. Cash flow interest rate risk in relation to variable-rate bank balances and deposits is considered insignificant as most of them are short-term in nature. Accordingly, no interest rate sensitivity analysis is prepared.

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign currency risk arises when the Group's recognised assets and liabilities are denominated in a currency that is not the Group entity's functional currency.

The Group manages its foreign currency exposures by non-financial techniques such as managing the transaction currency, leading and lagging payments, receivable management, etc. In addition, the Group sometimes obtains bank borrowings in various foreign currencies and enters into short-term forward foreign currency contracts (less than 3 months) for hedging purpose. The Group utilises a variety of forward foreign currency contracts to hedge its exposure to foreign currencies on a regular basis.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk (Continued)

As at 31 December 2013, total notional amount of outstanding forward foreign exchange contracts that the Group has committed is approximately US$162,932,000 (2012: US$87,845,000), and their fair values are estimated to be approximately US$1,907,000 assets and US$1,085,000 liabilities (2012: US$1,374,000 liabilities), and are included as other receivables and other payables, respectively, at the end of the reporting period. The contracts mainly related to buying of US$, Brazilian Real ("BRL") and Euro (2012: US$, BRL and Euro) with maturities in first quarter of the following year.

The monetary assets and liabilities of group entities, which are denominated in a currency other than their respective functional currency, are mainly bank balances and cash, trade and other receivables, trade and other payables and bank borrowings, denominated in US$, and are summarised as follows:

	2013 **US$'000**	2012 US$'000
Assets		
US$	**803,651**	1,010,683
Liabilities		
US$	**(502,478)**	(741,983)

The Group's bank borrowings of approximately US$137,780,000 (2012: US$214,901,000) at the end of the reporting period are denominated in US$ other than the functional currency of respective group entities and are included in the monetary liabilities disclosed above.

Exchange rate sensitivity

At the end of the reporting period, in respect of monetary items (excluding derivatives) denominated in currency other than the functional currency of respective group entities, if exchange rates of the functional currency against US$ had been appreciated/depreciated by 3% (2012: 3%) and all other variables were held constant, the Group's profit would decrease/increase by approximately US$8,628,000 (2012: the Group's loss would increase/decrease by approximately US$9,314,000) for the year. No sensitivity analysis is presented for derivatives as the amount is insignificant.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. A major portion of the Group's trade debts are receivable from industry leaders or multinational customers with good financial background. Meanwhile, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk in mobile phone handset industry is concentrated on a few global handset manufacturers. However, with the strong financial background and good creditability of the global handset manufacturers, the management considers there is no significant credit risk. The Group also seeks to maintain strict control over the creditability of customers and its outstanding receivables. In determining whether there is objective evidence of impairment loss, the Group takes into consideration of the future cash flows of the relevant receivables.

The credit risk on liquid funds is limited because the counterparties are banks with higher credit ratings assigned by international credit-rating agencies and those global handset manufacturers which have long-term business relationship with the Group.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who has built an appropriate liquidity risk management framework. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The Group's objective is to balance the fund's continuity and flexibility through the use of bank borrowings. The maturity periods of the Group's bank borrowings are less than three months (2012: one to three months) and the maturity periods of other financial liabilities are within three months.

As at 31 December 2013, the Group has available unutilised banking facilities of approximately US$2,305,788,000 (2012: US$1,922,846,000).

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Fair value

Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Financial value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities (including derivative financial instruments) are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31.12.2013 US$'000	Fair value as at 31.12.2012 US$'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Forward foreign exchange contracts classified as other receivables and other payables in the consolidated statement of financial position	**Assets – US$1,907 and liabilities – US$1,085**	Liabilities – US$1,374	Level 2	Fair value derived from observable forward exchange rates at the end of the reporting period	N/A	N/A

For the other financial assets and financial liabilities, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and financial liabilities subject to offsetting

The disclosures set out in the table below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position.

The Group currently has a legally enforceable right to set off certain bank balances and bank borrowings at the same bank that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

	As at 31 December 2013		
Financial assets/liabilities subject to offsetting	**Gross amount of recognised financial assets/liabilities US$'000**	**Gross amounts of recognised financial liabilities/ assets set off in the statement of financial position US$'000**	**Net amounts of financial assets/ liabilities presented in the statement of financial position US$'000**
Bank balances	44,995	(44,995)	–
Bank borrowings	44,995	(44,995)	–

6. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chief Executive Officer, for the purpose of allocating resources to the segment and to assess its performance.

The Group's operations are organised into three operating segments based on the location of customers – Asia, Europe and America.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The Group's revenue is mainly arising from the manufacturing services to its customers in connection with the production of handsets.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	2013	2012
	US$'000	US$'000
Segment revenue (external sales)		
Asia	**2,911,934**	2,809,755
Europe	**1,322,450**	1,398,317
America	**762,565**	1,031,728
Total	**4,996,949**	5,239,800
Segment profit (loss)		
Asia	**227,593**	31,520
Europe	**35,065**	(9,215)
America	**83,302**	19,515
	345,960	41,820
Other income, gains and losses	**124,616**	123,537
General and administrative expenses	**(191,282)**	(214,978)
Research and development expenses	**(155,747)**	(173,380)
Impairment loss recognised for property, plant and equipment	**(11,308)**	(96,773)
Impairment loss recognised for interest in an associate	**(4,130)**	–
Interest expense on bank borrowings	**(6,115)**	(11,442)
Share of (loss) profit of associates	**(681)**	1,228
Share of losses of joint ventures	**(369)**	(448)
Profit (loss) before tax	**100,944**	(330,436)

Majority of the Group's sales to Asian customers is attributed to the PRC.

Segment profit (loss) represents the gross profit (loss) earned/made by each segment and the service income (included in other income) after deducting all selling expenses and certain impairment recognised for property, plant and equipment. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	2013 US$'000	2012 US$'000
ASSETS		
Segment assets		
Allocated		
Asia	**786,330**	596,058
Europe	**602,032**	303,160
America	**502,203**	373,693
Total	**1,890,565**	1,272,911
Unallocated		
Property, plant and equipment	**946,658**	1,047,646
Inventories	**167,250**	306,980
Cash and bank deposits	**2,237,144**	2,125,106
Others	**207,632**	254,769
Corporate assets	**136,516**	81,064
Consolidated total assets	**5,585,765**	5,088,476
LIABILITIES		
Segment liabilities		
Allocated		
Europe	**637**	1,620
America	**104,775**	61,436
Total	**105,412**	63,056
Unallocated		
Trade and other payables	**1,479,935**	1,139,412
Others	**63,647**	63,116
Corporate liabilities	**228,282**	296,337
Consolidated total liabilities	**1,877,276**	1,561,921

For the purposes of monitoring segment performances and allocating resources among segments, trade receivables from Asia operations are allocated to Asia segment, while certain property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents relating to Europe and America operations are allocated to Europe and America segments. Segment liabilities represent certain trade and other payables and provision for warranty relating to the Europe and America operations.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Other information

Amounts included in the measure of segment profit or loss or segment assets:

	Year ended 31 December 2013				
	Asia US$'000	**Europe US$'000**	**America US$'000**	**Unallocated US$'000**	**Consolidated US$'000**
Capital additions	**–**	**–**	**7,640**	**69,438**	**77,078**
Depreciation and amortisation	**–**	**1,427**	**4,542**	**148,873**	**154,842**
(Gain) loss on disposal and write off of property, plant and equipment and prepaid lease payments	**–**	**(451)**	**(3,600)**	**11,148**	**7,097**
(Reversal of) allowance for doubtful debts, net	**(12)**	**–**	**95**	**–**	**83**
Provision for warranty	**8,594**	**–**	**264**	**–**	**8,858**
Impairment loss recognised for property, plant and equipment	**–**	**4,909**	**602**	**11,308**	**16,819**

	Year ended 31 December 2012				
	Asia US$'000	Europe US$'000	America US$'000	Unallocated US$'000	Consolidated US$'000
Capital additions	–	45	3,441	39,277	42,763
Depreciation and amortisation	–	16,902	6,781	191,978	215,661
(Gain) loss on disposal of property, plant and equipment	–	(380)	2,674	16,834	19,128
Reversal of allowance for doubtful debts, net	(4,029)	(4)	(107)	–	(4,140)
Provision for warranty	1,651	727	4,634	–	7,012
Impairment loss recognised for property, plant and equipment	–	3,434	2,039	96,773	102,246

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC (country of domicile), United States of America ("USA"), United Mexican States ("Mexico") and other countries.

Information about the Group's revenue from external customers and its non-current assets is presented based on geographical location of operations.

	Revenue from external customers		Non-current assets	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
PRC (country of domicile)	**4,433,941**	4,141,799	**959,795**	1,029,544
USA	**22,790**	186,697	**616**	634
Mexico	**219,428**	186,938	**20,107**	21,127
Other countries	**320,790**	724,366	**120,937**	158,602
	4,996,949	5,239,800	**1,101,455**	1,209,907

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013 US$'000	2012 US$'000
Customer A[1]	**1,973,869**	2,114,673
Customer B[1]	**728,389**	874,884
Customer C[1]	**481,572**[2]	772,122
Customer D[1]	**170,419**[2]	863,761

1 Revenue from provision of manufacturing services to customers located in Asia, Europe and America in connection with the production of handsets.

2 They did not contribute over 10% of the total sales of the Group in 2013.

7. OTHER INCOME, GAINS AND LOSSES

	2013 US$'000	2012 US$'000
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank	**52,517**	57,802
Service income	**146,022**	68,986
Sales of materials and scraps	**45,894**	36,312
Repairs and modifications of moldings	**23,609**	34,802
Net foreign exchange loss	**(2,292)**	(3,410)
Gain on partial disposal of an associate	**–**	4,098
Gain on loss of control over a subsidiary	**–**	19
Government subsidies *(note)*	**5,650**	4,517
Rental income	**6,272**	5,913
Loss on disposal and write off of property, plant and equipment	**(6,820)**	(19,128)
Loss on disposal of prepaid lease payments	**(277)**	–
Loss on disposal of available-for-sale investments	**(27)**	–
Others	**90**	2,612
	270,638	192,523

Note: This mainly represented subsidies granted for the Group's operations in the PRC.

8. PROFIT (LOSS) BEFORE TAX

	2013 **US$'000**	2012 US$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**153,749**	214,551
Amortisation of prepaid lease payments (included in general and administrative expenses)	**1,093**	1,110
Total depreciation and amortisation	**154,842**	215,661
Staff costs		
Directors' remuneration	**1,937**	1,085
Retirement benefit scheme contributions (excluding directors)	**52,519**	42,876
Other staff costs	**332,638**	344,267
Equity-settled share-based payments	**47,716**	74,118
Total staff costs	**434,810**	462,346
Auditor's remuneration	**859**	834
Cost of inventories recognised as expense	**4,749,394**	5,209,659
Impairment loss recognised (reversed) in respect of trade receivables	**83**	(4,140)
Provision for warranty	**8,858**	7,012
Write down of inventories to net realisable value	**14,809**	23,754

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

		Other emoluments			
2013	**Fees**	**Basic salaries and allowances**	**Performance-based or discretionary bonus**	**Retirement benefit scheme contributions**	**Total 2013**
	US$'000	**US$'000**	**US$'000** *(Note)*	**US$'000**	**US$'000**
Tong Wen-hsin	–	182	263	–	445
Chih Yu Yang	–	124	936	–	1,060
Lee Jer Sheng	–	64	276	–	340
Lau Siu Ki	28	8	–	–	36
Daniel Joseph Mehan	28	–	–	–	28
Chen Fung Ming	28	–	–	–	28
Lee Kuo Yu (appointed on 30 May 2013)	–	–	–	–	–
Lee Jin Ming (resigned on 30 May 2013)	–	–	–	–	–
	84	378	1,475	–	1,937

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

2012	Fees US$'000	Other emoluments: Basic salaries and allowances US$'000	Other emoluments: Performance-based or discretionary bonus US$'000 *(Note)*	Other emoluments: Retirement benefit scheme contributions US$'000	Total 2012 US$'000
Chin Wai Leung, Samuel (resigned on 1 January 2013)	–	300	–	–	300
Chang Ban Ja, Jimmy (resigned on 31 May 2012)	–	–	–	–	–
Gou Hsiao Ling (resigned on 1 January 2012)	–	–	–	–	–
Lee Jin Ming	–	–	–	–	–
Lau Siu Ki	27	8	–	–	35
Daniel Joseph Mehan	27	–	–	–	27
Chen Fung Ming	27	–	–	–	27
Chih Yu Yang	–	122	275	–	397
Lee Jer Sheng	–	66	69	–	135
Tong Wen-hsin (appointed on 26 July 2012)	–	81	32	–	113
Cheng Tien Chong (appointed on 1 January 2012 and resigned on 26 July 2012)	–	51	–	–	51
	81	628	376	–	1,085

Note: The performance-based or discretionary bonus, including share-based payments, is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

For the period from 26 July 2012 to 31 December 2012, Mr. Chih Yu Yang, while for the period from 1 January 2012 to 26 July 2012, Mr. Cheng Tien Chong were also the Chief Executive of the Company and their emoluments disclosed above include those for services rendered by them as the Chief Executive.

Neither the chief executive nor any of the directors waived any emoluments and were paid as compensation for loss of office and as incentive to join or upon joining the Group during the years ended 31 December 2013 and 2012.

10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (2012: two) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining two (2012: three) individuals were as follows:

	2013 US$'000	2012 US$'000
Salaries and other benefits	**134**	176
Performance-related incentive payments	**513**	771
	647	947

Their emoluments were within the following bands:

	Number of employees 2013	2012
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	1
	2	3

11. INCOME TAX EXPENSE (CREDIT)

	2013	2012
	US$'000	US$'000
Current tax		
– Hong Kong	**–**	–
– Other jurisdictions	**45,921**	22,598
– Withholding tax for distributed profit of investments in the PRC	**4,890**	–
	50,811	22,598
Under(over) provision in prior years		
– Hong Kong	**1,253**	–
– Other jurisdictions	**279**	(17,229)
	1,532	(17,229)
	52,343	5,369
Deferred tax *(note 21)*		
– Current year	**(23,932)**	(19,735)
– Change in tax rates	**(4,751)**	(3)
	(28,683)	(19,738)
	23,660	(14,369)

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profit in Hong Kong.

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries increased from 18% to 25% progressively over 5 years from 1 January 2008 onwards. The applicable tax rate for the current year was 25% (2012: 25%). Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries was exempted from PRC income tax for two years starting from 2009, which was its first profit-making year, followed by a 50% reduction for the next three years. In addition, one of the Company's subsidiaries was awarded with the Advanced – Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% for 2013 and 2014.

Except as described above, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2012: 25%).

11. INCOME TAX EXPENSE (CREDIT) *(Continued)*

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

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2010 No.1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

The taxation for the year can be reconciled to the profit (loss) before tax as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 **US$'000**	2012 US$'000
Profit (loss) before tax	**100,944**	(330,436)
Tax expense (credit) at the PRC income tax rate of 25% (2012: 25%) for the year *(note a)*	**25,236**	(82,609)
Effect of different tax rates of subsidiaries	**11,344**	335
Effect of income taxed at concessionary tax rates	**(652)**	17,476
Tax effect of expenses not deductible for tax purpose	**32,263**	32,728
Tax effect of income not taxable for tax purpose	**(42,546)**	(4,423)
Tax effect of (utilisation of) tax losses/deductible temporary differences not recognised	**(3,918)**	39,535
Tax effect of income tax charges to PRC subsidiaries on disposal of certain qualified equipment *(note b)*	**–**	16
Tax effect of share of loss (profit) of associates	**170**	(307)
Tax effect of share of losses of joint ventures	**92**	112
Tax effect of change in tax rates	**(4,751)**	(3)
Withholding tax for distributed profit of investments in the PRC	**4,890**	–
Under(over)provision in prior years	**1,532**	(17,229)
Income tax expense (credit) for the year	**23,660**	(14,369)

Notes:

(a) The domestic income tax rate of 25% (2012: 25%) represents the PRC Enterprise Income Tax rate on which the Group's operations are substantially based.

(b) Pursuant to the relevant tax rules and regulations, PRC subsidiaries can claim PRC income tax credits on 40% of the acquisition cost of certain qualified equipment manufactured in the PRC. Such PRC income tax credits are allowed, and are accounted for, as deduction from current income tax expenses when relevant conditions are fulfilled and tax approval is obtained from the tax bureau. When PRC subsidiaries dispose of such qualified equipment subsequently, income tax expenses on 40% of proceeds received will be charged in the year of disposal.

12. DIVIDEND

No dividend was paid, declared or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2013 US$'000	2012 US$'000
Earnings (loss) attributable to the owners of the Company		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**77,714**	(316,423)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,437,113,182**	7,300,984,884
Effect of dilutive potential ordinary shares relating to outstanding share options and share awards issued by the Company	**31,490,951**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,468,604,133**	7,300,984,884

The computation of diluted loss per share for the year ended 31 December 2012 did not assume the exercise of the Company's share options and share awards as the exercise of the outstanding share options and share awards would result in a decrease in the loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Fixtures and equipment US$'000	Construction in progress US$'000	Total US$'000
COST					
At 1 January 2012	781,217	1,489,082	149,378	32,849	2,452,526
Exchange adjustments	3,804	3,752	932	(78)	8,410
Additions	1,867	36,002	1,135	3,759	42,763
Disposals	(16,897)	(455,991)	(28,218)	–	(501,106)
Loss of control over a subsidiary	–	(2,202)	(57)	–	(2,259)
Transfers	11,019	6,000	1	(17,020)	–
At 31 December 2012	781,010	1,076,643	123,171	19,510	2,000,334
Exchange adjustments	9,871	19,151	142	237	29,401
Additions	1,125	58,664	1,988	15,301	77,078
Disposals/write off	(13,073)	(177,740)	(9,567)	–	(200,380)
Transfers	2,001	14,138	–	(16,139)	–
Transfer to investment properties	(4,310)	–	–	–	(4,310)
At 31 December 2013	776,624	990,856	115,734	18,909	1,902,123
DEPRECIATION AND IMPAIRMENT					
At 1 January 2012	156,992	736,611	101,884	–	995,487
Exchange adjustments	1,927	3,875	850	–	6,652
Charge for the year	44,308	159,993	10,250	–	214,551
Eliminated on disposals	(5,724)	(382,423)	(24,699)	–	(412,846)
Loss of control over a subsidiary	–	(215)	(12)	–	(227)
Transfers	–	3	(3)	–	–
Impairment loss recognised in profit or loss	3,020	99,121	105	–	102,246
At 31 December 2012	200,523	616,965	88,375	–	905,863
Exchange adjustments	2,404	9,285	101	–	11,790
Charge for the year	33,642	115,788	4,319	–	153,749
Eliminated on disposals/write off	(10,827)	(152,590)	(8,452)	–	(171,869)
Transfer to investment properties	(1,515)	–	–	–	(1,515)
Impairment loss recognised in profit or loss	13,658	3,074	87	–	16,819
At 31 December 2013	237,885	592,522	84,430	–	914,837
CARRYING VALUES					
At 31 December 2013	538,739	398,334	31,304	18,909	987,286
At 31 December 2012	580,487	459,678	34,796	19,510	1,094,471

Included in the land and buildings are freehold land, located in Hungary, Brasil, Mexico and India (2012: Hungary, Brasil, Mexico and India), having an aggregate cost of approximately US$12,362,000 (2012: US$13,386,000). All buildings are situated outside Hong Kong.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Certain property, plant and equipment were pledged to secure banking facilities granted to the Group as at 31 December 2012 (see note 39).

The above items of property, plant and equipment are depreciated using the straight-line method, after taking into account their estimated residual values, over the following periods:

Freehold land	Nil
Buildings	Shorter of 20–40 years and the lease term
Plant and machinery	5–10 years
Fixtures and equipment	3–5 years

At 31 December 2013, directors of the Company appointed professional appraisers to perform appraisals on the Group's principal manufacturing assets for the purpose of determining whether the assets have been impaired for those groups of assets that have impairment indications, such as deteriorated market environment, and determined that a number of those assets were impaired. Impairment losses of US$13,658,000, US$3,074,000 and US$87,000 (2012: US$3,020,000, US$99,121,000 and US$105,000) have been recognised in respect of land and buildings, plant and machinery and fixtures and equipment, respectively, for the year. The recoverable amounts, being the higher of fair value less costs to sell or value-in-use, of the relevant assets have been determined by the Group's management. The recoverable amount in fair value less costs to sell was assessed based on valuation performed by professional appraisers carried out at the end of the reporting period. The fair value measurement of freehold land was arrived at with reference to market evidence of transaction prices for land nearby and the fair value measurement of buildings, plant and machinery and fixtures and equipment was arrived at with reference to the depreciated replacement cost of the relevant assets.

15. INVESTMENT PROPERTIES

	US$'000
COST	
At 1 January 2012 and 31 December 2012	–
Transfer from property, plant and equipment	2,795
At 31 December 2013	2,795
DEPRECIATION AND IMPAIRMENT	
At 1 January 2012, 31 December 2012 and 31 December 2013	–
CARRYING VALUES	
At 31 December 2013	2,795
At 31 December 2012	–

15. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2013 was US$7,977,000. The fair value has been arrived at based on a valuation carried out by an independent valuer not connected with the Group. The fair value was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment properties are depreciated using the straight-line method, after taking into account their estimated residual value, over 20 years.

The investment properties were situated on land outside Hong Kong with long lease.

16. PREPAID LEASE PAYMENTS

The amount represents land use rights in the PRC and India:

	2013	2012
	US$'000	US$'000
Long leases	**43,677**	43,904
Medium-term leases	**4,815**	5,474
	48,492	49,378

17. DEPOSIT FOR ACQUISITION OF PREPAID LEASE PAYMENTS

During the year ended 31 December 2010, the Group disposed of certain prepaid lease payments amounted to RMB190,699,000 (equivalent to approximately US$31,275,000 and US$30,340,000 as at 31 December 2013 and 2012, respectively) in exchange for other land use rights in the PRC. A receivable of the equivalent amount had been recorded as deposit paid for acquisition of prepaid lease payments as at 31 December 2013 and 2012.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	US$'000	US$'000
Unlisted overseas equity investments *(note)*	**1,188**	85

Note: The above unlisted investments represent investments in unlisted equity securities issued by two private entities incorporated in Finland and the United States, respectively. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

19. INTERESTS IN ASSOCIATES

	2013 US$'000	2012 US$'000
Cost of investments in associates, less impairment		
Listed in Taiwan	**15,442**	19,572
Unlisted	**6,935**	6,935
Share of post-acquisition profits and other comprehensive income, net of dividend received	**2,872**	5,433
	25,249	31,940
Fair value of listed investments	**18,267**	34,271

On 27 February 2008, the Group subscribed for 74,999 new ordinary shares in Diabell, a private limited company established in the Republic of Korea ("Korea"), at a cash consideration equivalent to approximately US$12,849,000 in aggregate. Diabell is principally engaged in the business of designing, developing, manufacturing and selling hinges and window lens for handsets as well as connectors, switches, metal decoration, vibration motors and related products. The Group held 19.998% equity interest in Diabell as at 31 December 2012 and 2013, and in the opinion of the directors, the Group is able to exercise significant influence over Diabell because it has the power to appoint one out of five directors of that company. As at 31 December 2012 and 2013, an accumulated impairment loss of US$5,914,000 was recognised based on the Group's estimation of its share of the present value of the estimated future cash flows expected to be generated by Diabell.

On 5 March 2008, the Group entered into another agreement to subscribe for 14,893,000 new ordinary shares in Ways Technical, a limited company established in Taiwan and its shares are traded on the Taiwan OTC Market, at a total consideration of approximately US$34,614,000. Ways Technical is principally engaged in the business of providing special coating surface treatment services to branded handheld devices (such as handsets and GPS) manufacturers or Original Designing & Manufacturing companies.

During the year ended 31 December 2013, an impairment loss of US$4,130,000 (2012: nil) was recognised in respect of listed investment in Taiwan based on the recoverable amount, being the higher of value in use and fair value less costs to sell, determined by the Group's management. The fair value is measured by reference to the share price of Ways Technical on the Taiwan OTC Market, which is higher than the value in use. The value in use calculation is determined by the Group's estimation of its share of the present value of the 5-year estimated future cash flows expected by the management to be generated by Ways Technical discounted by its discount rate of 19.6%.

19. INTERESTS IN ASSOCIATES *(Continued)*

During the year ended 31 December 2012, the Group disposed of certain interests in Ways Technical in the market for a total cash proceed of US$16,822,000. Accordingly, the Group's interests in Ways Technical decreased from 20.06% to 13.04% and gain on partial disposal of an associate of US$4,098,000 was recognised in profit or loss and included in other income. As at 31 December 2013 and 2012, the Group held 13.04% equity interests in Ways Technical. In the opinion of the directors, the Group is able to exercise significant influence over Ways Technical because it has the right to appoint two out of seven directors of Ways Technical.

The summarised financial information in respect of the Group's associates is set out below:

	2013 **US$'000**	2012 US$'000
Current assets	**50,043**	97,345
Non-current assets	**124,098**	139,481
Current liabilities	**(29,877)**	(71,402)
Non-current liabilities	**(5,769)**	(7,426)
Net assets	**138,495**	157,998
Group's share of net assets of associates	**20,500**	23,060
Total revenue	**65,824**	96,055
Total (loss) profit for the year	**(3,917)**	14,531
Total other comprehensive expense	**(1,936)**	(1,506)
Group's share of (loss) profit and other comprehensive (expense) income of associates for the year	**(945)**	1,871

19. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2013, included in the cost of investments in associates is goodwill of US$4,750,000 (2012: US$8,880,000) arising on the acquisition of associates. The movement of goodwill is set out as below:

	2013 US$'000	2012 US$'000
COST		
At 1 January	**14,794**	19,574
Eliminated upon partial disposal of an associate	**–**	(4,780)
At 31 December	**14,794**	14,794
IMPAIRMENT		
At 1 January	**5,914**	5,914
Impairment loss	**4,130**	–
At 31 December	**10,044**	5,914
CARRYING VALUE		
At 31 December	**4,750**	8,880

20. INTERESTS IN JOINT VENTURES

	2013 US$'000	2012 US$'000
Cost of unlisted investments in joint ventures	**7,265**	4,205
Share of post-acquisition losses and other comprehensive expenses	**(907)**	(464)
	6,358	3,741

20. INTERESTS IN JOINT VENTURES *(Continued)*

At 31 December 2013 and 2012, the Group had interests in the following joint ventures:

Name of joint venture	Form of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held by the Group		Principal activity
					2013	2012	**2013**	2012	
Ways Transworld	Limited company	Taiwan	Taiwan	Ordinary	**50%**	50%	**50%**	50%	Designing and manufacturing plastic molds for handheld devices
FIH RadioShack	Limited company	Hong Kong	PRC	Ordinary	**51%**	–	**60%** *(note)*	–	Sale of consumer electronics products and ancillary services

Note: The Group holds 51% of the paid-in capital and has the right to appoint three out of five directors of FIH RadioShack. However, FIH RadioShack is jointly controlled by the Group and the other venturer by virtue of contractual arrangements and unanimous consent of the parties sharing control is required. Therefore, FIH RadioShack is classified as a joint venture of the Group.

21. DEFERRED TAXATION

The following are the major deferred tax (assets) and liabilities recognised and movements thereon for the year:

	Allowances for inventories and trade and other receivables US$'000	Warranty provision US$'000	Accelerated tax depreciation US$'000	Tax losses US$'000	Deferred income US$'000	Others US$'000 *(Note)*	Total US$'000
At 1 January 2012	(1,704)	(1,580)	3,105	(6)	(8,638)	(3,705)	(12,528)
Charge (credit) to profit or loss for the year	(3,857)	283	(533)	(5,934)	126	(9,820)	(19,735)
Effect of change in tax rates	–	–	(1)	–	–	(2)	(3)
Exchange adjustments	184	(3)	(87)	(22)	(21)	178	229
At 31 December 2012	(5,377)	(1,300)	2,484	(5,962)	(8,533)	(13,349)	(32,037)
Charge (credit) to profit or loss for the year	(6,627)	(1,457)	(135)	(5,465)	590	(10,838)	(23,932)
Effect of change in tax rates	(2,484)	–	–	–	–	(2,267)	(4,751)
Exchange adjustments	(212)	(56)	(206)	112	(255)	(438)	(1,055)
At 31 December 2013	(14,700)	(2,813)	2,143	(11,315)	(8,198)	(26,892)	(61,775)

Note: Others mainly represent temporary difference arising from accrued expenses.

21. DEFERRED TAXATION *(Continued)*

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

	2013 **US$'000**	2012 US$'000
Deferred tax assets	**(61,790)**	(41,127)
Deferred tax liabilities	**15**	9,090
	(61,775)	(32,037)

At 31 December 2013, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$144,570,000 (2012: US$158,929,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately US$963,423,000 (2012: US$974,720,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$37,715,000 (2012: US$47,700,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$925,708,000 (2012: US$927,020,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. The unrecognised tax losses will expire before 2018.

By reference to financial budgets, management believes that there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$803,983,000 (2012: US$748,213,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. INVENTORIES

	2013	2012
	US$'000	US$'000
Raw materials	**75,454**	132,569
Work-in-progress	**32,644**	48,911
Finished goods	**117,821**	166,438
	225,919	347,918

Inventories carried at net realisable value were as follows:

	2013	2012
	US$'000	US$'000
Raw materials	**42,848**	47,186
Work-in-progress	**35,766**	19,318
Finished goods	**32,951**	13,494
	111,565	79,998

23. TRADE AND OTHER RECEIVABLES

	2013	2012
	US$'000	US$'000
Trade receivables	**1,537,812**	932,847
Less: Allowance for doubtful debts	**(123)**	(48)
	1,537,689	932,799
Other taxes recoverables	**55,585**	120,346
Other receivables, deposits and prepayments	**84,971**	79,163
Total trade and other receivables	**1,678,245**	1,132,308

The Group normally allows an average credit period of 30 to 90 days to its trade customers.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables net of allowance for doubtful debts as presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	2012
	US$'000	US$'000
0–90 days	**1,434,496**	908,499
91–180 days	**98,491**	15,948
181–360 days	**342**	4,793
Over 360 days	**4,360**	3,559
	1,537,689	932,799

As at the end of the reporting period, 93% (2012: 97%) of the Group's trade receivables are neither past due nor impaired, and they are mainly receivables from certain global handset manufacturers that the Group considers have good credit standing. The Group seeks to maintain strict control over the creditability of customers and their respective outstanding receivables. Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customers. The creditability of customers is reviewed regularly.

As at 31 December 2013, trade receivables with the aggregate carrying amount of approximately US$103,193,000 (2012: US$24,300,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	2013	2012
	US$'000	US$'000
91-180 days	**98,491**	15,948
181-360 days	**342**	4,793
Over 360 days	**4,360**	3,559
	103,193	24,300

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts:

	2013	2012
	US$'000	US$'000
Balance at beginning of the year	**48**	4,193
Impairment losses recognised on receivables	**121**	252
Amounts recovered during the year	**(38)**	(4,392)
Exchange adjustments	**(8)**	(5)
Balance at end of the year	**123**	48

24. ASSETS CLASSIFIED AS HELD FOR SALE

On 8 July 2011, Shenzhen Futaihong Precision Industrial Co., Ltd. ("FTH Precision"), a wholly-owned subsidiary of the Company, and Hong Fu Jin Precision Industry (Shen Zhen) Co., Ltd. ("HFJ Precision"), a wholly-owned subsidiary of Hon Hai, the ultimate holding company of the Company, entered into an equity transfer agreement (the "Transfer") with an independent third party (the "Purchaser"), pursuant to which, among other things, FTH Precision and HFJ Precision agreed to sell in a series and the Purchaser agreed to purchase in a series the entire equity interest of 深圳市富泰宏光明房地產有限公司 (also known as Shenzhen Futaihong Guang Ming Property Co., Ltd.) (present name being 深圳市金城光明房地產有限公司) ("Guang Ming") for a total cash consideration of RMB878,750,000 (equivalent to approximately US$136,382,000), upon and subject to the terms and conditions set out in the said equity transfer agreement (details of which are stipulated in the Company's announcement dated 8 July 2011). FTH Precision and HFJ Precision held approximately 70.12% and 29.88% in the equity interests of Guang Ming, respectively, before the Transfer. Pursuant to the said equity transfer agreement, FTH Precision was entitled to receive RMB616,180,000 (equivalent to approximately US$95,631,000) in aggregate upon disposal of all the Group's interest in Guang Ming to the Purchaser by 31 December 2012.

At 31 December 2012, the Group had already disposed of all the 70.12% equity interests in Guang Ming to the Purchaser, of which 45.12% was disposed to the Purchaser with consideration of RMB396,493,000 (equivalent to approximately US$61,536,000) during 2012. The consideration was settled by cash received in 2012 of RMB366,180,000 (equivalent to approximately US$57,122,000) and a part of the deposit received in 2011 of RMB30,313,000 (equivalent to approximately US$4,414,000). In addition, the remaining balance of the deposit of RMB100,000,000 (equivalent to approximately US$15,810,000) received in 2011 was refunded to the Purchaser in 2012.

25. TRADE AND OTHER PAYABLES

	2013 US$'000	2012 US$'000
Trade payables	**1,197,758**	870,617
Accruals and other payables	**387,409**	332,838
	1,585,167	1,203,455

The following is the aged analysis of trade payables as presented based on the invoice date at the end of the reporting period:

	2013 US$'000	2012 US$'000
0–90 days	**1,169,148**	841,797
91–180 days	**23,534**	24,630
181–360 days	**1,027**	503
Over 360 days	**4,049**	3,687
	1,197,758	870,617

26. BANK BORROWINGS

	2013 US$'000	2012 US$'000
Bank loans	**137,780**	214,901
Analysis of bank borrowings by currency:		
US$	**137,780**	214,901

The bank borrowings as at 31 December 2013 are unsecured, obtained with original maturity of three months (2012: one to three months) and carry interest at fixed interest rates ranging from 1.36% to 3.35% (2012: 0.89% to 3.12%) per annum. The weighted average effective interest rate on the bank borrowings is 1.87% per annum (2012: 1.03% per annum).

During the year ended 31 December 2013, the interest expense of US$6,115,000 (2012: US$11,442,000) represented the interest on bank borrowings wholly repayable within five years.

27. SHARE CAPITAL

	Number of shares	Amount US$'000
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2012, 31 December 2012 and 31 December 2013	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2012	7,224,674,714	288,987
Exercise of share options *(note 38(a))*	29,548,295	1,182
Issue pursuant to the share scheme *(note 38(b))*	58,104,335	2,324
Balance at 31 December 2012	7,312,327,344	292,493
Exercise of share options *(note 38(a))*	36,055,551	1,442
Issue pursuant to the share scheme *(note 38(b))*	225,680,379	9,028
Balance at 31 December 2013	7,574,063,274	302,963

Note: The new shares issued in both years rank pari passu with the existing shares in all respects.

28. RESERVES

The Group's special reserve represents the difference between the paid-in capital of the subsidiaries acquired pursuant to the group reorganisation in 2004 and the nominal value of the Company's shares issued in exchange therefrom.

The Group's legal reserve represents statutory reserve attributable to the Company's subsidiaries in the PRC and Taiwan. As required by the laws in the PRC and Taiwan, appropriations are made from the profit of these subsidiaries to the legal reserve until the balance reaches 50% of the registered capital of the relevant subsidiaries. This reserve can only be used to make up losses incurred or to increase capital.

29. DERIVATIVES

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group utilises a variety of forward foreign exchange contracts to manage its exchange rate exposures. The instruments adopted are primarily to hedge the currencies used in the Group's principal markets.

During the current year, a gain from the forward foreign exchange contracts of US$782,000 (2012: gain of US$4,955,000) was recognised in profit or loss and included in other gain.

At the end of the reporting period, notional amount of major outstanding forward foreign exchange contracts that the Group has committed are as below:

	2013	2012
	US$	US$
US$	**101,372,000**	68,750,000
BRL	**49,388,000**	5,306,000
Euro	**6,875,000**	8,728,000

As at 31 December 2013, the fair value of the Group's currency derivatives is estimated to be approximately US$1,907,000 assets and US$1,085,000 liabilities (2012: US$1,374,000 liabilities), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take into account the time value of money, and is included as other receivables and other payables at the end of the reporting period. The contracts outstanding as at 31 December 2013 and 2012 mainly related to buying of US$, BRL and Euro with maturities in the first quarter of 2014 and 2013, respectively.

30. LOSS OF CONTROL OVER A SUBSIDIARY

During the year ended 31 December 2012, the Company entered into an agreement with Ways Technical, an associate of the Group, that Ways Technical's wholly-owned subsidiary namely 精泉科技股份有限公司 ("Ways Subsidiary") subscribed for 12,100,000 shares in an indirectly wholly-owned subsidiary of the Company, namely Ways Transworld, for a consideration of NTD121,000,000 (equivalent to approximately US$4,138,000). Ways Transworld is principally engaged in the business of designing and manufacturing plastic molds for handheld devices, such as mobile phones and personal navigation devices. Upon completion of the transaction in May 2012, the Group lost its control on Ways Transworld but had joint control over Ways Transworld as all of the major strategic financial and operating decisions require unanimous consent of the Group and Ways Subsidiary. Accordingly, Ways Transworld was regarded as a joint venture of the Group after the transaction and was accounted for using the equity method (see note 20 for details).

30. LOSS OF CONTROL OVER A SUBSIDIARY *(Continued)*

The net assets of Ways Transworld derecognised at the date when control over Ways Transworld was lost were as follows:

	US$'000
Property, plant and equipment	2,032
Trade and other receivables	4,357
Amounts due from related parties	25
Inventories	943
Bank balances and cash	3,860
Trade and other payables	(1,168)
Amounts due to related parties	(5,777)
Net assets disposed of	4,272
Fair value of the interest in a joint venture	(4,205)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	(86)
Gain on loss of control over a subsidiary	(19)
Net cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	(3,860)

The fair value of the Group's retained interests in Ways Transworld was determined by the directors of the Company, taking into account the cash consideration of US$4,138,000 injected by Ways Subsidiary.

31. BANK DEPOSITS AND BANK BALANCES AND CASH

Bank deposits carry interest at prevailing market rate of 3.14% (2012: 3.03%) per annum on average, with original maturity of over three months.

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rate of 2.10% (2012: 1.95%) per annum on average.

Analysis of bank deposits and bank balances and cash by currency:

	2013	2012
	US$'000	US$'000
US$	**515,535**	614,966
RMB	**1,662,729**	1,346,252
New Taiwan Dollar	**100,991**	154,150
Euro	**11,678**	8,537
Others	**226,235**	233,226
	2,517,168	2,357,131

32. PROVISION

	2013	2012
	US$'000	US$'000
At 1 January	**30,211**	28,395
Exchange adjustments	**(66)**	514
Provision for the year	**8,858**	7,012
Utilisation of provision	**(7,500)**	(5,710)
At 31 December	**31,503**	30,211

The warranty provision represents management's best estimate of the Group's liability under twelve to twenty-four months' warranty granted on handset products, based on prior experience and industry averages for defective products.

33. DEFERRED INCOME

	2013	2012
	US$'000	US$'000
Government subsidies	**32,671**	33,483

Government subsidies granted to the Company's subsidiaries in the PRC are released to income over the useful lives of the related depreciable assets.

34. CAPITAL COMMITMENTS

	2013	2012
	US$'000	US$'000
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**15,781**	27,171

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2013	2012
	US$'000	US$'000
Minimum lease payments under operating leases in respect of premises recognised for the year	**15,380**	12,253

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of premises, which fall due as follows:

	2013	2012
	US$'000	US$'000
Within one year	**5,093**	5,105
In the second to fifth years inclusive	**5,736**	8,280
	10,829	13,385

Leases are negotiated, and rentals are fixed, for an average term of one to three years.

The Group as lessor

At the end of reporting period, certain investment properties are leased to the related parties of the Group but the Group had not contracted with the related parties for any future minimum lease payments.

36. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties, including Hon Hai, the Company's ultimate holding company, and subsidiaries and associates of Hon Hai other than members of the Group:

	2013	2012
	US$'000	US$'000
Hon Hai		
Sales of goods	**228**	64
Purchase of goods	**60,963**	23,229
Purchase of property, plant and equipment	**110**	183
Sales of property, plant and equipment	**120**	2,127
Lease expense – real properties	**753**	–
Subcontracting income	**35,345**	16,593
Consolidated services and subcontracting expense	**2,095**	18,274
General service income	**94**	42
General service expense	**367**	161
Subsidiaries of Hon Hai		
Sales of goods	**107,874**	76,567
Purchase of goods	**113,859**	419,542
Purchase of property, plant and equipment	**38,184**	12,554
Sales of property, plant and equipment	**18,130**	44,749
Lease income	**2,229**	904
Lease expense – real properties	**1,856**	1,730
Lease expense – non-real properties	**4,871**	–
Subcontracting income	**108,011**	54,827
Consolidated services and subcontracting expense	**37,682**	18,304
General service income	**2,128**	906
General service expense	**15,160**	23,536
Associates of Hon Hai		
Sales of goods	**2,743**	4,214
Purchase of goods	**125,871**	162,876
Purchase of property, plant and equipment	**2,126**	1,825
Sales of property, plant and equipment	**2,030**	11,614
Lease income	**–**	16
Lease expense – real properties	**53**	53
Lease expense – non-real properties	**21**	–
Subcontracting income	**996**	1,070
Consolidated services and subcontracting expense	**5,044**	5,547
General service income	**1,343**	140
General service expense	**94**	986

36. RELATED PARTY TRANSACTIONS *(Continued)*

(b) At the end of the reporting period, the Group has the following balances due from/to related parties included in:

	2013 US$'000	2012 US$'000
Trade receivables:		
Hon Hai	**9,538**	3,810
Subsidiaries of Hon Hai	**123,746**	90,663
Associates of Hon Hai	**3,179**	4,029
	136,463	98,502
Other receivables:		
Hon Hai	**176**	288
Subsidiaries of Hon Hai	**284**	579
Associates of Hon Hai	**58**	456
	518	1,323
	136,981	99,825
Trade payables:		
Hon Hai	**30,353**	15,565
Subsidiaries of Hon Hai	**81,834**	147,322
Associates of Hon Hai	**52,911**	65,499
	165,098	228,386
Other payables:		
Hon Hai	**1,873**	2,455
Subsidiaries of Hon Hai	**5,191**	1,298
Associates of Hon Hai	**13**	11
	7,077	3,764
	172,175	232,150

Balances due from/to related parties are unsecured, interest free and are repayable within one year.

36. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013	2012
	US$'000	US$'000
Short-term benefits	**2,303**	1,585
Share-based payments	**1,969**	1,146
	4,272	2,731

37. RETIREMENT BENEFITS PLANS

Majority of the employees of the Company's subsidiaries are members of state-managed retirement benefit schemes operated by the government in the PRC. These subsidiaries in the PRC are required to contribute a specified percentage ranging from 5% to 20% of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Certain subsidiaries of the Company operate defined benefit plans in Taiwan and Korea. Under the schemes, the employees are entitled to retirement benefits on attainment of a retirement age ranging from 55 to 60. The most recent actuarial valuations of plan assets and the present values of the defined benefit obligations were carried out at 31 December 2013 by Greatfine Wealth Management Consulting Inc. and Aon Hewitt Korea, respectively. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	**2.00%–3.87%**	1.50%–3.49%
Expected rate of salary increases	**3.00%–5.00%**	3.00%–5.00%

The actuarial valuations showed that the market value of plan assets was US$4,193,000 (2012: US$4,178,000) and that the actuarial value of these assets represented 61% (2012: 66%) of the benefits that had accrued to members.

37. RETIREMENT BENEFITS PLANS *(Continued)*

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

	2013	2012
	US$'000	US$'000
Service cost:		
Current service cost	**226**	304
Past service cost and (gain) loss from settlements	**496**	–
Net interest (income) expense	**(5)**	35
Net actuarial gain	**–**	(58)
Components of defined benefit costs recognised in profit or loss	**717**	281
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**25**	–
Actuarial gains and losses arising from changes in demographic assumptions	**264**	–
Actuarial gains and losses arising from changes in financial assumptions	**1,244**	–
Actuarial gains and losses arising from experience adjustments	**(1,581)**	–
Unrecognised actuarial gain from first-time adoption of IAS 19	**(278)**	–
Components of defined benefit costs recognised in other comprehensive income	**(326)**	–
Total	**391**	281

37. RETIREMENT BENEFITS PLANS *(Continued)*

Of the charge for the year, US$717,000 (2012: US$281,000) has been included in administrative expenses.

The actual return on plan assets was US$94,000 (2012: US$79,000) for the year ended 31 December 2013.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit retirement plans is as follows:

	31/12/2013 US$'000	31/12/2012 US$'000	01/01/2012 US$'000
Present value of funded defined benefit obligations	**7,168**	5,799	5,453
Fair value of plan assets	**(6,242)**	(4,178)	(3,965)
Deficit	**926**	1,621	1,488
Net liability arising from defined benefit obligations (included in other payables)	**926**	1,621	1,488

The Group also operates a number of defined contribution schemes in other overseas locations. Arrangements for these staff retirement benefits vary from country to country and are made in accordance with local regulations and custom.

38. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

On 12 January 2005, the Company adopted a share option scheme (the "Former Option Scheme") for the primary purpose of attracting skilled and experienced personnel and incentivising them to remain with the Group. In order to ensure the continuity of a share option scheme for the Company to reward, motivate and retain eligible persons, the Company adopted a New Share Option Scheme (the "New Option Scheme") on 26 November 2013 and consequentially terminated the Former Option Scheme. For the avoidance of doubt, no further options will be granted under the Former Option Scheme after its termination, but in all other aspects, the provisions of the Former Option Scheme shall remain in full force and effect. Accordingly, all options granted prior to the termination of the Former Option Scheme and not then exercised shall remain valid and shall continue to be subject to the provisions of the Former Option Scheme and Chapter 17 of the Listing Rules. The New Option Scheme will expire on 25 November 2023, unless otherwise terminated in accordance with its terms.

Under the Former Option Scheme, the board of directors of the Company (the New Option Scheme: the board of directors of the Company or its duly authorised officer(s) or delegate(s)) may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. They may at their discretion determine the specific exercisable period which should expire in any event no later than ten years from the effective date of the Former Option Scheme. For the New Option Scheme, the option granted will be subject to vesting period (as determined by the board of directors of the Company or its duly authorised officer(s) or delegate(s) at the time of granting the option) of up to six years or such other period which must not be more than ten years from the date of grant of the relevant option. In addition, the Company may, from time to time, grant share options to third party service providers for services provided by them to the Group.

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Equity-settled share option scheme *(Continued)*

The total number of shares which may initially be issued upon the exercise of all options to be granted under the Former Option Scheme, the New Option Scheme and any other share option scheme(s) (collectively, the "Option Schemes") adopted by the Company must not in aggregate exceed 10% of the total number of issued shares of the Company as of the date of listing of its shares on the Stock Exchange or the adoption date (as the case may be), i.e. must not exceed 683,940,002 shares under the Former Option Scheme and 757,380,227 shares under the New Option Scheme. Subject to the approval of the shareholders of the Company in general meeting, the limit may be refreshed to 10% of the total number of shares in issue as at the date of approval of the refreshed limit. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Schemes of the Company must not in aggregate exceed 30% of the number of issued shares of the Company from time to time. The maximum number of shares of the Company in respect of which options granted and to be granted to each eligible person under the Option Schemes of the Company in any 12-month period up to the date of the latest grant shall not exceed 1% of the total number of issued shares of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to a substantial shareholder or an independent non-executive director, or their respective associates, in the 12-month period up to and including the date of such grant in aggregate over 0.10% of total number of issued shares of the Company from time to time and have an aggregate value exceeding HK$5,000,000, such further grant of options will be required to be approved by the shareholders of the Company in general meeting.

Under the Option Schemes, options granted must be taken up within 30 days after the date of offer upon payment of HK$1.00 per offer. The Option Schemes do not contain any minimum period for which an option must be held before it can be exercised, though such minimum period may be specified by the board of directors of the Company under the Former Option Scheme or by the board of directors of the Company or its duly authorised officer(s) or delegate(s) under the New Option Scheme at the time of grant.

The exercise price of the Option Schemes is determined by the board of directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Equity-settled share option scheme *(Continued)*

Currently, no options have been granted under the New Option Scheme. Details of specific categories of options granted under the Former Option Scheme are as follows:

Option	Date of grant	Number of options granted	Vesting period	Exercise price HK$	Exercisable period	Estimated fair value of the options granted on the grant date US$	Closing price immediately before the date of grant HK$
2007A	12 September 2007	2,400,000	Ranging from one to six years up to July 2013	20.63	From vesting date to 31 December 2013	2,054,000	20.25
2011	8 July 2011	256,159,719	Ranging from one to three years up to January 2014	3.62	From vesting date to 31 December 2014	27,600,000	3.62

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2013:

Option type	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled during the year	Outstanding at 31.12.2013
2011	206,374,634	–	(36,055,551)	(12,648,992)	–	157,670,091

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2012:

Option type	Outstanding at 1.1.2012	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled during the year	Outstanding at 31.12.2012
2007A	2,400,000	–	–	(2,400,000)	–	–
2011	250,661,762	–	(29,548,295)	(14,738,833)	–	206,374,634
	253,061,762	–	(29,548,295)	(17,138,833)	–	206,374,634

86,140,498 (2012: 51,323,616) share options are exercisable as at 31 December 2013.

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(a) Equity-settled share option scheme *(Continued)*

In respect of the share options exercised during the year ended 31 December 2013, the weighted average share price at the date of exercise was US$0.60 (2012: US$0.70) (equivalent to HK$4.67 (2012: HK$5.42)).

The Group recognised total expense of US$2,900,000 (2012: US$8,300,000) for the year ended 31 December 2013 in relation to the share options granted by the Company.

The fair value of the share options was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2007A	2011
Share price on date of grant	US$2.50 (equivalent to HK$19.46)	US$0.47 (equivalent to HK$3.62)
Exercise price	US$2.65 (equivalent to HK$20.63)	US$0.47 (equivalent to HK$3.62)
Expected volatility	36%	37%
Expected life	Vesting period plus 1.5 years	Vesting period plus 0.5 year to 1.48 years
Risk free rate	3.92%	0.30% to 0.67%
Dividend yield	0%	0%

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility for Option 2007A and Option 2011 was determined by calculating the historical volatility of the Company's share price over past 12 months to grant date. The expected life in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Other share-based payment plan

Pursuant to a share scheme adopted by the Company on 12 January 2005 and amended by shareholders' resolution and the board resolution dated 4 August 2006 and 29 October 2009 respectively (the "Former Share Scheme"), the Company might grant free shares to the directors or employees of the Company or its subsidiaries or third party service providers including employees of Hon Hai and any of its subsidiaries.

Pursuant to the approval of the board of directors of the Company on 29 December 2011, the Company offered 62,423,773 ordinary shares to certain employees pursuant to the Former Share Scheme, of which 48,484,394 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods ranging from one to two years from the grant date. No consideration was payable on the grant of the shares. 58,104,335 ordinary shares were subsequently issued on 5 January 2012 and 4,319,438 ordinary shares were purchased by the trustee of the Former Share Scheme from the stock market in January 2012.

Pursuant to the approval of the board of directors of the Company on 28 December 2012, the Company offered 135,564,990 ordinary shares to certain employees pursuant to the Former Share Scheme, of which 120,630,224 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods ranging from one to two years from the grant date. No consideration was payable on the grant of the shares. 135,564,990 ordinary shares were subsequently issued on 4 January 2013.

Pursuant to the approval of the board of directors of the Company on 22 April 2013, the Company offered 10,633,361 ordinary shares to certain employees pursuant to the Former Share Scheme, of which 4,422,721 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods ranging from one to two years from the grant date. No consideration was payable on the grant of the shares. 3,556,758 ordinary shares were subsequently issued on 26 April 2013 and 7,076,603 ordinary shares were purchased by the trustee of the Former Share Scheme from the stock market in April 2013.

Pursuant to the approval of board of directors of the Company on 17 October 2013, the Company offered 92,215,205 ordinary shares to certain employees pursuant to the Former Share Scheme, of which 58,257,920 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods ranging from one to two years from the grant date. No consideration was payable on the grant of the shares. 86,558,631 ordinary shares were subsequently issued on 24 October 2013 and 5,656,574 ordinary shares were purchased by the trustee of the Former Share Scheme from the stock market in October 2013.

The Group recognised total expense of US$44,816,000 (2012: US$65,818,000) for the year ended 31 December 2013 in relation to the ordinary shares awarded by the Company under the Former Share Scheme.

38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) Other share-based payment plan *(Continued)*

In order to ensure the continuity of a share scheme for the Company to reward, motivate and retain eligible persons, the Company adopted a New Share Scheme (the "New Share Scheme", and together with the Former Share Scheme, the "Share Schemes") on 26 November 2013 and consequentially terminated the Former Share Scheme. For the avoidance of doubt, no further free shares will be granted under the Former Share Scheme after its termination, but in all other aspects, the provisions of the Former Share Scheme shall remain in full force and effect. Accordingly, all free shares granted prior to the termination of the Former Share Scheme and not then vested shall remain valid and shall continue to be subject to the provisions of the Former Share Scheme. Currently, no grants have been made under the New Share Scheme.

39. PLEDGE OF ASSETS

At 31 December 2012, a subsidiary of the Company had pledged its plant and machinery having a carrying value of approximately US$264,000 to secure general banking facilities granted to the Group.

There was no pledge of the Group's assets as at 31 December 2013.

40. PRINCIPAL SUBSIDIARIES

The Company has the following principal subsidiaries as at 31 December 2013 and 2012:

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operation	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2013	2012	**2013**	2012	
Chiun Mai Communication Systems, Inc. (formerly known as Chi Mei Communication Systems, Inc.)	Limited company	Taiwan	NT$1,500,000,000	**–**	–	**86.173%**	85.788%	Design and manufacture of handsets
Eliteday Enterprises Limited	Limited company	British Virgin Islands ("BVI")/PRC	US$1	**–**	–	**100%**	100%	Trading of handsets
Extra Right Enterprises Limited	Limited company	BVI/PRC	US$1	**–**	–	**100%**	100%	Provision of services to group companies
FIH (Hong Kong) Limited	Limited company	Hong Kong/PRC	HK$155,146,001	**–**	–	**100%**	100%	Trading of handsets
FIH Co., Ltd.	Limited company	Taiwan	NT$1,000,000	**100%**	100%	**–**	–	Provision of services to group companies

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operation	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2013	2012	**2013**	2012	
FIH Mexico Industry SA de CV (formerly known as Foxconn Mexico Precision Industry, Co. SA de CV)	Limited company	Mexico	MXN2,007,283,685	**–**	–	**100%**	100%	Manufacture of handsets; repair services
富士康精密組件(北京)有限公司 (Foxconn Precision Component (BeiJing) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$68,800,000	**–**	–	**100%**	100%	Manufacture of handsets
宏訊電子工業(杭州)有限公司 (Honxun Electrical Industry (Hangzhou) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$126,800,000	**–**	–	**100%**	100%	Manufacture of handsets
深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$178,520,000	**–**	–	**100%**	100%	Manufacture of handsets
S&B Industry, Inc.	Corporation	USA	US$31,594,767	**–**	–	**100%**	100%	Repair services
Success World Holdings Limited	Limited company	Hong Kong	HK$1,049,044,500	**100%**	100%	**–**	–	Investment holding
Sutech Industry Inc.	Corporation	USA	US$10,000	**–**	–	**100%**	100%	Provision of logistics services to group companies
富智康(天津)精密工業有限公司 (formerly known as 富士康(天津)精密工業有限公司) (FIH (Tian Jin) Precision Industry Co., Ltd. (formerly known as Foxconn (Tian Jin) Precision Industry Co., Ltd.))	Wholly foreign owned enterprise	PRC	US$52,800,000	**–**	–	**100%**	100%	Manufacture of handsets
FIH do Brasil Indústria e Comércio de Eletrônicos Ltda. (formerly known as Foxconn do Brasil Indústria e Comércio de Eletrônicos Ltda.)	Limited company	Brasil	BRL550,532,590	**–**	–	**100%**	100%	Manufacture of handsets
FIH India Private Limited (formerly known as Foxconn India Private Limited)	Limited company	India	INR2,349,681,000	**–**	–	**100%**	100%	Manufacturing, import, export, distribution and assembly

40. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operation	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2013	2012	**2013**	2012	
富泰京精密電子(北京)有限公司 (Futaijing Precision Electronics (Beijing) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$75,000,000	**–**	–	**100%**	100%	Manufacture of handsets
富泰京精密電子(煙台)有限公司 (Futaijing Precision Electronics (Yantai) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$20,000,000	**–**	–	**100%**	100%	Manufacture of handsets
富智康精密電子(廊坊)有限公司 (formerly known as 富士康精密電子(廊坊)有限公司) (FIH Precision Electronics (Lang Fang) Co., Ltd. (formerly known as Foxconn Precision Electronics (Lang Fang) Co., Ltd.))	Wholly foreign owned enterprise	PRC	US$295,500,000	**–**	–	**100%**	100%	Manufacture of handsets
富智康(成都)通訊科技有限公司 (formerly known as 富士康(成都)通訊科技有限公司) (FIH (Chengdu) Communication Technology Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$7,600,000	**–**	–	**100%**	100%	Research and development; sales
南寧富泰宏精密工業有限公司 (Nanning Futaihong Precision Industrial Co., Ltd.*)	Sino-foreign jointly owned enterprise	PRC	US$50,000,000	**–**	–	**100%**	100%	Manufacture of handsets
FIH Reynosa, S.A. de C.V. (formerly known as Foxconn Reynosa, S.A. de C.V.)	Limited company	Mexico	MXN50,000	**–**	–	**100%**	100%	Manufacture of handsets
FIH Technology Korea Ltd.	Limited company	Korea	KRW1,100,000,000	**–**	–	**100%**	100%	Research and development; project management
KSB International Limited	Limited company	Korea	KRW50,000,000	**–**	–	**100%**	100%	Provision of logistics services to group companies; sales

* *for identification purposes only*

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

40. PRINCIPAL SUBSIDIARIES *(Continued)*

The directors of the Company are of the opinion that none of the Group's subsidiaries that have non-controlling interests is material to the consolidated financial statements as a whole and therefore, the financial information in respect of those subsidiaries that have non-controlling interests is not presented.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013	2012
	US$'000	US$'000
ASSETS		
Investments in subsidiaries	**1,473,697**	1,458,554
Other receivables	**46**	46
Prepayments	**82**	220
Amounts due from subsidiaries	**1,552,419**	1,508,580
Bank balances and cash	**41,885**	4,125
	3,068,129	2,971,525
LIABILITIES		
Bank borrowings	**–**	85,800
Other payables	**852**	1,565
Amounts due to subsidiaries	**906,050**	822,734
	906,902	910,099
NET ASSETS	**2,161,227**	2,061,426
CAPITAL AND RESERVES		
Share capital	**302,963**	292,493
Share premium	**985,478**	863,432
Reserves	**872,786**	905,501
TOTAL EQUITY	**2,161,227**	2,061,426

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Under the Companies Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. At the end of the reporting period, the Company's reserve available for distribution amounted to approximately US$1,856,968,000 (2012: US$1,693,183,000), consisted of share premium of approximately US$985,478,000 (2012: US$863,432,000) and retained profits of approximately US$871,490,000 (2012: US$829,751,000).

Movement in reserves

	Share premium US$'000	Share compensation reserve US$'000	Retained profits US$'000	Total US$'000
Balance at 1 January 2012	813,391	45,433	832,766	1,691,590
Loss for the year	–	–	(4,364)	(4,364)
Issue of ordinary shares under Option Schemes and Share Schemes	50,041	(39,761)	–	10,280
Payment made for equity-settled share-based payments	–	(2,691)	–	(2,691)
Recognition of equity-settled share-based payments	–	74,118	–	74,118
Transfer	–	(1,349)	1,349	–
Balance at 31 December 2012	863,432	75,750	829,751	1,768,933
Profit for the year	–	–	41,155	41,155
Issue of ordinary shares under Option Schemes and Share Schemes	122,046	(115,689)	–	6,357
Payment made for equity-settled share-based payments	–	(5,897)	–	(5,897)
Recognition of equity-settled share-based payments	–	47,716	–	47,716
Transfer	–	(584)	584	–
Balance at 31 December 2013	985,478	1,296	871,490	1,858,264

FINANCIAL SUMMARY

	For the year ended 31 December				
	2009 (US$'million)	2010 (US$'million)	2011 (US$'million)	2012 (US$'million)	**2013 (US$'million)**
Results					
Turnover	7,213.63	6,626.00	6,354.42	5,239.80	**4,996.95**
Profit (loss) from operations	73.55	(169.46)	68.23	(318.99)	**107.06**
Interest expenses	(4.51)	(6.67)	(11.53)	(11.44)	**(6.12)**
Gain on disposals of subsidiaries	2.40	–	73.30	–	**–**
Profit (loss) before tax	71.44	(176.13)	130.00	(330.43)	**100.94**
Income tax (expense) credit	(31.81)	(43.64)	(54.87)	14.37	**(23.66)**
Profit (loss) after tax and before non-controlling interests	39.63	(219.77)	75.13	(316.06)	**77.28**
Non-controlling interests	(1.04)	1.45	(2.29)	(0.36)	**0.43**
Net profit (loss) for the year	38.59	(218.32)	72.84	(316.42)	**77.71**

	As at 31 December				
	2009 (US$'million)	2010 (US$'million)	2011 (US$'million)	2012 (US$'million)	**2013 (US$'million)**
Assets and liabilities					
Total assets	5,635.11	6,017.35	5,611.62	5,088.48	**5,585.77**
Total liabilities	(2,027.64)	(2,424.32)	(1,852.93)	(1,561.92)	**(1,877.28)**
Non-controlling interests	(35.68)	(46.00)	(18.68)	(10.76)	**(9.82)**
Capital and reserves	3,571.79	3,547.03	3,740.01	3,515.80	**3,698.67**

CORPORATE GOVERNANCE REPORT

The Company has applied and complied with all the code provisions set out in the CG Code during the period from 1 January 2013 to 31 December 2013, and in particular, the amendments to the CG Code regarding board diversity (the "Board Diversity Amendments", which have become effective from 1 September 2013) during the period from 1 September 2013 to 31 December 2013.

The Company has adopted the Corporate Governance Compliance Manual (the "Manual") since 15 April 2010, as amended and supplemented from time to time. The purpose of the Manual is to set out the corporate governance practices from time to time adopted by the Company and the compliance procedures that apply in specific areas, with the aim to providing an overview of the requirements of the CG Code and the related rules set out in the Listing Rules and setting out certain guidelines for the implementation of corporate governance measures of the Company.

As an enhancement of the Company's corporate governance practices and for the purpose of complying with the Board Diversity Amendments, on 12 August 2013, the Board adopted a board diversity policy, the revised terms of reference for the Company's nomination committee and the revised nomination procedures and process and criteria to select and recommend candidates for directorship.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's overall businesses, strategic decisions and performance.

According to the Manual, the respective responsibilities, accountabilities and contributions of the Board and the Company's management have been divided through the adoption of a list of matters reserved for the Board (which has been reviewed by the Board annually to ensure that the list would remain appropriate to the needs of the Company), as opposed to other matters which could be delegated to the management from time to time. The list of matters reserved for the Board covers (among other things) the Group's strategy, objectives, business plans, budgets and overall management; changes in capital structure or corporate structure; approval of dividend policy and declaration of interim and final dividends, as appropriate; major investments; and approval of internal policies, codes and guidelines.

The Board has delegated its powers to the management for the daily management and operations of the Group. In addition, the Board has delegated its powers to the Board committees. The Board has four Board committees, namely the remuneration committee, the audit committee, the nomination committee and the corporate governance committee, each of which discharges its functions and duties in accordance with the respective terms of reference with reference to the relevant provisions under the CG Code.

CORPORATE GOVERNANCE REPORT

The Board currently consists of three executive directors, one non-executive director and three independent non-executive directors.

Executive Directors

TONG Wen-hsin *(Chairman)*
CHIH Yu Yang *(Chief Executive Officer and chairman of the corporate governance committee)*
LEE Jer Sheng *(member of the corporate governance committee)*

Non-executive Director

LEE Kuo Yu *(Non-executive Director with effect from 30 May 2013 and member of the remuneration committee, audit committee and nomination committee respectively with effect from 30 May 2013)*

Independent Non-executive Directors

LAU Siu Ki *(chairman of the remuneration committee, audit committee and nomination committee respectively)*
Daniel Joseph MEHAN *(member of the remuneration committee, audit committee and nomination committee respectively)*
CHEN Fung Ming

The respective biographical details (including, without limitation, gender, age, ethnicity, cultural and educational background, and professional skills, experience and knowledge) of each director are set out in "Profile of Directors and Senior Management" above.

During the year, seven Board meetings were held and the attendance of each director is shown below:

Name of director	Number of Board meetings attended/held in 2013
TONG Wen-hsin	6/7
CHIH Yu Yang	5/7
LEE Jer Sheng	7/7
LEE Jin Ming (resigned on 30 May 2013)	3/3
LEE Kuo Yu (appointed on 30 May 2013)	4/4
LAU Siu Ki	7/7
Daniel Joseph MEHAN	7/7
CHEN Fung Ming	7/7
TONG Wen-hsin as proxy for CHIH Yu Yang	2/7
CHIH Yu Yang as proxy for TONG Wen-hsin	1/7

The Board meets regularly and Board meetings are held at least four times a year. At least fourteen days' notice (in relation to each regular Board meeting) or a reasonable notice (in relation to any other ad-hoc Board meeting) is given to all directors and they can include matters for discussion in the agenda. An agenda and accompanying Board papers are sent to all directors at least three days before the intended date of a Board meeting. Every Board member is entitled to have access to Board papers and related materials and access to the advice and services of the company secretary. They can also seek independent professional advice. The minutes books are kept by the company secretary. Draft and final versions of minutes of the Board meetings were sent to all directors for their comments and records respectively within a reasonable time after the meetings.

CHAIRMAN

The Chairman is responsible for providing leadership to the Board and for ensuring that directors receive adequate information in a timely manner and are briefed on issues arising at the Board meetings. He should take the primary responsibility for ensuring that good corporate governance practices and procedures are established and appropriate steps are taken to provide effective shareholders' communication with the Board. In addition, he should encourage directors with different views to voice their concerns and facilitate effective contributions of the non-executive directors. During the year, the Chairman held a meeting with the non-executive directors (including independent non-executive directors) without the presence of the executive directors.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF DIRECTORS

The former term of appointment of Mr. LAU Siu Ki with the Company as an independent non-executive director ended on 30 November 2013, and if he were to continue with his appointment, he would be serving on the Board for more than nine years from 1 December 2013. According to the code provision contained in paragraph A.4.3 of the CG Code, the proposed re-appointment of Mr. Lau as an independent non-executive director should be subject to a separate resolution to be approved by the shareholders of the Company. Accordingly, an ordinary resolution was proposed at the 26 November 2013 EGM to approve such proposed re-appointment. At the 26 November 2013 EGM, an ordinary resolution was passed to approve the re-appointment of Mr. Lau as an independent non-executive director for a further term of three years from 1 December 2013 to 30 November 2016 (both dates inclusive).

The Company entered into a letter of appointment with each of the non-executive directors for a term of three years commencing from 1 November 2011, 30 May 2013, 24 July 2013 and 1 December 2013 respectively subject to re-election at each annual general meeting of the Company in accordance with article 112 of the Articles. All the directors of the Company are subject to retirement by rotation at least once every three years in accordance with article 112.

DIRECTORS' AND COMPANY SECRETARY'S CONTINUOUS PROFESSIONAL DEVELOPMENT

Prior to appointment, every intending director of the Company is provided with a briefing and training provided by the Company's professional legal advisers to ensure that he/she is fully aware of the responsibilities as a director of a Hong Kong-listed company under the Listing Rules and other applicable legal and regulatory requirements. Such briefings and training are provided at the Company's expenses.

The Company from time to time provides briefings, training sessions and materials to the directors to develop and refresh their knowledge and skills, including updates on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to enhance their awareness of the same.

During the year, all directors had participated in appropriate continuous professional development activities through attending briefings and/or training sessions and/or reading materials relating to the Group's business operations, general economy and business, manufacturing or technology industry, directors' duties and responsibilities, applicable legal and regulatory requirements, etc.

Name of director	**Type(s) of continuous professional development activities**
TONG Wen-hsin	A, B
CHIH Yu Yang	A, B
LEE Jer Sheng	A, B
LEE Jin Ming (resigned on 30 May 2013)	B
LEE Kuo Yu (appointed on 30 May 2013)	A, B
LAU Siu Ki	A, B
Daniel Joseph MEHAN	A, B
CHEN Fung Ming	A, B

A: Attending briefings and/or training sessions
B: Reading articles, journals, newspapers and/or other materials

The company secretary had taken not less than 15 hours of relevant professional training during the year.

REMUNERATION COMMITTEE

The Company has established and maintained a remuneration committee with written terms of reference by reference to the code provisions of the CG Code. The terms of reference for the remuneration committee are accessible on the websites of the Stock Exchange and the Company respectively.

The remuneration committee consists of one non-executive director and two independent non-executive directors. The members are:

LAU Siu Ki *(chairman)*
LEE Jin Ming (resigned on 30 May 2013)
LEE Kuo Yu (appointed on 30 May 2013)
Daniel Joseph MEHAN

The principal duties of the remuneration committee are to make recommendations to the Board on the policy and structure for the remuneration of the directors and senior management, to consider and review the remuneration of the directors and senior management by reference to corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the directors and senior management.

The remuneration committee shall meet at least once a year if necessary. During the year, four remuneration committee meetings were held, in particular, to review the remuneration of the directors including the appointment of a new non-executive director and the terms of her letter of appointment, the renewal of the terms of appointment of three directors, the revised fees and allowances of the independent non-executive directors, the grant of shares under the Former Share Scheme and the 2014 share grant proposal under the New Share Scheme as well as to make recommendations to the Board on the relevant matters. The attendance of each member of the remuneration committee is shown below:

Name of committee member	**Number of remuneration committee meetings attended/held in 2013**
LAU Siu Ki	4/4
LEE Jin Ming (resigned on 30 May 2013)	1/1
LEE Kuo Yu (appointed on 30 May 2013)	3/3
Daniel Joseph MEHAN	4/4

Full minutes of the meetings of the remuneration committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the remuneration committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

AUDIT COMMITTEE

The Company has established and maintained an audit committee with written terms of reference by reference to the code provisions of the CG Code. The terms of reference for the audit committee are accessible on the websites of the Stock Exchange and the Company respectively.

The audit committee consists of one non-executive director and two independent non-executive directors. The members are:

LAU Siu Ki *(chairman)*
LEE Jin Ming (resigned on 30 May 2013)
LEE Kuo Yu (appointed on 30 May 2013)
Daniel Joseph MEHAN

The principal duties of the audit committee are to review the Group's financial reporting and accounting policies and practices as well as financial controls, internal control and risk management systems and provide advice and comments to the Board. It also makes recommendations on the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. It also reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process.

The audit committee shall meet at least twice a year. Also, at least once a year the audit committee shall meet with the external auditors without any members of management of the Company present. During the year, the audit committee held a meeting with the external auditors without the presence of any members of management of the Company. Moreover, three audit committee meetings were held, in particular, to review the unaudited interim financial statements and report and the audited full-year financial statements and report together with the related management representation letters, to review and approve the external auditors' engagement letters, to review and approve the internal audit plan of the Group as well as to make recommendations to the Board on the relevant matters. The attendance of each member of the audit committee is shown below:

Name of committee member	Number of audit committee meetings attended/held in 2013
LAU Siu Ki	3/3
LEE Jin Ming (resigned on 30 May 2013)	2/2
LEE Kuo Yu (appointed on 30 May 2013)	1/1
Daniel Joseph MEHAN	3/3

Full minutes of the meetings of the audit committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the audit committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

NOMINATION COMMITTEE

The Company has established and maintained a nomination committee with written terms of reference together with the nomination procedures and process and criteria to select and recommend candidates for directorship (the "Nomination Procedures") by reference to the code provisions of the CG Code. On 12 August 2013, the terms of reference for the nomination committee and the Nomination Procedures were superseded in their entirety by the revised terms of reference for the nomination committee and the revised Nomination Procedures respectively to reflect the Board Diversity Amendments. The revised terms of reference for the nomination committee are accessible on the websites of the Stock Exchange and the Company respectively. On 12 August 2013, the Board also adopted a board diversity policy in compliance with the Board Diversity Amendments (the "Board Diversity Policy").

The nomination committee consists of one non-executive director and two independent non-executive directors. The members are:

LAU Siu Ki *(chairman)*
LEE Jin Ming (resigned on 30 May 2013)
LEE Kuo Yu (appointed on 30 May 2013)
Daniel Joseph MEHAN

The principal duties of the nomination committee are to review the structure, size and composition of the Board annually and make recommendations on any proposed changes. It also makes recommendations to the Board on the appointment or re-appointment of the directors and succession planning for the directors, in particular the Chairman of the Board and the chief executive officer of the Company. In addition, it assesses the independence of the independent non-executive directors. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships in accordance with the revised Nomination Procedures and also the Board Diversity Policy.

Moreover, as to the implementation of the Board Diversity Policy with effect from 12 August 2013, when reviewing the Board's structure and composition and/or Board member appointment or re-appointment, the nomination committee had taken into account a number of factors (with reference to the diversity of perspectives appropriate to the requirements of the Company's business) as measurable objectives (which factors include, without limitation, gender, age, ethnicity, cultural and educational background, and professional skills, experience and knowledge). The nomination committee will continue to monitor and review the progress towards achieving the said measurable objectives by considering candidates on merits as well as against the said measurable objectives with due regard for the benefits of the appropriate diversity of the Board.

The nomination committee shall meet at least once a year if necessary. During the year, four nomination committee meetings were held, in particular, to consider the appointment of a new non-executive director and the re-appointment of three directors, to review the structure, size and composition of the Board as well as to make recommendations to the Board on the relevant matters. The attendance of each member of the nomination committee is shown below:

Name of committee member	Number of nomination committee meetings attended/held in 2013
LAU Siu Ki	4/4
LEE Jin Ming (resigned on 30 May 2013)	1/1
LEE Kuo Yu (appointed on 30 May 2013)	3/3
Daniel Joseph MEHAN	4/4

Full minutes of the meetings of the nomination committee are kept by the company secretary. Draft and final versions of minutes of the meetings of the nomination committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meetings.

CORPORATE GOVERNANCE COMMITTEE

The Company has established and maintained a corporate governance committee with written terms of reference by reference to the code provisions of the CG Code.

The corporate governance committee consists of two executive directors. The members are:

CHIH Yu Yang *(chairman)*
LEE Jer Sheng

The principal duties of the corporate governance committee are to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board. It also reviews and monitors the training and continuous professional development of the directors and senior management. In addition, it reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements. Moreover, it develops, reviews and monitors the code of conduct and compliance manual applicable to employees and the directors, and to review the Company's compliance with the CG Code.

The corporate governance committee shall meet at least once a year if necessary. During the year, a corporate governance committee meeting was held to review and recommend to the Board the revised list of matters reserved for the Board and the existing shareholders communication policy. The attendance of each member of the corporate governance committee is shown below:

Name of committee member	**Number of corporate governance committee meeting attended/held in 2013**
CHIH Yu Yang	1/1
LEE Jer Sheng	1/1

Full minutes of the meeting of the corporate governance committee is kept by the company secretary. Draft and final versions of minutes of the meeting of the corporate governance committee were sent to all members of the committee for their comments and records respectively within a reasonable time after the meeting.

INDEPENDENT BOARD COMMITTEE

During the year, pursuant to the resolution passed at the Board meeting held on 13 June 2013, an independent Board committee comprising the independent non-executive directors of the Company was established in connection with the proposed annual caps applicable to the Non-real Property Lease Expense Transaction and the Product Sales Transaction as more particularly described in "Report of the Directors" above. In addition, pursuant to the resolution passed at the Board meeting held on 17 October 2013, an independent Board committee comprising the independent non-executive directors of the Company was established to consider the Purchase Transaction, the Product Sales Transaction, the Non-real Property Lease Expense Transaction and the Sub-contracting Income Transaction together with the related supplemental agreements and the relevant proposed annual caps as more particularly described in "Report of the Directors" above. The attendance of each member of the independent Board committee is shown below:

Name of committee member	Number of independent Board committee meetings attended/held in 2013
LAU Siu Ki	2/2
Daniel Joseph MEHAN	2/2
CHEN Fung Ming	2/2

AUDITOR'S REMUNERATION

The responsibility of the auditor is to form an independent opinion, based on its audit, on those consolidated financial statements and to report its opinion solely to the Company, as a body, and for no other purpose.

During the year, the auditor's remuneration incurred by the Company was US$859,000, and US$984,000 was paid to the Company's auditor, Deloitte Touche Tohmatsu for audit services and US$135,000 for non-audit services. The Company considers the non-audit services to be insignificant and has therefore not provided itemised details regarding the nature of each non-audit service and the fee paid therefor.

DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensuring that the consolidated financial statements are in accordance with applicable statutory requirements and accounting standards.

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of consolidated financial statements for each financial period, which give a true and fair view of the financial position and operating results of the Group. In preparing the consolidated financial statements for the year ended 31 December 2013, the directors have selected suitable accounting policies and have applied them in a consistent manner, have made reasonable judgments and estimates, and have prepared the consolidated financial statements on a going-concern basis.

The Board has overall responsibility for maintaining a sound and effective internal control system within the Group and sets appropriate policies so that objectives of the Group can be achieved and risks associated can be monitored and mitigated in an acceptable level. The internal control system is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations. The audit committee in discharging its responsibility of evaluating the effectiveness of the Group's system of internal controls, as delegated by the Board, reviews the internal audit function which independently assesses and monitors the risks and internal controls of the Group over various operations and activities. The Group's internal audit function has unrestricted access to the information that allows it to review all aspects of the internal controls and governance processes within the Group. This includes audits of financial, operational and compliance controls of all business and functional units. The audit committee reviews and approves the internal audit plan which is prepared by the Group's internal audit function every year based on an assessment of the risk in each operating unit as well as its materiality in a Group context. Deficiencies identified are communicated to the management after each internal audit. The management is responsible for rectifying the deficiencies identified by these internal audits with corrective actions. Corrective actions are closely monitored by the management and the Group's internal audit function. A summary of major findings is reported semi-annually to the executive directors and the audit committee. Being a learning organisation, lessons learned and best practices are disseminated and promoted within the Group.

The Code of Conduct guiding individual behaviour within the Group is made available to employees by way of rules and principles. Besides, a whistleblowing policy is in place to allow employees to anonymously report any improper activities and suspected fraud to the chief internal auditor who will carry out independent investigation into each reported case or refer to other relevant parties for further actions, as appropriate.

Risk management is a central part of the Group's strategic management, and is the process whereby the Group methodically identifies and manages key risks to the achievement of the Group's overall objectives. The Group's risk management function marshals the understanding of the potential upside and downside of all those factors which can affect the organisation by establishing an enterprise risk management system to proactively identify, analyse, control and monitor all types of risks associated with its business and operations. Risk assessments and reports will be reported to the senior management on a regular basis. Senior management will then review the risk reports and assess the adequacy of action plans and devise control systems to manage these risks.

The enterprise risk management system covers strategic planning, technical, budgetary control, performance measurement, control over capital expenditure, investment, finance, quality, product safety and liability, legal, information technology and security, supply chain management, natural disaster, human resources management and industrial safety.

The Board is of the view that the system of internal controls in place for the year under review is sound and is sufficient to safeguard the interests of shareholders, customers, creditors and employees.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code in respect of the Company's securities throughout the year ended 31 December 2013.

SHAREHOLDER RELATIONS

The Company has formulated and maintained the shareholders communication policy setting out the framework that the Company has put in place to maintain and promote effective communication and ongoing dialogue with its shareholders so as to enable them to engage actively with the Company through different means of communication and exercise their rights in the capacity as shareholders in an informed manner. To this end, the Company strives to ensure that all its shareholders have ready and timely access to all publicly available information relating to the Company.

The shareholders communication policy provides for (among other things) the procedures by which enquiries may be put forward to the Company as follows:

- The Company's shareholders may at any time send enquiries (including enquiries to the Board) and requests for publicly available information and provide comments and suggestions to the Company. Such enquiries, requests, comments and suggestions can be sent through "Contact FIH" at the Company's website (www.fihmb.com) or to the company secretary at the following address:

  The Company Secretary of FIH Mobile Limited
  c/o Shenzhen Futaihong Precision Industrial Co., Ltd.
  Mailbox 201
  No.2, 2nd Donghuan Road
  10th Yousong Industrial District
  Longhua Town, Baoan
  Shenzhen City
  Guangdong Province
  518109
  People's Republic of China

- For enquiries about their shareholdings in the Company, the shareholders can direct the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by email to hkinfo@computershare.com.hk, who has been appointed by the Company to handle the shareholders' share registration and related matters.

- For the verification of his/her capacity as a shareholder, the shareholder making the enquiry, request, comment or suggestion shall forthwith upon the Company's request provide: (a) his/her name, address and other contact details; (b) the number of the Company's shares held by him/her; (c) his/her written consent to the use, transfer and/or processing of his/her personal data and other information provided to the Company for the purpose of verifying his/her capacity as a shareholder; and (d) such additional information as the Company may reasonably require for the purposes of such verification. The verification process will be conducted by the Company, in consultation with the Company's Hong Kong branch share registrar and other third parties if necessary, to the satisfaction of the Company. The Company will proceed to handle the relevant enquiry, request, comment or suggestion following a successful verification to its satisfaction.

- Following a successful verification of the shareholder's capacity, the company secretary or the handling officer of the Company's investor relations department (as the case may be) will review the relevant enquiry, request, comment or suggestion and (as appropriate) forward the same: (a) to the Board (in case of the handling officer of the Company's investor relations department, through the company secretary) if the same falls within the Board's purview; (b) to the members of the relevant Board committee (in case of the handling officer of the Company's investor relations department, through the company secretary) if the same falls within such Board committee's area of responsibility; and (c) to the appropriate senior management team members (or their corresponding delegates) if the same relates to ordinary business matters.

The shareholders communication policy also provides (among other things) that the annual general meetings and other general meetings of the Company are the primary forum for communication with the shareholders and for the shareholders' exchange of views and participation in discussions with the Board.

During the year, an annual general meeting (the "2013 AGM") and two extraordinary general meetings of the Company were held on 30 May 2013, 19 July 2013 and 26 November 2013 respectively. The attendance of each director is shown below *(Note)*:

Name of director	**Number of general meetings attended/held in 2013**
TONG Wen-hsin	3/3
CHIH Yu Yang	3/3
LEE Jer Sheng	3/3
LEE Jin Ming (resigned on 30 May 2013)	1/1
LEE Kuo Yu (appointed on 30 May 2013)	2/2
LAU Siu Ki	3/3
Daniel Joseph MEHAN	3/3
CHEN Fung Ming	3/3

Note: The directors participated in the 2013 AGM, the extraordinary general meeting held on 19 July 2013 (the "19 July 2013 EGM") and the 26 November 2013 EGM by means of telephone conference facility, except that Messrs. TONG Wen-hsin and LAU Siu Ki attended the 2013 AGM and the 26 November 2013 EGM in person, and Mr. LAU Siu Ki attended the 19 July 2013 EGM in person.

At the 2013 AGM, the Company obtained its shareholders' approval of the agenda items set forth in the 2013 AGM notice attached to the Company's circular dated 18 April 2013. In particular, the shareholders passed a special resolution, subject to applicable governmental approval, to approve the change of the English name of the Company from "Foxconn International Holdings Limited" to "FIH Mobile Limited" and the adoption of "富智康集團有限公司" as the formal Chinese name of the Company.

SHAREHOLDERS' RIGHTS

Shareholders' Right to convene Extraordinary General Meeting

The Company has formulated and maintained the memorandum on shareholder rights setting out (among other things) its shareholders' right to convene the Company's extraordinary general meeting ("EGM") as follows:

- Pursuant to article 68 of the Articles, the relevant shareholder(s) of the Company is/are entitled to convene an EGM in the following manner:

  (a) Upon the written requisition of any two or more shareholders deposited at the principal place of business of the Company in Hong Kong specifying the objects of the EGM and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company; or

  (b) Upon the written requisition of any one shareholder who is a recognised clearing house (as defined in the Articles) or its nominee(s) deposited at the principal place of business of the Company in Hong Kong specifying the objects of the EGM and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company.

- If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the EGM to be held within a further 21 days, the requisitionist(s) himself/themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which EGMs may be convened by the Board, provided that any EGM so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders' Enquiries

The Company has formulated and maintained the shareholders communication policy setting out (among other things) the procedures by which enquiries may be put to the Board as more particularly described above.

Shareholders' Right to put forward Proposals at General Meetings

The Company has formulated and maintained the procedures for shareholders to propose candidates for election as a director of the Company, which is accessible on the website of the Company. In relation to other proposals which may be put forward at the Company's general meetings, the Company has formulated and maintained the memorandum on shareholder rights which provides for (among other things) the following:

- In the absence of any general mechanism for the shareholders to put forward other proposals at the Company's general meetings under the Cayman Islands Companies Law, the shareholder(s) can submit a written requisition to move a proper resolution at a general meeting of the Company if such shareholder(s): (a) individually or collectively represent(s) not less than one-fortieth of the total voting rights of all the shareholders having as at the date of the requisition a right to vote at the Company's general meetings; or (b) are no less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000 (or its foreign equivalent).

- The written requisition shall (a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the relevant general meeting; (b) contain the signature(s) of all the requisitionist(s), which may be contained in one document or in several documents in like form; (c) be deposited with the company secretary at the following address not less than 6 weeks before the relevant general meeting (in the case of a requisition requiring notice of a resolution) or not less than 1 week before such general meeting (in the case of any other requisition); and (d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionist(s) to all the shareholders in accordance with the requirements under applicable laws and regulations:

  The Company Secretary of FIH Mobile Limited
  c/o Shenzhen Futaihong Precision Industrial Co., Ltd.
  Mailbox 201
  No.2, 2nd Donghuan Road
  10th Yousong Industrial District
  Longhua Town, Baoan
  Shenzhen City
  Guangdong Province
  518109
  People's Republic of China