GWT

長城科技股份有限公司

Great Wall Technology Company Limited

Stock Code 股份代號：0074

Annual Report 2013 年報

Contents

Corporate Information

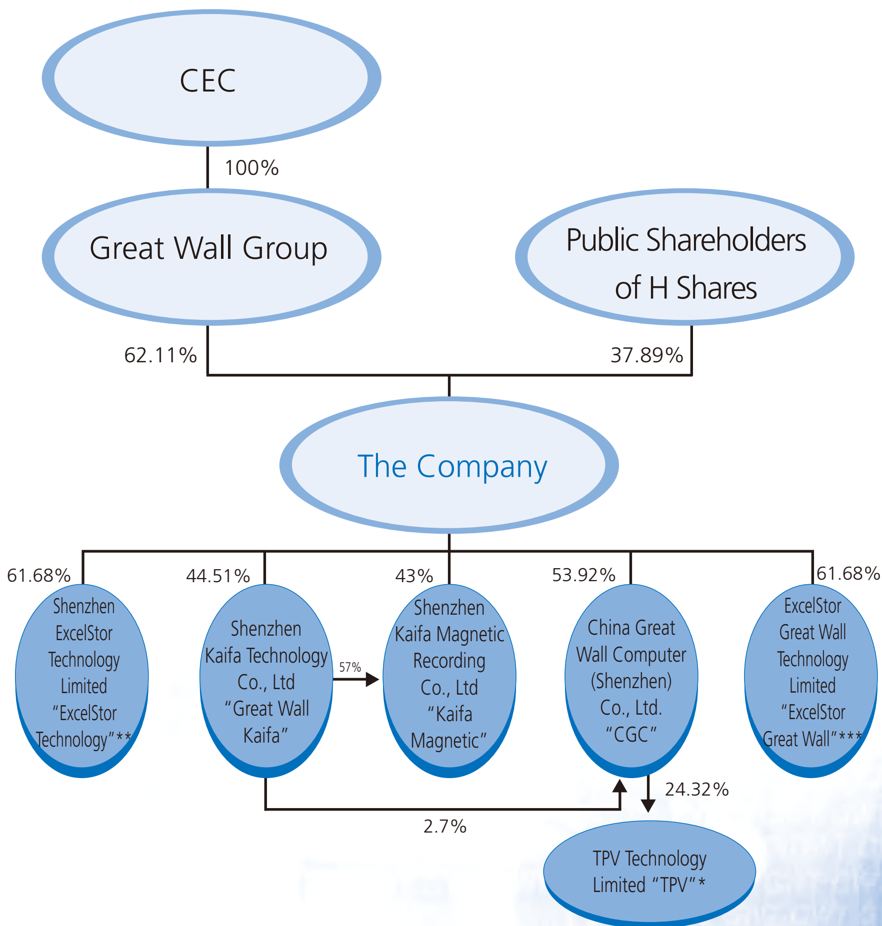
Company Name in Chinese	:	長城科技股份有限公司
Company Name in English	:	Great Wall Technology Company Limited
Place of Registration	:	No. 2 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China
Tel	:	86-755-2672 8686
Fax	:	86-755-2663 3904
Postal Code	:	518057
Executive Directors	:	Liu Liehong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

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

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

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

GROUP STRUCTURE



* TPV is a subsidiary of the Company.
** ExcelStor Technology is in the process of dissolution.
*** ExcelStor Great Wall has been dissolved.

Chairman's Statement

Dear Shareholders,

OPERATION REVIEW

In 2013, under the leadership of the Board, strategic planning was given full play by the Company in measures such as forcible transformation and structural adjustments. As the industry became more internationalized and market-oriented, the technological contents of the products were further increased and the complexity of the manufacturing processes was further magnified. TPV continued to maintain its leading position in its business of display monitors, and made efforts to reduce costs, enhance efficiency and consolidate the supply chain. China Electronics Great Wall Energy (Shenzhen) Co., Ltd. ("Great Wall Energy"), a wholly-owned subsidiary of CGC took proactive measures to contain risk and minimized loss brought about by the bankruptcy of Satcon Technology Corporation ("Satcon"), a downstream customer in the U.S. Great Wall Kaifa Magnetic Recording Company speeded up the restructuring of existing business, and at the same time explored additional revenue streams by introducing new business, which effectively pulled the magnetic recording business from the bottom of its business cycle. In terms of capital operation and significant investments, the Company closed and deregistered nine companies by reducing operating levels and cutting short the value chains. The directional financing by Great Wall Kaifa and the issuance of medium-term notes by CGC achieved substantive results in the initial stage. The major construction projects of China Electronic Great Wall Building have been well in progress.

However, the market remained challenging and we are not optimistic about the television TV business in the European market. During a period of transition, Philips' TV business taken over by TPV continued to record a loss despite the achievement of a substantial reduction in losses, which had a great impact on the Group's performance for the year. During the reporting period, the Group achieved a turnover of RMB92,816.20 million, down 3.2% year-on-year, and recorded a loss before tax of RMB104.90 million. Except for the TV business, the Group's core businesses such as monitors, magnetic heads, power supplies and EMS, have continued to maintain leadership position in the industry.

OUTLOOK

Looking into 2014, the Group will actively encourage its member enterprises to accelerate industrial transformation and development. In particular, our monitors business will continue to reinforce and enhance its current position in the global market. Efforts will be made to help Philips TV business to reduce losses. For EMS business, the Group will strive to overcome the adverse effects of global economic downturn, strengthen and enhance its position in the industry. Regarding LED business, the Group will speed up the development and industrialization of epitaxies/chips and application systems so as to achieve expansion of business scale and build up the capability of steady profits. In the power supply business, the Group will focus strategically and selectively on sectors such as servers power supply, communication equipment power supply and LED power supply, and speed up the transition to the high-end market to become one of the leading suppliers of high-end power supplies in China. The inverter business will accelerate international and domestic market expansion and make extra efforts in development and innovation. The operating mode of Great Wall Energy will shift from providing OEM services to single customers toward becoming an operation with combined functions of technology development, supply chain management, manufacturing, product sales, power plant construction and after-sales services. Meanwhile, the Company will continue to take measures such as forcible transformation and structural adjustments, speeding up of technology development and industrial base construction, so as to enhance the Group's core competitiveness continuously.

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

By order of the Board
Liu Liehong
Chairman

Shenzhen, China
28 March 2014

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

Results

	Year ended 31 December				
	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	**92,816,202**	95,884,305	95,024,261	104,931,670	37,085,314
Cost of sales	**(86,611,544)**	(89,529,201)	(89,824,902)	(99,764,943)	(35,151,169)
Gross profit	**6,204,658**	6,355,104	5,199,359	5,166,727	1,934,145
Other income and gains	**1,916,308**	1,980,664	462,005	600,365	402,259
Net realised and unrealised gain on foreign exchange forward contracts	**198,093**	173,741	205,937	243,426	106,853
Gain on deemed partial disposal and partial disposal of interests in an associate	**–**	–	–	304,174	–
Net gain on disposal of an associate and the loan to an associate	**–**	–	–	236,904	–
Gain on disposal of prepaid land lease payments	**546,765**	549	494,675	–	–
Compensation for termination of contracts	**–**	–	–	–	114,084
Discount on acquisition of a subsidiary	**–**	–	–	–	357,330
Selling and distribution costs	**(3,758,510)**	(3,378,993)	(2,223,578)	(2,109,650)	(732,094)
Administrative expenses	**(2,800,516)**	(2,396,916)	(2,118,876)	(1,490,687)	(726,264)
Research and development expenses	**(1,749,893)**	(1,894,346)	(878,059)	(801,078)	(276,524)
Finance costs	**(708,313)**	(493,002)	(155,175)	(172,648)	(64,968)
Share of results of jointly controlled entities	**(2,836)**	(10,023)	(5,866)	(10,925)	–
Share of results of associates	**49,340**	52,859	16,361	126,224	42,154
(LOSS) PROFIT BEFORE TAX	**(104,904)**	389,637	996,783	2,092,832	1,156,975
Income tax expense	**(445,019)**	(257,947)	(248,903)	(353,107)	(150,093)
(LOSS) PROFIT FOR THE YEAR	**(549,923)**	130,690	747,880	1,739,725	1,006,882
Attributable to:					
Owners of the Company	**73,919**	(160,651)	156,698	648,989	397,605
Non-controlling interests	**(623,842)**	292,341	591,182	1,090,736	609,277
	(549,923)	127,253	747,880	1,739,725	1,006,882
DIVIDENDS					
Proposed final	**–**	–	35,932	179,661	143,729
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE OWNER					
Basic					
– Profit (loss) for the year	**6.17 cents**	(13.67 cents)	13.08 cents	54.18 cents	33.20 cents

Assets, Liabilities and Non-controlling Interests

	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000
Total Assets	**54,236,942**	52,678,132	45,410,805	42,278,292	36,415,499
Total Liabilities	**39,348,964**	37,313,494	29,998,129	26,401,667	22,625,336
Non-controlling Interests	**10,429,931**	11,028,046	10,842,602	11,164,962	9,348,292

OPERATION REVIEW FOR 2013 AND OUTLOOK FOR 2014

OPERATION REVIEW

In 2013, under the leadership of the Board, strategic planning was given full play by the Company in measures such as forcible transformation and structural adjustments. As the industry became more internationalized and market-oriented, the technological contents of the products were further increased and the complexity of the manufacturing processes was further magnified. TPV continued to maintain its leading position in its business of display monitors, and made efforts to reduce costs, enhance efficiency and consolidate the supply chain. Great Wall Energy, a wholly-owned subsidiary of CGC took proactive measures to contain risk and minimized loss brought about by the bankruptcy of Satcon, a downstream customer in the U.S. Great Wall Kaifa Magnetic Recording Company speeded up the restructuring of existing business, and at the same time explored additional revenue streams by introducing new business, which effectively pulled the magnetic recording business from the bottom of its business cycle. In terms of capital operation and significant investments, the Company closed and deregistered nine companies by reducing operating levels and cutting short the value chains. The directional financing by Great Wall Kaifa and the issuance of medium-term notes by CGC achieved substantive results in the initial stage. The major construction projects of China Electronic Great Wall Building have been well in progress.

However, the market remained challenging and we are not optimistic about the TV business in the European market. During a period of transition, Philips' TV business taken over by TPV continued to record a loss despite the achievement of a substantial reduction in losses, which had a great impact on the Group's performance for the year. During the reporting period, the Group achieved a turnover of RMB92,816.20 million, down 3.2% year-on-year, and recorded a loss before tax of RMB104.90 million. Except for the TV business, the Group's core businesses such as monitors, magnetic heads, power supplies and EMS, have continued to maintain leadership position in the industry.

A. BUSINESS DEVELOPMENT

1. Monitor and TV business: monitor business remained to be the largest in the world in terms of market share, but TV business was affected by the performance of Philips' TV business and recorded a loss.

Monitor and TV business of TPV reported mixed performances in 2013. The monitor business continued to maintain global leadership, showing steady performance with improving market share globally. In contrast, TV business recorded a significant loss. The joint venture, "T.P. Vision Holding B.V. ("TP Vision"), is being restructured toward the direction of "cost reduction and enhanced efficiency", with an aim to achieve positive results in business performance.

2. EMS business: continued to remain in the seventh place among the top 10 globally.

Great Wall Kaifa's EMS business improved steadily. The rapid growth in mobile phone business effectively offset the decline in the traditional business, reflecting an overall upward trend in the business. The Huizhou plant has been put into operation, with a monthly output of 3,000,000 mobile phones, representing a year-on-year increase of 36%. There was also expansion of business into the high value-added "medical devices" manufacturing sector with higher level of technical complexity. New orders have been received from German and Australian customers. Through integration of internal resources and leveraging on its excellent, advanced manufacturing capabilities, Great Wall Kaifa established an automation equipment business division in 2013. While satisfying the demand of in-house production by providing technical and equipment support to internal departments, it also pushed forward to explore external markets with its own automation equipment products enjoying core competitive advantage, with an aim to further develop the upstream market of the advanced manufacturing industries.

3. Power supply business: overcame technical difficulties in power supplies for super computers and successfully helped to fill the void in domestic supply.

In 2013, Great Wall Power Supplies Factory overcame technical difficulties in relation to high efficiency and high power density, and developed 3,000W power supply for super computers, with technical indicators that helped to fill the void in domestic supply of power supplies. Substantial breakthroughs were achieved in products including power supplies for servers, communication equipment and LEDs in terms of product transformation. The power supplies for rack-mounted servers recorded a remarkable growth in sales, and it has become one of the most important suppliers of power supplies for servers in China. Sales of power supplies for communication equipment and LEDs also recorded substantial growth, establishing a certain production scale in the industry. Great Wall Power Supplies Factory was once again recognized as the "Brand of No. 1 Market Share (市場佔有率第一品牌)" in the category of power supply products in the "List of China Top IT Brands (中國IT品牌風雲榜)" for the year.

4. Inverter business: positive results were achieved in respect of technology development and market expansion.

The acquisition of high quality assets of Satcon has reduced the impact of Satcon's potential bankruptcy on the business growth of Great Wall Energy to the greatest extent. The operating mode of Great Wall Energy will shift from providing OEM services to single customers toward becoming an operation with combined functions of technology development, supply chain management, manufacturing, product sales, power plant construction and after-sales services. In 2013, Great Wall Energy successfully mastered a number of core PV inverter technologies, including micro PV inverter grid connection technology, SVPWM (space vector pulse width modulation) technology, power line transmission (or Bluetooth\RS485) technology, maximum power point tracking technology, anti-islanding control technology, wide temperature design and waterproof technology. In addition to the enhancement of Great Wall Energy's technical strengths, the foregoing also enabled Great Wall Energy to foster a group of professionals and technical talents. Great Wall Energy has also achieved positive progress in terms of certification.

B. CAPITAL OPERATION

1. Issuance of RMB500 million medium-term notes by CGC

The first batch of medium-term notes was successfully issued with principal amount of RMB500 million and coupon rate of 5.38%.

2. Completion of non-public offer by Great Wall Kaifa

Great Wall Kaifa issued 151,981,582 ordinary shares in RMB (A shares) upon completion of non-public offer, with net proceeds of RMB677,336,000 net of issuance cost.

3. Capital injection to Chitwing Mould by Great Wall Kaifa

Great Wall Kaifa made a capital injection of RMB35 million in aggregate, representing 10% of the total equity into Chitwing Mould Industry (Dongguan) Co., Ltd. ("Chitwing Mould"). It has received a dividend of RMB20 million from Chitwing Mould by October 2013.

4. Disposal of land assets by TPV to support main businesses

TPV entered into a property resumption agreement with Fuqing government, pursuant to which, Fuqing government agreed to acquire the land and properties located on Plot F1 owned by TPV in Fuqing at a price of RMB577 million.

C. MAJOR INVESTMENT PROJECTS AND INDUSTRY BASE CONSTRUCTION

1. LED industrial project of KFES

KFES Lighting Company Limited ("KFES") has installed 21 MOCVD machines and put them into production. The subsequent order of 9 MOCVDs will be delivered, installed and tested in the first quarter of 2014 to prepare for mass production in the second quarter of 2014. Meanwhile, 3 packaging lines for COG (candle lamp) have been completed, and 5 PLCC packaging lines for TV blacklighting products are also in the process of installation. The cooperation between KFES and BridgeLux Inc. ("BridgeLux") in the U.S. has been progressing smoothly. We saw a gradual increase in orders, and the current production lines are already running in their full capacities for BridgeLux.

2. China Electronic Great Wall Building Project

The land usage for the project located in CGC Technology Park was changed from "industrial land" to "new industrial premise plus commercial and office premise". Land premium payment for the project has been made. As at the date of this annual report, CGC has entered into a Data Licensing Agreement relating to basic geographical information of Shenzhen with Shenzhen Information Center for Urban Planning of Stated-owned Land (深圳市規劃國土房產信息中心), and was issued the mapping results including the project construction site topographic map and municipal pipeline diagrams.

3. Construction of Great Wall Kaifa's industrial base in Dongguan

Currently, the industrial land for the project has been successfully acquired, and two pieces of land for research and development have progressed to the stage of public notification. The construction of industrial base in Dongguan is now in a stage of substantive acceleration, and the benefits of maximized efficiency were starting to be seen. The general contractor for the project construction was selected through defined process in form of a tender, and Xinxing Construction Company, a state-owned enterprise, won the bid.

4. Construction of Great Wall Kaifa's industrial base in Huizhou

The industrial base of Great Wall Kaifa in Huizhou was completed and successfully put into operation, resulting in reduced production costs. SMT production lines officially moved into the new plant in May and commenced trial production. The first batch of trial products was put under Samsung's comprehensive and stringent examination and verification. The products passed the certification successfully, and the new facility will be officially put into operation on 4 July. The total number of employees at the moment is about 3,500 and handset production capacity has already reached 3 million per month.

5. Investment by Great Wall Kaifa in Malaysia

To further reinforce the strategic partnership with Seagate Technology PLC ("Seagate"), Great Wall Kaifa established a wholly-owned subsidiary in Malaysia, which, upon completion of the new plant, will receive from Seagate small orders of production for new products and mass production of PCBA (HDD board). At the same time, the plant will also obtain orders for production of enterprise level hard drive ESGPCBA. The establishment of the subsidiary in Malaysia also provides an overseas production platform for other existing businesses of Great Wall Kaifa.

D. MANAGEMENT UPGRADE

1. Promoting strategic transformation

In 2013, with the Board's approval of the Group's and its members' 2013 to 2015 development plans, the strategic transformation goals of the Group were further clarified.

2. Full implementation of internal control system construction

The construction of the Group's internal control system was put into full swing. 113 systems and 220 processes have been streamlined, 75 summarized defects were identified, and an "Internal Control Manual" was formulated. Through self-diagnosis and analysis, the Group members have convened internal exchange meetings, organized to learn from benchmarked enterprises, and vigorously implemented various improvement tasks, and achieved positive results. At present, the Group has entered the third stage of continuous improvement and conclusion.

3. Great Wall Kaifa's "Year of Management Improvement"

Great Wall Kaifa has determined that 2013 was its "Year of Management Improvement". Throughout the year, monthly themes to address different management improvements were held. A lot of improvement opportunities were identified during the course of benchmarking, management awareness education and compliance audits. The knowledge obtained during the improvement activities were gradually implemented through the management improvement programs. Great Wall Kaifa has also introduced new social responsibility management system certification, information security management system certification, business continuity management system (BCM) certification and product safety management system certification (ISO28000).

4. Prevention of exchange rate risk

In 2013, Great Wall Kaifa has taken measures to avoid the risk of the impact of fluctuations in the exchange rate of RMB against the U.S. dollars on Great Wall Kaifa's business. For the reduction of finance charges and the enhancement of capital gains, Great Wall Kaifa has continued to carry out derivative business through stringent risk control and has achieved relatively better results.

5. Promotion of enterprise-level information construction

After about one year of effort, Great Wall Power Supplies Factory has successfully implemented IPD (integrated product development) & PLM (product lifecycle management) projects which further raised the research and development management standard to an advanced industry-wide level. In addition, CGC and Great Wall Kaifa have commenced the business intelligence (BI) project, and Great Wall Kaifa's public platform on WeChat has been formally launched.

6. Full achievement of the objectives of production safety and emission reduction

In respect of production safety, the members of the Group took a number of effective measures in 2013, including identification and rectification of defects and deficiencies, follow-through of responsibility assignments, frequent training and drills, and vigorous promotion of standardized establishments for safe production. The objectives for production safety have been achieved and the tasks for emission reduction have all been completed. Great Wall Kaifa has also obtained the "standardization of production safety management system" certification during the year.

In 2013, with the efforts of all staff, the Group and its members received a number of awards and honors. In particular, Great Wall Kaifa was awarded the highest honor for Chinese enterprises – the "National May Day Labor Award Certificate (全國五一勞動獎狀)", the "Special Contribution Award" of Samsung for the third consecutive year, and the "Best Supplier Award" of ResMed for the fourth consecutive year. The "Great Wall" brand was recognized as one of the "Top 10 Leading Consumer Electronics Brands of China (中國十大消費電子領先品牌)"; CGC was awarded the honorary title of "Advanced Entity of Poverty Relief (扶貧工作先進單位)" by MIIT; Great Wall Power Supplies Factory was recognized as the "Brand of No. 1 Market Share (市場佔有率第一品牌)" of power supply products in "List of China Top IT Brands (中國IT品牌風雲榜)" for the sixth consecutive year; and CGC was awarded the "Contribution Award in Aerospace Industry of China (中國航天事業貢獻獎)", the "Best Green Technology Award for 2013 (2013最佳綠色科技獎)", the " Best Public Corporate Image Award for 2013 (2013最佳企業公眾形象獎)" and the "Outstanding Achievement Award of Brand Building (品牌建設傑出成就獎)".

Management Discussion and Analysis

OUTLOOK

Looking into 2014, the Group will actively encourage its member enterprises to accelerate industrial transformation and development. In particular, our monitors business will continue to reinforce and enhance its current position in the global market. Efforts will be made to help Philips TV business to reduce losses. For EMS business, the Group will strive to overcome the adverse effects of global economic downturn, strengthen and enhance its position in the industry. Regarding LED business, the Group will speed up the development and industrialization of epitaxies/chips and application systems so as to achieve expansion of business scale and build up the capability of steady profits. In the power supply business, the Group will focus strategically and selectively on sectors such as servers power supply, communication equipment power supply and LED power supply, and speed up the transition to the high-end market to become one of the leading suppliers of high-end power supplies in China. The inverter business will accelerate international and domestic market expansion and make extra efforts in development and innovation. The operating mode of Great Wall Energy will shift from providing OEM services to single customers toward becoming an operation with combined functions of technology development, supply chain management, manufacturing, product sales, power plant construction and after-sales services. Meanwhile, the Company will continue to take measures such as forcible transformation and structural adjustments, speeding up of technology development and industrial base construction, so as to enhance the Group's core competitiveness continuously.

FINANCIAL REVIEW

The Group recorded a turnover of RMB92,816,202,000 for the year ended 31 December 2013, representing a decrease of 3.2% as compared to the corresponding period of last year. Profit after tax attributable to the equity holders of the Company amounted to RMB73,919,000 for the year ended 31 December 2013, representing an increase of 146% as compared to the corresponding period of last year. The increase in profit was mainly due to a provision made by CGC for the impairment on assets of RMB117 million in relation to Satcon business and a provision made by Shenzhen Kaifa Magnetic Recording Co., Ltd. for the impairment of assets of RMB47 million during the last year.

Liquidity and Financial Resources

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

As at 31 December 2013, the Group's total cash and bank balances were RMB11,170,863,000 and the Group's total borrowings were RMB11,544,890,000. The structure of such borrowings was as follows:

(1) 10.63% and 77.75% were denominated in Renminbi and U.S. dollars respectively; and
(2) 10.87% was made on fixed interest rates.

Segment Information

Detailed segment information in respect of the Group's turnover and contribution to profit from operations for the year ended 31 December 2013 as well as other information by business segment and geographical segment is shown in note 8 to the consolidated financial statements.

Gearing Ratio

As at 31 December 2013, the Group's total borrowings and shareholder's equity were RMB11,544,890,000 and RMB4,458,047,000 respectively, as compared to RMB8,462,139,000 and RMB4,336,592,000 respectively as at 31 December 2012.

As at 31 December 2013, the gearing ratio was 258.97%, and the gearing ratio as at 31 December 2012 was 195.13%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

Current Ratio and Working Capital

As at 31 December 2013, the Group's current assets and current liabilities amounted to RMB40,470,780,000 (31 December 2012: RMB39,949,187,000) and RMB35,494,486,000 (31 December 2012: RMB33,375,398,000) respectively, and the Group's working capital was RMB4,976,294,000 (31 December 2012: RMB6,573,789,000) while the current ratio was 1.14 (31 December 2012: 1.20).

Charges on Group Assets

As at 31 December 2013, certain of the Group's term deposits with a carrying value of approximately RMB4,167,430,000 (31 December 2012: RMB3,126,683,000) were pledged to banks to secure general banking facilities and performance bond for the Group.

BUSINESS RISKS AND RISK MANAGEMENT POLICIES

Foreign Exchange Rate Risk

It is likely that Renminbi will appreciate for some time from now on and the fluctuation in the exchange rate of RMB has a relatively large impact on the exports of the Group, thus the Group faces relatively large pressure in terms of appreciation of RMB.

The Group maintains sound and healthy financial policies aiming at maintaining normal production and operation and adopts forward currency settlement and sales measures to lock in a foreign currency exchange rate so as to avoid risks in exchange rate fluctuation and to reduce exchange loss.

Guarantee for independent third party

As at 31 December 2013, the Group provided guarantees of approximately RMB61,540,000 (2012: RMB59,459,000) to third parties in respect of bank facilities granted to third parties.

As at 31 December 2013, certain of the Group's leasehold land and buildings with a carrying value of approximately RMB108,933,000 (2012: RMB104,877,000) were pledged to secure bank loans from a fellow subsidiary of the Company.

Guarantee for associated companies

As at 31 December 2013, no guarantee was provided by the Group (2012: Nil) in respect of bank facilities granted to associated companies.

Loans to associated companies

As at 31 December 2013, loans to associated companies of approximately RMB76,326,000 (2012: RMB76,326,000) are unsecured, non-interest bearing and is repayable after 12 months from the balance sheet date.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group and the Company for the year ended 31 December 2013 are set out in the consolidated income statement on page 47 of this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

SHARE OPTION

At the annual general meeting held on 15 May 2003, shareholders of TPV approved the adoption of a new share option scheme (the "New Scheme") in place of TPV's share option scheme adopted on 21 September 1999 (the "Previous Scheme") such that no further options should thereafter be granted under the Previous Scheme. The Previous Scheme and the New Scheme expired on 20 September 2009 and 14 May 2013 respectively, therefore no further options should be granted under the New Scheme after 14 May 2013.

The purpose of the New Scheme is to provide TPV with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to directors and employees of TPV and its subsidiaries.

The principal terms of the New Scheme are summarized below:

(1) Participants of the New Scheme

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

(2) Maximum number of shares

The remaining number of shares available for issue under the New Scheme is 189,583,613 representing 8.08 percent of the issued share capital of TPV as at 14 May 2013.

(3) Maximum entitlement of each participant

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

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

SHARE OPTION (Continued)

(4) Payment on acceptance of options

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

(5) Time of exercise of options

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

(6) Basis of determining the subscription price

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

(7) Remaining life of the New Scheme

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

During the year ended 31 December 2013, no share options have been granted or cancelled.

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31 December 2013 and options exercised and lapsed during the year were as follows:

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2013, in accordance with the PRC Company Law, an amount of approximately RMB997 million standing to the credit of the Company's share premium account, were available for distribution by way of future capitalization issue. In addition, the lesser amount of the retained profits of the Company as determined in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards is available for distribution as dividend.

RESERVES

Details of the movements during the year ended 31 December 2013 in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 51 to 52 of this annual report, respectively.

FINANCIAL SUMMARY FOR THE PAST FIVE YEARS

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

FIXED ASSETS

Details of the movements during the year ended 31 December 2013 in the fixed assets of the Group and the Company are set out in note 18 to the financial statements.

SHARE CAPITAL STRUCTURE

As at 31 December 2013, the total share capital of the Company amounted to RMB1,197,742,000, divided into 1,197,742,000 shares of RMB1.00 each. The share capital of the Company as at 31 December 2013 was as follows:

	As at 31 December 2013 (audited) Number of shares	As at 31 December 2012 (audited) Number of shares
State-owned legal person shares	**743,870,000**	743,870,000
Oversea listed foreign shares (H Shares)	**453,872,000**	453,872,000
Total	**1,197,742,000**	1,197,742,000

Note: There was no change in the share capital structure of the Company during the year and during the period from 31 December 2013 up to the date of this annual report.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and so far as the Company's directors (the "Directors"), supervisors and chief executives are aware, as at 31 December 2013, no persons (other than the Directors, supervisors and chief executives of the Company disclosed below) had an interest or short position in the Company's shares or underlying shares, as case may be, which are required to be disclosed to the Company and Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or were the substantial shareholders of the Company as such term is defined by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2013, the Group had no designated deposits nor had any overdue and unrecoverable time deposits with any financial institutions.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's subsidiaries and associated companies as at 31 December 2013 are set out in notes 50 and 20 to the financial statements respectively.

EMPLOYEES

As at 31 December 2013, the number of employees of the Group was approximately 59,000. The remuneration of the employees was determined according to industry practices, rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

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

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

SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

SHAREHOLDERS AND GENERAL MEETINGS

The Company had abided by the relevant requirements to convene general meetings to ensure that the shareholders may exercise their voting rights according to applicable law. During the reporting period, the Company convened an annual general meeting on 18 June 2013 and extraordinary general meetings as and when required. All procedures of the general meetings had been consistent with the requirements of the Company Law of the PRC and the Articles of Association of the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

Other than service contracts, no contract of significance in relation to the Group's business was entered into between the Company's Directors or supervisors and the Company or any of its subsidiaries or holding companies in which any of the Company's Directors or supervisors had a material interest, whether directly or indirectly, during the year ended 31 December 2013.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

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

THE PURCHASE AND SALE OF SHARES BY THE DIRECTORS AND SUPERVISORS

During the year ended 31 December 2013, the Company had not granted any right to any Directors or supervisors and their spouses or children less than 18 years of age to subscribe for shares in the Company. The interests of the Directors and supervisors of the Company in the shares of the Company, its subsidiaries or its associated corporation are set out in the section headed "Directors', Supervisors' and the Company's Chief Executives' Interests in the Share Capital of the Company and its Associated Corporations" below.

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

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

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

1. Personal Interests

Name of Director/ Chief Executive	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	1,670,817 shares of Great Wall Kaifa	0.11%
Mr. Du Heping	60,000 shares of CGC	0.0045%
	6,270 shares of Great Wall Kaifa	0.0004%

2. Corporate Interests

Name of Director	Number of Shares held	Approximate percentage of issued share capital of the company
Mr. Tam Man Chi	106,649,381 shares of Great Wall Kaifa *(Note)*	7.25%

Note:

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

Save as disclosed above and so far as the Directors, supervisors and chief executives of the Company are aware, as at 31 December 2013, no other Directors, chief executives or supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and supervisors' remuneration and the five highest paid individuals of the Company during the year 2013 are set out in notes 11 and 12, respectively to the financial statements.

A. CONNECTED TRANSACTIONS

During the year 2013, the following connected transactions were carried out by the Group.

(1) On 27 March 2013, CEC, CGC and Shenzhen CEC Great Wall Information Security System Co., Ltd. ("Xin An"), a wholly-owned subsidiary of CGC, entered into a capital injection agreement ("Capital Injection Agreement") pursuant to which the parties agreed CEC to inject RMB100 million into Xin An as registered capital of Xin An and upon completion of the capital injection, Xin An will be held as to 85.11% by CEC and as to 14.89% by CGC. CEC is a connected person of the Company under the Listing Rules by virtue of it being the ultimate controlling shareholder of the Company. The transaction contemplated under the Capital Injection Agreement is subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules. Independent shareholders' approval for the Capital Injection Agreement and the transactions contemplated thereunder was obtained at the annual general meeting of the Company held on 18 June 2013.

(2) On 21 October 2013, CGC entered into a premises agreement ("Premises Agreement") in respect of the whole of the fourth floor of Building A situated at the northern area of Future & Science Technology City, Bei Qi Jia, Change Ping District, Beijing, the PRC ("Office Premises") with CEC Institute of Information Technology Co., Ltd. ("CEC Institute") pursuant to which the parties agreed to certain arrangement of the Office Premises comprising the construction of the Office Premises by CEC Institute and the subsequent transfer of the title of the Office Premises to CGC pursuant to the terms and conditions of the Premises Agreement. CEC Institute is a connected person of the Company under the Listing Rules by virtue of it being a wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company. The transactions contemplated under the Office Premises Agreement is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

B. CONTINUING CONNECTED TRANSACTIONS

During the year 2013, the following continuing connected transactions were carried out by the Group.

(1) Procurement Agreement

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

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

For the year ended 31 December 2013, the transactions made under the Procurement Agreement amounted to approximately RMB670,137,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements

On 20 November 2012, ten framework purchase agreements, collectively called the Framework Purchase Agreements, were entered into as follows:

(i) Between Guilin Changhai Technology Co., Ltd. ("Changhai Technology") and CGC whereby CGC shall purchase wire and power supply products etc. from Changhai Technology ("Changhai Technology Agreement"). The term of the Changhai Technology Agreement commenced from 1 January 2013 and expired on 31 December 2013.

Changhai Technology is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB210,000,000.

For the year ended 31 December 2013, the purchase transactions made under the Changhai Technology Agreement amounted to approximately RMB136,424,000.

(ii) Between China Electronic Shenzhen Company ("China Electronic Shenzhen") and CGC whereby CGC shall purchase tablet computers and other electronic products from China Electronic Shenzhen ("China Electronic Shenzhen Agreement"). The term of the China Electronic Shenzhen Agreement commenced from 1 January 2013 and expired on 31 December 2013.

China Electronic Shenzhen is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB94,500,000.

For the year ended 31 December 2013, the transactions made under the China Electric Shenzhen Agreement amounted to approximately RMB1,723,000.

(iii) Between Nanjing CEC Panda Home Appliances Co., Ltd. ("Panda Home") and CGC whereby CGC shall purchase televisions from Panda Home ("Panda Home Agreement"). The term of the Panda Home Agreement commenced from 1 January 2013 and expired on 31 December 2013.

Panda Home is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB2,000,000.

For the year ended 31 December 2013, the transactions made under the Panda Home Agreement amounted to approximately RMB760,000.

(iv) Between Nanjing Jingyu Electronics Co., Ltd. ("Jingyu Electronics") and CGC whereby CGC shall purchase capacitors from Jingyu Electronics ("Jingyu Electronics Agreement"). The term of the Jingyu Electronics Agreement commenced from 1 January 2013 and expired on 31 December 2013.

Jingyu Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB3,000,000.

For the year ended 31 December 2013, the transactions made under the Jingyu Electronics Agreement amounted to approximately RMB2,078,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements (Continued)

(v) Between CEC and Great Wall Kaifa whereby Great Wall Kaifa and its subsidiaries shall purchase electronic products from CEC and its group companies ("CEC (Kaifa) Agreement"). The term of the CEC (Kaifa) Agreement commenced from 1 January 2013 and expired on 31 December 2013.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB5,000,000.

For the year ended 31 December 2013, no transactions were made under the CEC (Kaifa) Agreement.

(vi) Between Nanjing China Electronics Panda Crystal Technology Corporation ("Panda Crystal") and Great Wall Kaifa whereby Great Wall Kaifa shall purchase electronic components from Panda Crystal ("Panda Crystal Agreement"). The term of the Panda Crystal Agreement commenced from 1 January 2013 and expired on 31 December 2013.

Panda Crystal is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB6,300,000.

For the year ended 31 December 2013, the transactions made under the Panda Crystal Agreement amounted to approximately RMB221,000.

(vii) Between Zhonglian Electronics Shenzhen Co., Ltd. ("Zhonglian Electronics") and CGC whereby CGC shall purchase power supply products from Zhonglian Electronics ("Zhonglian Electronics Agreement"). The term of the Zhonglian Electronics Agreement commenced from 1 January 2013 and expired on 31 December 2013.

Zhonglian Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB5,000,000.

For the year ended 31 December 2013, the transactions made under the Zhonglian Electronics Agreement amounted to approximately RMB444,000.

(viii) Between CEC and CGC whereby CGC and its subsidiaries shall purchase electronic products and raw materials, etc. from CEC and its group companies ("CEC (CGC) Agreement"). The term of the CEC (CGC) Agreement commenced from 1 January 2013 and expired on 31 December 2013.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB10,000,000.

For the year ended 31 December 2013, no transactions were made under the CEC (CGC) Agreement.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) Framework Purchase Agreements (Continued)

(ix) Between China Zhenhua Group Yongguang Electronics Co., Ltd. ("Zhenhua Electronics") and Great Wall Kaifa whereby Great Wall Kaifa shall purchase electronic components from Zhenhua Electronics ("Zhenhua Electronics Agreement"). The term of the Zhenhua Electronics Agreement commenced from 1 January 2013 and expired on 31 December 2013.

Zhenhua Electronics is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB5,000,000.

For the year ended 31 December 2013, the transactions made under the Zhenhua Electronics Agreement amounted to approximately RMB2,074,000.

(x) Between China Electronic Appliance Shenzhen Co., Ltd. ("Shenzhen Electronic Appliance") and Great Wall Kaifa whereby Great Wall Kaifa shall purchase electronic components from China Electronic Appliance ("China Electronic Appliance Agreement"). The term of the China Electronic Appliance Agreement commenced on 1 January 2013 and expired on 31 December 2013.

China Electronic Appliance is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for purchases for the year ended 31 December 2013 is RMB403,200.

For the year ended 31 December 2013, the transactions made under the China Electronic Appliance Agreement amounted to approximately RMB31,000.

The Framework Purchase Agreements are subject to an annual cap of RMB341,203,200 for the year ended 31 December 2013. The Framework Purchase Agreements are also subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Framework Purchase Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 6 February 2013.

For the year ended 31 December 2013, the transactions made under the Framework Purchase Agreements amounted to approximately RMB143,755,000.

(3) Framework Sale Agreements

On 20 November 2012, seven framework sale agreements, collectively called the Framework Sale Agreements, were entered into as follows:

(i) Between Hunan Greatwall Information Financial Instrument Co., Ltd. ("Hunan Communications") and CGC whereby CGC shall sell computers, peripherals, accessories, printers and consumables to Hunan Communications ("Hunan Communications Agreement"). The term of the Hunan Communications Agreement commenced on 1 January 2013 and expired on 31 December 2013.

Hunan Communications is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2013 is RMB75,000,000.

For the year ended 31 December 2013, the transactions made under the Hunan Communications Agreement amounted to approximately RMB33,681,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Framework Sale Agreements (Continued)

(ii) Between Great Wall Computer Software and Systems Co., Ltd. ("Great Wall Software") and CGC whereby CGC shall sell computers, peripherals and accessories etc. to Great Wall Software ("Great Wall Software Agreement"). The term of the Great Wall Software Agreement commenced on 1 January 2013 and expired on 31 December 2013.

Great Wall Software is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for the sales for the year ended 31 December 2013 is RMB90,000,000.

For the year ended 31 December 2013, the transactions made under the Great Wall Software Agreement amounted to approximately RMB8,000.

(iii) Between Changhai Technology and CGC under the Changhai Technology Agreement whereby CGC shall sell computers, peripherals and accessories to Changhai Technology. The term of the Changhai Technology Agreement commenced from 1 January 2013 and expired on 31 December 2013. The annual cap for sales for the year ended 31 December 2013 is RMB190,000,000.

For the year ended 31 December 2013, the sale transactions made under the Changhai Technology Agreement amounted to approximately RMB100,088,000.

(iv) Between CEC and CGC whereby CGC shall sell computers and digital products to CEC and its group companies. The term of the CEC (CGC) Agreement commenced on 1 January 2013 and expired on 31 December 2013.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2013 is RMB20,000,000.

For the year ended 31 December 2013, the transactions made under the CEC (CGC) Agreement amounted to approximately RMB978,000.

(v) Between China Electronic Systems Engineering Corp. ("China Electronic Systems Engineering") and CGC whereby CGC shall sell tablet computers and large-screen wall to China Electronic Systems Engineering ("China Electronic Systems Engineering Agreement"). The term of the China Electronic Systems Engineering Agreement commenced from 1 January 2013 and expired on 31 December 2013.

China Electronic Systems Engineering is a company controlled by CEC, the ultimate controlling shareholder of the Company, is therefore a connected person of the company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2013 is RMB20,000,000.

For the year ended 31 December 2013, the transactions made under the China Electronic Systems Engineering Agreement amounted to approximately RMB18,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Framework Sale Agreements (Continued)

(vi) Between Changsha Xiangjihuaxiang Computer Co., Ltd. ("Xiangjihuaxiang") and CGC whereby CGC shall sell computers, peripherals and accessories to Xiangjihuaxiang ("Xiangjihuaxiang Agreement"). The term of the Xiangjihuaxiang Agreement commenced on 1 January 2013 and expired on 31 December 2013.

Xiangjihuaxiang is a company controlled by CEC, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2013 is RMB90,000,000.

For the year ended 31 December 2013, the transactions made under the Xiangjihuaxiang Agreement amounted to approximately RMB4,864,000.

(vii) Between CEC and Great Wall Kaifa whereby Great Wall Kaifa and its subsidiaries shall sell electronic products to CEC and its group companies. The term of the CEC (Kaifa) Agreement commenced on 1 January 2013 and expired on 31 December 2013.

CEC is the ultimate controlling shareholder of the Company, and is therefore a connected a connected person of the Company within the meaning of the Listing Rules. The annual cap for sales for the year ended 31 December 2013 is RMB18,000,000.

For the year ended 31 December 2013, no transactions were made under the CEC (Kaifa) Agreement.

The Framework Sale Agreements are subject to an annual cap of RMB503,000,000 for the year ended 31 December 2013. The Framework Sale Agreements are also subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the Framework Sale Agreements and the transactions contemplated thereunder was obtained at the extraordinary general meeting of the Company held on 6 February 2013.

For the year ended 31 December 2013, the transactions made under the Framework Sales Agreements amounted to approximately RMB139,637,000.

(4) Trademark License Agreement

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

CEC is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company within the meaning of the Listing Rules. The annual caps for the royalty payable by CGC for the years ended 31 December 2012 and 2013 and the year ending 31 December 2014 are RMB4,000,000, RMB4,500,000 and RMB5,000,000 respectively. The transactions contemplated under the Trademark License Agreement are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2013, the royalty paid under the Trademark License Agreement amounted to approximately RMB1,118,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(5) Financial Services Agreement (Kaifa)

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

CEC Finance is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. The maximum deposit ("Kaifa Deposit Cap") to be placed with CEC Finance under the Financial Services Agreement (Kaifa) is RMB600,000,000. The proposed deposit transaction (including the Kaifa Deposit Cap) is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed deposit transaction (including the Kaifa Deposit Cap) contemplated under the Financial Services Agreement (Kaifa) was obtained at the extraordinary general meeting of the Company held on 15 November 2010. The Financial Services Agreement (Kaifa) is for a term of three years commencing from the date on which all the required approvals have been obtained and filings are made i.e. commencing on 8 December 2010 and ended on 7 December 2013.

On 19 August 2013, Great Wall Kaifa and CEC Finance entered into a financial services agreement ("New Kaifa Agreement") on similar terms and conditions of the Financial Services Agreement (Kaifa). The proposed deposit transaction (including the annual deposit cap of RMB600,000,000) under the New Kaifa Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed deposit transaction (including the annual deposit cap of RMB600,000,000) contemplated under the New Kaifa Agreement was obtained at the extraordinary general meeting of the Company held on 12 November 2013. The New Kaifa Agreement is for a term of three years commencing the date on which all the required approval have been obtained i.e. commencing on 4 December 2013 and ending on 4 December 2016.

For the year ended 31 December 2013, the maximum amount of deposit placed by Great Wall Kaifa under the Financial Services Agreement (Kaifa) and New Kaifa Agreement was approximately RMB599,595,000.

(6) Financial Services Agreement (GWT)

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

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

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(6) Financial Services Agreement (GWT) (Continued)

On 19 August 2013, the Company and CEC Finance entered into a financial services agreement ("New GWT Agreement") on similar terms and conditions of the Financial Services Agreement (GWT). The proposed deposit transaction (including the annual deposit cap of RMB100,000,000) under the New GWT Agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed deposit transaction (including the annual deposit cap of RMB100,000,000) contemplated under the New GWT Agreement was obtained at the extraordinary general meeting of the Company held on 12 November 2013. The New GWT Agreement is for a term of three years commencing the date on which all the required approvals have been obtained i.e. commencing on 12 November 2013 and ending on 12 November 2016.

For the year ended 31 December 2013, the maximum amount of deposit placed by the Company under the Financial Services Agreement (GWT) and New GWT Agreement was approximately RMB6,926,000.

(7) Financial Services Agreement (CGC)

On 19 August 2013, CGC entered into a financial services agreement ("Financial Services Agreement (CGC)") with CEC Finance whereby CEC Finance has agreed to provide to CGC deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions provided therein.

CEC Finance is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. The maximum deposit ("CGC Deposit Cap") to be placed with CEC Finance under the Financial Services Agreement (CGC) is RMB200,000,000. The proposed deposit transaction (including the CGC Deposit Cap) is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed deposit transaction (including the CGC Deposit Cap) contemplated under the Financial Services Agreement (CGC) was obtained at the extraordinary general meeting of the Company held on 12 November 2013. The Financial Services Agreement (CGC) is for a term of three years commencing the date on which all the required approvals have been obtained i.e. commencing on 13 November 2013 and ending on 13 November 2016.

For the year ended 31 December 2013, no deposit was placed by CGC under the Financial Services Agreement (CGC).

(8) Trademarks Licensing and Sales Agency Agreement

On 8 March 2013, Wuhan Admiral Technology Limited ("AOC"), a wholly-owned subsidiary of TPV, and CEC entered into a trademarks licensing and sales agency agreement ("Trademarks Licensing and Sales Agency Agreement") pursuant to which CEC will grant an exclusive right to AOC for approximately three years ending 31 December 2015 under which AOC can use the Great Wall Monitor Trademarks and the word "長城顯示器" in the PRC, including the right to manufacture, produce, and sell as well as manage the distributors of the monitors bearing the Great Wall Monitor Trademarks. AOC will pay a royalty and sales agency fee in cash to CEC on a quarterly basis. The royalty and sales agency fee will be equivalent to 0.6% of the net sales of the monitors bearing the Great Wall Monitor Trademarks.

CEC is a connected person of the Company under the Listing Rules by virtue of it being the ultimate controlling shareholder of the Company. The annul caps for the royalty and sales agency fee for the period from the effective date of the Trademarks Licensing and Sales Agency Agreement to 31 December 2013 is US$430,850, and for the years ending 31 December 2014 and 2015 is US$595,550 and US$820,670 respectively. The transactions contemplated under the Trademarks Licensing and Sales Agency Agreement are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2013, the royalty and sales agency fee paid under the Trademarks Licensing and Sales Agency Agreement amounted to approximately US$187,000.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(9) The Supply Agreement

On 25 October 2013, TPV and Nanjing CEC PANDA Home Appliances Co., Ltd. ("Nanjing Panda") entered into a supply agreement ("Supply Agreement") in relation to the supply of LCD televisions and such other products as may be agreed between TPV and Nanjing Panda from time to time by TPV and its subsidiaries to Nanjing Panda and its associates during the period from the effective date of the Supply Agreement to 31 December 2014.

Nanjing Panda is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the ultimate controlling shareholder of the Company. The annual caps for the transactions contemplated under the Supply Agreement for the period from the effective date of the Supply Agreement to 31 December 2013 is US$4 million and for the year ending 31 December 2014 is US$15 million. The transactions contemplated under the Supply Agreement are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2013, the transactions made under the Supply Agreement amounted to approximately US$2,583,000.

(10) The Mitsui Supply Agreement

On 23 November 2012, TPV and Mitsui &Co., Ltd. ("Mitsui") entered into a supply agreement ("Mitsui Supply Agreement") pursuant to which TPV and its subsidiaries may supply, and Mitsui and its associates may purchase, LCD modules, open cells and such other products as may be agreed between TPV and Mitsui from time to time during the period from 1 January 2013 to 31 December 2015.

Mitsui is a connected person of the Company under the Listing Rules by virtue of it being a substantial shareholder of TPV. The annual cap for the transactions contemplated under the Mitsui Supply Agreement for each of the year ended 31 December 2013, and the years ending 31 December 2014 and 2015, is US$22 million. The transactions contemplated under the Mitsui Supply Agreement are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed transactions (including the proposed annual caps) contemplated under the Mitsui Supply Agreement was obtained at the extraordinary general meeting of the Company held on 6 February 2013.

For the year ended 31 December 2013, the transactions made under the Mitsui Supply Agreement amounted to approximately US$31,000.

(11) The CGC Supply Agreement

On 23 November 2012, CGC and TPV entered into a supply agreement ("CGC Supply Agreement") pursuant to which TPV and its subsidiaries may supply, and CGC and its subsidiaries may purchase, monitors with LCD and such other products as may be agreed by TPV and CGC from time to time during the period from 1 January 2013 to 31 December 2015.

TPV is a connected person of the Company under the Listing Rules by virtue of CEC, the ultimate controlling shareholder of the Company, is a substantial shareholder of TPV. The annual cap for the transactions contemplated under the CGC Supply Agreement for the year ended 31 December 2013 is US$22 million, and for the years ending 31 December 2014 and 2015 is US$28 million and US$34 million respectively. The transactions contemplated under the CGC Supply Agreement are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed transactions (including the proposed annual caps) contemplated under the CGC Supply Agreement was obtained at the extraordinary general meeting of the Company held on 6 February 2013.

For the year ended 31 December 2013, no transactions were made under the CGC Supply Agreement.

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

(12) The Component Sourcing Agreement

On 23 November 2012, Mitsui and TPV entered into a component sourcing agreement ("Components Sourcing Agreement") pursuant to which Mitsui and its associates may supply, and TPV and its subsidiaries may purchase, bare cells, printed circuit boards, integrated circuits, backlights, panels and such other components as agreed between Mitsui and TPV from time to time during the period from 1 January 2013 to 31 December 2015.

Mitsui is a connected person of the Company under the Listing Rules by virtue of it being a substantial shareholder of TPV. The annual cap for the transactions contemplated under the Components Sourcing Agreement for the year ended 31 December 2013 is US$480 million, and for the years ending 31 December 2014 and 2015 is US$481 million and US$469 million respectively. The transactions contemplated under the Components Sourcing Agreement are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules. Independent shareholders' approval for the proposed transactions (including the proposed annual caps) contemplated under the Components Sourcing Agreement was obtained at the extraordinary general meeting of the Company held on 6 February 2013.

For the year ended 31 December 2013, the transactions made under the Components Sourcing Agreement amounted to approximately US$3,910,000.

(13) The Framework Secondment Agreement

On 23 November 2012, Mitsui and TPV entered into a framework secondment agreement ("Framework Secondment Agreement") pursuant to which Mitsui and its associates may second various secondees from its group to TPV and its subsidiaries during the period from 1 January 2013 to 31 December 2015.

Mitsui is a connected person of the Company under the Listing Rules by virtue of it being a substantial shareholder of TPV. The annual cap for the transactions contemplated under the Framework Secondment Agreement for each of the year ended 31 December 2013, and the years ending 31 December 2014 and 2015, is US$1.1 million. The transactions contemplated under the Framework Secondment Agreement are subject to the announcement, reporting and annual review requirements but exempt from independent shareholders' approval requirement under the Listing Rules.

For the year ended 31 December 2013, the transactions made under the Framework Secondment Agreement amounted to approximately US$194,000.

Confirmation of Independent Non-executive Directors

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

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

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

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

B. CONTINUING CONNECTED TRANSACTIONS (Continued)

Confirmation From Auditors Of The Company

The Board has received an unqualified letter issued by the auditors of the Company in accordance with Hong Kong Standard on Assurance Engagement 3000 and Practise Note 740 issued by the Hong Kong Institute of Certified Public Accountants with respect to the above continuing connected transactions and the letter stated that for the year 2013, the above continuing connected transactions:

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

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

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

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

Continuing Connected Transactions Waiver

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

Argentina Non-TV Transactions include:

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

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

PRE-EMPTIVE RIGHTS

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

BORROWINGS AND INTEREST CAPITALISED

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Sales

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

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

Purchases

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

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

SUFFICIENCY OF PUBLIC FLOAT

According to the public information that is available to the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the year 2013 and up to the date of this annual report.

CORPORATE GOVERNANCE

Major corporate governance practices adopted by the Company are set out in Corporate Governance Report on pages 34 to 43.

AUDIT COMMITTEE

The Company has set up an Audit Committee, comprising three independent non-executive directors, namely Mr. Yao Xiaocong (Chairman), Mr. James Kong Tin Wong and Mr. Zeng Zhijie, with written terms of reference in compliance with the code provisions as set out in Appendix 14 of the Listing Rules (as amended from time to time). The principal duties of the Audit Committee include the review of the Group's financial information and the relationship with the external auditor of the Company. The consolidated financial statements for the year ended 31 December 2013 have been reviewed by the Audit Committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2013 have been audited by SHINEWING (HK) CPA Limited who retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting.

PROPOSED GENERAL OFFER AND PRIVATIZATION

On 16 December 2013, the Company jointly announced (the "Announcement") with CEC and Great Wall Group in relation to the voluntary conditional offer by CEC and Great Wall Group for all of the Company's issued H Shares (the "Offer") and the entering into of the Merger Agreement by CEC, Great Wall Group and the Company (the "Merger"). The Offer and Merger are subject to the fulfilment or waiver, as applicable, of a number of conditions as set out in the Announcement, including but not limited to the approval of the voluntary withdrawal of the listing of the Company's H Shares on the Hong Kong Stock Exchange by the independent shareholders of the Company. The Company will keep the shareholders updated on on-going developments.

By Order of the Board
Liu Liehong
Chairman

Shenzhen, China
28 March 2014

Directors, Supervisors and Senior Management

DIRECTORS

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

Executive Directors

Mr. Liu Liehong, aged 45. Mr. Liu is the chairman of the Board. Mr. Liu graduated with a master's degree in business administration from Xi'an Transport University, and received titles of postgraduate grade senior engineer. Currently, he is the general manager and a director of CEC. He is a non-executive director of TPV. He was the president of China Electronics Industry Corporation and CEC Corecast Company Limited, the president of China Center for information Industry Development, deputy general manager of China Electronics Technology Corporation and head of No.2 Research Institute, Ministry of Industry and Information Technology. He has received a series of awards, including "Outstanding Young Scientist of Shanxi Province", "Outstanding Young Entrepreneurs of Shanxi Province" and "Outstanding Personal Award of Shanxi Province". He is very experienced in managing large enterprises. Mr. Liu was appointed as an executive Director in June 2010.

Mr. Yang Jun, aged 50. Mr. Yang is a senior engineer graduated from Northwest Telecommunication Engineering College with a master's degree. Mr. Yang currently holds the positions of deputy general manager of CEC, the chairman of China National Software & Service Co., Ltd., the chairman of CGC and director of the Great Wall Group. He previously held the positions of general manager of China TravelSky Information Centre, chairman of China TravelSky Technology Limited, deputy general manager of China TravelSky Holding Company and chairman of Shenzhen Sed Industry Company Limited. Mr. Yang has been an executive Director since June 2005.

Mr. Fu Qiang, aged 58. Mr. Fu is currently the chief engineer of CEC, director of Great Wall Information Industry Co., Ltd, and director of China National Software & Service Co., Ltd. Mr. Fu graduated from Fudan University in Shanghai with a major in computer science and completed his postgraduate studies at Peking University with a major in computer software. Mr. Fu had taken up various positions at Great Wall Computer Software and Systems Incorporation Limited namely software engineer, deputy general manager and secretary to the board of directors. In addition, Mr. Fu was the secretary to the board of directors and head of general office of Great Wall Group, as well as the deputy head of general offices, the general manager of the Industrial Development Division and the director of the Planning Department of CEC. Mr. Fu was an executive Director during the period from June 2008 to June 2010. He was re-appointed as an executive Director on 16 June 2013.

Mr. Xu Haihe, aged 59. Mr. Xu graduated from China Central Finance and Economics College of China with a major in accounting and received a title of senior accountant. He also obtained his MBA degree from School of Business of Renmin University of China. Mr. Xu has extensive experience in the field of enterprise management as well as financial management. He is currently a director, the chief economist and the head of the Finance Department of CEC, a director of Shenzhen SED Electronics (Group) Company Ltd., a director of China National Software and Service Company Limited and a director of China Electronics Finance Co., Ltd. He previously served as a director of CEC CoreCast Company Limited, a non-executive director of TPV, the general manager of China National Electronics Materials Corporation and a director of Amoi Electronics Co., Ltd. He was appointed as an executive Director on 16 June 2013.

Mr. Du Heping, aged 59. Mr. Du is the chief executive officer of the Company. Mr. Du is an in-service postgraduate from the economics management specialty of Central Party School, and is also a senior business operator (高級經營師). He is currently a Director and the president of the Company and is also the chairman and secretary of the Communist Party of Great Wall Kaifa and a non-executive director of TPV. He is also the vice chairman of China Electronics Enterprises Association, an executive director of China Computer Industry Association, the chairman of Shenzhen Electronics and Information Industries Association (深圳市電子信息產業聯合會), the chairman of Shenzhen Computer Industry Association (深圳市計算機行業協會), vice chairman of Shenzhen Municipal Science and Technology Association (深圳市科學技術協會), vice chairman of Shenzhen Computer Society (深圳市電腦學會), and chairman of the Association of Volunteers for Science Popularization in Shenzhen (深圳市科普志願者協會). He has been the chairman, secretary of the Communist Party and the vice president and the secretary to the board of directors and deputy general manager of CGC, and organizing officer in charge and factory manager of Great Wall Power Supplies Factory (長城電源廠). He has abundant experience in science and technology development, production management and quality management. He has been awarded the title of "2010 Top 10 Outstanding Entrepreneur in Listed Companies in Guangdong" in December 2010. Mr. Du was elected a representative of People's Congress of Nanshan District in December 2011. Mr. Du was appointed an executive Director in June 2010.

Mr. Tam Man Chi, aged 66. Mr. Tam is the chairman of Great Wall Kaifa, the chairman of Kaifa Technology (H.K.) Limited and Kaifa Magnetic, the co-chairman of the board and a non-executive director and the chairman of the remuneration committee of O-Net Communications (Group) Limited, a company listed on the Hong Kong Stock Exchange, a director of O-Net Communications Limited, the president of O-Net Communications (Shenzhen) Company Limited, a director of ExcelStor Group Limited and ExcelStor Technology. Mr. Tam was previously a director of CGC and a non-executive director of TPV, and he has been awarded "Shenzhen Honor Citizen" in 1994, "National Friendship Award" in 2005 and "Excellent Worker Title of Guangdong Province" in 2006. Mr. Tam has over 40 years of management experience in the international electronic industry. Mr. Tam was previously the vice president of the Company, but he resigned from that position with effect from 23 April 2003. Mr. Tam has been an executive Director since 1998.

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. Yao Xiaocong, aged 61, Mr. Yao graduated from the Party School of the CPC (中央黨校), majoring in economics and management and has been accredited to be an accountant. He is currently an investigator of Guangshen Railway Company Limited (a company listed in New York, Hong Kong and Shanghai), and was previously an executive director, chief accountant and secretary of the board of directors in Guangshen Railway Company Limited and the director of the accounting department of the Guangzhou Railway (Group) Company during the period from June 1997 to December 2008. He was also an independent director of Great Wall Kaifa during the period from April 2002 to April 2008. He has abundant working experiences in financial accounting as management and operational management in listed companies in New York, Hong Kong and Shanghai. Mr. Yao was appointed an independent non-executive Director of the Company in June 2010.

Dr. James Kong Tin Wong, aged 47, is a lawyer, arbitrator and commercial mediator. He is the person-in-charge of the China Practice Department of Philip K H Wong, Kennedy Y H Wong & Co., Solicitors & Notaries. He has over 20 years of experience in PRC-related practice such as cross-border foreign direct investments, joint venture, banking, finance and loan transactions, corporate mergers and acquisitions, real estate development projects and corporate listing. Dr. Wong holds LLB, LLM and LLD degrees, and is also a registered financial planner in Hong Kong, a fellow of the Hong Kong Institute of Directors, associate of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators. Dr. Wong is a committee member of the 10th to 12th Shanghai Committee of Chinese People's Political Consultative Conference, deputy chairman of Greater China Legal Affairs Committee of the Law Society of Hong Kong, Deputy Chairman of Association of Hong Kong Professionals, panel member of the Solicitors Disciplinary Tribunal, member of Obscene and Indecent Articles Panel of Adjudicators, member of Hong Kong Liquor Licensing Board, member of the Appeal Board constituted under Hotel and Guesthouse Accommodation Ordinance, an observer of Independent Police Complaints Council, member of the Community Relations Committee of the Law Society of Hong Kong, Chief Executive of of Hong Kong Young Legal Professionals Association and an executive director of the Basic Law Institute and a director of the China Juvenile Delinquency Research Society. Dr. Wong was appointed as an independent non-executive Director of the Company in June 2010.

Mr. Zeng Zhijie, aged 45, is the senior managing director of the CITIC Capital Holdings Limited ("CITIC Capital") and the general manager and managing partner of Kaixin Investment Co., Ltd. Jeffrey has been active in the venture capital industry for more than fifteen years. Prior to joining CITIC Capital, he was a managing director of Walden International since 2001, an established global venture capital firm, for which he was mainly responsible for venture investments in China. Prior to Walden International, Mr. Zeng worked for CITIC Pacific Ltd. in Hong Kong and Mitsubishi Corporation in Tokyo, Japan. Additionally, Mr. Zeng is the chairman of China Special Article Logistics Company and concurrently serves as an independent director for Chinasoft International Ltd. (Hong Kong Stock Exchange), Shanghai AJ Corporation (Shanghai Stock Exchange), E-House (NYSE), Vimicro (Nasdaq) and AutoNavi (Nasdaq). Other companies where he serves as a director or an independent director: the State Microelectronics and the United Overseas Bank. Mr. Zeng also serves as a co-chairman of the Venture Capital Association of Investment Association of China, the executive director of AAMA China branch and board member of WRSACC 2005 Committee. Mr. Zeng holds a bachelor of science degree in Economics from the University of Nagasaki, Japan, and a master of science management degree from Stanford University.

Supervisors

Mr. Lang Jia, aged 60, was appointed as a supervisor and the chairman of the Company's supervisory committee in November 2006. In the election in June 2010, he was elected again as supervisor of the Company. Mr. Lang graduated with a bachelor's degree in Chinese from Liaoning Normal University. Mr. Lang completed a graduate course in world economic research graduate with Liaoning University. Mr. Lang is currently a director of CEC, a member of the party group, and the head of the discipline inspection group of the party group and chief legal advisor of the Group. Mr. Lang previously served as a procurator of the Supreme People's Procuratorate of the People's Republic of China, and a director of the discipline inspection office and deputy secretary of party committee in the China National School of Administration.

Ms. Kong Xueping, aged 45, was appointed as a supervisor of the Company in June 2007. In the election in June 2010, she was elected again as a supervisor of the Company. Ms. Kong graduated from Beijing University and holds a master's degree in law. She is a qualified PRC lawyer and a qualified corporate law advisor. She is currently the head of the legal department of CEC. She had previously worked at the editorial department of the sports academy of Shanxi Normal University.

Mr. Song Jianhua, aged 58, a senior political worker, was appointed supervisor of the Company in June 2007. In the election in June 2010, he was elected again as a supervisor of the Company. Mr. Song graduated from Xuanhua Artillery Command Academy and completed advanced studies in 2006 SASAC affiliated class of Central Party School. He had previously served as the camp commander of 35304 company and as deputy manager of the labour department office of Kunming City. Mr. Song joined Great Wall Kaifa in 1990 and has since served as the office manager, chief executive, vice chairman of labour union of Great Wall Kaifa. He is currently the vice party chairman, secretary of the discipline committee and the chairman of labour union of Great Wall Kaifa, and a supervisor of Suzhou Kaifa Technology Co. Ltd. He primarily served as a supervisor of the 1st supervisory committee of Great Wall Kaifa in December 1993, and thereafter served as a supervisor and chairman of the 4th, 5th and 6th supervisory committee. In the election in May 2012, he was elected again as a supervisor and chairman of the 7th supervisory committee of Great Wall Kaifa.

Other Senior Management

Mr. Zhong Jimin, aged 59, was appointed as the vice president of the Company in February 2008. He is a director of CGC and a director of Great Wall Kaifa. He graduated from Huazhong Institute of Technology, with a bachelor's degree in radio engineering. He holds the title of chief editor. He was the vice chairman of Great Wall Kaifa and CGC, a director of the Office of CEC. He was the person-in-charge of the International Cooperation Department, executive director of CEC International Holdings Limited, chairman and general manager of 3Sun Company Limited (三訊電子公司) in Hong Kong, deputy general manager of CTGC, the deputy director of the managerial department of CEC, the (commissioner-level) officer at the General Division of the General Office of the Electromechanical Department, director of the Editorial Department of the China Electronic Press (中國電子報社), and the assistant engineer of the Design Institute of the State-owned Factory no. 798.

Company Secretary

Ms. Zhong Yan, aged 30, is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Zhong obtained a bachelor's degree in Business English from Zhongnan University of Economics and Law and a bachelor's degree in Journalism from Wuhan University, both in 2006. Ms. Zhong joined the Group in 2006 and was the Assistant Company Secretargy of the Company before being appointed as the Company Secretary of the Company in March 2013.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

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

For the year under review, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

All Directors and supervisors of the Company have confirmed, following specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

Composition of the Board

The Board comprises nine Directors, six being executive Directors and three being independent non-executive Directors. Details of the composition of the Board are as follows:

Executive Directors:
Liu Liehong *(Chairman)*
Yang Jun
Fu Qiang
Xu Haihe
Du Heping
Tam Man Chi

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

The biographies of the Directors are set out on pages 30 to 33 of this annual report.

Pursuant to Article 98 of the Articles of Association of the Company, all Directors shall be elected at the shareholders' general meeting for a term of three years starting from the date being elected. The last retirement and re-election took place at the annual general meeting of the Company held on 18 June 2013. The Directors have observed strictly their commitments made public and performed their obligations with faithfulness, integrity and diligence. The composition of the Board was in accordance with relevant laws and regulations. The Board has held itself responsible to the shareholders for the leading and steering of the Company. The Board convened regular meetings and extraordinary meetings according to legal procedures and exercised its powers of office according to applicable laws and regulations and the Articles of Association of the Company and has taken good care of the interests of the Company and shareholders as a whole.

Independent Non-executive Directors

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

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

Role and Functions

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

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

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

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

For the year ended 31 December 2013, the Board:

1. reviewed and monitored the performance of the Group;
2. reviewed and approved the annual results of the Group for the year ended 31 December 2012 and the interim results of the Group for the period ended 30 June 2013; and
3. reviewed and approved the transactions constituted notifiable/connected transactions under Chapter 14/14A of the Listing Rules.

To the best knowledge of the Company, there is no financial, business and family relationship among our Directors and between the Company's chairman ("Chairman") and chief executive officer ("Chief Executive Officer"). All of them are free to exercise their independent judgment.

Board Meetings

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

A total of five Board meetings were held during the year ended 31 December 2013.

Directors' Training

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

Board Diversity Policy

In relation to the diversity of the Board members, the Company has considered a number of aspects of the Board members, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge in determining whether Board diversity is achieved. The ultimate decision in relation to Board diversity is made upon the merits and contribution that the selected Board member will bring to the Board. The Company is satisfied that the current Board members fulfill the aforesaid diversity requirements and it will review the diversity of the Board members from time to time to ensure the effectiveness of the Board.

CHAIRMAN AND CHIEF EXECUTIVE

It has been the practice of the Company that the positions of Chairman of the Board and Chief Executive Officer are assumed by different individuals to achieve effective delineation of the operation of the Board and the management of the Group's daily operations. During the year ended 31 December 2013 and up to the date of this report, Mr. Liu Liehong is the Chairman of the Board and Mr. Du Heping is the Chief Executive Officer.

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

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

According to its terms of reference, the Audit Committee shall meet at least twice a year. During the year ended 31 December 2013, three committee meetings were held. During the year, the Audit Committee reviewed the audited statements for the year ended 31 December 2012 and the unaudited interim financial statements for the six months ended 30 June 2013 with recommendations to the Board for approval, reviewed the internal control system of the Group and discussed with the management and external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The auditors, the Chief Executive Officer and the financial manager of the Company have also answered questions on the financial results. The management of the Company provided breakdown, analysis and supporting documents to the Audit Committee members in order to ensure that the Audit Committee members were fully satisfied. The Audit Committee reviewed the system of internal control and the financial statements for the year ended 31 December 2013 with recommendations to the Board for approval. The Audit Committee also reviewed the independence and remuneration of the external auditors.

Nomination and Remuneration Committee

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

Members of Nomination and Remuneration Committee:
Mr. James Kong Tin Wong *(Chairman)*
Mr. Lu Ming (retired on 18 June 2013)
Mr. Yao Xiaocong
Mr. Fu Qiang (appointed on 18 June 2013)

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

Regarding nomination:

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

Regarding remuneration:

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

According to its terms of reference, the Nomination and Remuneration Committee shall meet at least once annually. During the year ended 31 December 2013, three committee meeting were held. During the year, the Nomination and Remuneration Committee considered the remuneration policy of executive Directors, assess their performance, nominate candidates for Director, assess the independance of each of the independent non-executive Director, consider and review the diversity of the Board and discuss and determine the bonus payments to all senior management.

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

Strategic Development and Risk Control Committee

The Strategic Development and Risk Control Committee was established on 8 April 2005. It currently consists of six executive Directors and three independent non-executive Directors. The Strategic Development and Risk Control Committee met twice during the year ended 31 December 2013.

Members of the Strategic Development and Risk Control Committee:
Mr. Liu Liehong *(Chairman)*
Mr. Du Heping
Mr. Tam Man Chi
Mr. Yang Jun
Mr. Fu Qiang (appointed on 16 June 2013)
Mr. Xu Haihe (appointed on 16 June 2013)
Mr. Yao Xiaocong
Mr. James Kong Tin Wong
Mr. Zeng Zhijie
Mr. Lu Ming (retired on 16 June 2013)
Mr. Su Duan (retired on 16 June 2013)

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

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

During the year, the Strategic Development and Risk Control Committee reviewed and discussed the Group's and each of its subsidiaries' development plan for 2013 to 2015, their major risks and measures to minimize the Group's risks.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2013					
Name of Directors	Board Meeting	Audit Committee Meeting	Nomination and Remuneration Committee Meeting	Strategic Development and Risk Control Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Liu Liehong	5/5	–	–	2/2	1/1	1/2
Mr. Lu Ming (retired on 16 June 2013)	1/1	–	2/2	0/0	0/1	1/1
Mr. Tam Man Chi	5/5	–	–	1/2	1/1	1/2
Mr. Yang Jun	5/5	–	–	2/2	1/1	1/2
Mr. Su Duan (retired on 16 June 2013)	1/1	–	–	0/0	0/1	1/1
Mr. Du Heping	5/5	–	–	2/2	1/1	2/2
Mr. Fu Qiang (appointed on 16 June 2013)	4/4	–	1/1	2/2	1/1	1/1
Mr. Xu Haihe (appointed on 16 June 2013)	4/4	–	–	2/2	1/1	1/1
Independent Non-executive Directors						
Mr. Yao Xiaocong	5/5	3/3	3/3	1/2	1/1	2/2
Mr. James Kong Tin Wong	5/5	3/3	3/3	1/2	1/1	2/2
Mr. Zeng Zhijie	5/5	3/3	–	1/2	1/1	2/2

AUDITORS' REMUNERATION

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

For the year ended 31 December 2013, Messrs. SHINEWING (HK) CPA Limited, the external international auditors, and Messrs. Shinewing Certified Public Accountants, the external domestic auditors, provided 2012 annual accounting statements audit services and 2013 interim results review services to the Company. Remuneration for the above services is as follows:

	Remuneration *RMB'000*
2012 annual accounting statements audit services in accordance with the accounting principles generally accepted in Hong Kong and the PRC GAAP respectively	3,700
2013 interim results review services	600
Non-audit services	570

The Audit Committee recommended to the Board (which endorsed the view) that, subject to the shareholders' approval at the forthcoming annual general meeting, SHINEWING (HK) CPA Limited and Shinewing Certified Public Accountants, be re-appointed as the external international auditors and external domestic auditors of the Company respectively for 2014.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 45 to 46 of this annual report.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and is responsible for advising the Board on governance matters and facilitating communication between Board members, the shareholders and management. The biography of the Company Secretary is set out on page 33 of this annual report. Ms. Zhong Yan, the Company Secretary, has confirmed that she has taken no less than 15 hours of relevant professional training from the year under review.

CONSTITUTIONAL DOCUMENTS

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

SHAREHOLDER'S RIGHTS

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

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

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

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

Shareholders' Right to Propose Resolutions at General Meeting

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

Communication with the Board

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

INVESTOR RELATIONS

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

Supervisory Committee's Report

To all shareholders:

In 2013, pursuant to the Company Law of the PRC and the Articles of Association of the Company, in accordance with the principles of honesty and loyalty, all members of the supervisory committee of the Company (the "Committee") faithfully discharged their duties diligently and loyal to their responsibility in safeguarding the integrity of the Company and to optimize the shareholders' interest.

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

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

3. The Committee supervised and inspected the financial operations of the Company. Having reviewed the financial report and the financial statements for the year 2013, the Committee was of the opinion that the Company complied with integrated financial management rules and kept clear accounts. Further, the Company's accounting and financial management was in compliance with relevant regulations. No detrimental transactions, situations harming the interests of the shareholders or cases of asset loss of the Company were found.

4. In 2014, the Committee expects the Company to enhance communications with investors, to accelerate its internal resource integration, improve organizational structure, enhance management standards, strengthen risk management and internal control, emphasize the safety of capital operation, set up a platform to control information management in order for the Company to achieve considerable improvement in terms of transition and innovation, technology upgrade, business expansion and capital development, which further speed up the Company's business development.

The Supervisory Committee
Shenzhen, PRC

28 March 2014

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF GREAT WALL TECHNOLOGY COMPANY LIMITED

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

We have audited the consolidated financial statements of Great Wall Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 213, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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.

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which describes the material uncertainty in respect of a proposed privatisation, merger and deregistration of the Company which may cast significant doubt about the Company's ability to continue as a going concern.

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

Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
Turnover	7	**92,816,202**	95,884,305
Cost of sales		**(86,611,544)**	(89,529,201)
Gross profit		**6,204,658**	6,355,104
Other income and gains	7	**1,881,351**	1,980,664
Net realised and unrealised gain on foreign exchange forward contracts and options		**198,093**	173,741
Gain on disposal of prepaid land lease payments	17	**546,765**	549
Impairment of property, plant and equipment	16	**(105,025)**	(130,414)
Impairment of intangible assets	19	**(277,637)**	–
Selling and distribution costs		**(3,758,510)**	(3,378,993)
Administrative and other operating expenses		**(2,417,854)**	(2,266,502)
Research and development expenses		**(1,749,893)**	(1,894,346)
Finance costs	9	**(708,313)**	(493,002)
Gain on deemed disposal of a subsidiary	40	**24,764**	–
Gain on deregistration of subsidiaries	41	**10,193**	–
Share of results of joint venture	21	**(2,836)**	(10,023)
Share of results of associates	20	**49,340**	52,859
(Loss) profit before tax	10	**(104,904)**	389,637
Income tax expense	13	**(445,019)**	(257,947)
(Loss) profit for the year		**(549,923)**	131,690
(Loss) profit for the year attributable to:			
Owners of the Company		**73,919**	(160,651)
Non-controlling interests		**(623,842)**	292,341
		(549,923)	131,690
Earnings (loss) per share			
– Basic and diluted (RMB cents per share)	15	**6.17 cents**	(13.41 cents)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
(Loss) profit for the year	**(549,923)**	131,690
Other comprehensive income (expenses) for the year		
Items that will not be reclassified to profit or loss:		
Revaluation of properties:		
– Gain on revaluation of owner-occupied properties transferred to investment properties at transfer date	**253,874**	–
– Income tax relating to gain on revaluation of owner-occupied properties transferred to investment properties at transfer date	**(63,469)**	–
	190,405	–
Remeasurements of defined benefit plans	**5,202**	(10,042)
	195,607	(10,042)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments:		
– Fair value (loss) gain arising during the year	**(244)**	6,911
– Income tax relating to fair value loss arising during the year	**–**	(1,771)
– Reclassification adjustment upon impairment	**8,273**	–
– Reclassification adjustment upon disposal	**–**	886
	8,029	6,026
Share of other comprehensive income (expenses) of associates	**11,385**	(4,404)
Share of other comprehensive (expenses) income of a joint venture	**(109)**	720
Exchange differences arising on translation	**(699,778)**	(102,966)
	(680,473)	(100,624)
Other comprehensive expenses for the year, net of income tax	**(484,866)**	(110,666)
Total comprehensive (expenses) income for the year	**(1,034,789)**	21,024
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**37,271**	(193,258)
Non-controlling interests	**(1,072,060)**	214,282
	(1,034,789)	21,024

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)	As at 1 January 2012 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**6,469,453**	6,790,547	5,912,955
Prepaid land lease payments	17	**1,163,641**	666,629	357,339
Investment properties	18	**1,858,472**	1,458,451	1,477,954
Intangible assets	19	**902,537**	1,386,605	349,889
Interests in associates	20	**1,001,727**	807,526	653,161
Interests in a joint venture	21	**8,249**	11,194	61,522
Available-for-sale investments	22	**428,788**	393,587	263,318
Prepayments, deposits and other receivables	25	**989,399**	375,120	133,128
Term deposits	27	**173,452**	110,000	113,025
Pledged deposits	27	**23,400**	10,000	746,750
Derivative financial instruments	31	**71,657**	17,845	–
Deferred tax assets	35	**675,387**	701,441	256,734
		13,766,162	12,728,945	10,325,775
Current assets				
Inventories	23	**8,852,463**	10,279,397	7,687,545
Trade and bills receivables	24	**16,174,820**	16,560,802	17,484,408
Prepaid land lease payments	17	**34,315**	18,792	10,548
Prepayments, deposits and other receivables	25	**3,796,046**	3,932,341	2,897,849
Financial assets at fair value through profit or loss	26	**19,236**	26,104	36,892
Tax recoverable		**135,207**	112,994	30,401
Derivative financial instruments	31	**443,744**	203,727	233,206
Available-for-sale investments	22	**10,072**	–	–
Amounts due from fellow subsidiaries	46	**23,355**	27,686	20,797
Amounts due from associates	46	**7,511**	41,607	5,700
Term deposits	27	**247,000**	243,000	1,695,579
Pledged deposits	27	**4,157,430**	3,116,683	1,524,218
Bank balances and cash	27	**6,569,581**	5,386,054	3,457,887
		40,470,780	39,949,187	35,085,030
Current liabilities				
Trade and bills payables	28	**16,493,674**	16,320,590	14,475,148
Other payables and accruals	29	**7,760,431**	8,661,680	5,550,030
Bank and other loans	30	**9,439,259**	6,705,430	7,902,033
Derivative financial instruments	31	**418,918**	408,605	168,103
Tax payable		**345,151**	305,057	153,308
Warranties and other provisions	32	**816,644**	854,713	480,691
Amounts due to fellow subsidiaries	46	**3,635**	1,676	12,778
Amounts due to associates	46	**71,774**	16,025	794
Amount due to ultimate holding company	46	**145,000**	101,622	–
		35,494,486	33,375,398	28,742,885
Net current assets		**4,976,294**	6,573,789	6,342,145
Total assets less current liabilities		**18,742,456**	19,302,734	16,667,920

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)	As at 1 January 2012 RMB'000 (Restated)
Capital and reserves				
Share capital	38	**1,197,742**	1,197,742	1,197,742
Reserves		**3,260,305**	3,138,850	3,372,332
Equity attributable to owners of the Company		**4,458,047**	4,336,592	4,570,074
Non-controlling interests		**10,429,931**	11,028,046	10,842,602
Total equity		**14,887,978**	15,364,638	15,412,676
Non-current liabilities				
Other payables	29	**850,709**	1,327,991	288,134
Bank and other loans	30	**2,105,631**	1,756,709	492,497
Pension obligations	33	**99,361**	120,744	46,501
Derivative financial instruments	31	**79,955**	176	–
Contingent consideration payable and redemption liability	37	**41,965**	117,502	–
Deferred tax liabilities	35	**570,611**	533,594	390,646
Warranties and other provisions	32	**22,144**	21,892	–
Government grants	36	**84,102**	59,488	37,466
		3,854,478	3,938,096	1,255,244
		18,742,456	19,302,734	16,667,920

The consolidated financial statements on pages 47 to 213 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (note a)	Translation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,262)	(185,508)	1,469,559	4,335,756	11,041,597	15,377,353
Adoption of HKAS 19 (revised)	–	–	–	–	–	–	–	39	(2,308)	3,105	836	(13,551)	(12,715)
At 1 January 2013 (restated)	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,223)	(187,816)	1,472,664	4,336,592	11,028,046	15,364,638
Loss for the year	–	–	–	–	–	–	–	–	–	73,919	73,919	(623,842)	(549,923)
Other comprehensive income (expense) for the year:													
Available-for-sale investments:													
– Fair value gain arising during the year	–	–	–	–	–	(68)	–	–	–	–	(68)	(176)	(244)
– Reclassification adjustment upon impairment	–	–	–	–	–	1,085	–	–	–	–	1,085	7,188	8,273
Share of other comprehensive income (expenses) of associates	–	–	–	–	–	–	–	8,007	–	–	8,007	3,378	11,385
Share of other comprehensive expenses of a joint venture	–	–	–	–	–	–	–	(14)	–	–	(14)	(95)	(109)
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	–	699	–	699	4,503	5,202
Gain on revaluation of owner-occupied properties transferred to investment properties at transfer date	–	–	–	–	36,080	–	–	–	–	–	36,080	217,794	253,874
Income tax relating to gain on revaluation of owner-occupied properties transferred to investment properties at transfer date	–	–	–	–	(9,020)	–	–	–	–	–	(9,020)	(54,449)	(63,469)
Exchange differences arising on translation	–	–	–	–	–	–	–	(73,417)	–	–	(73,417)	(626,361)	(699,778)
Total other comprehensive income (expense)	–	–	–	–	27,060	1,017	–	(65,424)	699	–	(36,648)	(448,218)	(484,866)
Total comprehensive income (expense) for the year	–	–	–	–	27,060	1,017	–	(65,424)	699	73,919	37,271	(1,072,060)	(1,034,789)
Dividends attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(140,902)	(140,902)
Recognition of equity-settled share-based payment of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7,258	7,258
Deemed disposal of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	–	–	2,095	2,095
Deregistration of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	(10,193)	(10,193)
Contribution from non-controlling shareholders (note 50)	–	–	–	–	–	–	–	–	84,184	–	84,184	615,687	699,871
At 31 December 2013	1,197,742	997,498	272	(28,155)	164,019	8,053	1,042,615	(367,647)	(102,933)	1,546,583	4,458,047	10,429,931	14,887,978

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (note a)	Translation reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264
Adoption of HKAS 19 (revised)	–	–	–	–	–	–	–	–	(1,154)	–	(1,154)	(7,434)	(8,588)
At 1 January 2012 (restated)	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(182,174)	1,679,723	4,570,074	10,842,602	15,412,676
(Loss) profit for the year (restated)	–	–	–	–	–	–	–	–	–	(160,651)	(160,651)	292,341	131,690
Other comprehensive income (expense) for the year:													
Available-for-sale investments:													
– Fair value loss arising during the year	–	–	–	–	–	2,164	–	–	–	–	2,164	4,747	6,911
– Reclassification adjustment upon impairment	–	–	–	–	–	250	–	–	–	–	250	636	886
Income tax relating to change in fair value of available-for-sale investments	–	–	–	–	–	(568)	–	–	–	–	(568)	(1,203)	(1,771)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(2,218)	–	–	(2,218)	(2,186)	(4,404)
Share of other comprehensive expenses of joint ventures	–	–	–	–	–	–	–	98	–	–	98	622	720
Remeasurement on defined benefit plans								–	(1,350)		(1,350)	(8,692)	(10,042)
Exchange differences arising on translation	–	–	–	–	–	–	–	(30,983)	–	–	(30,983)	(71,983)	(102,966)
Total other comprehensive income (expense)	–	–	–	–	–	1,846	–	(33,103)	(1,350)	–	(32,067)	(78,059)	(110,666)
Total comprehensive income (expense) for the year	–	–	–	–	–	1,846	–	(33,103)	(1,350)	(160,651)	(193,258)	214,282	21,024
Dividends paid	–	–	–	–	–	–	–	–	–	(35,932)	(35,932)	–	(35,932)
Dividends attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(367,792)	(367,792)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	111,002	111,002
Recognition of equity-settled share-based payments of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,593	15,593
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	240,002	240,002
Redemption liability	–	–	–	–	–	–	–	–	(4,292)	–	(4,292)	(27,643)	(31,935)
Transfer	–	–	–	–	–	–	10,476	–	–	(10,476)	–	–	–
At 31 December 2012 (restated)	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,223)	(187,816)	1,472,664	4,336,592	11,028,046	15,364,638

Notes:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
OPERATING ACTIVITIES			
(Loss) Profit before tax		**(104,904)**	389,637
Adjustments for:			
Finance costs		**708,313**	493,002
Bank interest income		**(265,296)**	(188,713)
Share of results of associates		**(49,340)**	(52,859)
Share of results of joint ventures		**2,836**	10,023
Gain on deemed acquisition of additional interests of an associate	20	**(2,987)**	(12,395)
Gain on deregistration of subsidiaries	41	**(10,193)**	–
Gain on deemed disposal of a subsidiary	40	**(24,764)**	–
Gain on bargain purchase of subsidiaries		**–**	(161,154)
Gain on disposal of investment properties		**(9,640)**	(28,570)
Fair value gain on investment properties		**(98,814)**	(31,347)
Fair value (gain) loss on contingent consideration payable and redemption liability		**(77,018)**	11,431
Gain on disposal of prepaid land lease payments		**(546,765)**	(549)
Gain on disposal of intangible assets		**(17,706)**	–
Government grants income		**(263,534)**	(262,583)
Reversal of impairment of trade receivables		**(32,743)**	(32,466)
Reversal of impairment of other receivables		**(201)**	(14,341)
(Gain) loss on disposal of equity investments at fair value through profit or loss ("FVTPL")		**(4,000)**	227
Dividend income from available-for-sale investments		**(20,808)**	(4,875)
(Gain) loss on disposal of property, plant and equipment		**(60,058)**	8,045
(Gain) loss on disposal of available-for-sale investments		**(21,124)**	886
Fair value loss (gain) of financial assets at FVTPL		**6,236**	(2,676)
Depreciation of property, plant and equipment		**1,297,695**	1,284,191
Amortisation of prepaid land lease payments		**32,781**	15,736
Amortisation of intangible assets		**391,171**	371,878
Reversal of trademark payables		**(341,948)**	–
Allowance for inventories		**346,177**	150,676
Impairment of trade receivables		**91,830**	209,997
Impairment of other receivables		**–**	960
Impairment of property, plant and equipment		**105,025**	130,414
Impairment of intangible assets		**277,637**	–
Impairment of available-for-sale investments		**37,191**	25,577
Net realised and unrealised gain on derivative financial instruments		**(171,824)**	(158,718)
Share options granted to directors and employees of a subsidiary		**7,258**	15,593
Operating cash flows before movements in working capital		**1,180,483**	2,167,027
Decrease (increase) in inventories		**751,333**	(1,562,283)
(Increase) decrease in trade and bills receivables		**(124,708)**	709,138
Increase in prepayments, deposits and other receivables		**(179,915)**	(812,750)
Increase in trade and bills payables		**487,138**	1,876,780
(Decrease) increase in other payables and accruals		**(951,506)**	2,066,903
Decrease (increase) in amounts due from associates		**34,096**	(35,907)
(Decrease) increase in warranty provisions and restructuring and other provisions		**(12,369)**	386,898
Decrease in pension		**(12,558)**	(29,246)
Cash generated from operations		**1,171,994**	4,766,560
PRC Enterprise Income Tax ("PRC EIT") and overseas income tax paid		**(417,347)**	(458,595)
Hong Kong Profits Tax paid		**(11,834)**	(11,834)
NET CASH FROM OPERATING ACTIVITIES		**742,813**	4,296,131

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
INVESTING ACTIVITIES			
Net cash (outflow) inflow from the acquisitions of subsidiaries	39	**(25,336)**	16,048
Net cash outflow from deemed disposal of a subsidiary	40	**(101,755)**	–
Purchases of property, plant and equipment		**(1,992,834)**	(1,596,007)
Purchases of available-for-sale investments		**(143,896)**	(157,173)
Increase in pledged deposits		**(1,054,876)**	(855,826)
Capital injection to associates		**(123,878)**	(106,572)
Additions to prepaid land lease payments		**(649,041)**	(329,334)
Additions to intangible assets		**(188,522)**	(59,775)
Proceeds from disposal of property, plant and equipment		**819,202**	38,300
Proceeds from disposal of investment properties		**36,477**	94,670
Proceeds from disposal of intangible assets		**17,706**	358
Deposit for investments in a joint venture		**(30,180)**	–
Interest received		**312,679**	173,517
Dividends received from associates		**6,164**	17,136
Proceeds from disposal of available-for-sale investments		**88,087**	8,235
Proceeds from disposal of prepaid land lease payments		**202,557**	410,764
(Increase) decrease in term deposits with terms over three months		**(67,452)**	1,455,604
Proceeds from sales of financial assets at FVTPL		**4,632**	13,237
Dividends received from available-for-sale investments		**20,808**	4,875
Repayment from (advance to) fellow subsidiaries		**4,331**	(6,889)
Payable to Philips for net operating capital contributed		**–**	(1,932,695)
NET CASH USED IN INVESTING ACTIVITIES		**(2,865,127)**	(2,811,527)
FINANCING ACTIVITIES			
Repayment of bank and other loans		**(10,107,291)**	(12,094,339)
Repayment of subordinated loans		**(80,343)**	–
Inception of subordinated loans		**–**	1,269,986
Dividends paid to non-controlling interests		**(140,902)**	(367,792)
Dividends paid as distribution		**–**	(35,932)
Interest paid		**(426,650)**	(306,540)
Settlement for derivative financial instruments		**(22,893)**	411,030
Advance from (repayment to) fellow subsidiaries		**1,959**	(11,102)
Advance from ultimate holding company		**43,378**	101,622
New bank and other loans raised		**13,270,385**	10,905,538
Contribution from non-controlling shareholders		**699,871**	240,002
Advance from associates		**55,749**	15,231
Government grants received		**289,865**	284,605
NET CASH FROM FINANCING ACTIVITIES		**3,583,128**	412,309
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,460,814**	1,896,913
CASH AND CASH EQUIVALENTS AT 1 JANUARY, represented by bank balances and cash		**5,386,054**	3,457,887
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(277,287)**	31,254
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**6,569,581**	5,386,054

1. GENERAL AND BASIS OF PREPARATION

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

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

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

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

On 25 September 2013, the Company released an announcement in relation to a possible proposal for privatisation (the "H Share Offer") of the Company. On 16 December 2013, CEC, CGW and the Company have jointly announced that CEC will make a voluntary conditional offer to acquire all of the issued H Shares in the issued share capital of the Company. On the same day, CEC, CGW and the Company entered into an merger agreement ("Merger Agreement"). Under the Merger Agreement, subject to the completion of the H Share Offer and other conditions set out in the Merger Agreement, the Company will be merged and absorbed by CEC and then be de-registered in accordance with the PRC Company Law and other applicable PRC Laws.

The above H Share Offer and Merger Agreement are subject to the approval of independent H Shareholders of the Company in an extraordinary general meeting and the date is not fixed yet. Details are set out, inter alia, in the announcements of the Company dated 25 September 2013, 16 December 2013, 3 January 2014, 28 January 2014 and 21 February 2014.

Notwithstanding the above matters, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company considered the above H Share Offer and Merger Agreement are in progress and the outcome is uncertain at the date of these consolidated financial statements being approved. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entitie
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HK (International Financial Reporting Interpretation Committee) ("IFRIC") – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require 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 HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 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).

HKFRS 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 HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

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

HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 5 and 18 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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 HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

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

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 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 HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

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

HKFRS 13 Fair Value Measurement (Continued)

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

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 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, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 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 accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is 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 directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investment in BriVictory Display Technology (Labuan) Corp. ("BriVictory") and its wholly-owned subsidiary, BriVictory Display Technology (Poland) Sp. Z o.o. (collectively know as "BriVictory Group"), which was classified as a jointly controlled entity under HKAS 31 should be classified as a joint venture under HKFRS 11 and continue to account for using the equity method.

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

HKFRS 13 Fair Value Measurement (Continued)

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

Impact of the application of HKFRS 12

HKFRS 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 HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Details are set out in notes 20, 21 and 50.

HKAS 19 Employee Benefits (as revised in 2011)

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

HKAS 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 HKAS 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 HKAS 19 are replaced with a 'net interest' amount under HKAS 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 HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has had a material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 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 33. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables below for details).

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

HKAS 19 Employee Benefits (as revised in 2011) (Continued)

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the consolidated statement of financial position of the Group as at 1 January 2012 and 31 December 2012 is as follows:

	As at 1/1/2012 (originally stated) RMB'000	HKAS 19 Adjustment RMB'000	As at 1/1/2012 (restated) RMB'000	As at 31/12/2012 (originally stated) RMB'000	HKAS 19 Adjustment RMB'000	As at 31/12/2012 (restated) RMB'000
Pension obligations	37,913	8,588	46,501	108,029	12,715	120,744
Total effect on net assets	15,421,264	(8,588)	15,412,676	15,377,353	(12,715)	15,364,638
Translation reserve	(269,120)	–	(269,120)	(302,262)	39	(303,223)
Other reserve	(181,020)	(1,154)	(182,174)	(185,508)	(2,308)	(187,186)
Retained earnings	1,679,723	–	1,679,723	1,469,559	3,105	1,472,664
Equity attributable to owners of the Company	4,571,228	(1,154)	4,570,074	4,335,756	836	4,336,592
Non-controlling interest	10,850,036	(7,434)	10,842,602	11,041,597	(13,551)	11,028,046
Total effect on total equity	15,421,264	(8,588)	15,412,676	15,377,353	(12,715)	15,364,638

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

HKAS 19 Employee Benefits (as revised in 2011) (Continued)

Summary of the effects of the above changes in accounting policies (Continued)

The effects of changes in accounting policies described above on the consolidated statement of profit or loss of the Group for the year ended 31 December 2012 is as follows:

	2012		
	Originally stated RMB'000	Adjustment RMB'000	Restated RMB'000
Impact on profit for the year			
Selling and distribution expense	3,383,430	(4,437)	3,378,993
Profit for the year	127,253	4,437	131,690
Profit (loss) for the year attributable to:			
Owners of the Company	(163,756)	3,105	(160,651)
Non-controlling interests	291,009	1,332	292,341
Impact on other comprehensive expense for the year			
Actuarial loss on pension obligations	(1,439)	(8,603)	(10,042)
Exchange differences arising on translation	(103,005)	39	(102,966)
Other comprehensive expense for the year	(102,102)	(8,564)	(110,666)
Total comprehensive income for the year	25,151	(4,127)	21,024
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company	(195,248)	(5,459)	(200,707)
Non-controlling interests	220,399	1,332	221,731

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

HKAS 19 Employee Benefits (as revised in 2011) (Continued)

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share 2012 RMB cents	Impact on diluted earnings per share 2012 RMB cents
Figures before adjustment	(13.67)	(13.67)
Adjustments arising from changes in the Group's accounting policies in relation to:		
– application of HKAS 19 Employee Benefits (as revised in 2011) on pension obligations	0.26	0.26
Figures after adjustment	(13.41)	(13.41)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group has early adopted these amendments to HKAS 36 and the amendments have had no impact on the financial position or performance of the Group.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKRFS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK ("IFRIC") –Int 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, except as disclosed below.*

[3] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

[4] Effective for annual periods beginning on or after 1 January 2016.

* Early application is permitted.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described as follows:

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

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

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

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

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

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

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

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

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

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors anticipate that the adoption of HKAS 19 in the future may have a significant impact on the amounts reported in respect of the Group's pension obligations. Regarding the Group's pension obligations, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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 HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 into line with the Group's accounting policies.

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

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 (please describe how the adjustment to non-controlling interests is determined) 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 HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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

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

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint ventures exceeds its 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 the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or the joint ventureis included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), 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 interest in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the 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, or a partial disposal of an interest in associates that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange difference 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 re-attributed 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 arrangements 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.

Goodwill and 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 retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

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

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

Retirement benefits costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual 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 "selling and distribution expenses". Curtailment gains and losses are accounted for as past service costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs (Continued)

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.

Share-based payments

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

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

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

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

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

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

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 the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Research and development costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in administrative expenses in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 5.

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as trade and bills receivables and amounts due from fellow subsidiaries and associates, deposits and other 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 credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial asset or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as FVTPL.

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

Other financial liabilities

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

Provisions

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 of disposal 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

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

Classification between investment properties and owner-occupied properties

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

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

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

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

Deferred tax assets

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties as the Group is subject to PRC EIT on use of its investment properties. Further details of which are disclosed in note 35.

De facto control over subsidiaries

Note 50 describes that Shenzhen Kaifa Technology Co., Ltd. ("S. Kaifa") and its subsidiaries (collectively known as "S. Kaifa Group") are subsidiaries of the Group although the Group has only 44.51% (2012: 49.64%) ownership interests and 44.51% (2012: 49.64%) voting rights. S. Kaifa is a listed company incorporated in PRC. The Group has 44.51% ownership since 1998 and the remaining 55.49% of shareholdings are owned by thousands of shareholders that are unrelated to the Group.

TPV Technology Limited ("TPV"), which is a listed company incorporated in Bermuda, and its subsidiaries (collectively known as "TPV Group") are subsidiaries of the Group although the Group has only 24.32% (2012: 24.32%) ownership interests and 24.32% (2012: 24.32%) voting rights. Notwithstanding the lack of sufficient ownership interests, the Group has obtained control through the contractual arrangement with certain substantial shareholders of TPV and under the contractual arrangement, the Company is able to exercise control over TPV by way of appointing and removing the majority of the TPV's board of directors, casting the majority of votes at meeting of TPV's board of directors and exposing and having rights to variable returns from its involvement with TPV.

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

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

De facto control over subsidiaries (Continued)

The directors of the Company assessed whether or not the Group has control over S. Kaifa Group and TPV Group based on whether the Group has the practical ability to direct the relevant activities of S. Kaifa Group and TPV Group unilaterally. In making their judgement, the directors of the Company considered the Group's absolute size of holding and the relative size of and dispersion of the shareholdings owned by the other shareholders in S. Kaifa Group and the Group's rights in directorship through the contractual arrangement over TPV Group. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of S. Kaifa Group and therefore the Group has control over S. Kaifa Group and TPV Group.

Significant influence over an associate

Note 20 describes that Great Wall Information Security System Co., Ltd. ("Xin An") is an associate of the Group although the Group only owns 14.89% ownership interest in Xin An. The Group has significant influence over Xin An by virtue of the contractual right to appoint one out of the three directors to the board of directors of that company.

Classification of a joint venture

BriVictory is a limited liability company 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, BriVictory is classified as a joint venture of the Group.

Going concern basis

Note 1 mentions that there is material uncertainty in respect of a proposed privatisation, merger and deregistration of the Company which may cast significant doubt about the Company's ability to continue as a going concern. The directors of the Company use their judgment in adopting going concern basis to prepare the consolidated financial statements as the directors of the Company considered the H Share Offer and Merger Agreement are in progress and the outcome is uncertain at the date of these consolidated financial statements being approved. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment was recognised in the consolidated statement of profit or loss amounting to approximately RMB105,025,000 (2012: RMB130,414,000) and the carrying amount of property, plant and equipment is approximately RMB6,469,453,000 (2012: RMB6,790,547,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Further details are set out in note 16.

Estimated impairment loss of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. During the year ended 31 December 2013, impairment loss on trade receivables and other receivables was recognised in the consolidated statement of profit or loss amounting to approximately RMB91,830,000 and nil respectively (2012: impairment loss on trade receivables of RMB209,997,000 and other receivables of RMB960,000) and the carrying amounts of trade and other receivables are approximately RMB16,174,820,000 (net of impairment of RMB411,942,000) and RMB2,452,825,000 (net of impairment of RMB1,916,000) respectively (2012: trade and other receivables of RMB16,560,802,000 (net of impairment of RMB356,111,000) and RMB1,873,102,000 (net of impairment of RMB2,117,000) respectively). Further details are set out in notes 24 and 25.

Estimated impairment of interests in associates and jointly ventures

The Group regularly reviews investments in associates and jointly ventures for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the companies. No impairment loss was provided for associates and joint venture for both years and the carrying amount of interests in associates and jointly venture as at 31 December 2013 is RMB1,001,727,000 (2012: RMB807,526,000) and RMB8,249,000 (2012: RMB11,194,000) respectively.

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

Key sources of estimation uncertainty (Continued)

Estimated allowance for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period and makes allowance for slow moving inventory items amounting to approximately RMB346,177,000 (2012: RMB150,676,000) and the carrying amount of inventories is approximately RMB8,852,463,000 (2012: RMB10,279,397,000). The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

Fair value of contingent consideration payable and redemption liability

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

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

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

Judgement is applied to determine key assumptions (such as sales growth, gross margins growth and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payables amount. As at 31 December 2013, the aggregate carrying value of the contingent consideration payable and redemption liability is approximately RMB41,965,000 (2012: RMB117,502,000).

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

Key sources of estimation uncertainty (Continued)

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. During the year ended 31 December 2013, the Group has provided current tax expense and deferred tax credit of approximately RMB450,846,000 and RMB5,827,000 (2012: current tax expense of approximately RMB539,585,000 and deferred tax credit of approximately RMB281,638,000) respectively.

Estimation of fair value of investment properties

Investment properties are stated at fair values based on the valuations performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

As at 31 December 2013, the carrying amounts of the investment properties are approximately RMB1,858,472,000 (2012: RMB1,458,451,000). For the valuation methodologies and assumptions used for the valuation of the investment properties, please refer to note 18 for details.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset and liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The directors of the Company regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

Notes 5 and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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

Key sources of estimation uncertainty (Continued)

Provisions for products warranties and restructuring

As explained in note 32, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's past experience of the level of repairs and returns, and restructuring provision was provided in relation to employee severance costs in respect of the restructuring of TV business. As the Group are continually upgrading its product designs and launching new models it is possible that the past experience of the level of repairs and returns is not indicative of future claims that the Group will receive in respect of past sales. Also, the determination of employee severance costs for the restructuring of TV business involves estimation and the outcome may be different with the estimation. Any increase or decrease in the provision would affect profit or loss in future years. The carrying value of the warranty provision and restructuring as at 31 December 2013 is approximately RMB654,290,000 and RMB184,498,000 (2012: RMB622,243,000 and RMB254,362,000) respectively.

Pending litigations

The Group had certain pending litigations as at the end of the reporting period. Significant judgment is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognised. Details are set out in note 47.

Fair value of derivative financial instruments

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

The fair value of derivative financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. The carrying amount of the derivative financial assets and derivative financial liabilities are approximately RMB515,401,000 and RMB498,873,000 (2012: RMB221,572,000 and RMB408,781,000) respectively.

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

Key sources of estimation uncertainty (Continued)

Payables for trademark license and royalty

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

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

As at 31 December 2013, the carrying amounts of the trademark license fee and royalty payable are approximately RMB1,332,447,000 (2012: RMB1,576,831,000) and RMB1,335,495,000 (2012: RMB1,073,098,000) respectively.

Employee benefits – share-based payments

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

Estimated impairment of available-for-sale investments

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale investments is impaired. In the case of equity and debt securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss – is removed from equity and recognised in the consolidated statement of profit or loss. During the year, impairment loss on available-for-sale investments was recognised in the consolidated statement of profit or loss amounting to approximately RMB37,191,000 (2012: RMB25,577,000) and the carrying amount of the available-for-sale investments is approximately RMB438,860,000 (2012: RMB393,587,000).

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

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

Financial assets

	2013 RMB'000	2012 RMB'000
Loans and receivables (including cash and cash equivalents)	**30,359,719**	27,368,934
Available-for-sale investments	**438,860**	393,587
Financial assets at FVTPL	**19,236**	26,104
Derivative financial instruments	**515,401**	221,572
	31,333,216	28,010,197

Financial liabilities

	2013 RMB'000	2012 RMB'000
At amortised cost	**36,254,448**	33,611,190
Derivative financial instruments	**498,873**	408,781
Contingent consideration payable and redemption liability	**41,965**	117,502
	36,795,286	34,137,473

b. Financial risk management objectives and policies

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

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

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

Credit risk

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 14% (2012: 11%) and 32% (2012: 31%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

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

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

Interest rate risk

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

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

As at 31 December 2013, if interest rates on variable-rate bank and other loans had been 10 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been approximately RMB2,790,000 (2012: RMB1,003,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk

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

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

	Increase (decrease) in US$/BRL/others	**Increase (decrease) in profit after tax and equity**
	%	RMB'000
2013		
If RMB weakens against USD	**5**	**(198,630)**
If RMB strengthens against USD	**–5**	**198,630**
If RMB weakens against BRL	**5**	**13,310**
If RMB strengthens against BRL	**–5**	**(13,310)**
If RMB weakens against other currencies	**5**	**(16,767)**
If RMB strengthens against other currencies	**–5**	**16,767**
2012		
If RMB weakens against USD	5	(110,769)
If RMB strengthens against USD	–5	110,769
If RMB weakens against BRL	5	37,762
If RMB strengthens against BRL	–5	(37,762)
If RMB weakens against other currencies	5	75,996
If RMB strengthens against other currencies	–5	(75,996)

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (Continued)

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

	2013	2012
	RMB'000	RMB'000
Monetary assets		
Trade and bills receivables and other receivables		
– In USD	**1,710,898**	967,452
– In BRL	**974,512**	1,543,939
– Others	**3,049,255**	5,403,551
	5,734,665	7,914,942
Term deposits, pledged deposits and bank balances and cash		
– In USD	**3,022,629**	1,451,467
– In BRL	**45,120**	170,073
– Others	**2,842,566**	2,485,081
	5,910,315	4,106,621
Total	**11,644,980**	12,021,563
Monetary liabilities		
Trade and bills payables and other payables		
– In USD	**1,493,592**	895,543
– In BRL	**664,689**	707,024
– Others	**4,149,889**	4,473,635
	6,308,170	6,076,202
Bank and other loans		
– In USD	**8,536,736**	4,477,224
– Others	**1,293,819**	1,388,435
	9,830,555	5,865,659
Total	**16,138,725**	11,941,861

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

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

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

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

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Less than 1 year and on demand RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2013					
Non-derivative financial liabilities					
Bank and other loans	9,553,155	2,113,001	–	11,666,156	11,544,890
Trade and bills payables	16,493,674	–	–	16,493,674	16,493,674
Other payables and accruals	7,144,766	850,709	–	7,995,475	7,995,475
Amounts due to fellow subsidiaries	3,635	–	–	3,635	3,635
Amounts due to associates	71,774	–	–	71,774	71,774
Amount due to ultimate holding company	145,000	–	–	145,000	145,000
	33,412,004	2,963,710	–	36,375,714	36,254,448
Financial guarantee contracts	61,540	–	–	61,540	–
Contingent consideration payable and redemption liability	–	–	464,876	464,876	41,965
	33,473,544	2,963,710	464,876	36,902,130	36,296,413
Derivative – net settlement					
Derivative – financial instruments	418,918	79,955	–	498,873	498,873
Derivative – gross settlement					
Foreign exchange forward contracts					
– inflow	30,104,174	13,898,997	–	44,003,171	44,003,171
– outflow	34,108,173	13,884,011	–	47,992,184	47,992,184

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

Equity price risk

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

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For the purpose of analysing the equity price risk, the management used the sensitivity rate of 10% (2012: 10%) as a result of the less volatile financial market.

If the prices of the respective equity instruments had been 10% (2012: 10%) higher/lower, with all other variables held constant and based on their carrying amounts at the end of the reporting period, the equity and profit after tax as at 31 December 2013 increase/decrease by approximately RMB2,541,000 (2012: RMB3,314,000) and RMB1,443,000(2012: RMB1,958,000), respectively as a result of the changes in fair value of available-for-sale investments and financial assets at FVTPL.

c. Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Available-for-sale investments				
– Listed equity securities	**3,548**	–	–	**3,548**
– Unlisted equity securities	–	–	**20,266**	**20,266**
– Unlisted debt securities	–	–	**10,072**	**10,072**
– Listed debt securities	**26,391**	–	–	**26,391**
Financial assets at FVTPL	**19,236**	–	–	**19,236**
Derivative financial instruments	–	**515,401**	–	**515,401**
	49,175	**515,401**	**30,338**	**594,914**
Liabilities				
Derivative financial instruments	–	**498,873**	–	**498,873**
Contingent consideration payable and redemption liability	–	–	**41,965**	**41,965**
	–	**498,873**	**41,965**	**540,838**

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

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

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

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

(a) Financial instruments in level 1

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

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

(c) Financial instruments in level 3

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

	Redemption liability RMB'000	**Contingent consideration** RMB'000	**Available-for-sale investments** RMB'000
At 1 January 2012	–	–	2,728
Addition through business combination	(31,935)	(74,351)	–
Total gain or loss	–	(11,431)	–
Exchange realignment	–	215	100
At 1 January 2013	**(31,935)**	**(85,567)**	**2,828**
Additions	**–**	**–**	**27,545**
Total gain or loss	**19,531**	**57,487**	**–**
Exchange realignment	**(186)**	**(1,295)**	**(35)**
At 31 December 2013	**(12,590)**	**(29,375)**	**30,338**

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

No change in the fair value measurement for the level 3 instruments above being included in consolidated statement of profit or loss for the year ended 31 December 2012.

The contingent consideration for the 70% equity interest of TP Vision Group acquired is calculated based on 70% of TP Vision Group's averaged audited consolidated earnings before interests and taxes ("EBIT", as defined in the Share Purchase Agreement ("SPA") and the supplemental agreements) in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2014 or the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election receive the contingent consideration, times a multiple of four.

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

The valuation of contingent consideration payable and the redemption liability upon Philips' exercise of the put option are based on the projected EBIT forecasted by TP Vision Group's management. The key assumptions adopted in projecting the future EBIT are the same key assumptions used for trademark license impairment, which are disclosed in note 19.

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

On 20 January 2014, the Company entered into a term sheet with Philips pursuant to the proposed amendments to certain agreements on the contingent consideration to be paid to Philips for the 70% equity interest acquisition of TP Vision Group and the related Philip's put option for the remaining 30% equity interest. See note 48 for disclosure of events after the reporting period.

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value estimation (Continued)

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

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

d. Offsetting financial assets and financial liabilities

(a) Financial assets

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

	As at 31 December 2013			As at 31 December 2012		
	Gross amounts of recognised financial asset RMB'000	**Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000**	**Net amounts of financial assets presented in the consolidated statement of financial position RMB'000**	Gross amounts of recognised financial asset RMB'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000	Net amounts of financial assets presented in the consolidated statement of financial position RMB'000
Derivative financial assets	**337,927**	**–**	**337,927**	97,752	–	97,752
Trade and bills receivables	**48,690**	**–**	**48,690**	–	–	–
Prepayments, deposits and other receivables	**32,094**	**–**	**32,094**	207,843	–	207,843
Bank balances and cash	**333,921**	**–**	**333,921**	265,047	–	265,047
Total	**752,632**	**–**	**752,632**	570,642	–	570,642

5. FINANCIAL INSTRUMENTS (Continued)

d. Offsetting financial assets and financial liabilities (Continued)

(a) Financial assets (Continued)

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

		Related amounts not set off in the consolidated statement of financial position		
As at 31 December 2013	Net amounts of financial assets presented in the consolidated statement of financial position RMB'000	Financial liabilities RMB'000	Cash collateral received RMB'000	Net amount RMB'000
Counterparty A	111,396	(111,396)	–	–
Counterparty B	84,003	(84,003)	–	–
Counterparty C	80,827	(80,827)	–	–
Counterparty D	48,690	(48,690)	–	–
Counterparty E	33,563	(33,563)	–	–
Counterparty F	35,173	(35,173)	–	–
Counterparty G	38,386	(32,978)	–	5,408
Others	320,594	(161,507)	–	159,087
Total	752,632	(588,137)	–	164,495

5. FINANCIAL INSTRUMENTS (Continued)

d. Offsetting financial assets and financial liabilities (Continued)

(a) Financial assets (Continued)

As at 31 December 2012	Net amounts of financial assets presented in the consolidated statement of financial position RMB'000	Related amounts not set off in the consolidated statement of financial position		
		Financial liabilities RMB'000	Cash collateral received RMB'000	Net amount RMB'000
Counterparty E	21,748	(21,748)	–	–
Counterparty A	20,220	(20,220)	–	–
Counterparty G	16,267	(16,267)	–	–
Counterparty H	14,136	(14,136)	–	–
Counterparty I	150,902	(8,699)	–	142,203
Counterparty J	41,717	(12,929)	–	28,788
Counterparty K	139,054	(12,156)	–	126,898
Others	166,598	(82,711)	–	83,887
Total	570,642	(188,866)	–	381,776

5. FINANCIAL INSTRUMENTS (Continued)

d. Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities

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

	As at 31 December 2013			As at 31 December 2012		
	Gross amounts of recognised financial liabilities RMB'000	**Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000**	**Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000**	Gross amounts of recognised financial liabilities RMB'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000	Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000
Derivative financial assets	**498,873**	**–**	**498,873**	398,513	–	398,513
Bank and other loans	**1,094,833**	**–**	**1,094,833**	933,560	–	933,560
Other payables and accruals	**1,745,256**	**–**	**1,745,256**	2,285,301	–	2,285,301
Total	**3,338,962**	**–**	**3,338,962**	3,617,374	–	3,617,374

5. FINANCIAL INSTRUMENTS (Continued)

d. Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities (Continued)

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

As at 31 December 2013	Net amounts of financial liabilities in the consolidated statement of financial position RMB'000	Related amounts not set off in the consolidated statement of financial position		
		Financial assets RMB'000	Cash collateral pledged RMB'000	Net amount RMB'000
Counterparty A	**336,592**	**(111,396)**	**–**	**225,196**
Counterparty B	**209,843**	**(84,003)**	**–**	**125,840**
Counterparty C	**220,153**	**(80,827)**	**–**	**139,326**
Counterparty D	**48,690**	**(48,690)**	**–**	**–**
Counterparty E	**341,750**	**(33,563)**	**–**	**308,187**
Counterparty F	**160,915**	**(35,173)**	**–**	**125,742**
Counterparty G	**32,978**	**(32,978)**	**–**	**–**
Counterparty L	**243,876**	**(6,097)**	**–**	**237,779**
Counterparty M	**185,419**	**(11,090)**	**–**	**174,329**
Others	**1,558,746**	**(144,320)**	**–**	**1,414,426**
Total	**3,338,962**	**(588,137)**	**–**	**2,750,825**

5. FINANCIAL INSTRUMENTS (Continued)

d. Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities (Continued)

As at 31 December 2012	Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000	Related amounts not set off in the consolidated statement of financial position		
		Financial assets RMB'000	Cash collateral pledged RMB'000	Net amount RMB'000
Counterparty E	120,084	(21,748)	–	98,336
Counterparty A	77,507	(20,220)	–	57,287
Counterparty G	119,707	(16,267)	–	103,440
Counterparty H	85,483	(14,136)	–	71,347
Counterparty J	12,929	(12,929)	–	–
Counterparty N	426,157	(478)	–	425,679
Counterparty O	349,210	(365)	–	348,845
Counterparty C	457,943	(10,195)	–	447,748
Counterparty P	278,190	(119)	–	278,071
Counterparty M	375,295	(220)	–	375,075
Counterparty Q	368,500	(251)	–	368,249
Others	946,369	(91,938)	–	854,431
Total	3,617,374	(188,866)	–	3,428,508

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

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

6. CAPITAL RISK MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2013 and 2012.

7. TURNOVER, OTHER INCOME AND GAINS

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

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

	2013 **RMB'000**	2012 RMB'000
Turnover		
Sale of goods	**92,524,382**	95,673,875
Rendering of services	**80,263**	73,068
Gross rental income (note a)	**211,557**	137,362
	92,816,202	95,884,305

7. TURNOVER, OTHER INCOME AND GAINS (Continued)

	2013 RMB'000	2012 RMB'000
Other income		
Bank interest income	**265,296**	188,713
Dividend income from unlisted available-for-sale investments	**20,808**	4,875
Government grants (note b)	**263,534**	262,583
Sale of scrap materials	**63,313**	47,903
Brand promotion fee income (note 46(a)(vii))	**530,280**	863,025
Compensation for product launch delay (note 46(a)(vii))	**607**	255,258
Reversal of impairment of trade receivables (note 24)	**32,743**	32,466
Reversal of impairment of other receivables (note 25)	**201**	14,341
Reversal of provisions for products warranties (note 32)	**52**	8,275
Other tax refund	**4,172**	–
Others	**67,050**	51,044
	1,248,056	1,728,483
Gains		
Fair value gain on investment properties (note 18)	**98,814**	31,347
Fair value gain of financial assets at FVTPL	**–**	2,676
Gain from bargain purchase of subsidiaries (note 39)	**–**	161,154
Gain on deemed acquisition of additional interests of an associate (note 20(a)(i))	**2,987**	12,395
Net realised and unrealised gain on cross currency swaps	**–**	16,039
Gain on disposal of intangible assets	**17,706**	–
Gain on disposal of available-for-sale investments	**21,124**	–
Gain on disposal of property, plant and equipment	**60,058**	–
Gain on disposal of equity investments at FVTPL	**4,000**	–
Reversal of trademark license fee payable (note c)	**341,948**	–
Gain on remeasurement of contingent consideration payable and redemption liability for written put option over shares in a subsidiary (note d)	**77,018**	–
Gain on disposal of investment properties	**9,640**	28,570
	633,295	252,181
	1,881,351	1,980,664

7. TURNOVER, OTHER INCOME AND GAINS (Continued)

Notes:

a.

	2013 RMB'000	2012 RMB'000
Gross rental income	**211,557**	137,362
Less: direct expenses (included in cost of sales)	**(129,419)**	(79,181)
Net rental income	**82,138**	58,181

b. Included in the amount of government grants recognised during the year ended 31 December 2013 of approximately RMB256,552,000 (2012: RMB247,678,000) were received in respect of certain research projects of the Group and fulfilled the relevant granting criteria which immediately recognised as other income for the year and of approximately RMB6,982,000 (2012: RMB14,905,000) were government grants recognised as deferred income utilised during the year (note 36).

c. Trademark license fee payable included the estimated royalty that the Group is obligated to pay to Philips under the Trademark License Agreement signed between Philips and the Group in relation to the use of the Philips' brand. The estimated trademark license fee payable is determined based on the discounted cash flow of the forecasted sales during the licensed period. During the year ended 31 December 2013, management has reassessed the forecasted sales in coming years based on assumption of revenue growth rate from 0.3% to 8.7% from 2014 to 2017, and considers the estimated cash outflow would be lower than the previous expected amount. Thus, a reversal of trademark license fee payable of RMB341,948,000 was recognised in the profit or loss.

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

8. SEGMENT INFORMATION

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

The segment information of the Group is organised in the following basis:

(a) the TV segment produces televisions;

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

8. SEGMENT INFORMATION (Continued)

(c) the monitor segment produces monitors;

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

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

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

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

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

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

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

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

Inter-segment sales are charged at prevailing market rates.

8. SEGMENT INFORMATION (Continued)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the two years ended 31 December 2013 and 2012.

	TV RMB'000	TP Vision – TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Consolidated RMB'000
Year ended 31 December 2013								
Segment revenue								
Sales to external customers	12,182,712	18,859,602	35,342,116	17,612,794	385,959	391,755	8,041,264	92,816,202
Intersegment sales	10,160,049	–	–	2,672	–	2,560	–	10,165,281
	22,342,761	18,859,602	35,342,116	17,615,466	385,959	394,315	8,041,264	102,981,483
Elimination								(10,165,281)
Consolidated revenue								92,816,202
Segment results before increase in fair value of investment properties	84,459	(1,472,613)	1,224,998	10,528	30,178	(16,357)	(12,602)	(151,409)
Increase in fair value of investment properties	–	–	–	–	–	98,814	–	98,814
Segment results after increase in fair value of investment properties	84,459	(1,472,613)	1,224,998	10,528	30,178	82,457	(12,602)	(52,595)
Unallocated gains								573,749
Net realised and unrealised gain on foreign exchange forward contacts								198,093
Corporate and other unallocated expenses								(162,342)
Finance costs								(708,313)
Share of results of associates and joint ventures								46,504
Profit before tax								(104,904)
At 31 December 2013								
Assets and liabilities								
Segment assets	7,162,033	6,348,668	14,213,035	4,889,336	3,113,882	1,242,569	1,887,787	38,857,310
Corporate and other unallocated assets								15,379,632
Total assets								54,236,942
Segment liabilities	6,062,831	5,373,970	9,967,298	1.737,473	984,187	–	2,065,840	26,191,599
Corporate and other unallocated liabilities								13,157,365
Total liabilities								39,348,964

8. SEGMENT INFORMATION (Continued)

	TV RMB'000	TP Vision – TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Consolidated RMB'000
Year ended 31 December 2012 (Restated)								
Segment revenue								
Sales to external customers	14,360,198	17,149,314	36,458,670	16,561,380	3,326,360	137,362	7,891,021	95,884,305
Intersegment sales	7,697,343	–	44,405	–	–	27,731	30,132	7,799,611
	22,057,541	17,149,314	36,503,075	16,561,380	3,326,360	165,093	7,921,153	103,683,916
Elimination								(7,799,611)
Consolidated revenue								95,884,305
Segment results before increase in fair value of investment properties	70,733	237,749	54,000	13,023	25,506	30,671	60,270	491,952
Increase in fair value of investment properties	–	–	–	–	–	31,347	–	31,347
Segment results after increase in fair value of investment properties	70,733	237,749	54,000	13,023	25,506	62,018	60,270	523,299
Unallocated gains								487,383
Net realised and unrealised gain on foreign exchange forward contacts								173,741
Corporate and other unallocated expenses								(344,620)
Finance costs								(493,002)
Share of results of associates and joint ventures								42,836
Profit before tax								389,637
At 31 December 2012 (Restated)								
Assets and liabilities								
Segment assets	11,628,885	4,354,536	16,284,274	3,031,253	1,819,841	1,458,451	2,071,259	40,648,499
Corporate and other unallocated assets								12,029,633
Total assets								52,678,132
Segment liabilities	6,320,686	6,608,883	10,041,614	1,120,120	1,243,175	–	2,182,175	27,516,653
Corporate and other unallocated liabilities								9,796,841
Total liabilities								37,313,494

8. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 December 2013	TV RMB'000	TP Vision-TV business RMB'000	Monitor RMB'000	Electronic parts and components RMB'000	Computer RMB'000	Property investment RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation and amortisation	506,667	431,544	291,464	381,789	75,145	–	35,038	–	1,721,647
Additions to non-current assets (note)	950,561	284,325	398,648	740,613	395,130	–	61,120	–	2, 830,397
Additions to non-current assets from acquisition of subsidiaries (note)	5,232	4,055	9,537	1,770	20,594	–	1,770	–	42,958
Impairment losses and allowance recognised	128,162	99,330	233,643	308,829	7,351	–	43,354	–	820,669
Impairment losses and allowance reversed	–	–	–	(32,944)	–	–	–	–	(32,944)
Reversal of trademark payable	(85,487)	(68,390)	(157,296)	–	–	–	(30,775)	–	(341,948)
Provision for product warranties and restructuring	304,950	236,347	555,931	148,504	–	–	103,156	–	1,348,888
Reversal of provision for product warranties	–	–	–	(52)	–	–	–	–	(52)
(Gain)/loss on disposal of property, plant and equipment	(7,621)	(5,907)	(13,894)	(29,999)	(59)	–	(2,578)	–	(60,058)
Gain on disposal of prepaid land lease payments	(125,066)	(96,931)	(227,411)	(22,287)	8	(32,771)	(42,307)	–	(546,765)
Gain on disposal of investment properties	–	–	–	–	–	(9,640)	–	–	(9,640)
Gain on disposal of intangible assets	–	–	–	(17,706)	–	–	–	–	(17,706)
Fair value gain on contingent consideration payable and redemption liability	(19,566)	(15,164)	(35,669)	–	–	–	(6,619)	–	(77,018)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:									
Bank interest income	(5,067)	(3,927)	(9,238)	(171,306)	(929)	(73,114)	(1,715)	–	(265,296)
Finance cost	152,775	118,406	279,227	56,837	–	49,389	51,679	–	708,313
Income tax expense	88,634	68,694	161,581	130,959	–	(34,832)	29,983	–	445,019
Impairment of available-for-sale investments	–	–	–	–	–	–	–	37,191	37,191
Change in fair value of financial assets at FVTPL	–	–	–	–	–	–	–	6,236	6,236
Gain on deemed acquisition of addition interests of an associate	–	–	–	–	–	–	–	(2,987)	(2,987)
Gain on deemed disposal of a subsidiary	–	–	–	–	–	–	–	(24,764)	(24,764)
Gain on disposal of available-for-sale investment	–	–	–	–	–	–	–	(21,124)	(21,124)
Share of results of jointly ventures and associates	—	–	–	–	–	–	–	(46.504)	(46.504)
Net realised and unrealised gain on foreign exchange forward contract, options, cross currency swaps and interest rate swaps	—	–	–	–	–	–	–	(171,824)	(171,824)

Note: Non-current assets excluded financial instruments, interests in associates, interests in joint ventures and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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

Note: Non-current assets excluded financial instruments, interests in associates, interests in joint ventures and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Other Segment information (Continued)

Geographical information

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

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

	Turnover by geographical market	
	2013	2012
	RMB'000	RMB'000
The PRC (including Hong Kong)	**24,116,725**	24,961,280
Europe	**27,105,916**	28,056,211
Asia Pacific (excluding the PRC)	**9,522,855**	9,856,601
North America	**12,391,749**	12,826,987
Others	**19,678,957**	20,183,226
	92,816,202	95,884,305

Information about the Group's non-current assets is presented based on the geographical location of the assets. At the end of the reporting period, the total amount of approximately RMB5,353,041,000 (2012: RMB5,353,082,000) of non-current assets other than available-for-sale investments, prepayment, deposits and other receivables, term deposits, pledged deposits, derivative financial instruments and deferred income tax assets were located in the PRC, and the total amount of approximately RMB6,345,038,000 (2012: RMB5,767,870,000) of these non-current assets were located in other countries.

Information about major customers

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

9. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank and other loans, wholly repayable within five years	**383,321**	256,725
Interest on subordinated loans, wholly repayable within five years	**43,329**	49,815
Unwinding of interests on license fee payable	**288,418**	189,315
Total borrowing costs	**715,068**	495,855
Less: amounts capitalised	**(6,755)**	(2,853)
	708,313	493,002

Borrowing cost were capitalised at the weighted average rate of specific borrowing of 7.43%. (2012:7.53%)

10. (LOSS) PROFIT BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Staff costs, including directors' emoluments (note 11):			
Wages and salaries		**4,135,021**	4,185,076
Share option granted to directors and employees of a subsidiary		**7,258**	15,593
Contributions to defined benefit plan (note 33)		**11,284**	4,715
Contributions to retirement benefits schemes		**214,411**	202,378
		4,367,974	4,407,762
Cost of inventories sold		**86,556,043**	89,391,435
Cost of services provided		**55,983**	58,585
Depreciation of property, plant and equipment	16	**1,297,695**	1,284,191
Amortisation of prepaid land lease payments (included in administrative and other operating expenses)		**32,781**	15,736
Amortisation of intangible assets	19	**391,171**	371,878
Acquisition related cost	39	**81**	27,887
Auditors' remuneration		**35,645**	29,562
Minimum lease payment under operating leases of land, buildings and machinery		**247,766**	264,810
Impairment of trade and bills receivables (included in administrative and other operating expenses)	24	**91,830**	209,997
Impairment of other receivables (included in administrative and other operating expenses)	25	**–**	960
Impairment of available-for-sale investments (included (included in administrative and other operating expenses)		**37,191**	25,577
Allowance for inventories (included in cost of sales)		**346,177**	150,676
Additional provision for product warranties and restructuring	32	**1,348,888**	1,157,314
Loss on disposal of property, plant and equipment		**–**	8,045
Loss on disposal of equity investments at FVTPL		**–**	227
Loss on disposal of available-for-sale investments		**–**	886
Fair value loss of financial assets at FVTPL		**6,236**	–
Net realised and unrealised loss on interest rate swaps		**–**	31,062
Net realised and unrealised loss on cross currency swaps		**26,269**	–
Fair value loss on contingent consideration payable (included in administrative and other operating expenses)	37	**–**	11,431
Foreign exchange difference, net		**203,658**	116,714

11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

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

For the year ended 31 December 2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Liu Liehong (Note (a))	–	–	–	–	–
Mr. Fu Qiang (Appointed on 18 June 2013) (Note (a))	–	–	–	–	–
Mr. Tam Man Chi	**100**	**3,556**	–	**196**	**3,852**
Mr. Yang Jun (Note (a))	–	–	–	–	–
Mr. Xu Haihe (Appointed on 18 June 2013) (Note (a))	–	–	–	–	–
Mr. Du Heping (Note (b))	–	**453**	**463**	–	**916**
Mr. Lu Ming (Resigned on 18 June 2013) (Note (a))	–	–	–	–	–
Mr. Su Duan (Resigned on 18 June 2013) (Note (a))	–	–	–	–	–
	100	**4,009**	**463**	**196**	**4,768**
Independent non-executive directors					
Mr. Yao Xiaocong	**100**	–	–	–	**100**
Mr. James Kong Tin Wong	**100**	–	–	–	**100**
Mr. Zeng Zhijie	**100**	–	–	–	**100**
	300	–	–	–	**300**
Supervisors					
Ms. Kong Xueping	–	–	–	–	–
Ms. Song Jianhua	–	–	–	–	–
Ms. Lang Jia	–	–	–	–	–
	–	–	–	–	–
Total	**400**	**4,009**	**463**	**196**	**5,068**

Notes:

(a) The directors' emoluments were borne by CEC, the ultimate holding company of the Company, for the year ended 31 December 2013. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to CEC.

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

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

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

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

Notes:

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

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

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

One (2012: two) executive director of the Company is entitled to bonus payments which are determined as percentage of the profit after tax of certain subsidiaries of the Group during the year ended 31 December 2013.

There was no arrangement under which a director, the chief executive or supervisor waived or agreed to waive any emoluments during the two years ended 31 December 2013 and 2012.

During the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors, the chief executive and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. The remuneration of directors and the chief executive is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2013 included one (2012: one) director details of whose emoluments are set out in note 11 above. Details of the remuneration of the remaining four (2012: four) non-directors, highest paid employees for the year are as follows:

	2013 **RMB'000**	2012 RMB'000
Salaries, allowances and benefits in kind	**22,167**	21,082
Retirement benefit scheme	**196**	176
	22,363	21,258

12. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of employees	
	2013	2012
HK$5,500,001 to HK$6,000,000 (2013: equivalent to RMB4,395,656 to RMB4,795,260; 2012: equivalent to RMB4,476,286 to RMB4,883,220)	**1**	3
HK$6,000,001 to HK$6,500,000 (2013: equivalent to RMB4,795,261 to RMB5,194,865; 2012: equivalent to RMB4,883,221 to RMB5,194,865)	**1**	–
HK$6,500,001 to HK$7,000,000 (2013: equivalent to RMB5,194,866 to RMB5,594,470; 2012: equivalent to RMB5,290,136 to RMB5,697,068)	**1**	–
HK$8,000,001 to HK$8,500,000 (2013: equivalent to RMB6,393,681 to RMB6,793,285; 2012: equivalent to RMB6,510,961 to RMB6,917,895)	**–**	1
HK$8,500,001 to HK$9,000,000 (2013: equivalent to RMB6,793,286 to RMB7,192,890; 2012: equivalent to RMB6,917,870 to RMB7,324,802)	**1**	–
	4	4

13. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax		
Hong Kong	**23,654**	20,131
PRC EIT and overseas income tax		
– Current year	**482,375**	513,872
– Carry-back of current year tax loss against taxable profit	**(52,824)**	–
– (Over)/under provision in prior years	**(2,359)**	5,582
	427,192	519,454
	450,846	539,585
Deferred tax		
– Current year (note 35)	**(5,827)**	(279,775)
– Attributable to a change in tax rate (note 35)	**–**	(1,863)
	(5,827)	(281,638)
Total tax charge for the year	**445,019**	257,947

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

(b) PRC EIT

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

13. INCOME TAX EXPENSE (Continued)

(c) Overseas income tax

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

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

	2013	2012
	RMB'000	RMB'000
		(Restated)
(Loss) profit before tax	**(104,904)**	389,637
Tax at the applicable tax rate at 25% (2012: 25%)	**(26,226)**	97,409
(Over)/under provision in prior years	**(2,359)**	5,582
Effect of different tax rate of subsidiaries' operations in other jurisdictions and tax on concessionary rate	**11,801**	3,969
Effect on opening deferred tax of increase in tax rates	**–**	1,863
Tax effect of share of results of associates and joint ventures	**(11,626)**	(10,889)
Tax effect of income not taxable for tax purpose	**(309,371)**	(450,127)
Tax effect of expenses not deductible for tax purpose	**507,096**	382,596
Withholding tax on undistributable profits	**15,384**	12,594
Utilisation of tax losses previously not recognised	**(13,921)**	(14,749)
Tax effect of tax losses and deductible temporary differences not recognised	**274,241**	229,699
Tax charge for the year	**445,019**	257,947

Details of deferred tax are set out in note 35.

14. DIVIDENDS

Neither dividend was proposed during the year ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of approximately RMB73,919,000 (2012: loss of RMB160,651,000) and on the weighted average number of approximately 1,197,742,000 (2012: 1,197,742,000) ordinary shares in issue during the year.

Diluted earnings (loss) per share was the same as the basic loss per share because there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2013 and 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong RMB'000	Leasehold land and buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2012	109,762	3,339,747	5,190,622	58,883	508,019	9,207,033
Additions	–	4,495	961,213	975	632,177	1,598,860
Acquisition of subsidiaries	–	265,879	493,579	642	103,270	863,370
Disposals	–	–	(122,826)	(387)	–	(123,213)
Transfer	–	–	577,231	–	(577,231)	–
Transfer to investment properties (note 18)	–	(33,698)	–	–	–	(33,698)
Transfer to prepaid land lease payments	–	–	–	–	(10,194)	(10,194)
Transfer from investment properties (note 18)	–	6,242	–	–	–	6,242
Exchange realignment	(8,049)	(47,834)	(96,007)	(1,178)	(5,008)	(158,076)
At 31 December 2012 and 1 January 2013	101,713	3,534,831	7,003,812	58,935	651,033	11,350,324
Additions	6,050	150,214	1,243,914	10,942	588,469	1,999,589
Addition through business combination	–	–	9,535	–	–	9,535
Disposals	(23,551)	(192,671)	(866,856)	(2,508)	–	(1,085,586)
Transfer	–	374,077	353,965	1,674	(729,716)	–
Transfer from investment properties (note 18)	–	42,865	–	–	–	42,865
Transfer to investment properties (note 18)	–	(144,882)	–	–	–	(144,882)
Eliminated through deemed disposal of a subsidiary	–	–	(3,504)	–	–	(3,504)
Exchange realignment	(5,426)	(46,869)	(98,380)	(1,260)	(2,979)	(154,914)
At 31 December 2013	78,786	3,717,565	7,642,486	67,783	506,807	12,013,427

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land outside Hong Kong RMB'000	Leasehold land and buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	–	585,957	2,674,770	33,351	–	3,294,078
Impairment	–	10,659	108,143	–	11,612	130,414
Depreciation provided during the year	–	150,391	1,121,743	12,057	–	1,284,191
Transfer to investment properties (note 18)	–	(11,618)	–	–	–	(11,618)
Eliminated on disposals	–	–	(76,512)	(356)	–	(76,868)
Exchange realignment	–	(11,760)	(47,997)	(663)	–	(60,420)
At 31 December 2012 and 1 January 2013	–	723,629	3,780,147	44,389	11,612	4,559,777
Impairment	–	10,659	86,282	–	8,084	105,025
Depreciation provided during the year	–	141,094	1,144,832	11,769	–	1,297,695
Transfer to investment properties (note 18)	–	(14,627)	–	–	–	(14,627)
Eliminated on disposals	–	(86,093)	(238,285)	(2,064)	–	(326,442)
Eliminated on deemed disposal of a subsidiary	–	–	(588)	–	–	(588)
Exchange realignment	–	(20,051)	(56,250)	(565)	–	(76,866)
At 31 December 2013	–	754,611	4,716,138	53,529	19,696	5,543,974
NET BOOK VALUE						
At 31 December 2013	78,786	2,962,954	2,926,348	14,254	487,111	6,469,453
At 31 December 2012	101,713	2,811,202	3,223,665	14,546	639,421	6,790,547

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

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

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

During the year ended 31 December 2013, the directors of the Company conducted a review of the Group's assets related to electronic parts and components segment and determined that a number of those assets were impaired, due to continuous decrease in demand. Accordingly, impairment loss of approximately RMB105,025,000 (2012: RMB130,414,000) has been recognised in respect of plant, machinery and equipment, certain construction in progress and leasehold land and buildings. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 10% (2012: 10%) in relation to the assets.

At the end of the reporting period, certain of the Group's leasehold land and buildings with carrying value of approximately RMB108,933,000 (2012: RMB104,877,000) were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 30.

17. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purposes as:

	2013	2012
	RMB'000	RMB'000
Current asset	**34,315**	18,792
Non-current asset	**1,163,641**	666,629
	1,197,956	685,421

The Group's prepaid land lease payments comprise:

	2013	2012
	RMB'000	RMB'000
Outside Hong Kong:		
Long lease	**263,666**	13,712
Medium-term lease	**934,290**	671,709
	1,197,956	685,421

17. PREPAID LAND LEASE PAYMENTS (Continued)

During the year ended 31 December 2013, two pieces of land with carrying value of approximately RMB88,093,000 and RMB98,044,000 were disposed of to Fuqing Municipal People's Government and 深圳市土地儲備中心 at a consideration of approximately RMB576,690,000 and RMB 156,212,000 and resulted in a gain on disposal of approximately RMB488,597,000 and RMB 58,168,000 being recognised in profit or loss, respectively. The consideration receivable of the remaining balance from Fuqing Municipal People's Government of approximately RMB530,345,000 were included in other receivable (note 25), of which approximately RMB 201,387,000 repayable in 2014 is classified as current portion and RMB328,958,000 repayable in 2015 is classified as non-current portion.

During the year ended 31 December 2013, the Group paid approximately RMB595,130,000 to Shenzhen Urban Planning and Land Resources Committee as consideration of a piece of land to change from industrial usage to industrial and commercial building usage, and approximately RMB53,911,000 to the same committee as consideration to acquire a piece of land.

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

18. INVESTMENT PROPERTIES

	2013 **RMB'000**	2012 RMB'000
At fair value		
Balance at beginning of year	**1,458,451**	1,477,954
Disposal	**(26,837)**	(66,100)
Transfer from property, plant and equipment (note 16)	**130,255**	22,080
Net revaluation gain recognised in equity	**253,874**	–
Transfer to property, plant and equipment (note 16)	**(42,865)**	(6,242)
Fair value gains recognised in the consolidated income statement	**98,814**	31,347
Exchange realignment	**(13,220)**	(588)
Balance at the end of the year	**1,858,472**	1,458,451

18. INVESTMENT PROPERTIES (Continued)

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

	2013	2012
	RMB'000	RMB'000
Freehold land	**63,891**	63,891
Medium-term lease	**1,575,681**	1,154,360
Long lease	**218,900**	240,200
	1,858,472	1,458,451

The fair values of investment properties in PRC and Poland as at 31 December 2013, 31 December 2012 and date of transfer have been arrived at on the basis of valuations carried out on the respective dates by Dudley Surveyors Limited and Jones Lang Lasalle Sallmanns Limited, independent qualified professional valuers not connected to the Group.

The fair value of investment properties was determined based on the income approach, which has taken into account the comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential. The investment properties are leased to third parties under operating leases. There has been no change to the valuation technique during the year.

At the end of the reporting period, certain of the Group's investment properties with the carrying amount of approximately RMB164,419,000 (2012: RMB157,316,000) were pledged to secure banking facilities granted to the Group, details of which are set out in note 30.

The Group leases out some of the buildings under operating leases. Certain investment properties had been taken up by the Group as its own premises and transferred to property, plant and equipment.

All of the Group's properties interests held under operating leases to earn rentals and measured using the fair value model and are classified and accounted for as investment properties. Gross rental income generated for the investment properties during the year amounted to approximately RMB211,557,000 (2012: RMB137,362,000) (note 7).

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Fair value as at Level 3 31/12/2013 RMB'000
Residential property units located in:	
PRC	303,332
Commercial property units located in:	
PRC	939,237
Industrial property units located in:	
PRC	555,570
Poland	60,333
	1,858,472

There were no transfers between levels of fair value hierarchy during the year.

The following tables give information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

18. INVESTMENT PROPERTIES (Continued)

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2013				
Residential properties in PRC RMB303,332,000	Level 3	Income approach The key inputs are: 1. Market unit rent 2. Market yield;	Market unit rent, using the direct market comparables and taking into account of location and other individual factors, of range from RMB21 sq.m. to RMB28.29 sq. m. per month. Market yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received of from 2.01% to 5.89%	The increase in the market unit rent would result in a increase in fair value. The increase in the market yield would result in a decrease in fair value.
Commercial properties in PRC RMB939,237,000	Level 3	Income approach The key inputs are: 1. Market unit rent 2. Market yield;	Market unit rent, using the direct market comparables and taking into account of location and other individual factors, of range from RMB17.67 sq.m. to RMB161.78 sq.m per month. Market yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received of from 5.54% to 22.07%	The increase in the market unit rent would result in a increase in fair value. The increase in the market yield would result in a decrease in fair value.

18. INVESTMENT PROPERTIES (Continued)

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Industrial properties in PRC RMB555,570,000	Level 3	Income approach The key inputs are: 1. Market unit rent 2. Market yield;	Market unit rent, using the direct market comparables and taking into account of location and other individual factors, of range from RMB0.56 sq. m. to RMB 1.80 sq.m. per month.	The increase in the market unit rent would result in a increase in fair value.
			Market yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received of 8.2%.	The increase in the market yield would result in a decrease in fair value.
Industrial properties in Poland RMB60,333,000	Level 3	Income capitalisation approach The key inputs are: 1. Market unit rent 2. Capitalisation rate;	Market unit rent, using the direct market comparables and taking into account of location and other individual factors, of range from RMB27.5 sq. m. to RMB38 sq. m. per month.	The increase in the market unit rent would result in a increase in fair value.
			Capitalisation rate, ranged from 8.5% to 10.5%	The increase in the capitalisation rate would result in a decrease in fair value.

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

18. INVESTMENT PROPERTIES (Continued)

The reconciliation of level 3 fair value measurements of investment properties is as follows:

	Residential properties in PRC	Commercial properties in PRC	Industrial properties in PRC	Industrial properties in Poland	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	273,632	944,851	175,154	64,814	1,458,451
Disposal	–	(26,837)	–	–	(26,837)
Transfer from property, plant and equipment	–	12,400	371,729	–	384,129
Transfer to property, plant and equipment	–	(42,865)	–	–	(42,865)
Total gain included in profit or loss	29,700	51,688	19,263	(1,837)	98,814
Exchange realignment	–	–	(10,576)	(2,644)	(13,220)
	303,332	939,237	555,570	60,333	1,858,472

The above changes in fair value recognised in profit or loss of approximately HK$98,814,000 are included in "Other income and gains" and is attributable to the change in unrealised gains or losses relating to investment properties held at the end of the reporting period.

19. INTANGIBLE ASSETS

	Goodwill RMB'000	Patents and licences RMB'000	Technology acquired RMB'000	Software RMB'000	Trademark RMB'000	Others RMB'000	Total RMB'000
COST							
At 1 January 2012	30,069	48,573	88,748	7,263	426,552	–	601,205
Acquired through acquisition of subsidiaries (note 39)	22,433	–	–	–	1,230,305	118,211	1,370,949
Additions	–	63	–	59,712	–	–	59,775
Disposal	–	–	–	(417)	–	–	(417)
Exchange realignment	368	2,702	(466)	691	(22,321)	(3,796)	(22,822)
At 31 December 2012 and 1 January 2013	52,870	51,338	88,282	67,249	1,634,536	114,415	2,008,690
Acquired through acquisition of subsidiaries (note 39)	7,756	–	–	–	–	3,303	11,059
Additions	–	3,943	–	179,105	–	5,474	188,522
Disposal	–	–	–	(569)	–	–	(569)
Eliminated upon deemed disposal of a subsidiary	–	–	–	(13,326)	–	–	(13,326)
Exchange realignment	(67)	(730)	(14)	(10,769)	(20,022)	(5,792)	(37,394)
At 31 December 2013	60,559	54,551	88,268	221,690	1,614,514	117,400	2,156,982
Amortisation							
At 1 January 2012	–	47,623	86,913	3,606	113,174	–	251,316
Amortisation provided during the year	–	262	675	1,492	289,247	80,202	371,878
Eliminated on disposals	–	–	–	(59)	–	–	(59)
Exchange realignment	–	2,597	(1)	24	(1,095)	(2,575)	(1,050)
At 31 December 2012 and 1 January 2013	–	50,482	87,587	5,063	401,326	77,627	622,085
Amortisation provided during the year	–	231	675	32,566	325,506	32,193	391,171
Impairment	–	–	–	–	277,637	–	277,637
Eliminated on disposals	–	–	–	(569)	–	–	(569)
Exchange realignment	–	(518)	(14)	(10,761)	(19,337)	(5,249)	(35,879)
At 31 December 2013	–	50,195	88,248	26,299	985,132	104,571	1,254,445
Carrying values							
At 31 December 2013	60,559	4,356	20	195,391	629,382	12,829	902,537
At 31 December 2012	52,870	856	695	62,186	1,233,210	36,788	1,386,605

19. INTANGIBLE ASSETS (Continued)

Notes:

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

(ii) Amortisation charge for the Group is included in "cost of sales" and "administrative and other operating expenses" amounted to RMB361,183,000 (2012: RMB281,597,000) and RMB29,988,000 (2012: RMB90,281,000) respectively in the consolidated statement of profit or loss.

Impairment test on goodwill

For the purposes of impairment testing, goodwill with indefinite useful lives acquired in business combination has been allocated to four (2012: three) individual CGUs, being PI International Holdings Limited ("PI International Holdings"); Suzhou Jinguan Technology Company Limited ("Suzhou Jinquan"); Qingdao Haier Electronics Limited ("Haier Electronics") and 合肥凱威帝爾有限公司 ("Hefei Kaidi"). The carrying values of goodwill at the end of reporting period allocated to these units are as follows:

	2013	2012
	RMB'000	RMB'000
PI International Holdings	**22,642**	22,709
Suzhou Jinquan	**7,728**	7,728
Haier	**7,756**	–
Hefei Kaidi	**22,433**	22,433
	60,559	52,870

The Group conducted impairment review on goodwill attributable to each of the respective CGUs concerned as at 31 December 2013 by reference to the estimated recoverable amounts. The recoverable amounts of the relevant CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of approximately ranged from 12% to 13% (2012: 10% to 11%). The cash flows beyond the five-year period are extrapolated using the average growth rate ranging of 3 – 4% (2012: 3% – 4%). These average growth rates are based on the relevant industry growth rates for casts and do not exceed the average long-term growth rate for the relevant industry.

19. INTANGIBLE ASSETS (Continued)

Impairment test on goodwill (Continued)

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

Impairment test for trademark

The Group tests whether the trademark license intangible asset for China and outside China TV business is subject to any impairment in accordance with the accounting policy stated in note 3 of this consolidated financial statements. During the year ended 31 December 2013, management considered there was impairment indicator in relation to the trademark licenses due to continuous losses suffered by the businesses as a result of lower sales and gross profit margin than previously forecasted. Management has performed an assessment on the recoverable amount of the trademark licenses. The recoverable amount of these trademarks was determined based on value-in-use calculations. The value-in-use calculations used for trademark license of China business used pre-tax cash flow projections based on financial budgets approved by management covering the remaining two years of the license period. The value-in-use calculations for trademark license of outside China business used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the budgeted period were extrapolated using the estimated growth rate of 3% (2012: 3%) which is consistent with the expected inflation rate. The growth rate does not exceed the long-term average growth rate for the TV business in which the Group operates.

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

The discount rate applied for trademark license of China business and outside China business are 10% and 28% respectively, which are pre-tax and reflects specific risks relating to the Group and the industry it operates within.

19. INTANGIBLE ASSETS (Continued)

Impairment test for trademark (Continued)

After taking into account the expected operating environment and market conditions, trademarks for China and outside China business were impaired by RMB70,739,000 and RMB206,898,000 for the year ended 31 December 2013. Recoverable amounts of the trademarks for China and outside China business are same as their carrying amounts as at 31 December 2013.

If the forcasted revenue growth rates had been lowered by 10 percentage points, a further impairment of approximately RMB6,457,000 would result for the trademark for China business.

If the forecasted gross profit margin had been lowered by 1.0 percentage point, a further impairment of approximately RMB15,620,000 wourld result for the trademark fo China business.

If the forecased revenue growth rate had been lowered/increased by 10%, a further/reduced impairment of approximately RMB187,035,000/RMB205,246,000 would result for the trademark for outside China business.

If the forecased gross profit margin had been lowered/increased by 0.1 percentage point, a further/reduced impairment of approximately RMB99,306,000/RMB119,999,000 would result for the trademark for outside China business.

20. INTERESTS IN ASSOCIATES

	2013	2012
	RMB'000	RMB'000
Cost of investment in associates		
Listed in Hong Kong	**64,319**	64,319
Unlisted	**921,895**	785,242
	986,214	849,561
Share of post-acquisition (losses) and other comprehensive (expenses), net of dividends received	**15,513**	(42,035)
Share of net assets (note a)	**1,001,727**	807,526
Loans to associates (note b)	**76,326**	76,326
Less: impairment	**(76,326)**	(76,326)
	1,001,727	807,526
Fair value of listed investments	**349,000**	398,715

20. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) Movements in the Group's interests in associates during the year are summarised below:

(i) During the year ended 31 December 2013, O-Net Communication Limited ("O-Net") repurchased certain number of shares from the public and cancelled them after completion of the repurchases. The Group's interests in O-Net had increased from 30.13% to 31.45% (2012: 27.32% to 30.13%) and a gain of deemed acquisition of approximately RMB2,987,000 (2012: RMB12,395,000) was recognised in profit or loss.

(ii) During the year ended 31 December 2013, CEC, the ultimate holding company of the Group, had injected RMB100 million into Xin An, a non-wholly owned subsidiary in prior years (note 40), as registered capital of Xin An. After the capital injection by CEC, the Group's absolute shareholding in Xin An decreased from 100% to 14.89%. Fair value of interests retained in Xin An amounted to approximately RMB12,775,000 was recognised as interest in associates during the year ended 31 December 2013. The fair value was determined with reference to the valuation performed by China Valuer International Co.,Ltd, an independent third party and taking into consideration after the capital injection. The Group is able to exercise significant influence over Xin An because it has the power to appoint one out of the three directors of that company under the Articles of Association of Xin An.

(iii) During the year ended 31 December 2013, the Group had injected additional capital into associates of approximately RMB39,119,000 and approximately RMB84,759,000 paid for newly incorporated associates.

(b) Loans to associates are unsecured, non-interest-bearing and is repayable after twelve months from the end of the reporting period. It was fully impaired in prior years.

20. INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's associates at the end of the reporting period are as follow:

Name	Form of entity	Place of incorporation/ registration and operations	Class of shares held	Proportion of ownership interest and proportion of voting rights held by the Group 2013	2012	Principal activities
O-Net	Limited liability company	Cayman Islands	Registered share captial of HK$100,000,000	**31.45%**	30.13%	Trading of fiber optic components and manufacture of fiber optic parts for optical communications networks. Integrated parts for optical communications networks and crystal parts for optical communications networks
KAISTAR Lighting Co., Ltd*. ("Kaistar")	Limited liability company	The PRC	Registered share captial of US$80,000,000	**44%**	44%	Sale and manufacturing of LED products
L&T Display Technology (Fujian) Limited ("L&T Fujian")	Limited liability company	The PRC	Registered share captial of US$17,000,000	**49%**	49%	Trading of LCD monitors/TVs
Xin An	Limited liability company	The PRC	Registered share captial of RMB120,000,000	**14.89%**	N/A	Trading of computer hardware and softwares

* English translation is for identification purpose

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

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

20. INTERESTS IN ASSOCIATES (Continued)

O-Net

	2013 RMB'000	2012 RMB'000
Non-current assets	**505,594**	399,302
Current assets	**739,103**	888,830
Current liabilities	**(159,561)**	(162,128)
Non-current liabilities	**(4,810)**	–

	2013 RMB'000	2012 RMB'000
Revenue	**528,679**	591,983
Profit for the year	**10,689**	79,605
Other comprehensive income (expense) for the year	**24,144**	(374)
Total comprehensive income for the year	**34,833**	79,231
Dividend received from the associate during the year	**5,458**	5,567

Reconciliation of the above summarised financial information to the carrying amount of the interest in O-Net recognised in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Net assets of the associate	**1,080,326**	1,126,004
Proportion of the Group's ownership interest in O-Net	**31.45%**	30.13%
Carrying amount of the Group's interest in O-Net	**339,762**	339,265

20. INTERESTS IN ASSOCIATES (Continued)

Kaistar

	2013	2012
	RMB'000	RMB'000
Non-current assets	**760,705**	547,352
Current assets	**345,983**	228,926
Current liabilities	**(268,668)**	(62,817)
Non-current liabilities	**(84,739)**	(47,600)

	2013	2012
	RMB'000	RMB'000
Revenue	**266,299**	28,602
Profit (loss) for the year	**924**	(19,811)
Other comprehensive income for the year	**–**	–
Total comprehensive income (expense) for the year	**924**	(19,811)
Dividend received from the associate during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kaistar recognised in the consolidated financial statements:

	2013	2012
	RMB'000	RMB'000
Net assets of the associate	**753,281**	665,861
Proportion of the Group's ownership interest in Kaistar	**44%**	44%
Carrying amount of the Group's interest in Kaistar	**331,444**	292,979

20. INTERESTS IN ASSOCIATES (Continued)

L&T Fujian

	2013	2012
	RMB'000	RMB'000
Non-current assets	**182,627**	245,568
Current assets	**1,641,822**	1,289,508
Current liabilities	**(1,525,676)**	(1,280,218)
Non-current liabilities	**–**	–

	2013	2012
	RMB'000	RMB'000
Revenue	**6,745,140**	5,611,721
Profit for the year	**44,953**	72,640
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**44,953**	72,640
Dividend received from the associate during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in L&T Fujian recognised in the consolidated financial statements:

	2013	2012
	RMB'000	RMB'000
Net assets of the associate	**298,773**	254,858
Proportion of the Group's ownership interest in L&T Fujian	**49%**	49%
Carrying amount of the Group's interest in L&T Fujian	**146,399**	124,880

20. INTERESTS IN ASSOCIATES (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests that are not individually material and are accounted for using the equity method are set out below:

	2013 RMB'000	2012 RMB'000
The Group's share of profit	**23,545**	1,997
The Group's share of other comprehensive income (expense)	**3,792**	(4,292)
The Group's share of total comprehensive income (expense)	**27,337**	(2,289)
Dividend received during the year	**706**	11,569
Aggregate carrying amount of the Group's interests in	**184,122**	50,402

21. INTERESTS IN A JOINT VENTURE

	2013 RMB'000	2012 RMB'000
Cost of unlisted investments in a joint venture	**51,233**	51,233
Share of post-acquisition profit (losses) and other comprehensive income (expenses)	**(42,984)**	(40,039)
	8,249	11,194

21. INTERESTS IN A JOINT VENTURE (Continued)

All the joint ventures are accounted for using the equity method. Detail of the Group's joint venture at the end of the reporting period is as follow:

Name of entity	Form of entity	Place of incorporation/ registration and operations	Class of shares held	Proportion of ownership interest and proportion of voting rights held by the Group 2013	2012	Principal activities
BriVictory	Limited liability company	Malaysia and Poland	Ordinary shares	**49%**	49%	Trading of LCD monitor/TV

* English translation is for identification purpose

The directors are of the opinion that the joint venture is not material to the Group as at 31 December 2013 and 2012. The financial information and carrying amount are set out below:

	2013 **RMB'000**	2012 RMB'000
The Group's share of loss	**(2,836)**	(10,023)
The Group's share of other comprehensive income	**(109)**	720
The Group's share of total comprehensive expense	**(2,945)**	(9,303)
Aggregate carrying amount of the Group's interests in immaterial joint venture	**8,249**	11,194

22. AVAILABLE-FOR-SALE INVESTMENTS

	2013 RMB'000	2012 RMB'000
Listed investments:		
– Equity securities listed in the PRC, at fair value	–	36,905
– Equity securities listed in Taiwan, at fair value	3,548	4,450
– Debenture listed in Europe with fixed interest ranging from 4.75% to 6.125% and maturity from 2020 to 2021	26,391	19,450
	29,939	60,805
Unlisted investments:		
– Debenture, at fair value	10,072	–
– Equity investments, at cost	378,583	329,954
– Equity investments, at fair value	20,266	2,828
	408,921	332,782
Total	438,860	393,587
Presented under:		
– Non-current assets	428,788	393,587
– Current assets	10,072	–
	438,860	393,587

During the year ended 31 December 2013, an decrease in fair value of the Group's available-for-sale investments recognised directly in the consolidated statement of profit or loss and other comprehensive income was approximately RMB244,000 (2012: increase in fair value of approximately RMB6,911,000) and impairment loss (which included a reclassification from other comprehensive income of RMB8,273,000) on unlisted equity investments which are measured at fair value, of approximately RMB37,191,000 (2012: impairment loss on unlisted equity investments measured at cost of approximately RMB25,577,000) has been recognised directly in profit or loss.

During the year ended 31 December 2013, the Group disposed of certain listed debt securities with carrying amount of approximately RMB19,122,000 (2012: RMB8,235,000), which had been carried at fair value before the disposal. A gain on disposal of approximately RMB465,000 (2012: loss on disposal of approximately RMB886,000) has been reclassified from equity to profit or loss for the current year.

22. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

During the year ended 31 December 2013, the Group disposed of certain listed equity securities with carrying amount of approximately RMB38,498,000 and RMB9,343,000, which had been carried at fair value and cost less impairment before the disposal respectively. A gain on disposal of approximately RMB20,659,000 has been reclassified from equity to profit or loss for the current year.

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

At 31 December 2013, debenture investments held by the Group with carrying amount of approximately RMB26,391,000 (2012: RMB19,450,000) were pledged to the banks for the bank loans advanced to the Group (note 30).

23. INVENTORIES

	2013 **RMB'000**	2012 RMB'000
Raw materials	**3,356,255**	3,511,138
Work in progress	**704,668**	817,613
Finished goods	**4,763,023**	5,921,850
Consumables	**28,517**	28,796
	8,852,463	10,279,397

24. TRADE AND BILLS RECEIVABLES

	2013 **RMB'000**	2012 RMB'000
Trade and bills receivables	**16,586,762**	16,916,913
Less: Impairment	**(411,942)**	(356,111)
	16,174,820	16,560,802

The Group's sales are on credit terms from 30 to 120 days (2012: 30 to 120 days) and certain of its export sales are on letters of credit or documents against payment. The Group does not hold any collateral over these balances.

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

24. TRADE AND BILLS RECEIVABLES (Continued)

	2013	2012
	RMB'000	RMB'000
0 to 90 days	**14,953,826**	15,678,364
91 to 180 days	**686,125**	617,448
181 to 365 days	**488,410**	177,491
Over 365 days	**46,459**	87,499
	16,174,820	16,560,802

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

	2013	2012
	RMB'000	RMB'000
Balance at beginning of the year	**356,111**	187,655
Impairment losses recognised on receivables	**91,830**	209,997
Amounts written off during the year as uncollectible	**(3,057)**	(8,423)
Impairment losses reversed	**(32,743)**	(32,466)
Exchange realignment	**(199)**	(652)
Balance at end of the year	**411,942**	356,111

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB91,830,000 (2012: RMB209,997,000) has been recognised during the year ended 31 December 2013 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**13,903,127**	15,004,673
Less than one month past due	**1,950,240**	1,199,659
One to three months past due	**153,853**	133,676
Over three months past due	**167,600**	222,794
	16,174,820	16,560,802

24. TRADE AND BILLS RECEIVABLES (Continued)

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 **RMB'000**	2012 RMB'000
Receivables from disposal of prepaid land lease payments (note 17)	**530,345**	–
Value-added tax refundable	**1,573,547**	1,906,050
Other receivables	**2,454,741**	1,875,219
	4,558,633	3,781,269
Less: impairment	**(1,916)**	(2,117)
	4,556,717	3,779,152
Prepayments and deposits	**228,728**	528,309
	4,785,445	4,307,461
Presented under		
– non-current assets	**989,399**	375,120
– current assets	**3,796,046**	3,932,341
	4,785,445	4,307,461

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

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

	2013	2012
	RMB'000	RMB'000
Balance at beginning of the year	**2,117**	15,498
Impairment losses reversed	**(201)**	(14,341)
Impairment losses recognised	**–**	960
Balance at the end of the year	**1,916**	2,117

There is no past due but not impaired other receivables as at 31 December 2013 and 2012.

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

At at 31 December 2013, included within non-current receivable is an amount of approximately RMB422,241,000 (2012: RMB312,934,000) which relates to cash placed in an escrow account for certain consumer care obligations arising in the TPV Group as set out in Trademark Liscense Agreement between TP Vision Group and Philips. The receivables is classified as non-current as the related obligations fall due in more than one year.

As at 31 December 2012, included within current receivable was an advance of RMB16,156,000 to an independent third party, which was interest free and fully settled during the year ended 31 December 2013.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	RMB'000	RMB'000
Listed securities, at fair value:		
– Equity securities – Taiwan	**19,236**	26,104

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

	2013 RMB'000	2012 RMB'000
Cash and bank deposits, other than term deposits and pledged deposits	**6,569,581**	5,386,054
Term deposits and pledged deposits	**4,601,282**	3,479,683
	11,170,863	8,865,737
Less: Current deposits		
Pledged for bank facilities	**4,157,430**	3,090,283
Pledged for performance bonds	**–**	26,400
	4,157,430	3,116,683
Term deposits with terms over three months	**247,000**	243,000
	4,404,430	3,359,683
Less: Non-current deposits		
Pledged for bank facilities	**23,400**	10,000
Term deposits with terms over one year	**173,452**	110,000
	196,852	120,000
Bank balances and cash	**6,569,581**	5,386,054

As at 31 December 2013, term deposits, pledged deposits, bank balances and cash of approximately RMB3,865,039,000 (2012: RMB4,471,950,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the government of the PRC. The pledged deposits and bank balances carry interest at 0.35% (2012: 0.35%) per annum.

As at 31 December 2013, the effective interest rates on term deposits with terms over three months ranged from 2% to 5.25% (2012: 2.1% to 5.85%) per annum; and these deposits have an average maturity of 205 days (2012: 256 days).

As at 31 December 2012, term deposits of approximately RMB26,400,000 were pledged in respect of performance bonds in favor of the customers and subsequently released during the year ended 31 December 2013.

28. TRADE AND BILLS PAYABLES

The Group has financial risk management policies in place to ensure all payables are paid within the credit timeframe. The average credit period on purchase is 30 to 90 days (2012: 30 to 90 days). An aged analysis of the trade and bills payables presented based on the invoice date as at the end of the reporting period.

	2013	2012
	RMB'000	RMB'000
Within 90 days	**12,913,983**	11,529,581
91 to 180 days	**2,790,811**	3,748,461
181 to 365 days	**706,044**	973,853
Over 365 days	**82,836**	68,695
	16,493,674	16,320,590

29. OTHER PAYABLES AND ACCRUALS

	2013	2012
	RMB'000	RMB'000
Current portion		
Payable under factoring arrangement	**1,696,566**	2,285,301
Accrued employee benefits	**707,490**	971,022
Other tax payables	**615,665**	1,153,138
Brand promotion fee received (note 46(d))	**–**	127,395
License fee payable (note)	**527,870**	327,462
Others	**4,212,840**	3,797,362
	7,760,431	8,661,680
Non-current portion		
License fee payable (note)	**804,577**	1,249,369
Accrued employee benefits	**17,340**	26,871
Others	**28,792**	51,751
	850,709	1,327,991
	8,611,140	9,989,671

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

30. BANK AND OTHER LOANS

	Notes	2013 RMB'000	2012 RMB'000
Repayable more than two years, but not exceeding five years:			
Subordinated loans – non-current	1	**1,194,413**	1,138,601
Repayable more than one year, but not exceeding two years:			
Note payable – non-current	2, 3	**499,074**	500,005
Bank and other loans – non-current		**412 144**	118,103
		2,105,631	1,756,709
Repayable within one year:			
Note payable – current	2	**503,025**	–
Bank and other loans – current		**8,936,234**	6,705,430
		9,439,259	6,705,430
		11,544,890	8,462,139
Bank and other loans:			
Unsecured		**8,868,553**	5,600,360
Secured		**479,825**	1,223,173
		9,348,378	6,823,533

Notes:

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

2. As at 31 December 2012, the note payable with principal amount of RMB500,000,000 was carried fixed interest of 4.25% (2013: 4.25%) per annum and due in March 2014 and classified as non-current liabilities as at 31 December 2012 and current liabilities as at 31 December 2013.

3. During the year of 31 December 2013, note payable with principal amount of RMB500,000,000 was issued and carried fixed interest of 5.38% per annum and due in July 2016.

30. BANK AND OTHER LOANS (Continued)

Bank and other loans of approximately RMB1,254,907,000 (2012: RMB1,618,976,000) are at fixed interest rates during the year. The bank and other loans expose the Group to fair value interest rate risk. The effective interest rates at the end of the reporting period as follows:

	2013	2012
Bank and other loans	**1.72% – 7.38%**	1.03% – 7.68%

As at 31 December 2013, bank and other loans of approximately RMB9,856,204,000 (2012: 5,313,213,000) are denominated in US$.

As at 31 December 2013, the secured bank and other loans were pledged by certain of the Group's term deposits, available-for-sale investments, investment properties, leasehold land and buildings with a carrying value of approximately RMB4,167,430,000 (2012: RMB3,126,683,000), RMB26,391,000 (2012: RMB19,450,000), RMB164,419,000 (2012: RMB157,316,000) and RMB108,933,000 (2012: RMB104,877,000) respectively were pledged to secure bank loans of approximately RMB479,825,000 (2012: RMB1,223,173,000) as at 31 December 2013.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Derivatives not under hedge accounting				
Foreign exchange forward contracts and options (note a)	**490,225**	**(447,257)**	169,102	(382,602)
Interest rate swaps (note b)	**22,829**	**–**	26,907	–
Cross currency swaps (note c)	**2,347**	**(51,616)**	25,563	(26,179)
	515,401	**(498,873)**	221,572	(408,781)
Analysis				
– Current portion	**443,744**	**(418,918)**	203,727	(408,605)
– Non-current portion	**71,657**	**(79,955)**	17,845	(176)
	515,401	**(498,873)**	221,572	(408,781)

31. DERIVATIVES FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange forward contracts

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

	2013 **RMB'000**	2012 RMB'000
Sell RMB for US$	**24,074,363**	7,535,938
Sell US$ for RMB	**29,162,672**	10,512,030
Sell Japanese yen for US$	–	9,468
Sell Euros for US$	**3,269,982**	5,450,470
Sell Brazilian real for US$	**1,799,082**	1,692,608
Sell Indian rupee for US$	**1,114,684**	476,569
Sell Polish zloty for US$	**247,708**	252,487
Sell Russian ruble for US$	**476,837**	1,441,253
Sell Mexican peso for US$	–	33,942
Sell British pou2nd for US$	**155,523**	126,068
Sell Polish zloty for Euro	**373,289**	178,232
Sell Swiss franc for Euro	**127,309**	171,814
Sell Russian ruble for Euro	**274,980**	170,023
Sell British pound for Euro	**63,481**	50,334
Sell Czech koruny for Euro	–	39,033
Sell Danish krone for Euro	–	35,834
Sell Norwegian kroner for Euro	–	14,048
Sell Swedish krona for Euro	–	1,873
Other currency pairs	**470,594**	253,697

As at 31 December 2013 and 2012, all of the above foreign exchange forward contracts are with maturity dates within 12 months from the end of the reporting period.

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2013 was approximately RMB5,131,023,000 (2012: RMB3,649,189,000).

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31 December 2013 was approximately RMB3,271,164,000 (2012: RMB3,961,449,000).

32. WARRANTIES AND OTHER PROVISIONS

	Warranties provision RMB'000	Restructuring and other provisions RMB'000	Total RMB'000
At 1 January 2012	480,691	–	480,691
Additional provision recognised	869,883	287,431	1,157,314
Amounts utilised	(722,122)	(40,019)	(762,141)
Amounts reversed	(8,275)	–	(8,275)
Exchange realignment	2,066	6,950	9,016
At 31 December 2012 and 1 January 2013	622,243	254,362	876,605
Additional provision recognised	1,123,283	225,605	1,348,888
Amounts utilised	(1,074,294)	(310,706)	(1,385,000)
Amounts reversed	(52)	–	(52)
Exchange realignment	(16,890)	15,237	(1,653)
At 31 December 2013	654,290	184,498	838,788

Analysis of warranties and other provisions:

	2013 RMB'000	2012 RMB'000
– Current liabilities	**816,644**	854,713
– Non – current liabilities	**22,144**	21,892
Total	**838,788**	876,605

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

The restructuring provision mainly refers to the business model optimisation plan which consolidates similar positions and competencies within Finance, Information Technology, Human resources etc. into "Shared Service Centres" and the strategic decision to close down one location and merge two other locations into one during the years 2013 and 2012. These restructuring programs were decided and announced before the respective year end date.

33. PENSION OBLIGATIONS

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

The Group's assets and liabilities of the defined benefit parts are held independently of the Group in separate trustee administrated funds. The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31 December 2013 and 2012 were valued by Actuarial Consulting Co., Ltd and Mercer (Hong Kong) Limited, an independent actuary.

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

	2013	2012	As at 1 January 2012
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Present value of funded obligations	**91,575**	91,247	50,710
Fair value of plan assets	**(26,820)**	(26,060)	(4,209)
Effect of assets ceiling	**463**	–	–
	65,218	65,187	46,501
Present value of unfunded obligations	**34,143**	55,557	–
Liability in the consolidated statement of financial position	**99,361**	120,744	46,501

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2013	2012
	RMB'000	RMB'000
		(Restated)
Current service cost	**18,039**	4,431
Interest cost	**3,530**	4,229
Interest income on plan assets	**(514)**	(682)
Past service cost	**(9,771)**	(4,702)
Charges for long term service awards	**–**	1,439
Total expense, within employee benefit expense (note 10)	**11,284**	4,715

33. PENSION OBLIGATIONS (Continued)

The actuarial gain of approximately RMB5,202,000 (2012: actuarial loss of approximately RMB10,042,000) were recognised in other comprehensive income for the year. The actual loss on plan assets was approximately RMB12,000 (2012: RMB25,000).

Movements in the present value of the defined benefit obligations are as follows:

	Present value of obligation RMB'000	**Fair value of plan assets** RMB'000	**Effect of asset ceiling** RMB'000	**Total** RMB'000
At 1 January 2012 (Restated)	50,710	(4,209)	–	46,501
Current service cost	4,431	–	–	4,431
Interest expense (income)	4,229	(682)	–	3,547
	59,370	(4,891)	–	54,479
Remeasurements:				
– Experience losses	9,821	221	–	10,042
Acquisition of TP Vision	120,039	(26,164)	–	93,875
Employer contributions	–	(4,134)	–	(4,134)
Employee contributions	574	–	–	574
Benefit paid	(8,534)	8,534	–	–
Others (Note)	(33,846)	–	–	(33,846)
Exchange realignment	(620)	374	–	(246)
At 31 December 2012 (Restated) and 1 January 2013 (Restated)	146,804	(26,060)	–	120,744
Current service cost	18,039	–	–	18,039
Interest expense (income)	3,530	(514)	–	3,016
	168,373	(26,574)	–	141,799
Remeasurements:				
– Experience gains	(5,673)	–	–	(5,673)
– Changes in asset ceiling, excluding amounts in interest expenses	–	–	471	471
Employer contributions	(6,601)	(7,227)	–	(13,828)
Employee contributions	848	–	–	848
Benefit paid	(6,954)	7,753	–	799
Others (Note)	(17,605)	–	–	(17,605)
Exchange realignment	(6,670)	(772)	(8)	(7,450)
At 31 December 2013	125,718	(26,820)	463	99,361

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

33. PENSION OBLIGATIONS (Continued)

The principal actuarial assumptions used are as follows:

	2013	2012
Discount rate	**1.9% – 6.08%**	1.5% – 5.81%
Expected rate of return on plan assets	**N/A**	1.5% – 3.32%
Expected rate of future salary increment	**3.5% – 5.34%**	3.5% – 5.18%

The sensitivity of the overall pension liability to changes in the weighted principal assumption is as follow:

For Pension plan in Taiwan:	**Change in assumption**	**Impact on defined benefit obligation**
		RMB'000
Discount rates	+1%	(4,115)
	–1%	4,768
Salary growth rate	+1%	4,115
	–1%	(3,640)

For Pension plan in Europe:	**Change in assumption**	**Impact on defined benefit obligation**
		RMB'000
Discount rates	+0.5%	(8,341)
	–0.5%	9,834
Salary growth rate	+0.5%	9,292
	–0.5%	(8,780)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

33. PENSION OBLIGATIONS (Continued)

Plan assets are comprised as follows:

	2013		2012	
	RMB'000	**%**	RMB'000	%
Equities	**2,134**	**8%**	4,783	18%
Debt securities	**13,547**	**51%**	9,893	38%
Cash and deposits	**1,311**	**5%**	2,948	11%
Property	**1,366**	**5%**	3,224	12%
Others	**8,462**	**31%**	5,212	21%
	26,820	**100%**	26,060	100%

Expected contribution to the pension plans for the year ending 31 December 2014 are RMB6,210,275 (2013: RMB6,405,128).

Expected maturity analysis of undiscounted pension:

	Less than 1 year	**Over 1 years**	**Total**
	RMB'000	RMB'000	RMB'000
Pension benefits	6,310	89,576	95,886

34. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2013 and 2012, the Group provided financial guarantees to banks in respect of banking facilities granted to associates and certain customers. The financial guarantees provided are analysed as follows:

	2013	2012
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:		
third parties	**61,540**	59,459
	61,540	59,459

The directors of the Company reviewed the financial position of the guarantees and considered that payment for the settling the financial guarantee is remote. No liabilities were recognised for the above guarantees as at 31 December 2013 and 2012.

35. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation and amortisation	Pension obligation	Impairment and provisions	Revaluation of properties	Revaluation of available-for-sale investments	Capitalisation of interest	Equity of associates	Unrealised profit on derivatives financial instruments	Unrealised profit on inventories	Withholding tax on distributable profit	Tax losses	Intangible assets amortisation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	47,558	(9,215)	(172,230)	265,444	2,364	8,819	2,098	7,775	756	55,832	(75,289)	–	–	133,912
Acquisition of subsidiaries (note 39)	–	–	(151,093)	–	–	–	–	–	–	–	–	165,029	(35,828)	(21,892)
Deferred tax debited to equity during the year	–	–	–	–	1,771	–	–	–	–	–	–	–	–	1,771
Deferred tax charged (credited) to the consolidated statement of profit or loss (note 13)	(10,191)	65	(189,327)	7,837	–	(943)	–	(5,238)	(27,784)	12,369	40,875	(32,260)	(75,178)	(279,775)
Effect of change in tax rate (note 13)	2,033	(6)	(5,285)	5,741	–	367	87	–	(6)	63	–	(2,961)	(1,896)	(1,863)
At 31 December 2012 and at 1 January 2013	39,400	(9,156)	(517,935)	279,022	4,135	8,243	2,185	2,537	(27,034)	68,264	(34,414)	129,808	(112,902)	(167,847)
Deferred tax debited to equity during the year	–	–	–	63,469	–	–	–	–	–	–	–	–	–	63,469
Deferred tax charged (credited) to the consolidated statement of profit or loss (note 13)	(29,374)	(5,896)	99,215	105,469	–	–	–	3,567	(16,730)	(16,298)	5,747	(90,313)	(61,214)	(5,827)
Eliminate upon deemed disposal of a subsidiary (note 40)	–	–	139	–	–	–	–	–	–	–	–	–	–	139
Exchange realignment	–	2,383	3,934	–	–	–	–	(74)	1,512	–	225	571	(3,261)	5,290
At 31 December 2013	(10,026)	(12,669)	(414,647)	447,960	4,135	8,243	2,185	6,030	(42,252)	51,966	(28,442)	40,066	(177,377)	(104,776)

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

	2013	2012
	RMB'000	RMB'000
Deferred tax liabilities	**570,611**	533,594
Deferred tax assets	**(675,387)**	(701,441)
	(104,776)	(167,847)

35. DEFERRED TAX (Continued)

At the end of the reporting period, the Group did not recognise in respect of tax losses of approximately RMB2,416,003,000 (2012: RMB1,465,003,000) due to the unpredictability of future profit streams. Tax losses amounting to RMB1,293,445,000 will expire in 2014 to 2021.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB721,913,000 (2012: RMB361,633,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. GOVERNMENT GRANTS

	2013 **RMB'000**	2012 RMB'000
At 1 January	**59,488**	37,466
Released from deemed disposal of a subsidiary	**(1,849)**	–
Government grants raised during the year	**33,313**	36,940
Government grants utilised during the year (note 7)	**(6,982)**	(14,905)
Exchange realignment	**132**	(13)
At 31 December	**84,102**	59,488

As at 31 December 2013, government grants of approximately RMB84,102,000 (2012: RMB59,488,000) which were designated for certain research projects, export incentives, technical innovation, localisation incentives and fiscal refund granted by the PRC municipal government. The amount is stated as non-current liabilities in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from 31 December 2013.

37. CONTINGENT CONSIDERATION PAYABLE AND REDEMPTION LIABILITY

	2013 RMB'000	2012 RMB'000
Contingent consideration payable	**29,375**	85,567
Redemption liability	**12,590**	31,935
	41,965	117,502

The contingent consideration payable and redemption liability arising from the acquisition of 70% equity interest in TP Vision during the year ended 31 December 2012. Details are set out in note 39. For the fair value measurement movement of the contingent consideration payable and redemption liability, please refer to note 5c for details.

38. SHARE CAPITAL

	2013 RMB'000	2012 RMB'000
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	**743,870**	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	**453,872**	453,872
	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company for the two years ended 31 December 2013 and 2012.

39. BUSINESS COMBINATIONS

Business combinations for the year ended 2013

a. Acquisition of TV business from Haier Electronics

In May 2013, TPV Technology (Qingdao) Company Limited ("TPV QD"), a wholly-owned subsidiary of TPV and indirect subsidiary of the Company, agreed to purchase the TV business from Haier Electronics, with a consideration of RMB25,336,000. The TV business includes machinery, equipments, workforce and contracts for production and sales of flat TV products. The acquisition of business can lead to increasing market shares of TV market. The acquisition was completed in June 2013.

Consideration transferred:

	RMB'000
Cash	25,336

The acquisition-related costs included in administrative expense in the consolidated statement of profit or loss for the year ended 31 December 2013 amounted to approximately RMB81,000.

The fair values of amounts of assets acquired and liabilities assumed recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	9,535
Other receivable	4,742
Intangible assets – customer relationship	3,303
Fair values of net assets acquired	17,580

Goodwill arising on acquisition

	RMB'000
Consideration transferred	25,336
Less: net assets acquired	(17,580)
Goodwill arising on acquisition	7,756

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2013 (Continued)

a. Acquisition of TV business from Haier Electronics (Continued)

Goodwill arose on the acquisition of Haier Electronics is attributable to synergies from combining the TV business of Haier Electronics and the Group. It could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	(25,336)

The acquired business contribute revenues from external customers of approximately RMB598,382,000 and operating loss of approximately RMB4,663,000 to the Group for the year from its acquisition to 31 December 2013.

As the operations of TV business were integral to Haier Electronics's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired operation to the Group should the acquisition had occurred on the 1 January 2013. On this basis, no disclosure was made to this effect within the consolidated financial statements.

Business combinations for the year ended 2012

a. Acquisition of TP Vision

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

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

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

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

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

Consideration transferred:

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

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

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

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

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

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

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

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

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

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

The fair value of the redemption liability of approximately RMB31,935,000 was recognised as at date of acquisition, and the carrying value of approximately RMB31,935,000 was classified as non-current liabilities in the consolidated statement of financial position as at 31 December 2012.

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	726,252
Intangible assets	1,341,332
Interests in associates	4,079
Inventories	1,164,672
Prepayment, deposits and other receivables – non-current portion	118,387
Prepayments, deposits and other receivables – current portion	559,950
Bank balance and cash	40,271
Deferred tax assets	186,921
Deferred tax liabilities	(165,029)
Other payables and accruals	(202,106)
Payable to Philips for net operating capital contributed	(1,932,695)
Other payables – non current portion	(1,419,649)
Pension obligations	(93,447)
Fair values of net assets acquired	328,938

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	74,351
Plus: non-controlling interests	98,689
Less: net assets acquired	(328,938)
Gain from a bargain purchase of subsidiaries	(155,898)

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

a. Acquisition of TP Vision (Continued)

The Group's acquired intangible assets mainly represented a 5-year trademark license agreement between TP Vision and Philips, whereby TP Vision Group is granted the rights to use the Philips brand for its products sold, favorable service coverage meets.

The Group recognised TP Vision Group's non-controlling interest at their proportionate share of TP Vision's net assets.

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	–
Less: Cash and cash equivalent acquired	(40,271)
	(40,271)

The acquisition-related costs of approximately RMB27,862,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2012.

Impact of acquisition on the results of the Group

Included in the net profit for the year is approximately profit of RMB162,955,000 contributed by TP Vision. Revenue for the year includes approximately RMB17,203,175,000 is attributable to TP Vision.

As the TV operations of Philips were integral to its other businesses until the end of March 2012, it is impracticable to estimate, on a like-for-like basis, the net contribution of TP Vision Group to the Group should the acquisition had occurred on the 1 January 2012. Accordingly, no disclosure was made to this effect within these consolidated financial statements.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

b. Acquisition of 100% equity interest in Hefei Kaidi

On 25 September 2012, TPV QD entered into an equity transfer agreement with Hefei Haier Information Products Company Ltd ("Haier"), under which TPV QD agreed to purchase 100% equity interest of Hefei Kaidi, a wholly-owned subsidiary of Haier, with consideration of approximately RMB44,789,000. Hefei Kaidi was holding assets including machinery, equipments, workforce and contracts for production and sales of flat TV products. The acquisition of Hefei Kaidi can help increasing market shares of the Group in TV market in the PRC. The acquisition was completed on 7 December 2012. Upon acquisition, the Group exercises control over Hefei Kaidi by appointment of all directors into the board of Hefei Kaidi.

Consideration transferred:

	RMB'000
Cash	44,789

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	20,434
Intangible assets	7,184
Inventories	1,414
Bank balance and cash	19
Prepayments, deposits and other receivables – current portion	1,426
Other payables, accruals and other provisions	(8,121)
Fair values of net assets acquired	22,356

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

b. Acquisition of 100% equity interest in Hefei Kaidi (Continued)

Goodwill

	RMB'000
Cash consideration	44,789
Less: Fair value of the net asset acquired	(22,356)
	22,433

The acquisition-related costs included in administrative expenses in the consolidated statement of profit or loss for the year amounted to approximately RMB25,000.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	44,789
Less: cash and cash equivalent acquired	(19)
	44,770

Impact of acquisition on the results of the Group

The acquired business contributed revenues from external customers of approximately RMB1,736,000 and operating loss of approximately RMB2,620,000 to the Group for the year from its acquisition on 7 December 2012 to 31 December 2012. As the operations of Hefei Kaidi were integral to Haier's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired company to the Group should the acquisition had occurred on the 1 January 2012. On this basis no disclosure was made to this effect within these consolidated financial statements.

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

c. Acquisition of additional equity interest in Three Titans

As at 31 December 2011, Three Titans was a jointly controlled entity of the Group, which held 45.45% equity interest in it. On 31 May 2012, Top Victory Investments Limited ("TVI"), a wholly owned subsidiary of TPV and an indirect subsidiary of the Company, entered into an equity transfer agreement, under which TVI agreed to purchase additional 40.91% equity interest in Three Titans from an investor, 山聚企業股份有限公司, (the "seller"), with a consideration of US$5,040,000 (equivalent to approximately RMB31,679,000). The equity interest held by TVI upon acquisition was 86.36% and become a subsidiary of the Group. Three Titans is engaged in production and sales of flat TV product modules. The acquisition was completed on 1 October 2012. Acquisition of Three Titans can facilitate the production of flat TV products of the Group. Upon the acquisition, the Group exercises control by appointment of majority of directors to the board of Three Titans.

Consideration transferred:

	RMB'000
Cash	31,679
Acquisition-date fair value of equity interest held as a jointly controlled entity of the Group	41,025
	72,704

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	116,684
Prepayments, deposits and other receivables – non-current portion	1,201
Inventories	29,718
Bank balance and cash	52,226
Prepayments, deposits and other receivables – current portion	168,621
Other payables and accruals	(275,663)
Other payables – non-current portion	(2,514)
Fair values of net assets acquired	90,273

39. BUSINESS COMBINATIONS (Continued)

Business combinations for the year ended 2012 (Continued)

c. Acquisition of additional equity interest in Three Titans (Continued)

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	72,704
Plus: non-controlling interests	12,313
Less: net assets acquired	(90,273)
Gain from a bargain purchase of subsidiaries	(5,256)

The acquisition-related costs of the transaction is minimal.

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	31,679
Less: cash and cash equivalent acquired	(52,226)
	(20,547)

The Group recognised Three Titans's non-controlling interest at their proportional share of Three Titans's fair value of total identifiable net assets.

The acquired business did not contribute revenues from external customers as all its revenue was arisen from intercompany sales to the Group. The acquired business contributed operating profit of approximately of RMB7,549,000 to the Group for the year from its acquisition on 1 October 2012 to 31 December 2012. Had Three Titans been consolidated from 1 January 2012, the consolidated statement of profit or loss would show and increase pro-forma revenue (including sales to the group) of approximately RMB360,988,000 and profit of RMB23,601,000.

A gain on bargain purchase of approximately RMB5,256,000 has been recognised in the consolidated statement of profit or loss of the Group, attributable to the recognition of fair market values of net assets acquired at higher values than the cash consideration paid.

40. DEEMED DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2013, CEC injected RMB100 million into an indirect-wholly owned subsidiary, Xin An, as its registered capital. Upon the completion of the above capital injection, the Group's interest in Xin An has been diluted from 100% to 14.89% and the Group only has significant influence over Xin An because it is only entitled to appoint one out of the three directors of Xin An under the Articles of Association. In the opinion of the directors of the Company, Xin An ceased to be a subsidiary of the Group and is classified as an associate upon the completion of the transaction.

The net liabilities of Xin An at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	2,916
Intangible assets	13,326
Prepaid land lease payments	1,458
Deferred tax assets	139
Inventories	16,832
Trade and bills receivable	14,159
Prepayments, deposits and other receivables	1,002
Bank balances and cash	101,755
Trade and bills payables	(16,913)
Accrued liabilities and other payables	(146,909)
Government grants	(1,849)
	14,084
Less: Non-controlling interest	(2,095)
Net liabilities	(11,989)
Loss on deemed disposal of Xin An:	
Fair value of interests retained in interests in an associate	12,775
Net liabilities disposed of	11,989
Gain on deemed disposal	24,764
Net cash outflow arising on deemed disposal:	
Bank balances and cash	(101,755)

The deemed disposed subsidiary did not have significant contribution to the Group's revenue, profit and cash flow for the year ended 31 December 2013.

41. DEREGISTRATION OF SUBSIDIARIES

For the year ended 31 December 2013

During the year ended 31 December 2013, the Group deregistered two non-wholly-owned subsidiaries, namely ExcelStor Great Wall Technology Limited ("ExcelStor") and 深圳開發技研汽車電子有限公司 ("深圳開發技研").

Net assets and liabilities of the deregistered subsidiaries at their respective date of deregistration were as follows:

	ExcelStor RMB'000	深圳開發技研 RMB'000	**Total** RMB'000
Net assets disposed of	–	–	–
Non-controlling interests	(10,917)	724	(10,193)
(Gain) loss on deregistration	(10,917)	724	(10,193)

The deregistered subsidiaries did not have significant contribution to the Group's revenue, profit and cash flow for the year.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years (2012: one to six years). The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The remaining properties are expected to generate rental yields of 10% (2012: 11%) on an ongoing basis. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**139,905**	101,837
In the second to fifth years, inclusive	**187,324**	98,149
After five years	**351,900**	1,346
	679,129	201,332

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years. At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **RMB'000**	2012 RMB'000
Within one year	**147,709**	169,622
In the second to fifth years, inclusive	**330,188**	249,504
After five years	**150,188**	43,137
	628,085	462,263

43. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2013	2012
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**484,024**	905,273

As at 31 December 2013, the Group had commitments for investments in a subsidiary and associates amounting to approximately RMB307,732,000 (2012: nil).

44. RETIREMENT BENEFITS SCHEMES

Apart from the defined benefit plan stated in note 33, the employees in the Group, which operates in the PRC are required to participate in a central pension scheme (the "CP Scheme") operated by the local municipal government. The Group are required to contribute 5% to 13% of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As at 31 December 2013, the Group had not capitalised and forfeited any contributions available to reduce its contributions to the CP Scheme and MPF Scheme in future years (2012: nil).

45. SHARE OPTION SCHEME OF A SUBSIDIARY

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

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

For the year ended 31 December 2013

			Number of share options				
Date of grant	**Exercise price**	Note	**At 1 January 2013**	**Granted during the year**	**Expired during the year**	**Lapsed during the year**	**At 31 December 2013**
18 January 2011	HK$5.008	(ii)	40,080,000	–	–	(3,050,000)	37,030,000
Weighted average exercise price			HK$5.008	–	–	HK$5.008	HK$5.008
Exercisable at the end of the year							18,515,000

For the year ended 31 December 2012

			Number of share options				
Date of grant	Exercise price	Notes	At 1 January 2012	Granted during the year	Expired during the year	Lapsed during the year	At 31 December 2012
12 December 2007	HK$5.750	(i)	20,138,026	–	(20,138,026)	–	–
18 January 2011	HK$5.008	(ii)	44,080,000	–	–	(4,000,000)	40,080,000
			64,218,026	–	(20,138,026)	(4,000,000)	40,080,000
Weighted average exercise price			HK$5.241	–	HK$5.750	HK$5.008	HK$5.008
Exercisable at the end of the year							10,020,000

45. SHARE OPTION SCHEME OF A SUBSIDIARY (Continued)

Notes:

(i) These options are exercisable at HK$5.750 (equivalent to approximately RMB5.07) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12 December 2008 to 11 December 2012, from 12 December 2010 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20%, 50% and 100% respectively.

(ii) These options are exercisable at HK$5.008 (equivalent to approximately RMB4.152) per share in four trenches: the maximum percentage of share options exercisable within the periods commencing from 18 January 2012 to 17 January 2021, from 18 January 2013 to 17 January 2021, from 18 January 2014 to 17 January 2021 and from 18 January 2015 to 17 January 2021 are 25%, 50%, 75% and 100% respectively.

The fair value of share options granted was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

	12 December 2007	**18 January 2011**
Share price on the date of grant	HK$5.75	HK$4.96
Exercise price	HK$5.75	HK$5.008
Expected volatility	44.954%	53.96%
Risk-free interest rate	3.64%	2.73%
Expected dividend yield	0%	3.11%

The volatility measured at the grant date is referenced to the historical volatility of TPV. The Group recognised the total expenses of approximately RMB7,258,000 for the year ended 31 December 2013 (2012: RMB15,593,000) in relation to share options granted by TPV.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2013** **RMB'000**	2012 RMB'000
Ultimate holding company:			
Sales of products*	(i)	**978**	9,367
License fees*	(ii)	**1,118**	1,622
Associates:			
Sales of products*	(i)	**2,268,797**	1,917,470
Rental income	(iii)	**18,251**	17,901
Purchases of components and parts*	(iv)	**1,243,744**	651,102
Joint venture:			
Sales of products	(i)	**–**	196
Rental income	(iii)	**316**	3,554
Purchases of raw materials	(iv)	**–**	182,359
Fellow subsidiaries:			
Sales of products	(i)	**156,541**	38,643
Rental income	(iii)	**296**	6,089
Purchases of components and parts	(iv)	**6,334**	19,177
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of products*	(v)	**18,586**	100,868
Purchases of raw materials*	(v)	**5,534,206**	5,294,667
Interests paid	(vi)	**44,011**	49,815
Brand promotion fee income*	(vii)	**530,280**	863,025
Compensation for product launch delay	(vii)	**607**	255,258

* The transactions also constituted continuing connected transaction entered into during the year ended 31 December 2013 as defined in Rule 14A.38 of the Main Board Listing Rules.

46. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The sales to the ultimate holding company, associates, joint venture and fellow subsidiaries were made according to the published prices and conditions offered to major customers of the Group.

(ii) The license fees paid to the ultimate holding company was based on a rate of 0.39% (2012: 0.39%) of the revenue from the products under the "Great Wall" brand.

(iii) The rental income from the property leased to associates, joint venture and fellow subsidiaries was made according to the market rate offered to third parties.

(iv) The purchases from associates, joint venture and fellow subsidiaries were made according to published prices and conditions offered by associates, joint venture and fellow subsidiaries to their major customers.

(v) The transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(vi) The interests paid to a subsidiary's substantial shareholder were made according to the rate as agreed between the parties.

(vii) The brand promotion fee income and compensation for product launch delay from a subsidiary's substantial shareholder was made on terms mutually agreed between both parties.

(b) In addition to the outstanding balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following material outstanding balances with related parties:

(i) The Group had outstanding receivable from TPV's associates approximately RMB1,044,292,000 (2012: RMB607,846,000), which were presented in the consolidated statement of financial position within trade receivables.

The Group had outstanding payables to TPV's associates and joint venture of approximately RMB548,178,000 (2012: RMB188,798,000) and nil (2012: RMB138,000) respectively, which were presented in the consolidated statement of financial position within trade payables.

Receivables from TPV's substantial shareholders and their subsidiaries of nil (2012: RMB2,200,000) were presented in the consolidated statement of financial position within trade receivable.

Payables to subsidiaries' substantial shareholders and their subsidiaries of approximately RMB659,635,000 (2012: RMB303,872,000) were presented in the consolidated statement of financial position within trade payables and other payables and accruals respectively.

The above balances and the balances with ultimate holding company, fellow subsidiaries and associates are unsecured, interest free and repayable on demand.

46. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

(ii) License fee payable of RMB1,332,447,000 (2012: RMB1,576,831,000) to a subsidiary's substantial shareholder were presented in the consolidated statement of financial position within other payable and accruals. Included in the license fee payable amount of approximately RMB804,571,000 (2012: RMB1,249,369,000) were classified under non-current liabilities.

(iii) The Group had a bank deposit of RMB606,521,000 (2012: RMB608,604,000) in a fellow subsidiary, which was an authorised non-bank financial institution set up in the PRC. The deposit was presented in the consolidated statement of financial position within bank balances and cash.

(c) CEC, the ultimate holding company of the Company, is owned and controlled by SASAC and are the state-owned enterprises. In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state enterprises and their subsidiaries directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had transactions with state-owned enterprises including, but not limited to, sales and purchase of computers, electronic parts and computer-related products. The directors of the Company consider that transactions with other state-owned enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

(d) TP Vision has entered into service agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision.

TP Vision is entitled to charge Philips a brand promotion fee up to EUR172 million (equivalent to approximately RMB1,444 million) for brand promotion and/or enhancement activities. Such activities can included advertising and promotion, sales and marking, research and development and other activities which incentivise the distribution channels and reduce the cost of non-quality. The fee is charged based on 5% of TP Vision revenue and recognized upon approval by Philips. Total income for the year was approximately RMB530 million (2012: RMB865 million). As at 31 December 2012, there is a balance of approximately RMB127 million) deferred income included within "other payables and accruals" (2013: nil).

46. RELATED PARTY TRANSACTIONS (Continued)

(d) (Continued)

For the year ended 31 December 2012, TP Vision is also entitled to charge Philips a compensation of EUR32 million (equivalent to approximately RMB256 million) due to the delay in the launch of certain products (2013: nil).

The directors of the Company are of the opinion that these represent transactions with Philips that are separate from the business acquisition and therefore do not form part of the net assets acquired and are recognised separately in accordance with HKFRS 3 (Revised).

(e) Key management compensation

The remunerations of directors (executive and non-executive) and other members of key management during the year were as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**23,436**	28,607
Retirement benefits scheme contributions	**232**	256
Share-based payments	**213**	201
	23,881	29,064

47. CONTINGENT LIABILITIES

The Group had certain outstanding litigations as recorded by TPV, the details of which are set out as follow:

(a) In January 2009, a third party company filed a complaint in Germany against one of its subsidiaries. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent I").

As far as the Group is concerned, it is alleged among other matters that:

(i) they had infringed, actively induced, contributed to the infringement of Patent I by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

47. CONTINGENT LIABILITIES (Continued)

(a) (Continued)

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not possible to determine the outcome of the case for the time being.

(b) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors are of the opinion that while the proceedings are still ongoing, it is not possible to determine the outcome of the case for the time being.

(c) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent II").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent II, and contributing to and actively inducing the infringement of Patent II by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent II.

On 19 September 2013, a final judgment was entered by the district court judge. While this case is currently on the appellate proceedings, the directors consider that it is not possible to determine the outcome of the case for the time being.

47. CONTINGENT LIABILITIES (Continued)

(d) In June 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain monitors and televisions ("Patent III").

As far as the Group and its associated companies concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent III.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

(e) In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by TP Vision Group. The matter is currently under consideration by the legal authorities. Under the terms of the Share Purchase Agreement with Philips, any damages arising from this claim will be fully indemnified by Philips.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

(f) In 2012 and 2013, in one specific country, the compensation payments to customers accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the local tax authorities in that country following the submission of the relevant tax returns in 2013.

The directors do not consider any liability arising being probable.

47. CONTINGENT LIABILITIES (Continued)

(g) In January 2013, a third party company filed an amended complaint to consolidate two underlying related complaints in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain computer monitors and televisions ("Patent IV").

As far as the Group and its associated companies are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent IV, and contributing to and actively inducing the infringement of Patent IV by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent IV.

The directors are of the opinion that while the proceedings are currently ongoing, it is not possible to determine the outcome of the case for the time being.

(h) In 2013, litigation continued with a third party company that filed patent infringement cases in Germany, alleging that the Group infringes patents relating to the protection of certain aspects of SmartTV and Net TV.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

(i) In 2013, the Civil Code of one specific country requires that all companies producing or importing goods with an audit/video replication functionality must pay 1% of turnover (either import or production value) fees to copyrights owners (unnamed list of authors) through the local union of copyright owners.

The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

48. EVENTS AFTER THE REPORTING PERIOD

Proposed acquisition of remaining 30% interest in the joint venture with Philips

On 20 January 2014, TPV and MMD entered into a term sheet with Philips, pursuant to which Philips have agreed to sell its remaining 30% equity interest in TP Vision Group. As a result of the acquisition, the Group owns and controls 100% of the Philips' TV business through TP Vision Group. Up to the date of this report, the above acquisition agreement has not been approved by the shareholders of the Company and has not been completed. Details are set out, inter alia, in the announcement of the Company dated 20 January 2014.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 RMB'000	2012 RMB'000
Non-current assets		
Property, plant and equipment	**42,496**	42,496
Investment properties	**542,700**	402,431
Prepaid land lease payments	**2,555**	2,915
Investment in subsidiaries, listed	**1,785,628**	1,909,828
Investment in subsidiaries, unlisted	**321,889**	321,889
Available-for-sale investments, unlisted	**135,620**	135,620
	2,830,888	2,815,179
Current assets		
Prepayments, deposits and other receivables	**1,056**	36,256
Bank balances and cash	**107,946**	14,573
	109,002	50,829
Current liabilities		
Trade and bills payables	**538**	–
Other payables and accruals	**15,487**	13,133
Bank borrowing	**–**	35,000
	16,025	48,133
Net current assets	**92,977**	2,696
Total assets less current liabilities	**2,923,865**	2,817,875
Capital and Reserves		
Share capital	**1,197,742**	1,197,742
Reserves (note)	**1,616,051**	1,564,204
Total equity	**2,813,793**	2,761,946
Non-current liability		
Deferred tax liabilities	**110,072**	55,929
	2,923,865	2,817,875

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves of the Company

	Share premium RMB'000	Asset revaluation reserve RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2012	996,660	20,109	366,148	113,574	1,496,491
Profit for the year	–	–	103,645	–	103,645
Transfer	–	–	(10,476)	10,476	–
Dividend paid	–	–	(35,932)	–	(35,932)
At 31 December 2012 and 1 January 2013	996,660	20,109	423,385	124,050	1,564,204
Profit for the year	–	–	51,847	–	51,847
At 31 December 2013	996,660	20,109	475,232	124,050	1,616,051

50. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2013		2012		**2013**	2012	
			Direct	**Indirect**	Direct	Indirect			
China Great Wall Computer (Shenzhen) Company Limited ("CGCSZ") (note 1, 6)	The PRC	RMB1,323,593,886	**55.12%**	**-**	55.26%	–	**56.62%**	56.62%	Manufacture and trading of personal computer ("PC") and PC peripheral products
ExcelStor (note 10)	Cayman Islands	US$25,000,000	**-**	**-**	61.68%	–	**-**	61.68%	Trading HDD
ExcelStor Technology (Shenzhen) Limited (note 2)	The PRC	US$26,600,000	**61.68%**	**-**	61.68%	–	**61.68%**	61.68%	Manufacture of HDD
Kaifa Technology (H.K.) Limited ("Kaifa HK") #	Hong Kong	US$500,000	**-**	**44.51%**	–	49.64%	**44.51%**	49.64%	Trading of HDD and HDD substrates
Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd. (note 2) #	The PRC	RMB251,363,000	**-**	**44.51%**	–	49.64%	**44.51%**	49.64%	Production and development of HDD substrates
S. Kaifa (note 1, 5, 9)	The PRC	RMB1,471,259,363	**44.51%**	**-**	49.64%	–	**44.51%**	49.64%	Production of HDD heads and related electronic products
PI International Holdings	The British Virgin Islands (the "BVI")	US$579,000	**-**	**28.11%**	–	27.50%	**51%**	51%	Production and sales of electronic parts
TPV (note 3, 4, 7)	Bermuda	US$21,112,525	**-**	**13.40%**	–	13.44%	**24.32%**	24.32%	Designs, manufacture and selling computer monitors and flat TV products
Top Victory International Limited (note 3)	The BVI	US$1,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Investment holding
Top Victory Investments Limited (note 3)	Hong Kong	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each and	**-**	**13.40%**	–	13.44%	**100%**	100%	Trading of computer monitors flat TVs and sourcing of materials
Top Victory Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$40,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors

50. PRINCIPAL SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2013		2012		**2013**	2012	
			Direct	**Indirect**	Direct	Indirect			
Top Victory Electronics (Taiwan) Company Limited (note 3)	Taiwan	NT $ 920,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Research and development of computer monitors and flat TVs and sourcing of certain components
TPV Electronics (Fujian) Company Limited (note 2, 3)	The PRC	US$45,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited (note 2, 3)	The PRC	US$3,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Trading computer monitors and flat TVs
TPV Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$16,880,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors
TPV Display Technology (Wuhan) Company Limited (note 2, 3)	The PRC	US$27,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales computer monitors
Wuhan Admiral Technology Limited (note 2, 3)	The PRC	RMB80,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Trading of computer monitors and flat TVs
TPV International (USA), Inc. (note 3)	United States of America	US$1,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Sales and distribution of computer monitors and flat TVs
Envision Industria de Productos Electronicos Ltda (note 3)	Brazil	BRL50,000,000	**-**	**13.37%**	–	13.41%	**100%**	100%	Production and sales of computer monitors and flat TVs
TPV Technology (Beijing) Company Limited (note 2, 3)	The PRC	RMB320,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs
TPV Displays Polska Sp.z o.o. (note 3)	Poland	PLN126,800,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2013		2012		**2013**	2012	
			Direct	**Indirect**	Direct	Indirect			
MMD (Shanghai) Electronics Trading Co., Ltd (note 2, 3)	The PRC	RMB20,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Technology Co. Ltd. (note 2, 3)	The PRC	RMB20,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Sales and distribution of computer monitors and flat TVs
TPV-INVENTA Holding Ltd. (note 3)	Hong Kong	US$20,000,000	**-**	**6.8%**	–	6.9%	**51%**	51%	Sales and distribution of all-in-one PC products
TPV-INVENTA Technology (Fujian) Ltd.(note 2, 3)	The PRC	US$15,000,000	**-**	**6.8%**	–	6.9%	**51%**	51%	Production and sales of all-in-one PC products
TPV-INVENTA Technology Co. Ltd. (note 3)	Taiwan	NTD152,500,000	**-**	**6.8%**	–	6.9%	**51%**	51%	Reserch and development and after-sale services
TPV Display Technology (Xiamen) Co., Ltd. (note 2, 3)	The PRC	US$25,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of flat TVs and LCM modules
TPV Display Technology (China) Co. Ltd. (note 2, 3)	The PRC	US$20,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors, flat TVs and all-in-one PC products
Trend Smart America Ltd. (note 3)	USA	US$200,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Trading of flat TVs
TPV CIS Ltd. (note 3)	Russia	US$19,679,857	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of flat TVs
TPV do Brazil Industria de Electronicos Ltda. (note 3)	Brazil	BRL6,650,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of computer monitors and flat TVs components
T.P. Vision Holding B.V. (note 10)	The Netherlands	Euro18,000	**-**	**9.38%**	–	9.41%	**70%**	70%	Sales and distribution of TVs
MMD Hong Kong Holding Ltd. (note 3)	Hong Kong	1 ordinary share of HK$1	**-**	**13.40%**	–	13.44%	**100%**	100%	Investment holdings

50. PRINCIPAL SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2013		2012		**2013**	2012	
			Direct	**Indirect**	Direct	Indirect			
Xiamen Admiral Electronics Technology Co. Ltd. (note 2, 3)	The PRC	RMB3,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Trading of computer monitors and flat TVs
PTC Technology Company Limited* (note 2)	The PRC	RMB19,740,030	**-**	**13.40%**	–	13.44%	**100%**	100%	Sales and distribution of flat TVs
PTC Consumer Electronics Company Limited* (note 2)	The PRC	Euro1,240,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Sales and distribution of flat TVs
Ebony Hong Kong Holding Limited	Hong Kong	1 ordinary share of HK$1 each	**-**	**13.40%**	–	13.44%	**100%**	100%	Investment holding
Three Titans Technology (Xiamen) Co. Ltd (note 3, 8)	The PRC	US$11,000,000	**-**	**11.57%**	–	11.61%	**86.36%**	86.36%	Production and sales of flat TV components
Hefai Haier (note 3, 8)	The PRC	RMB20,000,000	**-**	**13.40%**	–	13.44%	**100%**	100%	Production and sales of flat TVs
TP Television Iberica Spain S.L. (note 3, 8)	Spain	Euro34,100	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution TVs
TP Vision Belgium NV (note 3, 8)	Belgium	Euro5,500,000	**-**	**9.38%**	–	9.41%	**100%**	100%	Production, sales and distribution of TVs
TP Vision Czech Republic s.r.o. (note 3, 8)	Czech	CZK9,783,000	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution of TVs
TP Vision Finland Oy (note 3, 8)	Finland	Euro2,500	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution of TVs
TP Vision France SAS (note 3, 8)	France	Euro724,000	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution of TVs
TP Vision Germany GmbH (note 3, 8)	Germany	Euro501,000	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution of TVs
TP Vision Hong Kong Limited (note 3, 8)	Hong Kong	HK$926,338	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution of TVs
TP Vision Hungary Ltd (note 3, 8)	Hungary	Euro4,500,272	**-**	**9.38%**	–	9.41%	**100%**	100%	Sales and distribution of TVs

50. PRINCIPAL SUBSIDIARIES (Continued)

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2013		2012		2013	2012	
			Direct	Indirect	Direct	Indirect			
TP Vision Industria Eletronica Ltda (note 3, 8)	Brazil	BRL 211,725,159	-	9.38%	-	9.41%	100%	100%	Production, sales and distribution of TVs
TP Vision Italy s.r.l. (note 3, 8)	Italy	Euro200,000	-	9.38%	-	9.41%	100%	100%	Sales and distribution of TVs
TP Vision Singapore Pte. Ltd (note3, 8)	Singapore	SGD8,300,000	-	9.38%	-	9.41%	100%	100%	Production, sales and distribution of TVs
TP Vision Sweden AB (note 3, 8)	Sweden	SEK50,000	-	9.38%	-	9.41%	100%	100%	Sales and distribution of TVs
TP Vision Switzerland AG (note 3, 8)	Switzerland	CHF200,000	-	9.38%	-	9.41%	100%	100%	Sales and distribution of TVs
AOC Holding Limited (note 3, 8)	Hong Kong	HK$1	-	13.40%	-	13.44%	100%	100%	Investment holding
TP Vision Eurasia LLC (note 3, 8)	Russia	RUB46,000,000	-	9.38%	-	9.41%	100%	100%	Sales and distribution of TVs

* English translation is for identification purpose

These companies are under S. Kaifa Group of which S. Kaifa is a listed company incorporated in PRC as mentioned in note 4. Although the Group has only 44.51% (2012: 49.64%) ownership interest and 44.51% (2012: 49.64%) voting rights to direct the relevant activities of S. Kaifa on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 55.49% (2012: 50.36%) ownership interests in S. Kaifa are owned by thousands of shareholders that are unrelated to the Group.

50. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

1. Subsidiaries with their A shares listed on the Shenzhen Stock Exchange in the PRC.

2. Companies incorporated as private limited companies in the PRC.

3. Since 13 October 2009, the Group has the effective control over the majority of the board of directors of the subsidiaries. These companies are under TPV Group of which TPV is a listed company incorporated in Bermuda as mentioned in note 4. Although the Group has only 24.32% (2012: 24.32%) ownership interest and 24.32% (2012: 24.32%) voting right, the Group has obtained control through the contractual arrangement with certain substantial shareholders of TPV and under the contractual arrangement, the Group is able to exercise control over TPV by way of appointing and removing the majority of the TPV's board of directors, casting the majority of votes at meeting of TPV's board of directors and exposing and having rights to variable returns from its involvement with TPV.

4. Subsidiaries with shares listed on the Hong Kong Stock Exchange.

5. The Group held 44.51% (2012: 49.64%) equity interests in S. Kaifa, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in S. Kaifa represents 654,839,851 A shares which have been tradable in the stock market. The market price of S. Kaifa and market value of these tradable shares as at 31 December 2013 are RMB5.28 per share and approximately RMB3,457,554,000 respectively.

6. The Group held 55.12% (2012: 55.26%) equity interests in CGCSZ, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in CGCSZ represents 749,362,206 A shares which have been tradable in the stock market. The market price of CGCSZ and market value of these tradable shares as at 31 December 2013 are RMB3.79 per share and approximately RMB2,840,083,000 respectively.

7. The Group held 24.32% (2012: 24.32%) equity interests in TPV, a company listed on the Stock Exchange of Hong Kong. The Company's equity interests in TPV represents 570,458,000 shares which have been tradable in the stock market. The market price of TPV and market value of these tradable shares as at 31 December 2013 are HK$1.60 per share and approximately HK$912,733,000 respectively.

8. Subsidiaries acquired during the year ended 31 December 2012 (note 39).

9. Change in ownership interest in a subsidiary

   During the year, the board of S. Kaifa, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC, and a subsidiary of the Company, has raised capital by issuing approximately 152 millions of new ordinary shares at RMB4.55 per share ("New Shares"). The New Shares were issued to not more than 10 institutional or individual subscribers.

   Upon the completion of the above non-public offer, the Group's interests in S. Kaifa was diluted from approximately 49.64% to 44.51%. In the opinion of directors, the Company will continue to be the single largest shareholder of S. Kaifa and control the majority of the board S. Kaifa, accordingly, S. Kaifa will continue to be a subsidiary of the Group. An amount of approximately RMB677,336,000 were recognsied as contribution from non-controlling interests.

   During the year, an indirect non-wholly owned subsidiary enlarged its share capital in proportion to the shareholding, and approximately RMB22,535,000 were capital contribution from non-controlling interests.

10. Subsidiary deregistered during the year ended 31 December 2013.

50. PRINCIPAL SUBSIDIARIES (Continued)

Notes: (Continued)

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

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the both years, except for the note payable with principal amount of RMB500,000,000 at fixed interest of 4.25% per annum issued by TPV on 21 March 2011 and RMB 500,000,000 at fixed interest of 5.38% per annual issued by CGCSZ in July 2013.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principle activity	**Place of incorporation and operation**	**Number of non-wholly-owned subsidiaries**	
		2013	2012
Manufacture and trading of PC peripheral products and HDD	Hong Kong	**3**	3
	The PRC	**16**	18
	BVI	**1**	6
	Singapore	**1**	1
	Thailand	**1**	–
		22	28

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interest 2013	2012	Voting rights held by non-controlling interest 2013	2012	Profit (loss) allocated to non-controlling interests 2013 RMB'000	2012 RMB'000	Accumulated non-controlling interests 2013 RMB'000	2012 RMB'000
CGCSZ	The PRC	**44.88%**	44.74%	**43.38%**	43.38%	**36,057**	(140,024)	**1,302,762**	1,262,753
S. Kaifa	Hong Kong	**55.49%**	50.36%	**55.49%**	50.36%	**25,376**	(37,992)	**2,801,363**	2,186,364
TPV	Bermuda	**86.60%**	86.56%	**75.68%**	75.68%	**(831,420)**	434,570	**8,909,005**	10,340,512
Individually immaterial subsidiaries with non-controlling interests						**146,145**	35,787	**(2,583,199)**	(2,761,583)
						(623,842)	292,341	**10,429,931**	11,028,046

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

CGCSZ	**2013**	2012
	RMB'000	RMB'000
Non-current assets	**3,949,093**	3,353,054
Current assets	**1,103,655**	819,838
Current liabilities	**(1,104,781)**	(1,254,962)
Non-current liabilities	**(1,047,559)**	(95,504)
Equity attributable to owners of the Company	**1,598,706**	1,559,673
Non-controlling interests	**1,301,703**	1,262,753
Revenue	**2,284,661**	2,354,696
Expenses	**(2,204,320)**	(2,667,668)
Profit (loss) and total comprehensive income (expense) for the year	**80,341**	(312,972)
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company	**44,284**	(172,948)
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interests	**36,057**	(140,024)
Profit (loss) and total comprehensive income (expense) for the year	**80,341**	(312,972)
Dividend paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from operating activities	**109,319**	(385,040)
Net cash (outflow) inflow from investing activities	**(623,497)**	138,171
Net cash inflow (outflow) from financing activities	**761,048**	(302,034)
Net cash inflow (outflow)	**246,870**	(548,903)

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

S. Kaifa	**2013**	2012
	RMB'000	RMB'000
Non-current assets	**2,763,848**	2,714,800
Current assets	**10,962,703**	7,466,564
Current liabilities	**(8,731,273)**	(5,996,620)
Non-current liabilities	**(34,133)**	(28,511)
Equity attributable to owners of the Company	**2,159,783**	1,969,869
Non-controlling interests	**2,801,363**	2,186,364

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

S. Kaifa (Continued)	**2013** **RMB'000**	2012 RMB'000
Revenue	**15,039,532**	16,399,517
Expenses	**(14,880,657)**	(16,391,065)
Profit for the year	**158,875**	8,452
Profit attributable to owners of the Company	**133,499**	46,444
Profit (loss) attributable to the non-controlling interests	**25,376**	(37,992)
Profit for the year	**158,875**	8,452
Other comprehensive expense to owners of the Company	**(34,387)**	(20,286)
Other comprehensive income (expense) to the non-controlling interests	**26,963**	(20,630)
Other comprehensive expense for the year	**(7,424)**	(40,916)
Total comprehensive income to owners of the Company	**99,112**	26,158
Total comprehensive income (expense) to the non-controlling interests	**52,339**	(58,622)
Total comprehensive income (expense) for the year	**151,451**	(32,464)
Dividend paid to non-controlling interests	**14,642**	131,928
Net cash inflow from operating activities	**448,850**	287,848
Net cash outflow from investing activities	**(271,762)**	(244,659)
Net cash inflow (outflow) from financing activities	**233,929**	(404,100)
Net cash inflow (outflow)	**411,017**	(380,317)

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

TPV	**2013**	2012
	RMB'000	RMB'000
Non-current assets	**10,109,081**	9,834,702
Current assets	**28,049,551**	30,697,345
Current liabilities	**(25,306,494)**	(25,240,846)
Non-current liabilities	**(2,499,418)**	(3,366,828)
Equity attributable to owners of the Company	**1,443,715**	1,583,861
Non-controlling interests	**8,909,005**	10,340,512

50. PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

TPV (Continued)	**2013**	2012
	RMB'000	RMB'000
Revenue	**74,143,327**	75,441,467
Expenses	**(75,013,952)**	(74,911,719)
(Loss) profit for the year	**(870,626)**	529,748
(Loss) profit attributable to owners of the Company	**(39,206)**	95,178
(Loss) profit attributable to the non-controlling interests	**(831,240)**	434,570
(Loss) profit for the year	**(870,626)**	529,748
Other comprehensive expense to owners of the Company	**(32,318)**	(27,174)
Other comprehensive expense to the non-controlling interests	**(218,876)**	(187,429)
Other comprehensive expense for the year	**(251,194)**	(214,603)
Total comprehensive (expense) income attributable to owners of the Company	**(71,524)**	68,004
Total comprehensive (expense) income attributable to the non-controlling interests	**(1,050,296)**	247,141
Total comprehensive (expense) income for the year	**(1,121,820)**	315,145
Dividend paid to non-controlling interests	**122,022**	175,581
Net cash inflow from operating activities	**277,736**	3,680,964
Net cash outflow from investing activities	**(1,061,045)**	(2,654,184)
Net cash (outflow) inflow from financing activities	**(54,490)**	228,961
Net cash (outflow) inflow	**(837,798)**	1,255,741

Particulars of major investment properties as at 31 December 2013

Investment properties held for investment	Address	Existing use	Hold term
No.1 building of the Company	No.2 & 3 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China	Factory	Medium term lease
No.2 building of the Company	No.2 & 3 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China	Office	Medium term lease
No.3 building of the Company	No.2 & 3 Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, China	Office	Medium term lease
1-7, 9-11, 16, 26-29 Floors of Great Wall Building	No.66 East Zhongguancun Road, Haidian District, Beijing, China	Office	Medium term lease

GWT

長城科技股份有限公司

Great Wall Technology Company Limited