13th Floor,
TCL Tower,
8 Tai Chung Road,
Tsuen Wan,
New Territories, Hong Kong
Tel: (852) 2437 7300
Fax: (852) 2417 7181

http://multimedia.tcl.com

:: Concept, Design & Production : Capital Financial Press Limited :: www.capitalfp.com ::

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED ANNUAL REPORT 2014

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

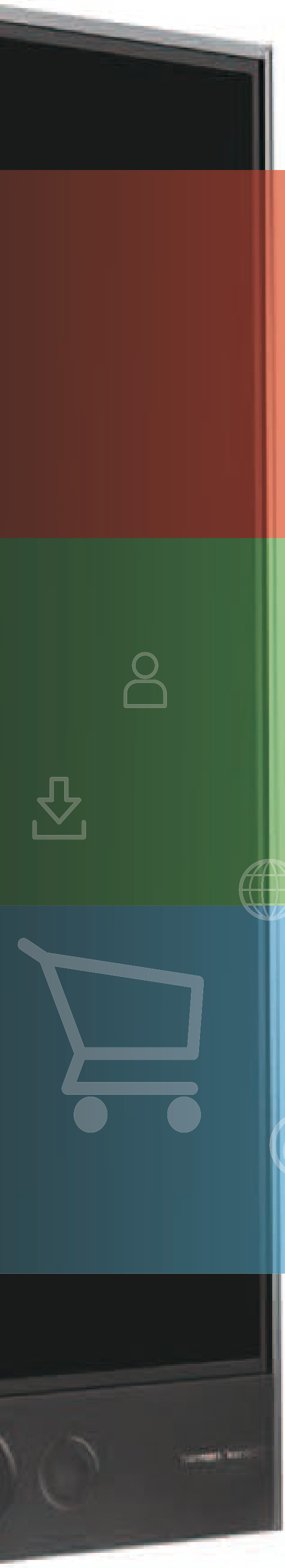
Stock code: 01070

Annual Report 2014

创意感动生活
The Creative Life

TCL

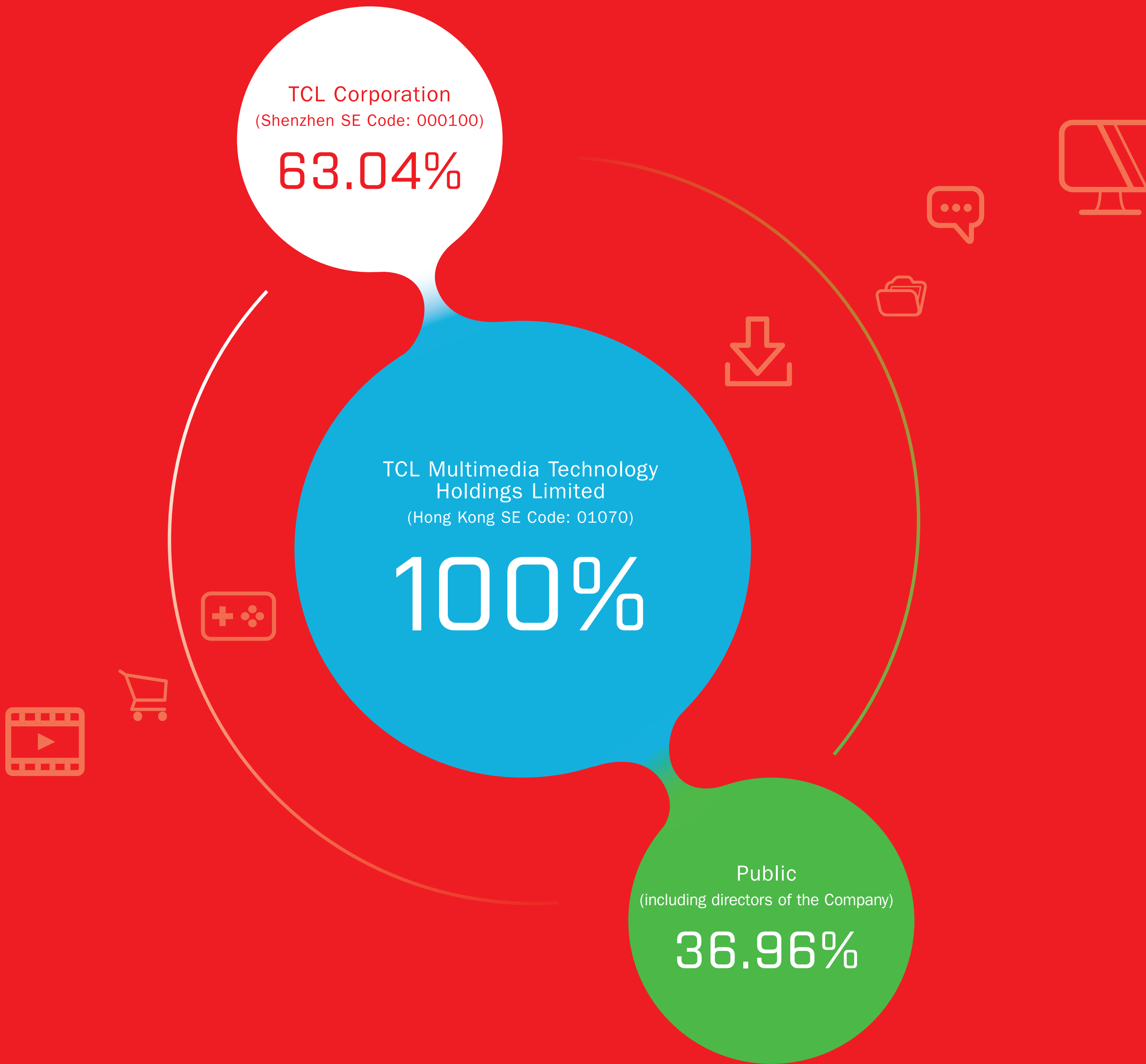
Contents



CORPORATE PROFILE

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

CORPORATE STRUCTURE



YEAR IN REVIEW 2014

JANUARY

TCL has been included in the leagues of "Top 50 Global Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" for the seventh consecutive year. It also received "Global Innovative Smart TV of the Year" award, the most prestigious product award of all presented at the 47th Consumer Electronics Show ("CES")

JULY

Participated in China Digital Entertainment Expo & Conference ("China Joy")

Became the Exclusive Collaborative Partner from the TV industry for "The Voice of China – Season 3"

SEPTEMBER

Won "Quantum Dot Display Tech Gold Award" under the "2014 IFA Product Technical Innovation Awards" in the 54th International Consumer Electronics (IFA) fair

Launched a new TV+ Home Entertainment Television product – TCL Mango TV+ with Hunan Broadcasting System (HBS), the most powerful entertainment platform in the PRC

Launched the first WeChat-linked TV, TCL WeChat TV+ with Tencent Inc.

FEBRUARY

Jointly announced with TCL Corporation ("TCL Corporation") and TCL Communication Technology Holdings Limited ("TCL Communication") a new strategy of business transformation that focuses primarily on a "double +" strategy which includes "intelligence + internet" and "products + services" as the main direction, shifting from the previous product-oriented focus to a product-and-user-oriented focus and gradually transforming from a traditional TV manufacturer into a global multimedia entertainment technology enterprise

Launched new versions of TCL-iQIYI TV+ with iQIYI under Baidu, Inc.

MARCH

TCL developed a partnership with Hong Kong Science and Technology Parks Corporation to set up an international R&D base in Phase 3 of Hong Kong Science Park

Participated in the Ninth Global Mobile Game and Channel Conference (TFC) and announced a cross-industry collaboration with China Unicom Broadband, ATET, JD.com and Gameloft to establish "TCL Game TV Ecosystem Strategic Alliance"

JUNE

Injected into Huizhou Kuyu Network Technology Co., Ltd. ("Kuyu Technology") and holds 16% interest in its enlarged registered capital

OCTOBER

In order to facilitate the strategic development of the Group, enhance its operation efficiency and core competitiveness and improve its management and decision-making procedures, the Strategy Executive Committee was established. The Company's Executive Director, Mr. BO Lianming, was appointed as the Chairman of the Strategy Executive Committee

NOVEMBER

Announced the establishment of a joint venture with TCL Corporation and TCL Communication to jointly invest in and develop the TCL Smart Home businesses

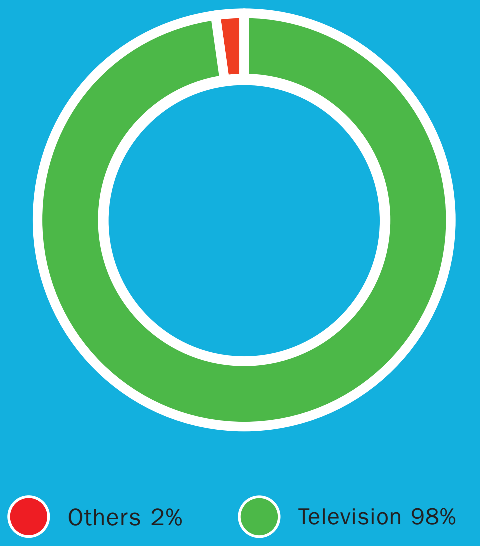
Mr. WANG Yi, Michael was appointed as the Chief Financial Officer (CFO) of the Group

Launched an innovative service — Golive, providing TCL users the joy of watching blockbusters titles, which are on theatrical showing trails in cinemas, at home

FINANCIAL HIGHLIGHTS

Financial Performance		
(HK$ Million)	2014	2013
Turnover	33,526	39,495
Gross profit	5,503	5,414
Gross profit margin (%)	16.4%	13.7%
Profit/(loss) attributable to owners of the parent		
– For the year	234	(48)
– From continuing operations	234	(119)
Basic EPS/(LPS) (HK cents)		
– For the year	17.76	(3.61)
– From continuing operations	17.76	(8.96)
Full year dividend per share (HK cents)	5.28	28.99
– Paid interim dividend per share	–	28.99
– Proposed final dividend per share	5.28	–

TURNOVER BREAKDOWN BY PRODUCTS



Financial Position

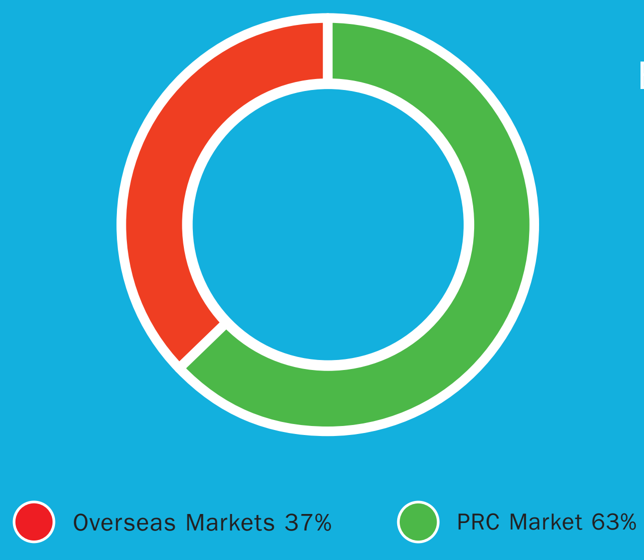
(HK$ Million)	2014	2013
Property, plant and equipment	2,356	2,408
Cash and bank balances	3,379	3,048
Total assets	21,482	22,155
Total liabilities	16,876	17,673
Interest-bearing borrowings	4,029	2,415
Net assets	4,606	4,482

Operation Indicators

	2014	2013
Return on equity (%)	5%	(3%)
Inventory turnover (days)	49	64
Trade receivables turnover (days)	42	34
Trade payables turnover (days)	65	62
Current ratio	1.1	1.1
Gearing ratio (%)	10.0	–

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

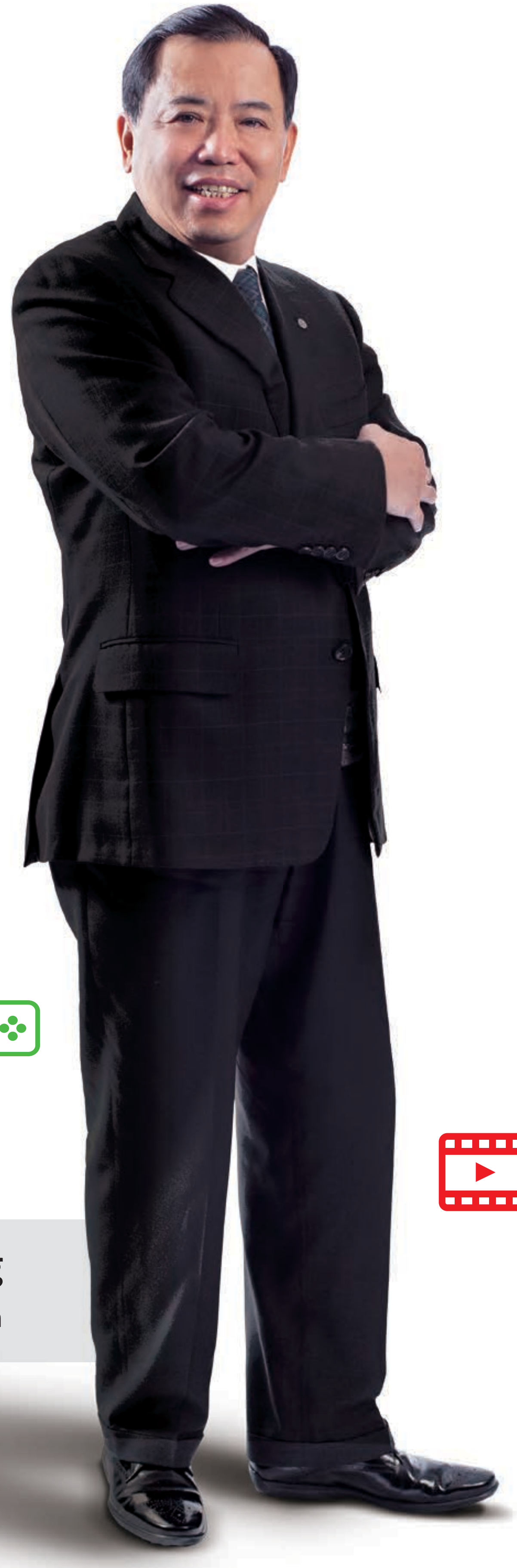
TV TURNOVER BREAKDOWN BY REGIONAL BUSINESS CENTRES



CHAIRMAN'S STATEMENT


TCL
Mr. LI Dongsheng
Chairman

CHAIRMAN'S STATEMENT



LI Dongsheng

Chairman

"In 2015, we will adhere to our twin drivers of internationalisation and the "double +" strategic transformation with a focus on structural improvement and efficiency enhancement to recover the business growth in the PRC and Overseas markets and enhance the profitability through three aspects."

DEAR SHAREHOLDERS,

On behalf of TCL Multimedia, I hereby present to you the annual results for the year ended 31 December 2014.

2014 was a year of double significance for TCL Multimedia. It was a year of its tenth anniversary of international acquisitions and it also marked the inaugural year of the implementation of "double +" strategy. As a pioneer among enterprises originated in the PRC in their internationalisation endeavours, we acquired the TV business from Thomson Electronics in 2004. With this major cross-border merger and acquisition transaction, we had completed the transformation to be an internationalised enterprise. In the internet era, we spared no effort in promotion of its strategic transformation by implementing its "double +" transformation strategy, which encompasses the pursuit of "intelligence + internet" strategic transformation and the establishment of "products + services" business model, to manage products and users effectively at the same time. TCL Multimedia's "double +" transformation strategy was steadily pursued with fruitful results during the year.

CHAIRMAN'S STATEMENT

Performance Review in 2014

The Group improved its gross profit margin through optimising its product mix and implementing cost control measures. Coupled with the one-off gain recorded from closure of certain subsidiaries, the Group returned to profitability yet the overall business performance failed to meet expectations.

The Group achieved a turnover of HK$33,526 million, down by 15.1% year-on-year, and sold 16.57 million sets of LCD TVs, declined by 3.5% year-on-year, mainly due to the unsatisfactory results of the PRC Market. The sales volume in the PRC Market declined by 14.1% year-on-year to 8.51 million sets. Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the weak market demand, the cross-industry competition from internet enterprises and the inadequacies in its selling capabilities while the proportion of sales volume of the Group's high-end products still lagged behind its key competitors. The sales volume of LCD TV in the Overseas Markets increased by 10.8% year-on-year to 8.06 million sets.

According to the latest DisplaySearch figures, the Group ranked No. 4 in the global LCD TV market with a market share of 5.4% in 2014. TCL brand LCD TVs ranked No. 3 in the PRC market with a market share of 16.0%.

The Group's profit attributable to owners of the parent was HK$234 million while basic earnings per share were HK17.76 cents. The Board of Directors (the "Board") proposed a final dividend of HK5.28 cents per share, dividend payout ratio for the year was approximately 30%.

Establishing a Strategy Executive Committee under the Board

Since the Group's operating results of the year substantially fell short of the preset targets, the Board of the Company made significant adjustments in terms of business strategies and organizational structure by establishing a Strategy Executive

Committee in October, which is responsible for its overall business coordination. Mr. BO Lianming, an Executive Director of the Company, was appointed as the Chairman of the Strategy Executive Committee. Operating strategies of the Group were rectified with adjustments and certain management positions of the Group were enhanced.

Accelerating the "Double +" Strategic Transformation

The traditional TV industry is faced with changing industry landscapes and competition has shifted to one among "products + services" from one among products. The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV and TCL TV+ Quantum Dot TV which led a revolution in TV display colours etc., driving growth in the sales volume of smart TVs, from 2.63 million sets last year to 3.49 million sets, contributing to 41.0% of the LCD TV sales volume in the PRC Market.

To further strengthen the operation capabilities catering to smart TV users, the Group established an internet business center (formerly known as "internet business unit"). The accumulated number of activated smart TV users of the Group for the year was 2,474,271 and the historical accumulated total number of activated smart TV was 6,746,610 and the daily average number of active users for 7 days was 2,268,959 (Source: Huan Technology Co., Ltd. ("Huan")).

In November 2014, the Group launched an innovative service – Golive, which features movies that are previously available only on theatrical showing trails to TV home theatres, bringing to users the true enjoyment of watching blockbusters titles at home. Meanwhile, during the year, the Group participated in the Smart Home Business joint venture headed by TCL Corporation to jointly promote TCL Smart Home project.

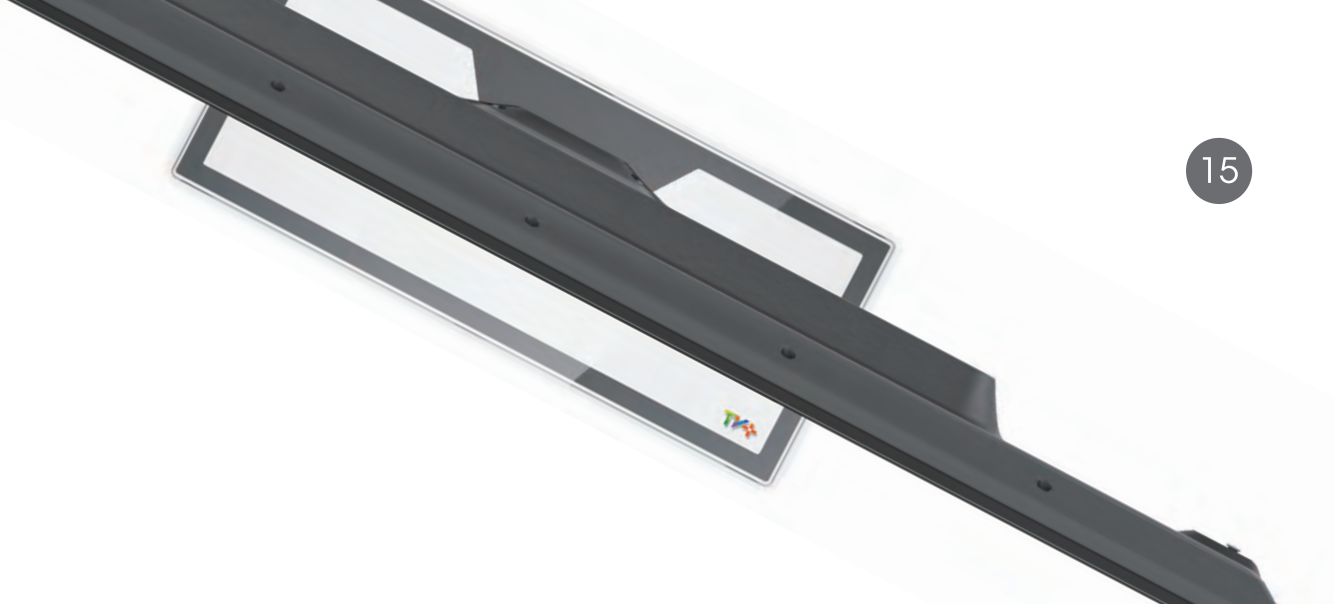
CHAIRMAN'S STATEMENT

Business Outlook

In 2015, we will adhere to our twin drivers of internationalisation and the "double +" strategic transformation with a focus on structural improvement and efficiency enhancement to recover the business growth in the PRC and Overseas markets and enhance the profitability through three aspects.

First, the Group will continue to implement the "double +" strategic transformation and strengthen its capabilities in product technology innovation, software, various application and content service. The Group will also establish a competitive O2O business model and enhance its user management. The Group will derive revenue from operation services through expanding operable user base, establishing operable business model and innovating and incubating new internet businesses by adopting a user-oriented approach.

Second, the Group will strengthen establishment of fundamental capabilities, improve quality of its business operations and seek to maximise utilities from its vertical integration along the industrial chain by strengthening industrial cooperation with Shenzhen China Star Optoelectronics Technology Co., Ltd ("CSOT"). On the other hand, the Group will continue to enhance its operational efficiency through deepening sales channels and organisational reforms by eliminating the middle layers and establishing an integrated operational system, so as to lower costs and increase operational efficiency.



Third, the Group will continue to pursue internationalization strategy by striving to make breakthroughs in the key markets, expanding emerging markets such as India and increasing investments in brand building to raise the sales proportion of TCL brand. In addition, the Group will vigorously exploit synergies with other businesses of TCL Corporation to raise the overall influence of the TCL brand in the overseas.

On top of "double +" transformation strategy, the Group is striving to establish a new organisational structure, enhance its fundamental core capabilities and execution capabilities for its strategic transformation to recover business growth. The management will strive to realize a sales revenue growth at 20.8% and LCD TV sales volume target at 17.50 million sets for the year 2015, and endeavor to raise operating efficiency and profitability, and enhance the market share of the TCL brand televisions in the PRC and worldwide, gradually transforming the organisation into a global entertainment technology enterprise and creating long-term enterprise value and returns for shareholders.

On behalf of the Board, I express our gratitude to every shareholder, client, consumer and business partner for their prolonged support. Meanwhile, I would like to thank the directors, management and colleagues who endeavored to TCL Multimedia for their loyalty and valuable contribution in the past decade.

LI Dongsheng
Chairman
2 March 2015, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS


TCL
Bringing Fun And Entertainment Home
Who are we
超乎想象
TCL
设置
搜索

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2014

2014 marked an important year for TCL's transformation and reform. In the internet era, the Group spared no effort in promotion of its strategic transformation by implementing its "double +" transformation strategy, which encompasses the pursuit of "intelligence + internet" strategic transformation and the establishment of "products + services" business model, to manage products and users effectively at the same time. The "double +" strategy was steadily pursued with fruitful results during the year. During the year, the Group participated in the Smart Home Business joint venture headed by TCL Corporation.

The Group sold 16.57 million sets of LCD TVs, down by 3.5% year-on-year, mainly due to the unsatisfactory results of the PRC Market. Sales volume of LCD TVs in the PRC Market decreased by 14.1% year-on-year to 8.51 million sets. Average selling price and profit were under pressure while both sales volume and revenue decreased year-on-year due to the weak market demand, the cross-industry competition from internet enterprises and the inadequacies in its selling capabilities. Sales volume of LCD TVs in the Overseas Markets increased by 10.8% year-on-year to 8.06 million sets, of which the sales volume of LCD TVs in the Strategic ODM business rose by 48.6% year-on-year to 2.41 million sets.

The Group improved its gross profit margin from 13.7% of last year to 16.4% through optimising its product mix and implementing cost control measures. Coupled with the one-off gain recorded from closure of certain subsidiaries, the Group returned to profitability yet the overall business performance failed to meet expectations. The Group achieved a turnover of HK$33,526 million, down by 15.1% year-on-year. Expense ratio edged up from 14.2% of last year to 15.2%. Operating profit was HK$621 million. Net profit after tax was HK$246 million. Profit attributable to owners of the parent was HK$234 million (Actual profit attributable to owners of the parent would have been HK$75.57 million after excluding the one-off gain of HK$159 million recorded from closure of certain subsidiaries). The Group's basic earnings per share was HK17.76 cents.

The Board proposed a final dividend of HK5.28 cents per share, dividend payout ratio for the year was approximately 30%.

In the fourth quarter, the Group achieved a turnover of HK$9,925 million, down by 14.5% year-on-year. Gross profit margin was 16.8%. Operating profit was HK$127 million. Net profit after tax was HK$7.44 million. Profit attributable to owners of the parent was HK$6.94 million. Basic earnings per share was HK0.53 cents. Results for the fourth quarter was far below expectations although it is a traditional peak season of the business.

According to the latest DisplaySearch figures, the Group ranked No. 4 in the global LCD TV market with a market share of 5.4% in 2014. TCL brand LCD TVs ranked No. 3 in the PRC market with a market share of 16.0%.

The traditional TV industry is faced with changing industry landscapes and competition has shifted to one among "products + services" from one among products. The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV etc., and introduced an innovative Golive TV home theatre service. In particular, the new flagship TV+ model H9700, the first Quantum Dot TV in the PRC, is not only a milestone breakthrough for TCL in the field of display technologies, but also represents one of the important moves made in continuous upgrading of the TCL TV+ Home Entertainment TV series.

In addition, the Group completed capital injection into O2O platform of Kuyu Technology during the year, and holds 16% of its enlarged registered capital. The Group, in collaboration with TCL Corporation and TCL Communication, also established a joint venture to jointly pursue the TCL Smart Home project, matching into the market of the Internet of Things with bright prospects through integration of mobile internet, big data and cloud computing.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's sales volume of TVs by regions and the numbers of TCL smart TV users during the year were as follows:

	2014 ('000 sets)	%	2013 ('000 sets)	%	Change
LCD TVs	16,574		17,184		(3.5%)
of which: LED backlight LCD TVs	16,517		16,661		(0.9%)
Smart TVs	3,755		2,800		+34.1%
– LCD TVs in PRC Market	8,509		9,908		(14.1%)
As a percentage of overall LCD TVs		51.3%		57.7%	
– Smart TVs in PRC Market	3,492		2,633		+32.6%
As a percentage of overall smart TVs		93.0%		94.0%	
– LCD TVs in Overseas Markets	8,065		7,276		+10.8%
As a percentage of overall LCD TVs		48.7%		42.3%	
– Smart TVs in Overseas Markets	263		167		+57.5%
As a percentage of overall smart TVs		7.0%		6.0%	
CRT TVs	165		1,055		(84.4%)
– PRC Market	–		18		(100.0%)
– Overseas Markets	165		1,037		(84.1%)
Total TV sales volume	16,739		18,239		(8.2%)

	Accumulated total as at December 2014	December 2014	2014	2013	Year-on-year change
Number of TCL activated smart TV users	6,746,610	256,259	2,474,271	1,902,693	+30.0%
Daily average number of active users for 7 days	N/A	2,268,959	N/A	N/A	N/A

Since the Group's operating results of the year substantially fell short of the preset targets, the Board of the Company made significant adjustments in terms of business strategies and organizational structure by establishing the Strategy Executive Committee in October, which is responsible for its overall business coordination. Mr. BO Lianming, an Executive Director of the Company, was appointed as the Chairman of the Strategy Executive Committee. Operating strategies of the Group were rectified with adjustments and certain management positions of the Group were enhanced.

The PRC Market

Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the weak market demand, the cross-industry competition from internet enterprises and inadequacies in its selling capabilities. The Group has made significant adjustments in the business organisation and work flow of the PRC Market since October, striving to change the passive situation of the business operation in the PRC. The management is confident that these revolutionary measures will begin to yield results from the second quarter of 2015.

The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV and TCL TV+ Quantum Dot TV which led a revolution in TV display colours etc., driving growth in the sales volume of smart TVs, from 2.63 million sets last year to 3.49 million sets, contributing to 41.0% of the LCD TV sales volume in the PRC Market. Nevertheless, the sales performance of the Group's high-end products still lagged behind its key competitors, which requires further improvement.

In terms of service strategies, the Group launched an innovative service in November 2014 – Golive, which features movies that are previously available only on theatrical showing trails to TV home theatres, bringing to users the true enjoyment of watching blockbusters titles at home. Meanwhile, during the year, the Group participated in the Smart Home Business joint venture headed by TCL Corporation to jointly promote TCL Smart Home project.

MANAGEMENT DISCUSSION AND ANALYSIS

To further strengthen the operation capabilities catering to smart TV users, the Group established the internet business center. The accumulated number of activated smart TV users for the year enrolled by Huan was 2,474,271 and up to an accumulated total number of 6,746,610. The daily average number of active users for 7 days was 2,268,959.

The Group completed RMB80 million capital injection to O2O platform of Kuyu Technology for 16% of its enlarged registered capital in June 2014.

Overseas Markets

The Group's sales volume and revenue both fell short of expectations, mainly due to the unsatisfactory sales performance in Brazil. Fluctuations in foreign exchange rates in some markets resulted in exchange losses as well.

After years' efforts in the European and North American Markets, sales volume in the North American Market has been recovering with TCL Roku smart TV 48FS4610R named "The Best TV of 2014" by *PC Magazine*. The Group had been continuously enhancing its market share in the European Market. It ranked No.4 in the LCD TVs market in France (GfK figure) in 2014 with a market share of 7.5%. In the Emerging Markets, the Group focused its efforts in the countries which are highlights of development to enhance the awareness of TCL brand.

R&D

The Group's "Quantum Dot Display Technology" won the "2014 IFA Product Technical Innovation Awards", showcasing technology strengths and creativity of TCL brand to the world. TCL had been included in leagues of "Top 50 Global Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" at the CES for the seventh consecutive year, as well as being included in the league of "Top 20 Global TV". Besides, TCL TV+ Home Entertainment TV won the "Innovation Award" for the second consecutive year, in "The 10th Asian Electronics Forum 2014" (AEF)-cum-the assessment for the Innovation Award and became the only product in the Chinese home electronic appliance industry to have won this honor.

The Group had submitted a total of 400 applications for patent rights, of which 315 applications had been approved in the PRC while 2 applications had been approved in overseas jurisdictions. Among the applications for patent rights, 199 of them were invention applications, 77 of them were new model applications and 124 of them were designs applications.

Outlook

A DisplaySearch market report forecasts that sales volume of the global LCD TV market will grow by 7.2% in 2015 from last year and reach 239 million sets. Of these, the sales volume of 4K ultra-high-definition TVs will reach 29.90 million sets, up by over 135% year-on-year. As suggested by statistics compiled by China Market Monitor Co. Ltd ("CMM"), the PRC Market will see LCD TV market grow by 2.2% to reach 47.10 million sets in 2015 with the demand for large-screen and mid- to high-end TVs continue to increase. TVs of 46 inches or above will comprise over 40% of the total while the sales volume of 4K ultra-high-definition TVs will reach 14.00 million sets.

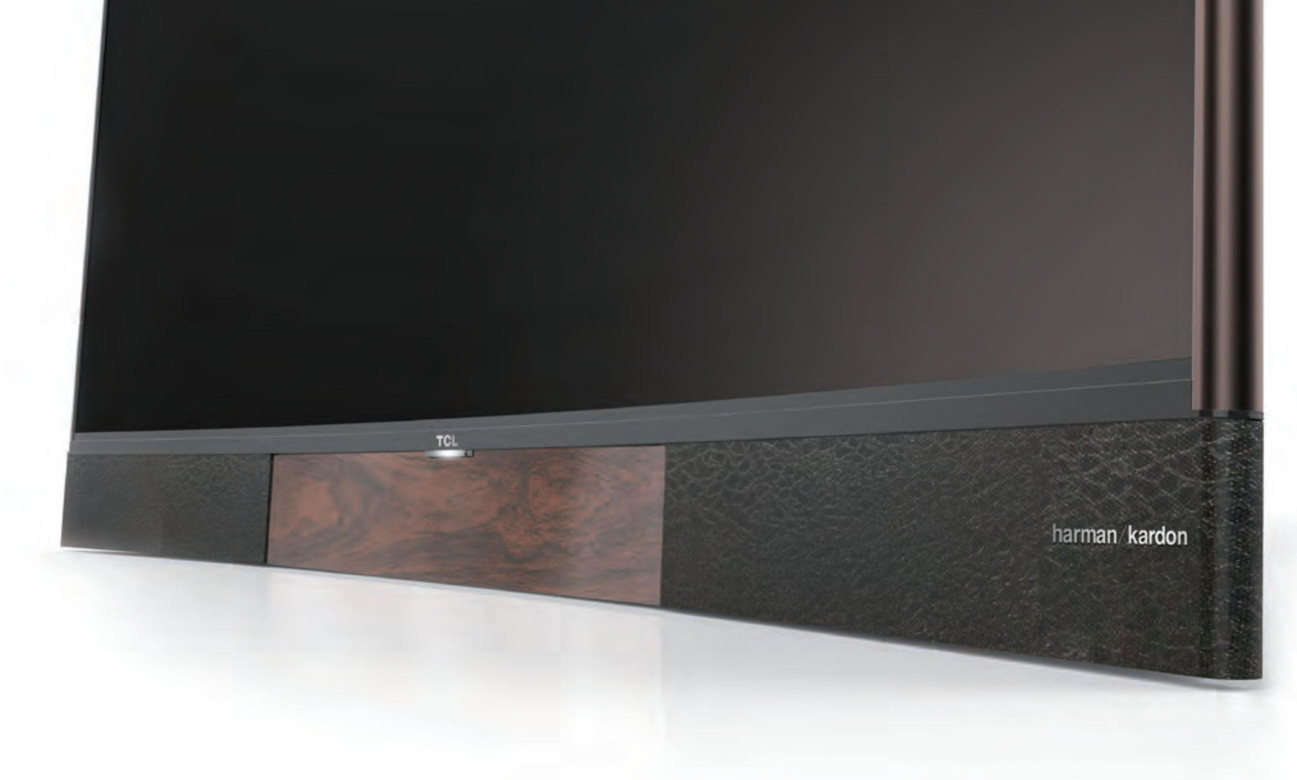
Meanwhile, the market is shifting its attention to middle- to high-end products with high colour domain, such as Curved TVs and Quantum Dot TVs. According to forecasts from CMM, sales volume of Curved TVs in the PRC Market will reach 2.40 million sets in 2015, with a significant growth compared with the 170,000 sets in 2014. The market limelight will also be attracted to Quantum Dot TVs with the world's highest colour domain coverage ratio, which are high-performance and more competitively priced as their production costs are only half of those of OLED TVs. Therefore, the Group expects Quantum Dot TVs to evolve into a new trend in TV development in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Apart from products, competition among electronic commerce channels is heating up as well. The rising popularity of the internet and the growing number of internet users provided a good opportunity for the electronic commerce market to develop and grow. CMM expected that the market share of online channels will grow further. The sales volume of TV market via online channels will exceed 10.00 million sets in the PRC for the first time in 2015.

In response to the macroeconomic and overall industry conditions, the Group has developed the following strategies:

1. The Group will continue to implement the "double +" strategic transformation and strengthen its capabilities in product technology innovation, software, various application and content service. The Group will also establish a competitive O2O business model and enhance its user management. The Group will continuously implement leading product strategy with TV+ as the featured product series and focus on enhancing the product mix of high-end products including curved, big-screen, ultra-high-definition, priced at above RMB7,000 and high colour domain products. In addition, the Group will proactively promote



the development of O2O and increase its sales proportion. Meanwhile, the Group will derive revenue from operation services through expanding operable user base, establishing operable business model and innovating and incubating new internet businesses by adopting a user-oriented approach.

2. The Group will strengthen establishment of fundamental capabilities, improve quality of its business operations and seek to maximise utilities from its vertical integration along the industrial chain by strengthening industrial cooperation with CSOT. On the other hand, the Group will continue to enhance its operational efficiency through deepening sales channels and organisational reforms by eliminating the middle layers and establishing an integrated operational system, so as to lower costs and increase operational efficiency. The PRC and overseas businesses are expected to be back on the growth track through improvement on competitiveness, thus enhancing profitability.

3. The Group will continue to pursue internationalization strategy by striving to make breakthroughs in key markets, enhancing operational efficiency in overseas business and expanding emerging markets such as India. The Group will continue to implement the Big screen, Ultra-high-definition and Smart TVs – (BUS) strategy, increase investments in brand building to raise the sales proportion of TCL brand in overseas markets. Meanwhile, the Group will concentrate resources in an effort to strike breakthroughs in key markets including France, the U.S., Brazil and India. In addition, the Group will also vigorously exploit synergies with other businesses of TCL Corporation to raise the overall influence of the TCL brand in the overseas.

The Group has targeted its annual sales revenue growth at 20.8% and LCD TV sales volume at 17.50 million sets for the year 2015. On top of “double +” strategic transformation, the Group is striving to establish a new organisational structure and enhance its capabilities for implementing strategic transformation, with an aim to enhance market share and awareness of the TCL brand worldwide, gradually transforming the organisation into a global entertainment technology enterprise and creating long-term enterprise value and returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

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

On 31 March 2014, US Moka Limited ("US Moka", a wholly-owned subsidiary of the Company) and Sanyo Manufacturing Corporation ("SMC", an independent third party) entered into two agreements, namely: (i) the asset purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire the assets comprising certain pieces of land (the "Land") located at the Industrial Development Zone known as Ciudad Industrial Nueva Tijuana in Baja California, Mexico, with a total area of about 79,131.79 square meters; all the buildings erected on the Land; and the machinery and any other supplementary tools (collectively, the "Sanyo Assets") operated in Sanyo Manufacturing, S.A. de C.V. ("SMSA", a non wholly-owned subsidiary of SMC) at a consideration of US$12,850,000 (equivalent to approximately HK$99,619,000); and (ii) the stock purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire 45,000 shares in SMSA, representing 90% of the equity interest of SMSA at a consideration of US$1,646,000 (equivalent to approximately HK$12,761,000). The total consideration was US$14,496,000 (equivalent to approximately HK$112,380,000). The acquisition was completed on 30 April 2014.

On 24 April 2014, TCL Optoelectronics Technology (Huizhou) Co., Ltd. ("TOT", a wholly-owned subsidiary of the Company) and CPT Display Technology (Shenzhen) Limited ("CPT Display", a non wholly-owned subsidiary of TCL Corporation) entered into two agreements, namely: (i) the acquisition agreement pursuant to which CPT Display agreed to sell and TOT agreed to purchase production lines owned by CPT Display for aging in manufacture of backlight module at a consideration of RMB45,000,000 (equivalent to approximately HK$56,700,000); and (ii) the disposal agreement pursuant to which TOT agreed to sell and CPT Display agreed to purchase production lines owned by TOT for bonding in manufacture of backlight module at a consideration equivalent to the then net book value of RMB116,514,000 (equivalent to approximately HK$146,800,000). The transactions were completed on 30 April 2014, resulting in no gain or loss to the Group.

On 24 April 2014, TCL King Electrical Appliances (Huizhou) Company Limited ("TCL King", a wholly-owned subsidiary of the Company) entered into a capital injection agreement with TCL Corporation, Huizhou TCL Mobile Communication Co., Ltd. (a wholly-owned subsidiary of TCL Communication), TCL Air-conditioner (Zhongshan) Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), TCL Home Appliance (Hefei) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Foshan TCL Household Appliances (Nanhai) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Huizhou TCL Light Electrical Appliances Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), Huizhou Pengpeng Keji Investment Partnership (Limited Partnership) ("Pengpeng Keji", 46.20% equity interest owned by Mr. SHI Wanwen, a Non-executive Director of the Company), Huizhou Wuheshen Keji Investment Partnership (Limited Partnership) (60%, 20% and 20% equity interest owned by Mr. YANG Bin (a director of three subsidiaries of the Company), Mr. LIU Wenwu and Mr. WEN Aijin (the senior management of Kuyu Technology, respectively) and Kuyu Technology, pursuant to which TCL King agreed to inject RMB80,000,000 (equivalent to approximately HK$100,781,000) in cash to Kuyu Technology as its registered capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon the completion of the capital injection, the registered capital of Kuyu Technology increased from RMB50,000,000 (equivalent to approximately HK$62,988,000) to RMB500,000,000 (equivalent to approximately HK$629,881,000). The investment made by the Group represents 16% of the enlarged registered capital of Kuyu Technology. The capital injection was completed on 27 June 2014 and Kuyu Technology was accounted for as an available-for-sale investment by the Group.

On 2 December 2013, TCL Electrical Appliance Sales Co., Ltd. ("Sales Co", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Toshiba Corporation, an independent third party, pursuant to which Sales Co agreed to acquire an additional 21% equity interest in Toshiba Visual Products (China) Co., Ltd. ("Toshiba Visual", a former 49% owned associate of Sales Co) at nil consideration. The equity transfer was completed on 9 May 2014 and Toshiba Visual became a subsidiary of the Group since then. The equity transfer was regarded as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Toshiba Visual at the equity transfer date and recognised a gain of HK$35,688,000 in the consolidated statement of profit or loss and other comprehensive income. The Group has elected to measure the non-controlling interest in Toshiba Visual at the non-controlling interest's proportionate share of Toshiba Visual's identifiable net liabilities.

On 11 November 2014, Sino Leader (Hong Kong) Limited ("Sino Leader", a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Crown Capital Enterprises Limited ("Crown Capital", a wholly-owned subsidiary of TCL Corporation), and Prosper Fortune Enterprises Limited ("Prosper Fortune", a wholly-owned subsidiary of TCL Communication), to invest in a joint venture, TCL Smart Home Technologies Co., Limited ("TCL Smart Home"). Pursuant to the joint venture agreement, Sino Leader will contribute RMB9,000,000 (equivalent to approximately HK$11,340,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, Sino Leader will contribute further RMB18,000,000 (equivalent to approximately HK$22,680,000) at maximum to TCL Smart Home by way of subscription of new shares and/or advancing shareholders' loan.

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at year end amounted to HK$3,379,369,000, of which 0.1% was maintained in Hong Kong dollars, 20.6% in US dollars, 76.9% in Renminbi, 1.1% in Euro and 1.3% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2013 and there was no asset held under finance lease as at year end.

As at year end, the Group's gearing ratio was 10.0% which is calculated based on the Group's net borrowing of approximately HK$446,266,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$4,469,129,000. The maturity profile of the borrowings ranged from one to two years.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

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

Capital Commitments and Contingent Liabilities

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

	2014 **HK$'000**	2013 HK$'000
Contracted, but not provided for	**61,429**	175,256
Authorised, but not contracted for	**305,633**	385,484
	367,062	560,740

As at 31 December 2014, the Group did not have any material contingent liability not provided for in the consolidated financial statements.

Pending Litigation

The Group was not involved in any material litigation as at 31 December 2014.

Foreign Exchange Exposure

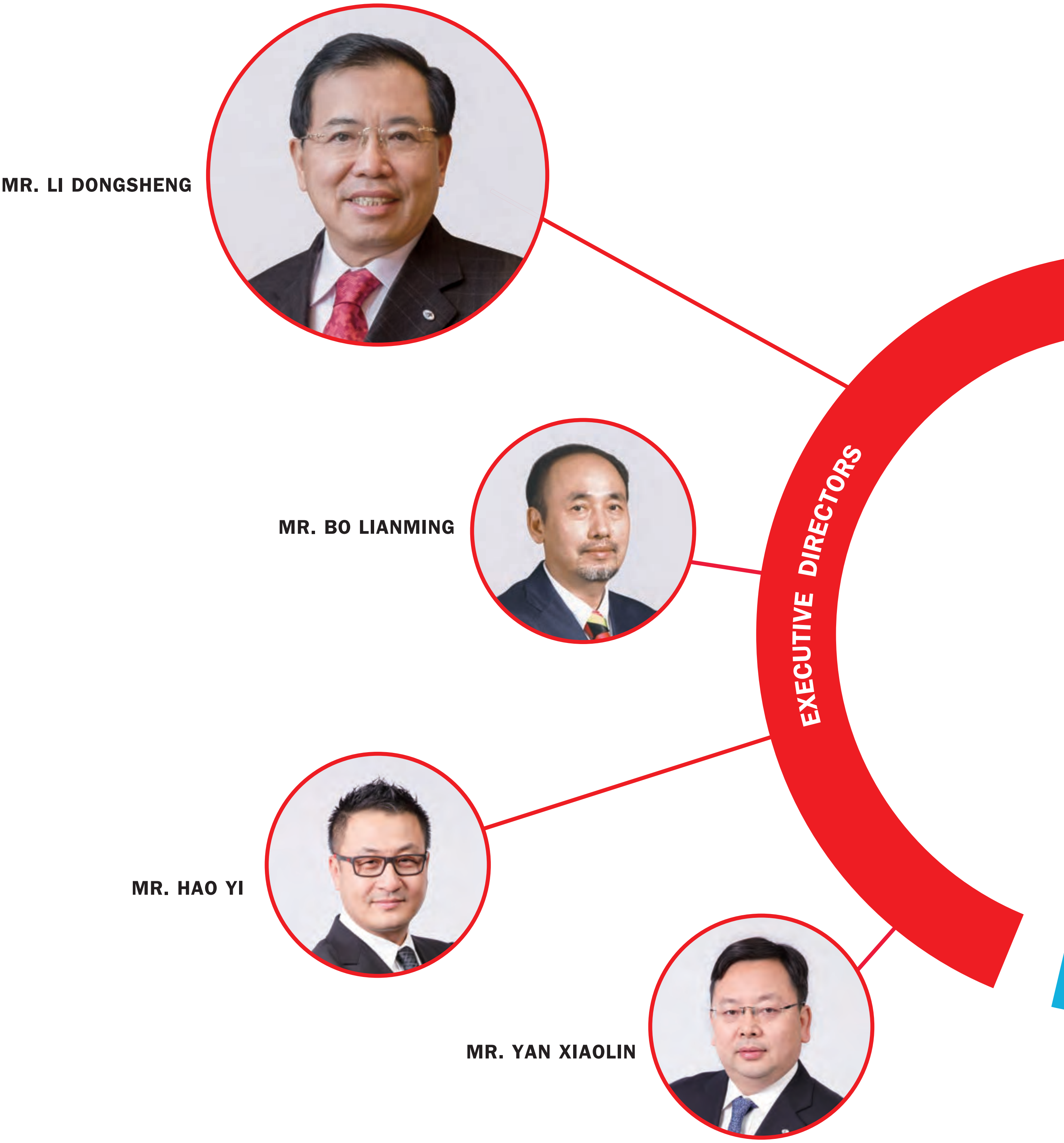
Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

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

Employee and Remuneration Policy

The Group had a total of 25,127 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing a total of 15,019,711 shares remained outstanding at the end of the reporting period.

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



DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

MR. ALBERT THOMAS DA ROSA, JUNIOR

MR. HUANG XUBIN

MR. SHI WANWEN

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. TANG GULIANG

MR. ROBERT MAARTEN WESTERHOF

DR. TSENG SHIENG-CHANG CARTER

MS. WU SHIHONG

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. LI DONGSHENG

Aged 57, is the founder, Chairman and an Executive Director of the Company. Mr. LI is currently the Chairman, Chief Executive Officer (CEO) and founder of TCL Corporation. He is also the Chairman and an Executive Director of TCL Communication.

In 1982, Mr. LI graduated from South China University of Technology. He was awarded the "National Model Worker" and the "May 1st Labor" Medal. He was elected as delegate to China's 16th Party Congress, and served as a representative of the 10th, 11th, and 12th National People's Congress.

Mr. LI owns a number of prestigious positions as Chairman of China Electronic Imaging Industry Association, Vice Chairman of China Chamber of International Commerce, Chairman of Guangdong Chamber of Home Appliances, Vice Chairman of Guangdong Federation of Industry & Commerce, Chairman of Shenzhen Flat Panel Display Industry Association and Executive Committee member of All-China Federation of Industry & Commerce. He was awarded "China's Economic Person of the Year" in 2002 and 2004 respectively. In 2004, Mr. LI was named "Asia Businessman of the Year" by *Fortune* magazine and "Top 25 Global Business Leaders" by *Time* magazine and CNN. He received OFFICIER DE LA LEGION D'HONNEUR (French national honor) in the same year. In 2009, he was named "China's Economic Person of the Year – Business Leaders of the Decade" by CCTV. In 2013, Mr. LI was selected as one of the "Best CEOs of Listed Companies in China" by *Forbes* magazine.

MR. BO LIANMING

Aged 51, is an Executive Director and Chairman of the Strategy Executive Committee of the Company. Mr. BO is also an Executive Director, the President and the Chief Operating Officer (COO) of TCL Corporation and the CEO of CSOT. Mr. BO held a number of management positions in TCL Corporation including Vice President and Financial Director of IT Industrial Group, Vice President of Components Strategic Business Unit, Executive Vice President of TTE Corporation, as well as Human Resources Director, Vice President and Senior Vice President of TCL Corporation. Mr. BO has over 14 years of experience in the consumer electronics products industry. Before joining TCL Corporation in 2000, he was the Chief Accountant of Shenzhen Airlines Co., Ltd.. Mr. BO holds a Doctorate Degree in Business Administration from Xi'an Jiaotong University.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. HAO YI

Aged 41, an Executive Director, CEO and a member of the Strategy Executive Committee of the Company. Mr. HAO is currently the Vice President of TCL Corporation. Mr. HAO joined TCL in March 2004, he had held the positions of Assistant to Chairman of TCL Corporation, and the Vice President, the Chief Sales Officer, General Manager of Overseas Business Group as well as General Manager of Emerging Market Business Center of the Company. He has rich experience in multinational business management. Mr. HAO obtained a Bachelor's Degree in Economics from York University, Toronto, and also holds a degree of EMBA from Cheung Kong Graduate School of Business.

MR. YAN XIAOLIN

Aged 47, an Executive Director and a member of the Strategy Executive Committee of the Company. Mr. YAN is currently the Chief Technology Officer (CTO) of TCL Corporation, the Senior Vice President of TCL Corporation and the President of TCL Corporate Research of TCL Corporation, a Non-executive Director of TCL Communication. Mr. YAN joined TCL in May 2001. From May 2001 to December 2004, he served as the Project Manager, Director of Research Institute and Deputy General Manager of the Research & Development Centre of the Company. From December 2004 to October 2005, he was the CTO of Components Strategic Business Unit of TCL Corporation and the Deputy Principal and Acting Principal of TCL Corporate Research. From October 2005 to present, he is the President of TCL Corporate Research of TCL Corporation. From May 2008 to November 2012, Mr. YAN was the Vice President of TCL Corporation.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

MR. ALBERT THOMAS DA ROSA, JUNIOR

Aged 61, is a Non-executive Director of the Company. He has been a director of the Company since November 1999. Mr. DA ROSA holds both Bachelor's and Master's Law Degrees from the University of Hong Kong. He was qualified as a solicitor in Hong Kong in 1980. He is currently a practicing solicitor and a partner of Messrs. Cheung Tong & Rosa Solicitors, Hong Kong.

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

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

Mr. DA ROSA serves as Chairman of the Appeal Tribunal (Buildings) Panel and the Chairman of the Panel of the Board of Review (Inland Revenue). He served the Solicitors Disciplinary Tribunal Panel from 1998 to 2014 as member, Deputy Chairman and ultimately the Tribunal Convenor. He also served as a member of the Academic and Accreditation Advisory Committee of the Securities and Futures Commission from 2003 to 2009.

MR. HUANG XUBIN

Aged 49, is a Non-executive Director and a member of the audit committee of the Company (the "Audit Committee"), an Executive Director, CFO and a member of the executive committee of TCL Corporation, and a Non-executive Director of TCL Communication. Mr. HUANG joined TCL in March 2001 and served as an Officer of the Financial Settlement Centre of TCL Corporation, the Chief Economist, Financial Director and Vice President of TCL Corporation, and General Manager of TCL Finance Co., Ltd. ("Finance Company"). At present, Mr. HUANG is also the Chairman of Finance Company, and the director of Huizhou Techne Corporation ("Huizhou Techne"), Huizhou TCL Home Appliance Group Co. Ltd and Shenzhen TCL Real Estate Co., Ltd. Before joining TCL, Mr. HUANG served as Head of Credit Facilities Department of China Construction Bank, Guangdong Branch. Mr. HUANG is a Senior Economist. He graduated from Hunan University (formerly known as Hunan College of Finance and Economics), and obtained a Master's Degree in Economy at Research Institute for Fiscal Science, Ministry of Finance, the PRC, and holds an EMBA Degree from China Europe International Business School.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

MR. SHI WANWEN

Aged 48, is a Non-executive Director of the Company. He has been serving as the Senior Vice President of TCL Corporation since April 2008. Mr. SHI joined TCL in March 1990. From May 1990 to May 1993, he served as the Production Manager of TCL Technoly Electronics (Huizhou) Company Limited, a non wholly-owned subsidiary of the Company before the AV Spin-off. From May 1993 to May 1996, he served as Head of Business Management and Business Department of Huizhou Huatong Industry & Trade Company.

From May 1996 to April 1997, he was a Manager of the Administration & Human Resources Department of TCL Electronics Group. From April 1997 to December 1997, he served as the Deputy General Manager of TCL Communication Industrial Equipment Company. From January 1998 to February 1999, he was the Manager of the General Manager Office and Assistant to General Manager of TCL King Electronics (Shenzhen) Company Limited. From March 1999 to July 2001, he was the Deputy General Manager and then the General Manager of TCL King Electronics (Shenzhen) Company Limited. From July 2001 to December 2001, he served as the General Manager of TV Sales Department of Sales Co. From December 2001 to May 2003, he was the General Manager of the TV Business Unit of the Multimedia Electronics Business Unit of TCL Corporation. From August 2002 to September 2005, he was the Vice President and then the President of the Multimedia Electronics Business Unit of TCL Corporation. From September 2005 to December 2007, he was the COO of the Company. From June 2005 to April 2008, he was the Vice President of TCL Corporation. From June 2006 to September 2010, he was an Executive Director of the Company.

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

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

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. TANG GULIANG

Aged 52, is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "Nomination Committee"). He is a professor at Department of Accounting, School of Business, University of International Business and Economics. Mr. TANG holds directorships in several listed companies in the PRC. He is also a Director of the Accounting Society of China.

MR. ROBERT MAARTEN WESTERHOF

Aged 71, is an Independent Non-executive Director of the Company. He has over thirty years' experience in the electronics industry. Mr. WESTERHOF had held senior management positions in the Computer, Telecommunications and Medical Systems divisions of Philips, his last positions were CEO of Philips Asia (based in Hong Kong and Shanghai) and CEO of Philips North America (based in New York). After his retirement from Philips, Mr. WESTERHOF became the President of the European top soccer team PSV Eindhoven (a voluntary job). Mr. WESTERHOF is the Co-Chairman of Thinktank Omega, an independent think tank that advises the government of the Netherlands on economics, financial and social issues and the Chairman of Supervisory Board of AND Technologies N.V., a global leading provider of navigation solutions and digital maps which listed on the Amsterdam Stock Exchange. Mr. WESTERHOF is a member of the Supervisory Board of Teleplan, a hardware services provider headquartered in the Netherlands. Mr. WESTERHOF also serves as the Chairman of the Supervisory Board of Sparta Beheer B.V., and an advisor of the Supervisory Board of Suncycle B.V., a company specialized in advanced concentrated solar technologies in the Netherlands, and the Chairman of the Supervisory Board of Foundation Sparta 1888 based in Rotterdam, the Netherlands, it was founded in 1888 and is one of the oldest professional football teams in the Netherlands, and the Chairman of the Advisory Board of WSS Ltd., which is a worldwide operating company specialized in planning systems of waste management of the major cities in the world. Mr. WESTERHOF holds a Master's Degree in Business Administration at the Erasmus University of Rotterdam, the Netherlands, and he has also completed Harvard Business School's Advanced Management Program and International Senior Management Program.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

MS. WU SHIHONG

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

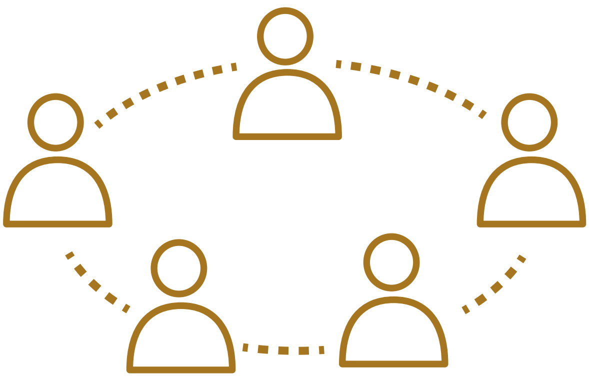
DR. TSENG SHIENG-CHANG CARTER

Aged 66, is an Independent Non-executive Director, the Chairman of the Nomination Committee, and a member of the Audit Committee and Remuneration Committee of the Company. Dr. TSENG served as an Independent Non-executive Director of TCL Corporation from 20 June 2008 to 20 June 2011. Dr. TSENG is currently a Senior Consultant of the Shenzhen Municipal Government, Senior Consultant of Tianjin Economic-Technological Development Area and the Executive Chairman of "Nankai International Business Forum". Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the U.S.-based "Committee of 100".

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

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT



MR. HAN QING

Aged 43, a member of the Executive Committee of the Company, joined the Company in November 2014 and is currently Chief Strategy Officer (CSO) and General Manager of Strategy Center. Prior to these positions, Mr. HAN joined TCL in 1995, and served as Head of Northeast China Office of TCL International Electrical (Huizhou) Co., Ltd. From 1996 to 2010, he held the positions of Head of North China Management Department, General Manager of Beijing Branch, General Manager of Jinan Branch of China Business Center of the Company, Marketing Director of China Business Center, Deputy General Manager of China Business Center, Vice President of the Company and General Manager of China Business Center, and Vice President of TCL Corporation. After leaving TCL, Mr. HAN was mainly engaged in the field of private equity, merger and acquisition, and industrial investment. In 1993, Mr. HAN graduated from Jilin Institute of Technology with a Bachelor of Engineering in Electronic Engineering. In 2005, he graduated from Changchun University of Science and Technology with a Master's Degree in Management.

MR. WANG YI, MICHAEL

Aged 37, a member of the Executive Committee of the Company, is currently CFO of the Company. Mr. WANG joined the Company in September 2013, he was Vice President and Financial Controller of the Company. From 1999 to 2001, Mr. WANG was a Cost Accountant and Budget Supervisor in Financial Department in Compressor Business Unit of Midea Group. In 2002, he worked as a Planning and Investment Manager in Business Strategy and Investment Management Department of Midea Group. From 2003 to 2009, he served as Head of Business Management Department and Finance Management Department in the Microwave Electronics Business Unit of Midea Group. From 2009 to 2012, he worked as the First Vice

President to oversee Finance, HR, IT and Legal affairs in Twins Group. In 1998, he graduated from Jiangxi University of Finance and Economics with a Bachelor's Degree in Accounting; In 2008, he obtained an EMBA Degree from China Europe International Business School.

MR. XIANG ZHENG

Aged 45, a member of the Executive Committee of the Company, joined the Company in November 2014, is currently COO and General Manager of Operating Center of the Company. From 2008 to 2013, Mr. XIANG served as Senior Director of Motorola and Vice President of Lenovo Mobile. From 2000 to 2007, Mr. XIANG worked in TCL Corporation and held the positions of Vice General Manager and Executive Vice General Manager of TCL Computer Technology Co., Ltd., Vice President of TCL Communication and General Manager of China Business Center. He was also a member of Operation Management Committee of TCL Corporation. Prior to these positions, he worked in Qingdao Hisense Computer Co., Ltd and China Greatwall Computer Shenzhen Co., Ltd. In 1990, Mr. XIANG graduated from Hunan University with a Bachelor of Science in computer communications. In 1993, he graduated from University of Electronic Science and Technology of China and received his Master of Engineering in Communication Engineering. In 2005, he graduated from China Europe International Business School and obtained an EMBA Degree.

MR. CHEN KUANG-LANG, WOLF

Aged 50, a member of the Executive Committee of the Company, joined the Company in February 2011, is currently CTO and General Manager of R&D Center of the Company, and Vice President of TCL Corporate Research of TCL Corporation. Mr. CHEN is an expert in the field of video signal processing and flat panel display technologies. From July 1992 to September 2010 he worked for Chunghwa Picture Tubes, Ltd. and held the positions of Senior Engineer of CRT R&D Division, Manager of Opto-electronics Department, Manager of Array Engineering Department in TFT Factory, Director of Opto-electronics Division, Director, Chief Engineer, and Deputy General Manager of Opto-electronics Business Unit, Senior Vice General Manger of R&D Center. Mr. CHEN has been Vice President of TCL Corporate Research of TCL Corporation since joining TCL Corporation in October 2010.

Mr. CHEN was born in Taiwan and graduated from Department of Electronics Engineering, Taiwan University of Science and Technology in 1992 with a Master's Degree in Engineering. In 2009 he graduated from Department of International Business Management, College of Management of Taiwan University, with an EMBA Degree.

MS. XU FANG, CHRIS

Age 51, a member of the Executive Committee of the Company, Chief Human Resources Officer (CHO) of the Company, a member of Executive Committee, Vice President and Human Resource Director of TCL Corporation, and a Non-Executive Director of TCL Communication. Ms. XU joined TCL Institute of Training of TCL Corporation as the Dean in February 2004. She was nominated as the Deputy Dean of TCL Institute of Leadership Development of TCL Corporation in February 2006 and the Dean in April 2007. Ms. XU has been the Human Resources Director of TCL Corporation since September 2007. Since October 2010, Ms. XU has been the Vice President of TCL Corporation.

Ms. XU is also a part-time lecturer at Shenzhen Graduate School of Peking University and a distinguished professor for Entrepreneurship EMBA program at New HuaDu Business School. Ms. XU graduated from Nanjing Normal University majoring in English Linguistics and obtained a Master's Degree in Business Administration from New York Institute of Technology.

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. BO Lianming (re-designated as an executive director and appointed as the Chairman of the Strategy Executive Committee (formerly named as executive committee of the Board) with effect from 23 October 2014)
Mr. HAO Yi (Chief executive officer)
Mr. YAN Xiaolin

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. SHI Wanwen

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

AUDITOR

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

LEGAL ADVISOR

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

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL OFFICE

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

REGISTERED OFFICE

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

INVESTOR AND MEDIA RELATIONS

Cornerstones Communications Ltd.
(with effect from 16 March 2015)
19/F, Oriental Crystal Commercial Building
46 Lyndhurst Terrace
Central, Hong Kong

INTRODUCTION

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

On 13 August 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2014, the Company has complied with the Code Provisions with the following exceptions:

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

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. HUANG Xubin and Mr. SHI Wanwen, being non-executive directors of the Company; and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both of whom being independent non-executive directors of the Company, were not present at the annual general meeting ("AGM") of the Company held on 28 April 2014, the extraordinary general meeting ("EGM") of the Company held on 16 June 2014 and the EGM of the Company held on 16 December 2014. Mr. BO Lianming, being a non-executive director of the Company at the time (who was re-designated as an executive director of the Company with effect from 23 October 2014) was not present at the AGM and EGM held on 16 June 2014. Ms. WU Shihong, being an independent non-executive director of the Company, was not present at the EGM held on 16 December 2014. However, Mr. TANG Guliang and Ms. WU Shihong (except for the EGM of the Company held on 16 December 2014), both of them being independent non-executive directors of the Company, were present at the aforesaid three general meetings to ensure an effective communication with the shareholders thereat.

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

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

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

Due to other pre-arranged business commitments which must be attended by him, Mr. LI Dongsheng, the Chairman, was not present at the AGM held on 28 April 2014 and the EGM of the Company held on 16 December 2014. However, as mentioned above, two independent non-executive directors of the Company were present at the AGM held on 28 April 2014 and EGM held on 16 June 2014; and one independent non-executive director was present at the EGM held on 16 December 2014. Moreover, Mr. HAO Yi, the CEO of the Company, was present at all the aforesaid three general meetings and was elected chairman thereof pursuant to the Articles to ensure an effective communication with the Shareholders thereat.

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

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

DIRECTORS

The Board

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

The directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

Board Composition

There are currently 11 directors, all being industry veterans, responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board of the Company currently comprises the following directors:

Executive Directors
Mr. LI Dongsheng (Chairman)
Mr. BO Lianming
Mr. HAO Yi (CEO)
Mr. YAN Xiaolin

Non-executive Directors
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. SHI Wanwen

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

An updated list of the Company's directors by category identifying their role and function is at all times available on the websites of the Group and the Hong Kong Stock Exchange. The list specifies whether the director is an independent non-executive director and expresses the respective roles and functions of each director.

The Company identifies the independent non-executive directors in all corporate communications which disclose the names of directors.

Details of the biographies of the directors are given under the section "Directors and Senior Management" of this annual report on pages 32 to 47.

There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The non-executive directors play an important role on the Board. More than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. Throughout the year of 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive directors has represented at least one-third of the Board.

Number of meetings attended/eligible to attend in 2014

During 2014, the Board held 4 regular meetings at about quarterly intervals and 8 additional meetings. As regards general meetings, the Company held the AGM on 28 April 2014 and 2 EGMs during the year to consider the following matters respectively: (i) entering into an amended variation deed of non-competition with the holding company and certain continuing connected transactions; and (ii) renewal of certain continuing connected transactions of the Company.

Attendance of individual directors at the Board meetings and general meetings in 2014 is as follows:

	Regular Board Meetings	Additional Board Meetings concerning special matters requiring the Board's decisions	General Meetings
Executive Directors			
Mr. LI Dongsheng	3/4	3/8	1/3
Mr. BO Lianming *(Note 1)*	4/4	8/8	0/3
Mr. HAO Yi	4/4	8/8	3/3
Mr. YAN Xiaolin	4/4	7/8	0/3
Non-executive Directors			
Mr. Albert Thomas DA ROSA, Junior	4/4	8/8	3/3
Mr. HUANG Xubin	3/4	6/8	0/3
Mr. SHI Wanwen	4/4	6/8	0/3
Independent non-executive Directors			
Mr. TANG Guliang	4/4	7/8	3/3
Mr. Robert Maarten WESTERHOF	4/4	7/8	0/3
Ms. WU Shihong	4/4	8/8	2/3
Dr. TSENG Shieng-chang Carter	2/4	6/8	0/3

Note:

1. Mr. BO Lianming was re-designated as an executive director of the Company with effect from 23 October 2014.

Notice of regular Board meetings are served to all directors at least 14 days before the meeting while reasonable notice is generally given for other board meetings.

Agenda and board papers together with all appropriate, complete and reliable information are sent to all directors in a timely manner, and at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Audit Committee, Remuneration Committee and Nomination Committee meetings are kept by the company secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by directors or dissenting views expressed. Any director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all directors or committee members for their record.

According to the current Board practice, any transaction, which involves a conflict of interests between a substantial shareholder or a director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive directors who have no material interest in the said transaction. Directors are abstained from voting and not be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its directors and officers arising out of corporate activities.

Chairman and CEO

The Company fully supported the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority, and adopted a set of consolidated memorandum of duties setting out its division of responsibilities between the Chairman and the CEO on 24 February 2012. The position of the Chairman was held by Mr. LI Dongsheng while the position of CEO is held by Mr. HAO Yi during the year ended 31 December 2014.

This ensures a clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Company.

The core duties of the Chairman include:

- ensuring, with the assistance of the management, that the directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;

- providing leadership for the Board;

- ensuring that the Board works effectively, performs its responsibilities, discuss all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;

- ensuring that the agenda for each Board meeting are drawn up and approving the same, taking into account matters proposed by other directors;

- encouraging all directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in board decisions;

- facilitating the effective contribution of directors, in particular, non-executive directors, and promote the constructive relations between executive and non-executive directors;

- holding meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors present. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed; and

- ensuring the effective communication between the Board and the shareholders as a whole through different channels.

Appointments, re-election and removal of members of the Board

Under article 116 of the Articles, at each AGM, one-third of the directors for the time being shall retire from office by rotation and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the 3 years preceding the AGM shall retire by rotation at such AGM.

At the last AGM held on 28 April 2014, Mr. LI Dongsheng, Mr. Albert Thomas DA ROSA, Junior, Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter retired from office by rotation pursuant to Articles 116, and were re-elected as directors thereat.

Independent Non-executive Directors

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive director of his/her independence to the Company. The Company has assessed the independence and considers all of the independent non-executive directors to be independent based on the independence criteria in accordance with the requirements in Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgement.

Mr. TANG Guliang has served the Company for about 12 years, since his appointment in 2004. However, the Company believes that Mr. TANG Guliang is still independent. Mr. TANG Guliang's further appointment was subject to a separate resolution approved by shareholders in the AGM held on 28 April 2014. The circular accompanying that resolution has included the reasons why the Board believed he was still independent and should be re-elected.

The Company confirms that year of service of all other independent non-executive directors is less than 9 years.

Non-executive Directors

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

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

In accordance with the said provision of the Articles and the Code Provision A.4.1, in the last AGM held on 28 April 2014, at least one-third of the directors (namely Mr. LI Dongsheng, Mr. Albert Thomas DA ROSA, Junior, Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter) were subject to retirement by rotation and were re-elected.

All the other non-executive directors (namely Mr. HUANG Xubin, Mr. SHI Wanwen, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong) were elected to hold office for a specific term until the next AGM to be held in 2015, 2016 and 2017, depending on the year in which they previously retired by rotation and were thereafter re-elected.

Nomination of Directors

The Board has established the Nomination Committee to provide a framework and set the standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Responsibilities of Directors

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

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

The Board views that the non-executive directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgement at the Board Meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, Remuneration Committee and Nomination Committee.

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

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

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

Induction and Continuous Professional Development

The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2014 to 31 December 2014:

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

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all directors and they have confirmed that throughout the year ended 31 December 2014, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The directors' interests in shares of the Company as at 31 December 2014 are set out on page 83 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the issuer or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board delegates its powers and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

On 24 February 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.

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

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

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

Operation

To facilitate the strategic development of the Company, enhance its operation efficiency and core competitiveness and improve its management and decision-making procedures, the Board transformed the predecessor executive committee of the Board into the Strategy Executive Committee on 23 October 2014 with specific written terms of reference.

Currently the Strategy Executive Committee comprises 3 executive directors, namely Mr. BO Lianming (Chairman), Mr. HAO Yi and Mr. YAN Xiaolin.

The Board grants and delegates its powers to the Strategy Executive Committee to take responsibility for the operation and management of the Group, to lead the development of the Group in relation to exploring new directions and modes of business, to improve management flow and to enhance the operation and management efficiency.

Board Committees

In 2014, the Board had four Board Committees. The four committees under the Board are the Strategy Executive Committee (formerly named as the executive committee of the Board), the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committee at the meetings of the committees in 2014 is as follows:

	Strategy Executive Committee*/ Executive Committee of the Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors				
Mr. LI Dongsheng	4/4	N/A	N/A	N/A
Mr. BO Lianming	1/1	N/A	N/A	N/A
Mr. HAO Yi	5/5	N/A	N/A	N/A
Mr. YAN Xiaolin	5/5	N/A	N/A	N/A
Non-executive Directors				
Mr. Albert Thomas DA ROSA, Junior	N/A	N/A	N/A	N/A
Mr. HUANG Xubin	N/A	4/5	N/A	N/A
Mr. SHI Wanwen	N/A	N/A	N/A	N/A
Independent non-executive Directors				
Mr. TANG Guliang	N/A	5/5	2/2	1/1
Mr. Robert Maarten WESTERHOF	N/A	N/A	N/A	N/A
Ms. WU Shihong	N/A	5/5	2/2	1/1
Dr. TSENG Shieng-chang Carter	N/A	3/5	2/2	0/1

* The Strategy Executive Committee was transformed from predecessor executive committee of the Board on 23 October 2014.

Nomination Committee

The Nomination Committee was established on 24 February 2012. All of the members are independent non-executive directors. This committee is chaired by Dr. TSENG Shieng-chang Carter, an independent non-executive director with Mr. TANG Guliang and Ms. WU Shihong, both of whom are also independent non-executive directors as members. The committee held 1 meeting during 2014.

The Nomination Committee is governed by its terms of reference, which were revised on 13 August 2013, and are closely aligned with the relevant Code Provisions requirements and are available on both the Group's website at http://multimedia.tcl.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

The main duties of the Nomination Committee include the followings:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of directors, and any proposed change to the Board to implement the Company's corporate strategy;
- review the board diversity policy ("Board Diversity Policy"); and
- review the sufficiency of time commitment of directors to perform their responsibilities.

The Nomination Committee has performed all these main duties in 2014. In addition, it discussed in details the change of the Board composition during the year, namely, the re-designation of Mr. BO Lianming from a non-executive director to an executive director.

The Nomination Committee adopted a the following procedures for nomination of directors:

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts or recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of directors.

The Nomination Committee adopted the following criteria for nomination of directors:

1. Common criteria for all directors:

   (a) character and integrity;

   (b) the willingness to assume broad fiduciary responsibility;

   (c) present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;

   (d) relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;

   (e) significant business or public experience relevant and beneficial to the Board and the Company;

   (f) breadth of knowledge about issues affecting the Company;

   (g) ability to objectively analyse complex business problems and exercise sound business judgement;

(h) ability and willingness to contribute special competencies to Board activities; and

(i) fit with the Company's culture.

2. Criteria applicable to non-executive directors/independent non-executive directors:

(a) willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;

(b) accomplishments of the candidate in his/her field;

(c) outstanding professional and personal reputation; and

(d) the candidate's ability to meet the independence criteria for directors established in the Listing Rules.

Board Diversity Policy

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

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

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

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

Remuneration Committee

The Remuneration Committee is chaired by Ms. WU Shihong, an independent non-executive director. It now consists of 2 members, including Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter, all of whom are independent non-executive directors.

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

The Remuneration Committee was established on 16 April 2005 pursuant to Rule 3.25 of the Listing Rules. It meets from time to time to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee also reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

During 2014, the Remuneration Committee accomplished the following:

- review of the emolument policy and the levels of remuneration paid to the directors and senior management of the Group;
- determination of the remuneration packages of the individual directors, chief financial officer and certain senior management;
- discussion of the salary adjustments of certain senior management of the Group; and
- discussion and approval of the remuneration principle of the Group.

The human resources department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Emolument Policy and Long-Term Incentive Plan

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

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

The non-executive directors' compensation relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee, which is usually paid annually; and

- share options or restricted shares which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the directors by band and senior management are set out in notes 8 and 9 to the financial statements.

Audit Committee

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

The Audit Committee currently comprises 4 members, namely Mr. TANG Guliang, Mr. HUANG Xubin, Ms WU Shihong and Dr. TSENG Shieng-chang Carter. Mr. TANG Guliang is the chairman of the Audit Committee. He is a certified public accountant in the PRC and a professor at Department of Accounting, School of Business, University of International Business and Economics.

The Audit Committee usually meets at least 4 times a year to review the Company's quarterly, interim and annual results and the integrity of the Group's financial statements. In addition, to review and monitor the effectiveness of the audit process in accordance with applicable standards, the Audit Committee will meet with the external auditors before the annual audit commences to discuss the nature and scope audit and reporting obligations of the Company.

The Audit Committee is governed by its terms of reference The terms of reference are made available on the Group's website at http://multimedia.tcl.com and Hong Kong Stock Exchange's website at http://www.hkex.com.hk.

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

The work performed by the Audit Committee during 2014 included consideration of the following matters:

- the completeness and accuracy of the 2013 annual and 2014 interim and quarterly financial statements;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- review of the effectiveness of the system of internal control of the Group;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2014;
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. Ernst & Young as the external auditors, which the Board agreed and accepted; and
- discussed on the intended reformation of internal financial system conducted or to be conducted by the Group.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee is also supported by the staff of internal audit department.

Strategy Executive Committee

The Board established the Strategy Executive Committee (predecessor executive committee of the Board) on 23 October 2014 with specific written terms of reference. The Board has delegated responsibilities to the Strategy Executive Committee for making certain decisions for the management of the Group. The role and function of the Strategy Executive Committee has been better described in the former section "Delegation by the Board – Operation" under this corporate governance report.

Currently the Strategy Executive Committee comprises 3 executive directors, namely Mr. BO Lianming (Chairman), Mr. HAO Yi and Mr. YAN Xiaolin.

The work completed by the Strategy Executive Committee during 2014 included consideration of the following matters:

- approval of any routine matters or matters concerning day-to-day operation of the Group;
- formulating for the Board's review the Group's overall corporate governance policy and investor relation policy;
- implementing the annual business plan, operating and capital expenditure budgets of the Company as approved by the Board;
- implementing the strategic plans and long-term objectives as approved by the Board; and
- approval of the publication of inside information in timely manner if required by Listing Rules or statutory requirements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 98 to 99.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 100 to 219 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 16 to 31 in this annual report.

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The management also provides all directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the year, the directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

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

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

The Company's internal audit department independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Company's business. The head of the Company's internal audit department reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system of internal control of the Group.

Connected Transactions:
The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the Directors' Report.

Auditors' Remuneration

For the year under review, the remuneration paid for services provided by the auditor is roughly as follows:

Statutory audit services	HK$13,283,000
Other audit services	HK$2,800,000
Non-audit services (which include taxation compliance and agreed-upon procedures)	HK$1,807,000

COMPANY SECRETARY

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

Since Ms. PANG was appointed in 1999, she has to take no less than 15 hours of relevant professional training during the year 2014. She has fulfiled the requirement during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group strives to maintain a high standard of corporate disclosures in compliance with the legal and regulatory requirements, and maintains an effective dialogue with shareholders and investors to convey information regularly to them and keep them abreast of the Group's business development through various channels such as meetings, conference calls and plant visits, etc.

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

In 2014, the Group actively participated in global investor conferences and road shows in Hong Kong, Macau, Beijing, Taiwan, Singapore and the U.S., etc. to strengthen communication with overseas investors.

The Group regards annual reports as its important communication channel with investors and highly values the contents and production of its annual reports in an endeavor to enhance corporate transparency and provide accurate information to investors and stakeholders. The Group's annual report of 2013 has been awarded in various international renowned annual report competitions, recognizing the Group's outstanding performance in corporate communications and annual report production.

The Group has been honored with the Bronze Award under the category of "Traditional Annual Report: Global Consumer Product" for its 2013 annual report at The 2014 International Annual Report Competition (ARC). The award is organized by MerComm, Inc. in the U.S., is one of the largest international competition honoring outstanding achievement in annual reports of various companies around the world, and is renowned as "Oscar" for annual reports.

At the same time, the Group has also won a Honors Award under the category of "Annual Report – Overall Presentation: Telecommunication" for the annual report at The GALAXY Awards 2014. GALAXY Awards are highly prestigious awards in marketing and communication industry, and aim to honor enterprises with remarkable performance in corporate image building and marketing.

In addition, the Group received the "2014 Best Investment Value Award for Listed Companies" granted by the panel of judges of the Best Investment Value Award for Listed Companies ("BIVA Award"), which was jointly compiled by various financial services institutions with businesses in major financial hubs including Hong Kong, Singapore, Beijing and Shanghai, etc. The advisory committee of the BIVA Award panel of judges comprised of representatives from various financial services agencies as well as capital market professionals including renowned stock commentators, analysts and investors as panel members. The selection criteria were based on various factors, including the financial results for the year 2013, dividend yields, discount to net asset value, business growth potential and stability of the business models, etc. The most crucial among these criteria is the growth potential of market capitalization of the listed companies for the current year. In addition, the panel of judges also took into account the candidates' projected growth in market capitalization for the next year.

In the future, the Group will adhere to its mission, commit to long-term value creation for shareholders and continue to serve the best interests of shareholders, ensuring close communications with shareholders.

Key Investor Events in 2014:

Date	Events
January	Meetings with investors during the CES in the U.S. Luncheon with media reporters
February	2013 annual results announcement (press conference and analyst briefing) Post-results meetings with investors in Hong Kong (organized by CICC)
March	Investor conference in Hong Kong (organized by UBS)
April	2014 1st quarter results announcement (investor & media teleconferences) 2014 AGM
May	Post-results meetings with investors in Shanghai (organized by CICC) Participated in investor conference in Hong Kong (organized by BNP) Participated in investor conference in Hong Kong (organized by Nomura) Luncheon with media reporters
June	Participated in investor conference in Beijing (organized by JP Morgan) EGM
July	Plant visit arranged for investors

Date	Events
August	2014 interim results announcement (press conference and analyst briefing) Post-results meetings with investors in Hong Kong (organized by CICC) Post-results meetings with investors in Hong Kong (organized by DBS Vickers)
September	Participated in investor conference in Hong Kong (organized by Bank of America Merrill Lynch) Participated in investor conference in Taiwan (organized by UOB Kay Hien) Participated in investor conference in Hong Kong (organized by UBS) Participated in investor conference in Singapore (organized by China Galaxy)
October	2014 3rd quarter results announcement (investor & media teleconferences) Post-results meetings with investors in Hong Kong (organized by Standard CICC) Meeting with stock commentators
November	Participated in non-deal road show in Hong Kong (organized by South China Securities) Participated in investor conferences in Macau (organized by Citi) Participated in non-deal road show in Shenzhen (organized by CICC) Participated in investor conferences in Singapore (organized by Morgan Stanley) Participated in investor conferences in Hong Kong (organized by JP Morgan) Participated in non-deal road show in Shanghai (organized by CICC) Plant visit arranged for investors
December	Participated in investor conferences in Hong Kong (organized by Barclays) Participated in investor conferences in Hong Kong (organized by Bank of America Merrill Lynch) EGM Luncheon with media reporters

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

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

The external auditor of the Company, Messrs. Ernst & Young also attended the AGM held on 28 April 2014 to answer questions about the conduct of the audit, the preparation and content of the independent auditors' report, the accounting policies and auditor independence.

The independent financial advisers of the Company, RHB OSK Capital Hong Kong Limited and South China Capital Limited, also attended the EGMs held on 16 June 2014 and 16 December 2014 respectively where the entering and renewal of certain continuing connected transactions of the Company were considered and approved, to answer shareholders' enquiries thereat.

Voting by Poll

The Company expresses in each relevant corporate communication that the shareholders shall vote by poll so as to allow the shareholders to have one vote for every share of the Company held. The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Hong Kong Stock Exchange and the Group respectively on the same day after the general meetings were held.

Shareholders' Rights to Convene an EGM

Under Article 72 of the Articles, shareholders at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to require an EGM to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings

A shareholders communication policy was formulated and adopted on 24 February 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders.

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at http://multimedia.tcl.com. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholder meetings to the Board or senior management.

Investors can submit enquiries to management by sending emails to ir@tclhk.com or hk.ir@tcl.com or directly by raising questions at the general meetings of the Company. The Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Constitutional Documents

In 2014, no amendment had been made to the memorandum and Articles.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency possible. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Group's website at http://multimedia.tcl.com. Enquiries and proposals to be put forward at shareholder meetings can also be sent to the board or senior management by contacting the Investor Relations Department via e-mail to ir@tclhk.com or hk.ir@tcl.com, or directly through the questions and answers session at shareholder meetings or press conference.

HUMAN RESOURCES

In the year 2014, the Group implemented a series of human resources management initiatives for "Progressive Revolution and Solid Foundation", which served as a direct and effective support for boosting the Group's strategy, enhancing its organizational performance and facilitating the growth of its employees.

1. Basic Information on Human Resources

As of 31 December 2014, there were a total of 25,127 employees worldwide and approximately 8.7% of them were employed outside of Mainland China, the distribution of which is set out as follows:

Mainland China	22,930
Rest of Asia (including Hong Kong and Australia)	1,765
North America (including Mexico)	15
Europe	417

2. Key Effort on Human Resources

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

– Based on the requirements of 3033 Strategy, the Group proposed the remuneration concept of "high performance, high return; professionalization, sustainability" and established a model of assessment and incentives that is consistent therewith, which further emphasized the performance orientation, advocated the share of corporate profit at all staff levels and made the corporate performance being the common concern of all members.

– With industrial transformation and shift of competition pattern, the Group was dedicated to recruit intermediate-level and pre-eminent talents and international talents. In the year 2014, the Group continued to carry out the Long Bench plan to recruit comprehensive management talents with overseas experiences, and to fill and build up talent pool. It also began the experts' recruitment program to recruit top expertise talents of research and development area in a flexible way of cooperation. Meanwhile, the Group assigned a personnel's recruitment team which consisted of nearly a hundred persons to carry out a series of recruitment activities in dozens of key colleges and universities in over 10 cities nationwide, thereby successfully attracted nearly 200 excellent masters and undergraduates to be supplemented in various areas of research and development, manufacturing and sales, etc. of the Group, which reserved talents for the long-term development of the Group.

– In the year 2014, the Group strived to support the strategic and business development through the internal talent cultivation. Centered on the four aspects of "Junior Management Cultivation based on Performance Enhancement", "Establishment of Professional Expertise Cadres Team based on Business Procedure", "Cultivation of New Recruits based on Fast Adaptation", and "Products and Culture Promotion based on Common Cognition", coupled with the results of analysis for the whole Group's operation and talents needs, the Group carried out cultivation programs for all staff and specific group so as to timely deliver talents for the Group's current strategic transformation and business development and lay the foundation of sustainable development in the future.

3. Social Responsibility

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

Focus on Education

– **"Hua Min Fund" (華萌基金)**
Mr. LI Dongsheng, the Chairman of the Group is an entrepreneur with a strong sense of social responsibility. He always believes that education is the root of building our country and the base to make our nation powerful. Creating opportunities for the youth means creating the same for ourselves and creating social value. In the year 2007, Mr. LI together with his spouse, initiated the establishment of "Hua Min Fund", which was found as a special fund under the China Youth Development Foundation, mainly aimed at helping the poverty-stricken area develop the primary education. In 2014, "Hua Min Fund" has donated RMB5.196 million (including RMB2.87 million of personal donation from Mr. LI Dongsheng and his spouse, Ms. WEI Xue) to subsidize high school students and university students groups in poverty but not covered by compulsory education in three provinces of Guangdong, Yunnan and Hubei. Also, Mr. LI Dongsheng established "Gao JunZhao Teaching Scholarship"; encouraging and rewarding students with good conduct and excellent academic achievement and teachers with a noble morality from the Fourth High School of Huizhou.

– **TCL Foundation (TCL公益基金會)**
In June 2012, Shenzhen TCL Foundation initiated by Mr. LI Dongsheng, was registered officially. It was the first private foundation found by the enterprise in the consumer electronics industry in the PRC. Shenzhen TCL Foundation is committed to the three public welfare undertakings of primary education assistance, catastrophe rescue and caring for special community with its values of "Pursuit of Public Interests, Promotion of Social Progress" and the principles of "Creating educational and growth opportunities for vulnerable group, seeking community welfare and achieving environment sustainable development". In 2014, TCL Foundation has donated an aggregate of RMB10.7 million in total.

– **"TCL Hope Project Candlelight Award" (TCL希望工程燭光獎)**
In October 2013, TCL Foundation, together with the China Youth Development Foundation started "TCL Hope Project Candlelight Award". This program has invested an aggregate of RMB25 million for five consecutive years which was used to honor and encourage eminent village school teachers who keep persevering at the frontline of primary education, work with dedication and hold a high standard of morality. In May 2014, the award ceremony of "TCL Hope Project Candlelight Award" was held in Beijing, where 300 eminent village school teachers were honored and each of them was awarded with RMB12,000 (amounted to RMB3.6 million in total) and provided with distance learning for three months.

– The Group continued to carry out "A Caring Tomorrow" subsidy program (「真愛明天」助學計劃) to assist the children from poverty-stricken areas and disaster-hit areas with scholarship. In the year 2014, this program donated RMB350,000 to China Charities Aid Foundation for Children in the name of the Group's Love Foundation.

School-Enterprise Cooperation

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

– In order to provide opportunities to people from colleges and universities to learn more about the enterprise and help students get preparation for employment, the Group organized "TCL OPEN DAY" activity, inviting teachers from employment office of colleges to have a visit and understanding of enterprise through different ways such as on-site fieldworks and communication with employed students via seminars. Meanwhile, based on the framework established in the past two years, the Group continued to organize training camps for "The Plan of Fostering Eagles" (育鷹計劃) which assist undergraduate college students in understanding the operation of enterprises before employment, raising awareness of occupation and laying a better foundation for employment and social services.

– The opening ceremony of internship and practical training base established through school-enterprise cooperation between the Group's factories located at Inner Mongolia and Inner Mongolia Electronic Information Vocational Technical College was grandly held in May 2014, which indicates that the school-enterprise cooperation project between the counterparties has entered the stage of implementation. School-enterprise cooperation enables the counterparties to fully realize its own advantage, facilitate the share of resources, make use of complementary advantages, achieve mutual benefits and win-win results as well as strengthen the practical ability and vocational skills training of students.

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 100 to 219.

The Board has proposed a final dividend for the year ended 31 December 2014 of HK5.28 cents (2013: nil) in cash per share.

Subject to approval at the forthcoming AGM, the said final dividend will be payable on or about 22 May 2015, Friday to shareholders whose names appear on the register of members of the Company on 6 May 2015, Wednesday.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 220. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 April 2015, Monday to 28 April 2015, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 24 April 2015, Friday.

The register of members of the Company will be closed from 5 May 2015, Tuesday to 6 May 2015, Wednesday (both dates inclusive), for the purpose of determining the entitlement of the shareholders of the Company to the proposed final dividend upon passing of relevant resolution. No transfer of shares may be registered during the said period. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 4 May 2015, Monday.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company had an aggregate of HK$2,745,480,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents premium arising on an issue of shares of the Company, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the Articles and Cayman Law. Subject to compliance with certain requirements under Cayman Law, share premium may be applied for payment of dividend by the Company. After transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company in future would be HK$3,484,416,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$506,000.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	27%
– the five largest suppliers combined	64%

Sales

– the largest customer	7%
– the five largest customers combined	24%

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

DIRECTORS

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

Executive directors:
Mr. LI Dongsheng
Mr. BO Lianming (re-designated as an executive director and appointed as the Chairman of the Strategy Executive Committee (formerly named as executive committee of the Board) with effect from 23 October 2014)
Mr. HAO Yi
Mr. YAN Xiaolin

Non-executive directors:
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. SHI Wanwen

Independent non-executive directors:
Mr. TANG Guliang
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong
Dr. TSENG Shieng-chang Carter

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

Accordingly, Mr. BO Lianming, Mr. HUANG Xubin, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong shall retire from office by rotation at the conclusion of the AGM. All of them, being eligible, will offer themselves for re-election at the AGM.

Mr. Robert Maarten WESTERHOF will only hold office until the conclusion of the AGM even if he is not to retire by rotation.

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

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

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

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 49 to 75 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the directors.

PENSION SCHEMES

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 32 to 47 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At 31 December 2014, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held Personal interests	Family interests	Other interests (Note 1)	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
LI Dongsheng	39,205,526	4,000,000	275,205	1,325,733	44,806,464	3.36%
BO Lianming	218,727	–	–	446,977	665,704	0.05%
HAO Yi	1,479,366	–	144,573	618,667	2,242,606	0.17%
YAN Xiaolin	390,600	–	–	106,300	496,900	0.04%
Albert Thomas DA ROSA, Junior	63,333	–	–	100,000	163,333	0.01%
HUANG Xubin	1,060,560	–	–	265,767	1,326,327	0.10%
SHI Wanwen	566,692	–	–	53,167	619,859	0.05%
TANG Guliang	63,333	–	–	100,000	163,333	0.01%
Robert Maarten WESTERHOF	30,000	–	–	133,333	163,333	0.01%
WU Shihong	63,333	–	–	100,000	163,333	0.01%

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

TCL Corporation *(Note 2)*

Name of Director	Number of ordinary shares held Personal interests	Family interests	Other interests *(Note 3)*	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
LI Dongsheng	638,273,688	–	408,899,521	–	1,047,173,209	11.08%
BO Lianming	1,997,381	–	–	2,061,420	4,058,801	0.04%
HAO Yi	–	201,600	–	–	201,600	0.002%
YAN Xiaolin	793,000	–	–	1,522,400	2,315,400	0.02%
HUANG Xubin	1,933,360	–	–	1,450,020	3,383,380	0.04%
SHI Wanwen	5,799,518	–	–	1,780,740	7,580,258	0.08%

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

TCL Communication *(Note 4)*

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Communication
LI Dongsheng	42,371,008	1,600,000	9,241,913	53,212,921	4.36%
BO Lianming	65,700	–	2,879,000	2,944,700	0.24%
HAO Yi	133	–	–	133	0.00001%
YAN Xiaolin	22,000	–	377,200	399,200	0.03%
HUANG Xubin	–	–	1,016,035	1,016,035	0.08%
SHI Wanwen	83,715	–	293,600	377,315	0.03%

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

Tonly Holdings *(Note 5)*

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Holdings
LI Dongsheng	5,306,968	380,700	–	5,687,668	2.28%
BO Lianming	28,653	–	–	28,653	0.01%
HAO Yi	116	–	–	116	0.00005%
Albert Thomas DA ROSA, Junior	5,476	–	–	5,476	0.002%
HUANG Xubin	4,325	–	–	4,325	0.002%
SHI Wanwen	54,937	–	–	54,937	0.02%
TANG Guliang	5,476	–	–	5,476	0.002%
Robert Maarten WESTERHOF	2,142	–	–	2,142	0.0009%
WU Shihong	5,476	–	–	5,476	0.002%

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

Huizhou Techne *(Note 6)*

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Huizhou Techne
WU Shihong	802,700	–	–	802,700	0.35%

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

CSOT *(Note 7)*

Name of Director	Registered capital *(Note 8)*	Approximate percentage of registered capital of CSOT
BO Lianming	RMB34,912,000	0.22%

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

Kuyu Technology *(Note 9)*

Name of Director	Registered capital *(Note 10)*	Approximate percentage of registered capital of Kuyu Technology
SHI Wanwen	RMB35,500,000	7.10%

Notes:

1. The shares are restricted shares granted to the relevant directors under the Award Scheme of the Company and were not vested as at 31 December 2014.

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

3. During 2014, Xinjiang Jiutian Liancheng Equity Investment Partnership Enterprise (Limited Partnership) ("Jiutian") signed an agreement with TCL Corporation to subscribe for the shares of TCL Corporation. As at 31 December 2014, Mr. LI Dongsheng was a limited partner of Jiutian and held approximately 70.21% shares of Jiutian. Huizhou Dongxu Zhiyue Equity Investment Management Co., Ltd. ("Dongxu") was the general partner of Jiutian and held approximately 0.12% shares of Jiutian, and Mr. LI Dongsheng held approximately 51.00% shares of Dongxu.

4. TCL Communication is a subsidiary of TCL Corporation.

5. Tonly Electronics Holdings Limited ("Tonly Holdings") is a subsidiary of TCL Corporation.

6. Huizhou Techne is a subsidiary of TCL Corporation.

7. CSOT is a subsidiary of TCL Corporation.

8. As at 31 December 2014, Mr. BO Lianming was deemed to be interested in CSOT since he owned Tibet Shannan Star Ripple Venture Capital Partnership (Limited Partnership) ("Star Ripple") as to approximately 57.58% and Star Ripple in turn held approximately 0.22% of the registered capital of CSOT.

9. Kuyu Technology is a subsidiary of TCL Corporation.

10. As at 31 December 2014, Mr. SHI Wanwen was deemed to be interested in Kuyu Technology since he owned Pengpeng Keji as to approximately 46.20% and Pengpeng Keji in turn held approximately 7.10% of the registered capital of Kuyu Technology.

Save as disclosed above, as at 31 December 2014, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

At 31 December 2014, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Shareholders	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	840,710,475 *(Note 1)*	63.04% *(Note 2)*

Notes:

1. TCL Corporation was deemed to be interested in 840,710,475 shares of the Company held by T.C.L. Industries, a direct wholly-owned subsidiary of TCL Corporation. The Company has been notified by TCL Corporation that the holding of T.C.L. Industries as at 31 December 2014 was 849,234,475 shares of the Company. However, the increase of such holding did not give rise to any disclosure obligation under the SFO.

2. Such percentage was calculated based on the number of 840,710,475 shares disclosed on the website of the Hong Kong Stock Exchange against the issued share capital of the Company as at 31 December 2014, being 1,333,598,514 shares in issue.

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

   (a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;

   (b) Mr. BO Lianming is an executive director, president and chief operating officer of TCL Corporation;

   (c) Mr. HUANG Xubin is an executive director and the chief financial officer of TCL Corporation;

   (d) Mr. SHI Wanwen is a senior vice president of TCL Corporation;

   (e) Mr. YAN Xiaolin is a senior vice president and the chief technology officer of TCL Corporation and the president of TCL Corporate Research of TCL Corporation; and

   (f) Mr. HAO Yi is a vice president of TCL Corporation.

Save as disclosed above, as at 31 December 2014, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

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

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

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

Name or category of participant	Number of share options: At 1 January 2014	Reclass-ification	Exercised during the year	Lapsed during the year	At 31 December 2014	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
Directors										
Executive directors										
LI Dongsheng	3,535,289	–	–	(2,209,556)	1,325,733	5-Jul-11	3.17	Note 2	3.17	N/A
BO Lianming*	–	1,155,700	–	(708,723)	446,977	5-Jul-11	3.17	Note 2	3.17	N/A
HAO Yi	1,649,778	–	–	(1,031,111)	618,667	5-Jul-11	3.17	Note 2	3.17	N/A
YAN Xiaolin	283,467	–	–	(177,167)	106,300	5-Jul-11	3.17	Note 2	3.17	N/A
	5,468,534	**1,155,700**	**–**	**(4,126,557)**	**2,497,677**					
Non-Executive directors										
Albert Thomas DA ROSA, Junior	266,667	–	–	(166,667)	100,000	5-Jul-11	3.17	Note 2	3.17	N/A
BO Lianming*	1,155,700	(1,155,700)	–	–	–	5-Jul-11	3.17	Note 2	3.17	N/A
HUANG Xubin	708,711	–	–	(442,944)	265,767	5-Jul-11	3.17	Note 2	3.17	N/A
SHI Wanwen	141,778	–	–	(88,611)	53,167	5-Jul-11	3.17	Note 2	3.17	N/A
TANG Guliang	266,667	–	–	(166,667)	100,000	5-Jul-11	3.17	Note 2	3.17	N/A
Robert Maarten WESTERHOF	300,000	–	–	(166,667)	133,333	5-Jul-11	3.17	Note 2	3.17	N/A
WU Shihong	266,667	–	–	(166,667)	100,000	5-Jul-11	3.17	Note 2	3.17	N/A
	3,106,190	**(1,155,700)**	**–**	**(1,198,223)**	**752,267**					
Other employees and those who have contributed or may contribute to the Group	2,128,800	–	–	–	2,128,800	8-Nov-10	3.60	Note 1	3.60	N/A
	23,478,134	–	–	(13,837,167)	9,640,967	5-Jul-11	3.17	Note 2	3.17	N/A
	25,606,934	**–**	**–**	**(13,837,167)**	**11,769,767**					
	34,181,658	**–**	**–**	**(19,161,947)**	**15,019,711**					

* Mr. BO Lianming was re-designated as an executive director and appointed as the Chairman of the Strategy Executive Committee (formerly named as executive committee of the Board) with effect from 23 October 2014.

Note 1: 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 2: One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

SHARE AWARD SCHEME

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

CONNECTED TRANSACTIONS

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

The Group entered into the following connected transactions (other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2014:

On 24 April 2014, TOT, being a wholly-owned subsidiary of the Company, and CPT Display, being a non wholly-owned subsidiary of TCL Corporation, entered into (i) the acquisition agreement pursuant to which CPT Display agreed to sell and TOT agreed to purchase CPT production line for aging at a consideration of approximately RMB45,000,000 (equivalent to approximately HK$56,700,000); and (ii) the disposal agreement pursuant to which TOT agreed to sell and CPT Display agreed to purchase TOT production line for bonding at a consideration equivalent to the then net book value of RMB116,514,000 (equivalent to approximately HK$146,800,000).

On 24 April 2014, TCL King, a wholly-owned subsidiary of the Company, entered into the Kuyu Technology capital increase agreement with TCL Corporation, Huizhou TCL Mobile Communication Co., Ltd. (a wholly-owned subsidiary of TCL Communication), TCL Air-conditioner (Zhongshan) Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), TCL Home Appliance (Hefei) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Foshan TCL Household Appliances (Nanhai) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Huizhou TCL Light Electrical Appliances Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), Pengpeng Keji (46.20% equity interest owned by Mr. SHI Wanwen, a non executive director of the Company), Huizhou Wuheshen Keji Investment Partnership (Limited Partnership) (60%, 20% and 20% equity interest owned by Mr. YANG Bin (a director of three subsidiaries of the Company), Mr. LIU Wenwu and Mr. WEN Aijin (the senior management of Kuyu Technology, respectively) and Kuyu Technology, pursuant to which TCL King agreed to inject RMB80,000,000 (equivalent to approximately HK$100,781,000) in cash to Kuyu Technology as its registered capital and therefore held 16% equity interest in the enlarged registered capital of Kuyu Technology.

Pursuant to the Deed of Non-Competition (1999) (Note 1), TCL Corporation and T.C.L. Industries have undertaken not to directly or indirectly, carry on or be engaged or interested in the manufacture, assembly, distribution and maintenance of audio-visual products, white goods and products relating to internet related information technology from time to time ("Restricted Activity"). Pursuant to the First Variation Deed (2002) (Note 2), the manufacture, assembly, distribution and maintenance of white goods have been excluded from the scope of the Restricted Activity.

To implement the spin-off plan of Tonly Holdings, the Company further sought for (and obtained) its shareholders' approval for further amendment to the Deed of Non-Competition (1999) by way of entering of the Second Variation Deed (2013) (Note 3) with TCL Corporation and T.C.L. Industries. Pursuant to the Second Variation Deed (2013), the Company agreed to exclude the research and development, manufacturing and sales relating to audio-visual products (excluding TV sets) from the scope of Restricted Activity.

To implement the Kuyu Technology capital increase, amendments shall be made to the Deed of Non-Competition (1999), First Variation Deed (2002) and Second Variation Deed (2013) ("Original Non-Competition Deeds") such that the scope of Restricted Activity shall only cover the manufacture and assembly of TV sets. The Company entered into the Third Variation Deed (2014) with TCL Corporation and T.C.L. Industries. Given the fact that TCL Corporation and T.C.L. Industries are the controlling shareholders of the Company, the proposed arrangement as contemplated under the Third Variation Deed (2014) constitutes a connected transaction of the Company under the Listing Rules.

On 11 November 2014, TCL Communication (through Prosper Fortune), the Company (through Sino Leader), TCL Corporation (through Crown Capital) (collectively, the "Initial Shareholders") and the joint venture company ("Joint Venture Company") entered into the joint venture agreement in respect of the Joint Venture Company to jointly develop the relevant business, namely the provision of (i) the smart home appliances and integrated systems to end users, (ii) the smart home related applications and services to end users, (iii) the advertisement and consultancy services to smart appliance manufacturers, and (iv) the total solution of smart appliances and services provided to smart communities and smart cities (collectively, the "Relevant Business"). Pursuant to the joint venture agreement, Prosper Fortune, Sino Leader and Crown Capital agreed to inject capital into the Joint Venture Company. The initial capital required by the Joint Venture Company to develop the Relevant Business was expected to be RMB30,000,000 which would be satisfied by way of initial subscription of shares in the Joint Venture Company by the Initial Shareholders in proportion to their respective shareholdings pursuant to the joint venture agreement. As the business develops, it is expected that the Joint Venture Company would require further funding in the sum of RMB60,000,000 which will be provided by the Initial Shareholders in proportion to their respective shareholdings by way of further subscription of shares in the Joint Venture Company and/or shareholders' loan.

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

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

Note 3: The variation deed entered into among TCL Corporation, T.C.L. Industries and the Company on 15 July 2013 which permit TCL Corporation and T.C.L. Industries to participate in the research and development, manufacturing and sales relating to audio-visual products (excluding TV sets) through Tonly Holdings from the scope of non-competition business.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2014:

(a) Pursuant to the Master TCL Trademark License Agreement dated 26 October 2011 entered into between the Company and TCL Corporation under which TCL Group has agreed to grant to the Group an exclusive (subject to certain limited exceptions which are related to existing obligation or businesses of TCL Corporation), non-sub-licensable and non-transferable license to use certain of its registered trademarks including "TCL" for the manufacture, production, sale and distribution of electronic products including televisions and audio-visual products. During the year, no payment has been made by the Group to TCL Group as royalties and HK$266,156,000 was paid by the Group to TCL Group as reimbursement of branding advertising costs. On 11 November 2014, the Company entered into the Master TCL Trademark License (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master TCL Trademark License Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(b) Pursuant to the Master Electronic and Electrical Goods Sourcing Agreement dated 26 October 2011 entered into between the Company and TCL Corporation in connection with the purchase of electronic or electrical products from TCL Group, the Group purchased finished goods from TCL Group amounting to HK$17,077,000 during the year. On 11 November 2014, the Company entered into the Master Electronic and Electrical Goods Sourcing (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Electronic and Electrical Goods Sourcing Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(c) Pursuant to the Master Sourcing Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, the Group (i) sold overseas materials to TCL Group amounting to HK$768,236,000; (ii) purchased overseas materials from TCL Group amounting to HK$816,285,000 during the year. On 11 November 2014, the Company entered into the Master Sourcing (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Sourcing Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(d) Pursuant to the Master Supply Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, the Group (i) purchased goods produced or manufactured in the PRC from TCL Group amounting to HK$8,637,694,000; (ii) sold goods to TCL Group amounting to HK$2,988,924,000 during the year. On 11 November 2014, the Company entered into the Master Supply (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Supply Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(e) Pursuant to the Master Financial Services Agreement dated 26 October 2011 entered into among the Company, TCL Corporation and Finance Company, a non wholly-owned subsidiary of TCL Corporation, the Group paid fees and commissions for the other financial services thereunder amounting to HK$11,071,000 during the year. The maximum outstanding balance of deposits placed by the Group with Finance Company amounting to HK$2,949,810,000, the maximum outstanding balance of deposits (cash or bank instruments) as security placed by the Group with Finance Company amounting to HK$574,368,000 and the maximum facility provided to the Group by Finance Company with bank instruments as security amounting HK$570,559,000 during the year.

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

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

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

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

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

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

On 11 November 2014, the Company entered into the Master Financial Services (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Financial Services Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(f) Pursuant to the Master Logistics Service Supply Agreement dated 26 October 2011 entered into between the Company and Shenzhen Speed Distribution Platform Company Limited ("Speed Distribution", a wholly-owned subsidiary of TCL Corporation), the Group may from time to time request Speed Distribution for provision of certain logistics services. The Group paid HK$316,102,000 to Speed Distribution for all the cost and expenses incurred by Speed Distribution for provision of the logistics services during the year. On 11 November 2014, the Company entered into the Master Logistics Service Supply (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Logistics Service Supply Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(g) Pursuant to the Master Call Centre Services Supply Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, TCL Group has agreed to provide the call centre services to the Group. The Group paid HK$28,990,000 to TCL Group for all the cost and expenses incurred by TCL Group for provision of the call centre services during the year.

(h) Pursuant to the Master Subcontracting Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, the Group (i) paid subcontracting fees to TCL Group amounting to HK$558,000; (ii) received subcontracting fees from TCL Group amounting to HK$23,756,000 during the year. On 11 November 2014, the Company entered into the Master Subcontracting (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Subcontracting Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(i) Pursuant to the Master Lease, Production Line and Vehicle (Lessor) Agreement dated 26 October 2011 entered into between the Company as lessor and TCL Corporation as lessee, the Group received rental income from TCL Group amounting to HK$2,524,000 during the year. On 11 November 2014, the Company entered into the Master Lease and Vehicle (Lessor) (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Lease, Production Line and Vehicle (Lessor) Agreement, which expired on 31 December 2014, to continue the continue the leases contemplated thereunder and enter into new leases in the future after the expiry of the Master Lease, Production Line and Vehicle (Lessor) Agreement.

(j) Pursuant to the Master Lease (Tenant) Agreement dated 26 October 2011 entered into between the Company as tenant and TCL Corporation as landlord, the Group paid rental cost to TCL Group amounting to HK$3,860,000 during the year. On 11 November 2014, the Company entered into the Master Lease (Tenant) (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Lease (Tenant) Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(k) Pursuant to the Master Service Agreement dated 26 October 2011 entered into between the Company and TCL Corporation, content income amounting HK$2,381,000 was shared by the Group in respect of the provision of value added services to end users; and HK$46,294,000 was paid by the Group to TCL Group as service fees in respect of the provision of certain basic services during the year. On 11 November 2014, the Company entered into the Master Service (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master Service Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(l) Pursuant to the Master After Sale Service Agreement dated 24 October 2012 entered into between the Company and TCL Corporation, the Group received service fees from TCL Group in connection with the provision of after sale service to TCL Group for commercial use display products sold by TCL Group in the PRC amounting to HK$51,798,000 during the year. On 11 November 2014, the Company entered into the Master After Sale Service (2014 Renewal) Agreement, which took effect on 1 January 2015, on substantially the same terms as the Master After Sale Service Agreement, which expired on 31 December 2014, to continue the continuing connected transactions contemplated thereunder after its expiry.

(m) Pursuant to the Strategic Cooperation (2014) Framework Agreement dated 24 February 2014 entered into between the Company and TCL Corporation, the Group (i) paid service fee to TCL Group for the Joint Laboratory Project provided by TCL Group amounting to HK$20,192,000; (ii) paid service fee to TCL Group for the Strategic Mutual Research and Mid-to-Long-Term Planning Project provided by TCL Group amounting to HK$46,134,000 during the year.

(n) Pursuant to the Master After Sale Service (TV Products) Agreement dated 19 May 2014 entered into between the Company and TCL Corporation, the Group paid service fees to TCL Group in connection with the provision of after sale service by TCL Group for television sets products and their accessories and ancillary products manufactured by the Group amounting to HK$81,461,000 during the year.

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

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 49 to 75 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry of all directors, there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

AUDITORS

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

ON BEHALF OF THE BOARD

LI Dongsheng
Chairman

Hong Kong
2 March 2015

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

We have audited the consolidated financial statements of TCL Multimedia Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 100 to 219, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
2 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
TURNOVER	5	33,526,265	39,494,703
Cost of sales		(28,023,227)	(34,080,664)
Gross profit		5,503,038	5,414,039
Other revenue and gains		682,301	889,845
Selling and distribution expenses		(4,107,151)	(4,538,621)
Administrative expenses		(973,753)	(1,060,920)
Research and development costs		(423,087)	(424,574)
Other operating expenses		(59,992)	(27,712)
		621,356	252,057
Finance costs	6	(196,000)	(185,966)
Share of profits and losses of:			
Joint ventures		(22,977)	(2,479)
Associates		(8,920)	(30,586)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	393,459	33,026
Income tax expense	10	(147,126)	(155,949)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		246,333	(122,923)
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	12	–	88,722
PROFIT/(LOSS) FOR THE YEAR		246,333	(34,201)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**246,333**	(34,201)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedge:			
Effective portion of changes in fair value of the hedging instruments arising during the year		**(185)**	(21)
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**21**	94
		(164)	73
Exchange fluctuation reserve:			
Translation of foreign operations		**(3,535)**	131,110
Release upon liquidation of subsidiaries		**(158,931)**	7,148
Release upon derecognition and deemed partial disposal of associates		**339**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(162,291)**	138,331
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**84,042**	104,130
Profit/(loss) attributable to:			
Owners of the parent	11	**234,499**	(48,075)
Non-controlling interests		**11,834**	13,874
		246,333	(34,201)
Total comprehensive income attributable to:			
Owners of the parent		**72,844**	84,324
Non-controlling interests		**11,198**	19,806
		84,042	104,130
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic			
– For profit/(loss) for the year		**HK17.76 cents**	HK(3.61) cents
– For profit/(loss) from continuing operations		**HK17.76 cents**	HK(8.96) cents
Diluted			
– For profit/(loss) for the year		**HK17.75 cents**	HK(3.61) cents
– For profit/(loss) from continuing operations		**HK17.75 cents**	HK(8.96) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,356,369**	2,407,598
Prepaid land lease payments	16	**153,930**	156,306
Goodwill	17	**134,933**	119,638
Other intangible assets	18	**1,947**	280
Investments in joint ventures	20	**55,600**	8,333
Investments in associates	21	**509,054**	512,871
Available-for-sale investments	22	**111,982**	6,677
Deferred tax assets	34	**38,090**	18,485
Total non-current assets		**3,361,905**	3,230,188
CURRENT ASSETS			
Inventories	23	**4,054,817**	4,971,680
Trade receivables	24	**4,318,138**	3,797,379
Bills receivable	25	**4,204,018**	5,158,738
Other receivables	26	**1,943,664**	1,920,027
Tax recoverable		**17,107**	29,969
Pledged deposits	28	**203,298**	–
Cash and bank balances	28	**3,379,369**	3,047,524
Total current assets		**18,120,411**	18,925,317
CURRENT LIABILITIES			
Trade payables	29	**4,920,901**	5,472,647
Bills payable	30	**3,543,573**	5,108,314
Other payables and accruals	31	**3,805,030**	4,067,483
Interest-bearing bank and other borrowings	32	**2,250,564**	870,343
Due to TCL Corporation	27	**–**	24,933
Due to T.C.L. Industries	27	**853,336**	387,710
Tax payable		**180,491**	142,551
Provisions	33	**362,484**	436,629
Total current liabilities		**15,916,379**	16,510,610
NET CURRENT ASSETS		**2,204,032**	2,414,707
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,565,937**	5,644,895

	Notes	2014 HK$'000	2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,565,937**	5,644,895
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**925,033**	1,132,012
Deferred tax liabilities	34	**34,726**	30,502
Total non-current liabilities		**959,759**	1,162,514
Net assets		**4,606,178**	4,482,381
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**1,333,599**	1,333,599
Reserves	36	**3,135,530**	3,024,687
		4,469,129	4,358,286
Non-controlling interests		**137,049**	124,095
Total equity		**4,606,178**	4,482,381

LI Dongsheng
Director

HAO Yi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

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

GROUP	Attributable to owners of the parent												
	Issued capital HK$'000 (Note 35)	Share premium account HK$'000 (Note 35)	Share option reserve HK$'000 (Note 36 (a)(i))	Capital reserve HK$'000 (Note 36 (a)(ii))	Reserve funds HK$'000 (Note 36 (a)(iii))	Hedging reserve HK$'000 (Note 36 (a)(v))	Exchange fluctuation reserve HK$'000	Shares held for the Award Scheme HK$'000 (Note 35)	Awarded share reserve HK$'000 (Note 36 (a)(iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	1,333,599	2,745,480	46,147	57,332	936,927	(21)	548,175	(90,619)	365	(1,219,099)	4,358,286	124,095	4,482,381
Profit for the year	-	-	-	-	-	-	-	-	-	234,499	234,499	11,834	246,333
Other comprehensive income/(loss) for the year:													
Cash flow hedge	-	-	-	-	-	(164)	-	-	-	-	(164)	-	(164)
Exchange differences on:													
Translation of foreign operations	-	-	-	-	-	-	(2,899)	-	-	-	(2,899)	(636)	(3,535)
Release upon liquidation of subsidiaries	-	-	-	-	-	-	(158,931)	-	-	-	(158,931)	-	(158,931)
Release upon derecognition and deemed partial disposal of associates	-	-	-	-	-	-	339	-	-	-	339	-	339
Total comprehensive income/(loss) for the year	-	-	-	-	-	(164)	(161,491)	-	-	234,499	72,844	11,198	84,042
Release upon liquidation of subsidiaries	-	-	-	-	(145,381)	-	-	-	-	145,381	-	-	-
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	23,981	23,981
Business combinations, net (note 37(a))	-	-	-	-	-	-	-	-	-	-	-	(20,131)	(20,131)
Equity-settled share option arrangements	-	-	301	-	-	-	-	-	-	-	301	-	301
Share options forfeited during the year	-	-	(22,618)	-	-	-	-	-	-	-	(22,618)	-	(22,618)
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(19,515)	-	-	(19,515)	-	(19,515)
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	57,962	21,869	-	79,831	-	79,831
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(2,094)	(2,094)
Transfer from retained profits	-	-	-	-	41,943	-	-	-	-	(41,943)	-	-	-
At 31 December 2014	1,333,599	2,745,480*	23,830*	57,332*	833,489*	(185)*	386,684*	(52,172)*	22,234*	(881,162)*	4,469,129	137,049	4,606,178

* These reserve accounts comprise the consolidated reserves of HK$3,135,530,000 (2013: HK$3,024,687,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**393,459**	33,026
From a discontinued operation	12	**–**	105,664
Adjustments for:			
Finance costs		**196,000**	192,673
Share of losses of joint ventures and associates		**31,897**	32,999
Gain on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net		**(9,168)**	(236,925)
Loss/(gain) on liquidation of subsidiaries	7	**(158,931)**	8,257
Interest income		**(66,361)**	(59,620)
Fair value gain of an investment in an associate	7	**(35,688)**	–
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges		**(742)**	28,364
Depreciation	15	**289,019**	306,536
Impairment of items of property, plant and equipment	7	**63**	536
Amortisation of other intangible assets	7	**312**	150
Amortisation of prepaid land lease payments	16	**4,715**	4,278
Gain on bargain purchase	7	**(1,319)**	–
Impairment of goodwill	7	**35,688**	–
Equity-settled share option expense	7	**301**	16,912
		679,245	432,850
Decrease in inventories		**1,041,023**	1,501,410
Increase in trade receivables		**(371,761)**	(263,502)
Decrease in bills receivable		**939,128**	2,126,516
Decrease in other receivables		**125,267**	304,910
Decrease in trade payables		**(755,918)**	(2,989,969)
Increase/(decrease) in bills payable		**(1,548,724)**	36,087
Increase/(decrease) in other payables and accruals		**(468,386)**	119,890
Increase/(decrease) in provisions		**(72,182)**	172,026
Cash generated from/(used in) operations		**(432,308)**	1,440,218
Interest paid		**(196,000)**	(192,673)
Income taxes paid		**(111,718)**	(112,848)
Net cash flows from/(used in) operating activities		**(740,026)**	1,134,697

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Net cash flows from/(used in) operating activities		**(740,026)**	1,134,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**66,361**	59,620
Dividend received from an associate		**15,397**	–
Purchases of items of property, plant and equipment		**(316,892)**	(546,425)
Purchase of an available-for-sale investment		**(105,305)**	–
Prepayment of land lease payments		**(2,492)**	(31,273)
Proceeds from disposal of items of property, plant and equipment and the associated prepaid land lease payments		**173,882**	351,175
Capital injection in an associate		**–**	(178,049)
Capital contribution in a joint venture		**(69,763)**	–
Business combinations, net	37(a)	**(90,513)**	–
Acquisition of an associate	37(b)	**–**	(226,572)
Decrease/(increase) in pledged deposits		**(203,298)**	374,543
Net cash flows used in investing activities		**(532,623)**	(196,981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options		**–**	34,278
Purchase of shares for the Award Scheme	35	**(19,515)**	(9,260)
Distribution of Tonly Group	37(c)	**–**	(695,149)
New bank and other loans		**6,961,766**	7,197,183
Repayment of bank and other loans		**(5,790,902)**	(8,142,700)
Increase/(decrease) in loans from TCL Corporation		**(24,741)**	24,567
Increase in loans from T.C.L. Industries		**465,162**	387,710
Capital contribution from non-controlling shareholders		**22,661**	–
Dividends paid		**–**	(192,470)
Dividends paid to non-controlling shareholders		**(2,094)**	(4,517)
Net cash flows from/(used in) financing activities		**1,612,337**	(1,400,358)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**339,688**	(462,642)
Cash and cash equivalents at beginning of year		**3,047,524**	3,431,337
Effect of foreign exchange rate changes, net		**(7,843)**	78,829
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,379,369**	3,047,524
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,379,369**	3,047,524

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**1,215,976**	1,171,170
CURRENT ASSETS			
Due from subsidiaries	19	**2,606,318**	2,803,661
Other receivables	26	**54,200**	66,613
Cash and bank balances		**576**	316,400
Total current assets		**2,661,094**	3,186,674
CURRENT LIABILITIES			
Other payables and accruals	31	**13,062**	37,128
Interest-bearing bank borrowings	32	**220,317**	402,481
Total current liabilities		**233,379**	439,609
NET CURRENT ASSETS		**2,427,715**	2,747,065
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,643,691**	3,918,235
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	32	**925,033**	1,132,012
Net assets		**2,718,658**	2,786,223
EQUITY			
Issued capital	35	**1,333,599**	1,333,599
Reserves	36(b)	**1,385,059**	1,452,624
Total equity		**2,718,658**	2,786,223

LI Dongsheng
Director

HAO Yi
Director

1. CORPORATE INFORMATION

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

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the manufacture and sale of colour television sets. During the year ended 31 December 2013, the Group discontinued the business in relation to the manufacture and sale of audio-visual ("AV") products (note 12).

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendments to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition* [1]
Amendments to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination* [1]
Amendments to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

Amendments to HKAS 1	*Disclosure Initiative* [2]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [2]
HKFRS 14	*Regulatory Deferral Accounts* [5]
HKFRS 15	*Revenue from Contracts with Customers* [3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants* [2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements* [2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs [1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs [2]

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Buildings	2% – 5%
Leasehold improvements	20% – 50%
Plant and machinery	9% – 20%
Furniture, fixtures and equipment	18% – 33.3%
Motor vehicles	18% – 25%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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

Intangible assets (other than goodwill)

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

Patents and licences

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

Trademarks

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

Customer relationships

Purchased customer relationships with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Research and development costs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

Fair value hedges

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges (continued)

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

Cash flow hedges

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

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

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

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

Treasury shares

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

Government grants

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

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

Revenue recognition

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Share-based payments

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

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

Derecognition of financial assets – Receivables purchase arrangements

The Group has entered into certain receivables purchase arrangements with banks on its trade receivables. As at 31 December 2014, the Group has determined that it has transferred substantially all the risks and rewards of ownership associated with certain trade receivables factored to banks under these arrangements. Accordingly, the relevant trade receivables with an aggregate carrying amount of HK$39,443,000 (2013: HK$9,331,000) were fully derecognised. Further details are given in note 24 to the financial statements.

Estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was HK$134,933,000 (2013: HK$119,638,000). Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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

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

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

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

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

(iv) Impairment of trade receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(v) Provision against obsolete and slow-moving inventories

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

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

(vi) Warranty provisions

As further explained in note 33 to the financial statements, the Group makes provisions for the warranties it gives on the sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

(vii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences such as the warranty provisions and patent fee provisions and the unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details on deferred tax assets are included in note 34 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(viii) PRC corporate income tax

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Group

	Continuing operations								Discontinued operation					
	Television – PRC market		Television – overseas markets		Others		Total continuing operations		AV		Eliminations		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue:														
Sales to external customers	**20,709,470**	25,665,747	**12,126,223**	11,884,234	**690,572**	1,944,722	**33,526,265**	39,494,703	**-**	2,256,667	**-**	-	**33,526,265**	41,751,370
Intersegment sales	**2,533,120**	3,354,244	**-**	-	**171,402**	288,711	**2,704,522**	3,642,955	**-**	61,765	**(2,704,522)**	(3,704,720)	**-**	-
Total	**23,242,590**	29,019,991	**12,126,223**	11,884,234	**861,974**	2,233,433	**36,230,787**	43,137,658	**-**	2,318,432	**(2,704,522)**	(3,704,720)	**33,526,265**	41,751,370
Segment results	**582,107**	60,954	**(11,062)**	(96,731)	**(28,394)**	(27,084)	**542,651**	(62,861)	**-**	91,737	**-**	-	**542,651**	28,876
Corporate income, net							**12,344**	275,866	**-**	-			**12,344**	275,866
Finance costs							**(196,000)**	(185,966)	**-**	(6,707)			**(196,000)**	(192,673)
Interest income							**66,361**	39,052	**-**	20,568			**66,361**	59,620
Share of profits and losses of:														
Joint ventures	**-**	-	**(3,678)**	(2,479)	**(19,299)**	-	**(22,977)**	(2,479)	**-**	-			**(22,977)**	(2,479)
Associates	**(39,665)**	(46,614)	**-**	-	**30,745**	16,028	**(8,920)**	(30,586)	**-**	66			**(8,920)**	(30,520)
Profit before tax							**393,459**	33,026	**-**	105,664			**393,459**	138,690
Income tax expense							**(147,126)**	(155,949)	**-**	(16,942)			**(147,126)**	(172,891)
Profit/(loss) for the year							**246,333**	(122,923)	**-**	88,722			**246,333**	(34,201)
Other segment information:														
Depreciation and amortisation	**230,545**	240,936	**32,467**	27,164	**31,034**	32,021	**294,046**	300,121	**-**	10,843	**-**	-	**294,046**	310,964
Impairment recognised in profit or loss	**-**	531	**63**	5	**-**	-	**63**	536	**-**	-	**-**	-	**63**	536

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Group

	PRC		Europe		North America		Others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**21,250,958**	27,276,884	**2,166,494**	2,395,566	**674,948**	504,188	**9,433,865**	11,574,732	**33,526,265**	41,751,370
Non-current assets	**2,937,421**	2,905,505	**167,331**	176,156	**209,607**	117,249	**9,456**	12,793	**3,323,815**	3,211,703

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

Information about major customer

For the years ended 31 December 2013 and 2014, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue from continuing operations.

5. TURNOVER

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts	**188,443**	179,821
Loans from TCL Corporation	**701**	469
Loans from T.C.L. Industries	**6,239**	3,824
Loans from an associate	**617**	1,852
Total	**196,000**	185,966

7. PROFIT BEFORE TAX

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

	Group	
	2014	2013
	HK$'000	HK$'000
Cost of inventories sold	**27,930,195**	33,943,388
Depreciation	**289,019**	295,946
Research and development costs	**538,042**	521,065
Less: Government grants released*	**(114,955)**	(96,491)
	423,087	424,574
Amortisation of other intangible assets (note 18)	**312**	150
Amortisation of prepaid land lease payments	**4,715**	4,025
Minimum lease payments under operating leases in respect of land and buildings	**110,088**	90,123
Auditors' remuneration	**13,283**	13,222
Employee benefits expenses (including directors' remuneration (note 8)):		
Wages and salaries	**2,067,166**	2,026,105
Equity-settled share option expense	**301**	16,912
Defined contribution expense	**238,419**	192,251
	2,305,886	2,235,268

7. PROFIT BEFORE TAX (CONTINUED)

	Group	
	2014	2013
	HK$'000	HK$'000
Foreign exchange differences, net	**54,318**	(254,201)
Impairment of items of property, plant and equipment (note 15)**	**63**	536
Impairment of trade receivables, net (note 24)**	**23,962**	8,037
Impairment of goodwill (note 17)**	**35,688**	–
Write-down of inventories to net realisable value	**82,383**	258,578
Gain on bargain purchase (note 37(a)(i))	**(1,319)**	–
Fair value gain of an investment in an associate (note 37(a)(ii))	**(35,688)**	–
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	**(742)**	14,929
Realised loss/(gain) on settlement of derivative financial instruments	**(58,260)**	6,506
Rental income, net	**(4,813)**	(5,213)
Interest income	**(66,361)**	(39,052)
Other government grants***	**(34,680)**	(73,305)
Gain on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	**(9,168)**	(236,941)
Loss/(gain) on liquidation of subsidiaries (note 37(d))**	**(158,931)**	8,257
Restructuring costs provision (note 33)**	**279**	10,882
Product warranty provision (note 33):		
Additional provision	**264,630**	377,792
Reversal of unutilised provision	**(122,769)**	(18,383)
	141,861	359,409

Notes:

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

** Impairment of items of property, plant and equipment, net impairment of trade receivables, impairment of goodwill, loss on liquidation of subsidiaries and restructuring costs provision are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**1,845**	1,879
Other emoluments:		
Salaries, allowances and benefits in kind	**2,608**	4,403
Discretionary bonuses	**332**	849
Equity-settled share option benefits	**–**	3,481
Pension scheme contributions	**115**	237
	3,055	8,970
	4,900	10,849

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

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

	2014				2013			
	Fees HK$'000	Equity–settled share option benefits HK$'000	Discretionary performance related bonuses HK$'000	Total remuneration HK$'000	Fees HK$'000	Equity–settled share option benefits HK$'000	Discretionary performance related bonuses HK$'000	Total remuneration HK$'000
Mr. TANG Guliang	300	–	–	300	300	65	–	365
Mr. Robert Maarten WESTERHOF	300	–	–	300	300	65	–	365
Ms. WU Shihong	300	–	–	300	300	65	–	365
Dr. TSENG Shieng-chang Carter (note (i))	–	–	–	–	–	–	–	–
	900	–	–	900	900	195	–	1,095

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014						
Executive directors:						
Mr. LI Dongsheng	120	650	–	–	–	770
Mr. BO Lianming (note (ii))	23	198	82	–	–	303
Mr. HAO Yi	120	1,760	250	–	115	2,245
Mr. YAN Xiaolin	120	–	–	–	–	120
	383	2,608	332	–	115	3,438
Non-executive directors:						
Mr. Albert Thomas DA ROSA, Junior	225	–	–	–	–	225
Mr. BO Lianming (note (ii))	97	–	–	–	–	97
Mr. HUANG Xubin	120	–	–	–	–	120
Mr. SHI Wanwen	120	–	–	–	–	120
	562	–	–	–	–	562
	945	2,608	332	–	115	4,000

8. DIRECTORS' REMUNERATION (CONTINUED)

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

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

Notes:

(i) Dr. TSENG Shieng-chang Carter agreed to waive his director's remuneration for the year ended 31 December 2014 of HK$300,000 (2013: HK$300,000) and such remuneration would be donated for charity use.

(ii) Mr. BO Lianming was formerly a non-executive director of the Company and was re-designated as an executive director of the Company with effect from 23 October 2014.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2013: two), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2013: three) non-director, highest paid employees for the year are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,858**	6,521
Discretionary performance related bonuses	**1,310**	865
Equity-settled share option benefits	**–**	394
Pension scheme contributions	**1,629**	1,958
	7,797	9,738

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

	Number of employees	
	2014	2013
HK$500,000 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
	4	3

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2014 HK$'000	2013 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**14,157**	2,354
Overprovision in prior years	**(10)**	–
Current – Elsewhere		
Charge for the year	**112,642**	105,244
Underprovision/(overprovision) in prior years	**35,671**	(7,930)
Deferred	**(15,334)**	56,281
Total tax charge for the year	**147,126**	155,949

10. INCOME TAX EXPENSE (CONTINUED)

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**393,459**	33,026
Tax at the statutory/applicable tax rates of different countries/jurisdictions	**40,905**	(10,560)
Lower tax rates for specific provinces or enacted by local authority	**(56,742)**	(26,607)
Adjustments in respect of current tax of previous periods	**35,661**	(7,930)
Profits and losses attributable to joint ventures and associates	**7,974**	8,266
Income not subject to tax	**(66,296)**	(23,684)
Expenses not deductible for tax	**125,410**	48,443
Tax losses utilised from previous periods	**(54,201)**	(68,165)
Tax losses not recognised	**105,665**	231,002
Others	**8,750**	5,184
Tax charge at the Group's effective rate	**147,126**	155,949

The share of tax attributable to joint ventures and associates amounted to tax charge of HK$8,000 (2013: tax credit of HK$225,000) and tax charge of HK$7,496,000 (2013: HK$5,574,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy a preferential corporate income tax rate and are subject to income taxes at a tax rate of 15%.

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

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$113,974,000 (2013: HK$57,776,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DISCONTINUED OPERATION

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

The results of Tonly Holdings and its subsidiaries (collectively, the "Tonly Group") attributable to the Group for the period from 1 January to 15 August 2013 are presented below:

	HK$'000
Turnover	2,256,667
Cost of sales	(1,967,212)
Gross profit	289,455
Other revenue and gains	90,296
Selling and distribution expenses	(81,525)
Administrative expenses	(100,418)
Research and development costs	(84,986)
Other operating expenses	(517)
	112,305
Finance costs	(6,707)
Share of profit of an associate	66
Profit before tax from the discontinued operation	105,664
Income tax expense	(16,942)
Profit for the period from the discontinued operation	88,722
Profit attributable to:	
Owners of the parent	71,140
Non-controlling interests	17,582
	88,722

12. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by the Tonly Group for the period from 1 January to 15 August 2013 are as follows:

	HK$'000
Operating activities	(444,085)
Investing activities	113,424
Financing activities	(40,764)
Net cash outflow	(371,425)
Earnings per share from the discontinued operation:	
Basic	HK5.35 cents
Diluted	HK5.29 cents

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

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

12. DISCONTINUED OPERATION (CONTINUED)

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

13. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend – Nil (2013: HK28.99 cents) per ordinary share (note)	**–**	386,467
Final dividend – HK5.28 cents (2013: Nil) per ordinary share	**70,414**	–
	70,414	386,467

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

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

	2014 HK$'000	2013 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation:		
From continuing operations	234,499	(119,215)
From the discontinued operation (note 12)	–	71,140
	234,499	(48,075)

	Number of shares 2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	1,320,550,174	1,330,093,157
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	521,439	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	1,321,071,613	1,330,093,157

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	1,865,973	236,134	1,475,753	302,443	46,231	85,391	4,011,925
Accumulated depreciation and impairment	(319,382)	(155,740)	(863,465)	(223,585)	(29,682)	(12,473)	(1,604,327)
Net carrying amount	1,546,591	80,394	612,288	78,858	16,549	72,918	2,407,598
At 1 January 2014, net of accumulated depreciation and impairment	1,546,591	80,394	612,288	78,858	16,549	72,918	2,407,598
Additions	12,412	43,740	41,893	48,423	5,131	165,293	316,892
Business combinations (note 37(a))	60,846	–	36,328	419	373	–	97,966
Disposals	(4,130)	(7,582)	(142,952)	(3,175)	(1,616)	(5,259)	(164,714)
Depreciation provided during the year	(84,914)	(55,025)	(88,942)	(54,778)	(5,360)	–	(289,019)
Impairment (note 7)	–	–	–	(63)	–	–	(63)
Transfers	151,942	3,805	44,389	2,642	–	(202,778)	–
Exchange realignment	(10,304)	1,384	(2,260)	(594)	(86)	(431)	(12,291)
At 31 December 2014, net of accumulated depreciation and impairment	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369
At 31 December 2014:							
Cost	2,071,791	273,210	1,229,407	321,885	43,238	42,215	3,981,746
Accumulated depreciation and impairment	(399,348)	(206,494)	(728,663)	(250,153)	(28,247)	(12,472)	(1,625,377)
Net carrying amount	1,672,443	66,716	500,744	71,732	14,991	29,743	2,356,369

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

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

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

Note: As at 31 December 2014, certain buildings of the Group situated in Hohhot, the PRC, with an aggregate carrying amount of HK$165,085,000 (2013: HK$ 174,459,000) did not have the building ownership certificates registered under the name of the respective subsidiary of the Group. Moreover, the land transfer procedures of the land on which the relevant buildings were constructed have not been completed and the related land premium has not been finalised with the Ministry of Land and Resources of the PRC.

In the opinion of directors, the risk of the Group not being able to obtain the legal title for the land is low and the Group will continue to pursue and discuss with the relevant government land bureau for the final settlement and complete the necessary land ownership title registration.

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

	2014	2013
	HK$'000	HK$'000
Freehold	**312,153**	265,244
Short term leases	**120,962**	120,976
Medium term leases	**1,239,328**	1,160,371
	1,672,443	1,546,591

16. PREPAID LAND LEASE PAYMENTS

	Group 2014 HK$'000	Group 2013 HK$'000
Carrying amount at 1 January	**159,372**	149,323
Additions	**2,492**	53,576
Disposal	**–**	(4,992)
Amortised during the year	**(4,715)**	(4,278)
Distribution of Tonly Group (note 37(c))	**–**	(38,821)
Exchange realignment	**(236)**	4,564
Carrying amount at 31 December	**156,913**	159,372
Current portion included in other receivables (note 26)	**(2,983)**	(3,066)
Non-current portion	**153,930**	156,306

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

	2014 HK$'000	2013 HK$'000
Short term leases	**26,851**	27,595
Medium term leases	**130,062**	131,777
	156,913	159,372

17. GOODWILL

	Group HK$'000
Cost and carrying amount at 1 January 2013, 31 December 2013 and 1 January 2014	119,638
Business combination (note 37(a)(ii))	50,983
Impairment during the year (note 7)	(35,688)
Net carrying amount at 31 December 2014	134,933
At 31 December 2014:	
Cost	170,621
Accumulated impairment	(35,688)
Net carrying amount	134,933

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU(s)") for impairment testing:

- PRC television products with the TCL brand ("TCL Brand"); and
- PRC television products with the Toshiba brand ("Toshiba Brand").

The recoverable amounts of both CGUs were determined based on value in use calculations using cash flow projections of financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections for the CGUs of the TCL Brand and the Toshiba Brand were 12% (2013: 12%) and 12% (2013: N/A), respectively.

The impairment of goodwill during the year was related to the CGU of the Toshiba Brand. The impairment was made with reference to the estimated recoverable amount which was determined based on value in use calculation using cash flow projection approved by senior management. Management is of the view that such impairment was mainly caused by the decrease in budgeted profit after the restructuring in the current year.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	TCL Brand		Toshiba Brand		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount of goodwill	**119,638**	119,638	**15,295**	–	**134,933**	119,638

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the units.

18. OTHER INTANGIBLE ASSETS

Group

	Patents and licences HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation and impairment	**–**	**280**	**–**	**280**
Additions	**–**	**1,320**	**–**	**1,320**
Business combinations (note 37(a)(i))	**–**	**–**	**721**	**721**
Amortisation provided during the year (note 7)	**–**	**(218)**	**(94)**	**(312)**
Exchange realignment	**–**	**9**	**(71)**	**(62)**
At 31 December 2014	**–**	**1,391**	**556**	**1,947**
At 31 December 2014:				
Cost	**17,135**	**4,119**	**642**	**21,896**
Accumulated amortisation and impairment	**(17,135)**	**(2,728)**	**(86)**	**(19,949)**
Net carrying amount	**–**	**1,391**	**556**	**1,947**
31 December 2013				
Cost at 1 January 2013, net of accumulated amortisation and impairment	–	419	–	419
Amortisation provided during the year (note 7)	–	(150)	–	(150)
Exchange realignment	–	11	–	11
At 31 December 2013	–	280	–	280
At 31 December 2013:				
Cost	32,884	59,395	–	92,279
Accumulated amortisation and impairment	(32,884)	(59,115)	–	(91,999)
Net carrying amount	–	280	–	280

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**4,023,724**	4,023,724
Due from subsidiaries	**2,676,715**	2,815,816
Due to subsidiaries	**(63,689)**	(61,769)
Capital contribution in respect of employee share-based compensation	**69,084**	80,600
	6,705,834	6,858,371
Provision for impairment	**(2,883,540)**	(2,883,540)
	3,822,294	3,974,831
Less: Portion of amounts due from subsidiaries classified as current assets	**(2,606,318)**	(2,803,661)
	1,215,976	1,171,170

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for certain balances due from subsidiaries totalling HK$2,606,318,000 (2013: HK$2,803,661,000) which are repayable on demand.

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

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued/ paid-up capital	% of equity attributable to the Company 2014	2013	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.**	PRC	RMB120,000,000	70	70	Manufacture of television products
Inner Mongolia TCL King Electrical Appliance Company Limited**/#	PRC	RMB88,130,825	-	100	Manufacture of television products
Manufacturas Avanzadas, S.A. de. C.V.	Mexico	US$15,866,637	100	100	Manufacture of television products
TTE Corporation@	British Virgin Islands/Hong Kong	US$10,000	100	100	Investment holding
Shenzhen TCL New Technology Company Limited**	PRC	RMB10,608,600	100	100	Manufacture and sale of television products
TCL (Vietnam) Corporation Limited	Vietnam	VND37,135,000,000	100	100	Manufacture and sale of television products
TCL Electrical Appliance Sales Co., Ltd.**	PRC	RMB30,000,000	100	100	Operation of a distribution network in the PRC

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business	Issued/ paid-up capital	% of equity attributable to the Company 2014	2013	Principal activities
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	100	100	Trading of television products and components
TCL Electronics (Thailand) Co., Limited	Thailand	THB255,000,000	100	100	Trading of television products and components
TCL Holdings (BVI) Limited	British Virgin Islands/Hong Kong	US$25,000	100	100	Investment holding
TCL Belgium S.A.	Belgium	EUR61,500	100	100	Investment holding
TCL International Electronics (BVI) Limited@	British Virgin Islands/Hong Kong	US$1	100	100	Investment holding
TTE (North America) Holdings Limited	British Virgin Islands/Hong Kong	US$1	100	100	Investment holding
TCL Information Technology Industrial (Group) Co., Ltd.@	British Virgin Islands/Hong Kong	US$4,500,000	100	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**	PRC	RMB100,880,000	100	100	Manufacture of television products

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business	Issued/ paid-up capital	% of equity attributable to the Company 2014	2013	Principal activities
TCL King Electrical Appliances (Huhehaote) Company Limited**/#	PRC	RMB21,400,000	-	100	Manufacture of television products
TCL King Electrical Appliances (Huizhou) Company Limited*	PRC	RMB485,863,120	100	100	Manufacture and sale of television products and trading of components
TCL King Electrical Appliances (Nanchang) Company Limited**	PRC	RMB21,400,000	100	100	Manufacture of television products
TCL King Electrical Appliances (Wuxi) Company Limited**	PRC	RMB78,835,125	70	70	Manufacture of television products
TCL Overseas Electronics (Huizhou) Limited*	PRC	RMB217,699,156	100	100	Manufacture of television products
TCL Overseas Holdings Limited	British Virgin Islands/Hong Kong	US$1	100	100	Investment holding
TCL Overseas Marketing Limited	British Virgin Islands/Hong Kong	US$1	100	100	Trading of television products and components

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business	Issued/ paid-up capital	% of equity attributable to the Company 2014	2013	Principal activities
TTE Technology Inc.	USA	US$75,954,000	100	100	Trading of television products and components
TCL Overseas Marketing (Macao Commercial Offshore) Limited	Macao	MOP100,000	100	100	Trading of television products and components
TCL Operations Polska SP. ZO.O.	Poland	PLN126,716,500	100	100	Manufacture of television products
TCL Optoelectronics Technology (Huizhou) Co., Ltd.@	PRC	RMB576,000,000	100	100	Manufacture and sale of television products and trading of components
Huizhou TCL Coretronic Co., Ltd.	PRC	RMB32,000,000	100	100	Manufacture of television components
Toshiba Visual Products (China) Co., Ltd. ("Toshiba Visual")**	PRC	RMB50,000,000	70	49##	Trading of television products and components

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and business	Issued/ paid-up capital	% of equity attributable to the Company 2014	2013	Principal activities
TCL Moka Manufacturing, S.A. de C.V. (formerly known as Sanyo Manufacturing S.A. de C.V. ("SMSA"))	Mexico	MXN50,000	90	–	Manufacture and sale of television products
TCL Moka, S. de R.L. de C.V.	Mexico	MXN3,000	100	–	Property holding

@ Direct subsidiaries of the Company
* Registered as wholly-foreign-owned enterprises under the PRC law
** Registered as Sino-foreign joint ventures under the PRC law
# Liquidated during the year
Accounted for as an associate in 2013

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

20. INVESTMENTS IN JOINT VENTURES

	Group 2014 HK$'000	2013 HK$'000
Share of net assets	55,600	8,333

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

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

Name	Particulars of issued shares/ registered capital	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
TCL Sun, Inc.	Ordinary shares of PHP100 each	Philippines	50	50	50	Trading of television products
TCL-IMAX Entertainment Co., Limited	Ordinary shares of US$0.01 each	Hong Kong	50	50	50	Investment holding

The following table illustrates the aggregate summarised financial information of the Group's joint ventures that are not individually material:

	2014 HK$'000	2013 HK$'000
Share of the joint ventures' losses for the year	**(22,977)**	(2,479)
Share of the joint ventures' total comprehensive loss	**(22,977)**	(2,479)
Aggregate carrying amount of the Group's investments in these joint ventures	**55,600**	8,333

21. INVESTMENTS IN ASSOCIATES

	Notes	Group **2014 HK$'000**	Group 2013 HK$'000
Share of net assets	(a)	**444,856**	445,063
Goodwill on acquisition	(b)	**64,198**	67,808
		509,054	512,871

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

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital/ issued share capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
TCL Finance Co., Ltd. (“Finance Company”)	Ordinary shares RMB1,500,000,000	PRC	14	Provision of financial services
Guangdong Yijiatong Technical Development of Digital Home Co., Ltd.	Ordinary shares RMB10,000,000	PRC	20	Provision of technical services
Huizhou Bri-King Optronics Co., Ltd.	Ordinary shares US$12,000,000	PRC	49	Manufacture and sale of television products and components
Amlogic Holdings Ltd. (“Amlogic”)#	Preference shares* US$50,000 Ordinary shares US$75,000	Cayman Islands/ PRC	17.89	Manufacture and sale of semiconductors

\# As at 31 December 2013, the Group held its interest in Amlogic, Inc. and on 1 January 2014, Amlogic, Inc. was merged with Amlogic. Pursuant to such merger, shares of common and preferred stocks of Amlogic, Inc. outstanding immediately prior to the merger would, upon the merger, represent shares of common and preferred stocks of Amlogic. The then directors of Amlogic, Inc. continue to serve as the directors of Amlogic.

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

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

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

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Notes:

(a) Summarised financial information of associates

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

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

	2014 HK$'000	2013 HK$'000
Current assets	**9,709,064**	4,870,550
Non-current assets	**8,278,813**	3,630,931
Current liabilities	**(15,845,456)**	(6,357,872)
Net assets	**2,142,421**	2,143,609
Reconciliation to the Group's interest in the associate:		
Percentage of the Group's interest	**14%**	14%
Group's share of net assets of the associate and carrying amount of the investment	**299,939**	300,105
Revenues	**350,693**	273,802
Profit for the year	**219,610**	114,483
Total comprehensive income for the year	**219,610**	114,483

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

	2014 HK$'000	2013 HK$'000
Share of the associates' losses for the year	**(39,665)**	(46,614)
Share of the associates' total comprehensive loss	**(39,665)**	(46,614)
Aggregate carrying amount of the Group's investments in these associates	**144,917**	144,958

21. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (continued)

(b) Goodwill on acquisition

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

The movement of the goodwill on acquisition is set out below:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January 2014	**67,808**	67,808
Deemed partial disposal of Amlogic	**(3,639)**	–
Exchange realignment	**29**	–
	64,198	67,808

The goodwill is allocated to the manufacture and sale of semiconductors CGU and its recoverable amount has been determined based on a value in use calculation using cash flow projections of financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18% (2013: 17%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2013: 3%). In the opinion of the directors, no impairment loss against the goodwill is considered necessary as the recoverable amount of the Group's interest in this CGU is higher than its carrying amount.

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted equity investments, at cost	**113,664**	8,359
Provision for impairment	**(1,682)**	(1,682)
	111,982	6,677

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

23. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**1,436,034**	1,543,063
Work in progress	**43,408**	110,838
Finished goods	**2,575,375**	3,317,779
	4,054,817	4,971,680

24. TRADE RECEIVABLES

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Due from third parties		**3,492,302**	2,677,038
Provision for impairment		**(201,015)**	(211,437)
		3,291,287	2,465,601
Due from related parties:			
Companies controlled by TCL Corporation	27	**945,923**	886,457
Associates of TCL Corporation	27	**5,646**	3,169
A joint venture	27	**75,094**	42,500
Associates	27	**188**	399,652
		1,026,851	1,331,778
		4,318,138	3,797,379

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

24. TRADE RECEIVABLES (CONTINUED)

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

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

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 90 days	**3,754,547**	3,278,385
91 to 180 days	**239,498**	376,613
181 to 365 days	**297,349**	127,681
Over 365 days	**26,744**	14,700
	4,318,138	3,797,379

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**211,437**	216,885
Impairment losses recognised	**36,161**	9,506
Impairment losses reversed	**(12,199)**	(1,469)
Distribution of Tonly Group	**–**	(288)
Amount written off as uncollectible	**(32,485)**	(4,211)
Exchange realignment	**(1,899)**	(8,986)
At 31 December	**201,015**	211,437

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

24. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**3,615,371**	3,190,956
Less than 91 days past due	**348,579**	556,432
91 to 180 days past due	**165,247**	35,390
Over 180 days past due	**188,941**	14,601
	4,318,138	3,797,379

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired are either relate to a number of independent customers who have a good track record with the Group or with net exposure substantially covered by credit insurance. Based on past experience, the directors of the Company are of the opinion that no further provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The Group has entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2014, trade receivables factored to banks aggregated to HK$39,443,000 (2013: HK$9,331,000) were fully derecognised from the consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

25. BILLS RECEIVABLE

As at 31 December 2014, no bills receivable of the Group (2013: an aggregate amount of HK$639,949,000) were pledged as securities for the Group's bills payable (note 30).

26. OTHER RECEIVABLES

	Notes	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Prepayments and deposits		**275,577**	343,498	**1,041**	1,093
Other receivables		**1,632,555**	1,537,569	**53,159**	65,520
Prepaid land lease payments	16	**2,983**	3,066	**–**	–
Prepaid royalties		**214**	4,077	**–**	–
Derivative financial instruments	(a)	**1,293**	7,856	**–**	–
Due from companies controlled by TCL Corporation	27	**16,409**	23,944	**–**	–
Due from an associate	27	**14,633**	17	**–**	–
		1,943,664	1,920,027	**54,200**	66,613

Note:

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

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

The terms of the forward currency contracts match the terms of the commitments. The cash flow hedges relating to expected future sales from January to March 2015 were assessed to be highly effective.

(ii) Non-hedging currency derivatives

In addition, the Group has entered into various forward currency contracts and interest rate swaps to manage its exchange rate exposures and interest rate exposures, respectively. They are not designated for hedge purposes and are measured at fair value through profit or loss. A net gain of HK$742,000 (2013: net loss of HK$14,929,000) as a result of the changes in the fair value of these non-hedging derivative financial contracts was recognised in profit or loss for the year ended 31 December 2014.

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

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

26. OTHER RECEIVABLES (CONTINUED)

Note: (continued)

(a) (continued)

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

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

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

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

The amounts are unsecured, repayable within one year and interest-free, except for an aggregate amount of HK$853,336,000 due to T.C.L. Industries which bore interest at fixed rates of 1.485% to 4.20% per annum (2013: an aggregate amount of HK$24,933,000 due to TCL Corporation and an aggregate amount of HK$387,710,000 due to T.C.L. Industries which bore interest at fixed rates of 6.60% and 1.485% per annum, respectively).

28. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

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

At 31 December 2014, the Group had time deposits of HK$203,298,000 (2013: Nil) pledged as securities for the Group's bills payable (note 30).

Included in the Group's cash and bank balances are deposits of HK$2,463,135,000 (2013: HK$1,899,516,000) placed with Finance Company, a financial institution approved by the People's Bank of China. The interest rates for these deposits ranged from 0.39% to 3.30% (2013: from 0.39% to 3.30%) per annum, which were determined with reference to the savings rates offered by the People's Bank of China. Further details of the interest income attributable to the deposits with Finance Company are set out in note 41 to the financial statements.

29. TRADE PAYABLES

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
Due to third parties		**3,223,490**	3,207,302
Due to related parties:			
Companies controlled by TCL Corporation	27	**1,687,095**	2,235,038
Associates of TCL Corporation	27	**9,892**	21,845
Associates	27	**424**	8,462
		1,697,411	2,265,345
		4,920,901	5,472,647

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

	Group 2014 HK$'000	Group 2013 HK$'000
Current to 90 days	**4,691,774**	5,326,876
91 to 180 days	**40,097**	15,798
181 to 365 days	**70,016**	44,262
Over 365 days	**119,014**	85,711
	4,920,901	5,472,647

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

30. BILLS PAYABLE

As at 31 December 2014, certain bills payable of the Group with an aggregate amount of HK$200,846,000 were secured by certain pledged deposits of the Group (note 28). As at 31 December 2013, certain bills payable of the Group with an aggregate amount of HK$635,890,000 were secured by certain bills receivable of the Group (note 25).

31. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other payables	(a)	**2,468,134**	2,571,564	**18**	1,213
Accruals		**661,632**	688,328	**13,044**	28,170
Receipts in advance		**663,645**	783,936	**–**	–
Derivative financial instruments	26(a)	**352**	8,883	**–**	–
Due to companies controlled by TCL Corporation	(b)	**300**	10,421	**–**	7,745
Due to T.C.L. Industries	(b)	**9,873**	4,200	**–**	–
Due to an associate	(b)	**1,094**	151	**–**	–
		3,805,030	4,067,483	**13,062**	37,128

Notes:

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

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

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2014			2013		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	1.03 to 3.20/ LIBOR + 2.41	2015	1,736,730	1.86 to 4.20/ LIBOR + (1.70 to 2.20)	2014	825,343
Trust receipt loans – unsecured	LIBOR + (0.55 to 1.60)/ Cost of funds + (1.00 to 1.60)	2015	298,172	–	–	–
Loans from an associate – unsecured	1.36 to 5.31	2015	215,662	1.38	2014	45,000
			2,250,564			870,343
Non-current						
Bank loans – unsecured	LIBOR + 2.41	2016	925,033	LIBOR + 2.41	2015–2016	1,132,012
			925,033			1,132,012
			3,175,597			2,002,355

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

Company

	2014			2013		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**LIBOR + 2.41**	**2015**	**220,317**	LIBOR + 1.70	2014	402,481
Non-current						
Bank loans – unsecured	**LIBOR + 2.41**	**2016**	**925,033**	LIBOR + 2.41	2015–2016	1,132,012
			1,145,350			1,534,493

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,034,902**	825,343	**220,317**	402,481
In the second year	**925,033**	207,385	**925,033**	207,385
In the third to fifth years, inclusive	**–**	924,627	**–**	924,627
	2,959,935	1,957,355	**1,145,350**	1,534,493
Loans from an associate repayable:				
Within one year	**215,662**	45,000	**–**	–
	3,175,597	2,002,355	**1,145,350**	1,534,493

Notes:

(a) As at 31 December 2014, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$497,028,000 (2013: HK$302,207,000) as at the end of the reporting period.

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

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar	**3,130,597**	1,702,999	**1,145,350**	1,534,493
Hong Kong dollar	**45,000**	45,000	**–**	–

33. PROVISIONS

Group

	Notes	Restructuring costs HK$'000	Warranties HK$'000	Total HK$'000
At 1 January 2014		830	435,799	436,629
Additional provision	7	279	264,630	264,909
Amount utilised during the year		(279)	(214,044)	(214,323)
Reversal of unutilised amounts	7	–	(122,769)	(122,769)
Exchange realignment		–	(1,962)	(1,962)
At 31 December 2014		830	361,654	362,484

Warranties

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

Restructuring costs

The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

34. DEFERRED TAX

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

Deferred tax liabilities

Group

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments on acquisitions HK$'000	Withholding tax for dividend HK$'000	Total HK$'000
At 1 January 2013		16,191	19,793	2,889	38,873
Distribution of Tonly Group	37(c)	–	–	(4,409)	(4,409)
Deferred tax charged/(credited) to profit or loss during the year		(1,650)	(3,789)	1,549	(3,890)
Exchange realignment		7	(50)	(29)	(72)
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014		14,548	15,954	–	30,502
Business combination	37(a)(i)	–	9,497	–	9,497
Deferred tax credited to profit or loss during the year	10	(1,608)	(3,356)	–	(4,964)
Exchange realignment		5	(314)	–	(309)
Gross deferred tax liabilities at 31 December 2014		12,945	21,781	–	34,726

34. DEFERRED TAX (CONTINUED)

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

Deferred tax assets

Group

	Notes	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and others provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Fair value adjustment on acquisition HK$'000	Total HK$'000
At 1 January 2013		73,000	70,527	7,180	–	150,707
Distribution of Tonly Group	37(c)	–	(69,379)	–	–	(69,379)
Deferred tax credited/(charged) to profit or loss during the year		(60,000)	4	(1,317)	–	(61,313)
Exchange realignment		–	(673)	(857)	–	(1,530)
Gross deferred tax assets at 31 December 2013 and 1 January 2014		13,000	479	5,006	–	18,485
Business combination	37(a)(i)	–	–	–	10,134	10,134
Deferred tax credited/(charged) to profit or loss during the year	10	6,000	6,968	(2,453)	(145)	10,370
Exchange realignment		–	8	10	(917)	(899)
Gross deferred tax assets at 31 December 2014		19,000	7,455	2,563	9,072	38,090

The Group has tax losses of HK$4,904,966,000 (2013: HK$4,869,293,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries in which the Group operates. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

34. DEFERRED TAX (CONTINUED)

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

As at 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$3,455,032,000 at 31 December 2014 (2013: HK$3,092,909,000).

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

35. SHARE CAPITAL

Shares

	Company	
	2014	2013
	HK$'000	HK$'000
Authorised:		
Ordinary shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,333,598,514 shares of HK$1.00 each	**1,333,599**	1,333,599

35. SHARE CAPITAL (CONTINUED)

Shares (continued)

A summary of movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2013		1,321,002,598	1,321,003	3,280,788	4,601,791
Issue of shares upon exercise of share options		12,595,916	12,596	34,774	47,370
		1,333,598,514	1,333,599	3,315,562	4,649,161
Dividend paid		–	–	(192,470)	(192,470)
Distribution of Tonly Group:					
2013 special interim dividend	12, 13	–	–	(386,467)	(386,467)
Less: Distribution received by the Award Scheme	(a)	–	–	8,855	8,855
At 31 December 2013, 1 January 2014 and 31 December 2014		1,333,598,514	1,333,599	2,745,480	4,079,079

Note:

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

35. SHARE CAPITAL (CONTINUED)

Share options

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

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

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

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

35. SHARE CAPITAL (CONTINUED)

Share options (continued)

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

	2014		2013	
	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$	Number of options '000
At 1 January	3.197	34,182	3.066	46,998
Forfeited during the year	3.170	(19,162)	2.450	(220)
Exercised during the year	–	–	2.721	(12,596)
At 31 December	3.231	15,020	3.197	34,182

There was no share option exercised during the year ended 31 December 2014. The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2013 was HK$5.739 per share.

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

2014

Number of options '000	Exercise price* per share HK$	Exercise period
2,129	3.60	Note 1
12,891	3.17	Note 2
15,020		

35. SHARE CAPITAL (CONTINUED)

Share options (continued)

2013

Number of options '000	Exercise price* per share HK$	Exercise period
2,129	3.60	Note 1
32,053	3.17	Note 2
34,182		

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

Note 1: 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 2: One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth are exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninth is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

At the end of the reporting period, the Company had 15,019,711 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,019,711 additional ordinary shares of the Company and additional share capital and share premium amounts of approximately HK$15,020,000 and HK$33,508,000, respectively.

35. SHARE CAPITAL (CONTINUED)

Restricted share award scheme

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

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

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

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

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

35. SHARE CAPITAL (CONTINUED)

Restricted share award scheme (continued)

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

	2014 Number of Awarded Shares '000	2013 Number of Awarded Shares '000
At 1 January	**30,428**	44,557
Purchased during the year (note a)	**6,682**	1,500
Awarded and vested (note b)	**(19,462)**	(15,629)
At 31 December	**17,648**	30,428

Notes:

(a) For the year ended 31 December 2014, the Trustee purchased 6,682,000 (2013: 1,500,000) Awarded Shares at a total cost (including related transaction costs) of HK$19,515,000 (2013: HK$9,260,000).

(b) For the year ended 31 December 2014, 2,436,555 (2013: 19,073,239) Awarded Shares were granted to certain Selected Employees as settlement of their performance bonuses for the year ended 31 December 2013. The weighted average fair value of the Awarded Shares on the date of grant was HK$2.50 (2013: HK$4.58) per share. 19,462,225 (2013:15,628,650) Awarded Shares had been awarded and vested for the year ended 31 December 2014.

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

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 104 and 105 of the financial statements.

(i) Share option reserve

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

(ii) Capital reserve

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

(iii) Reserve funds

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

(iv) Awarded share reserve

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

(v) Hedging reserve

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

36. RESERVES (CONTINUED)

(b) Company

	Share premium account HK$'000	Share option reserve Δ HK$'000	Capital reserve # HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	3,280,788	42,502	738,936	(125,531)	3,356	(2,224,104)	1,715,947
Total comprehensive income for the year	–	–	–	–	–	12,108	12,108
Distribution of Tonly Group:							
2013 special interim dividend (notes 12, 13)	(386,467)	–	–	–	–	–	(386,467)
Less: Distribution received by the Award Scheme (note 35)	8,855	–	–	–	–	–	8,855
Release upon the Distribution of Tonly Group	–	–	–	–	–	224,136	224,136
Equity-settled share option arrangements	–	16,912	–	–	–	–	16,912
Issue of shares upon exercise of share options	34,774	(13,092)	–	–	–	–	21,682
Share options forfeited during the year	–	(175)	–	–	–	175	–
Purchase of shares for the Award Scheme	–	–	–	(9,260)	–	–	(9,260)
Vesting of shares under the Award Scheme	–	–	–	44,172	(2,991)	–	41,181
Final 2012 dividend declared	(192,470)	–	–	–	–	–	(192,470)
At 31 December 2013 and 1 January 2014	2,745,480	46,147	738,936	(90,619)	365	(1,987,685)	1,452,624
Total comprehensive loss for the year	–	–	–	–	–	(105,564)	(105,564)
Equity-settled share option arrangements	–	301	–	–	–	–	301
Share options forfeited during the year	–	(22,618)	–	–	–	–	(22,618)
Purchase of shares for the Award Scheme	–	–	–	(19,515)	–	–	(19,515)
Vesting of shares under the Award Scheme	–	–	–	57,962	21,869	–	79,831
At 31 December 2014	2,745,480	23,830	738,936	(52,172)	22,234	(2,093,249)	1,385,059

36. RESERVES (CONTINUED)

(b) Company (continued)

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

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

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

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Business combinations

Year ended 31 December 2014

(i) On 31 March 2014, the Group and Sanyo Manufacturing Corporation ("SMC"), an independent third party, entered into two agreements, namely: (i) the asset purchase agreement pursuant to which the Group agreed to acquire the assets comprising certain pieces of land (the "Land") located at the Industrial Development Zone known as Ciudad Industrial Nueva Tijuana in Baja California, Mexico, all the buildings erected on the Land and certain equipment (collectively, the "Sanyo Assets") operated in SMSA, a then non wholly-owned subsidiary of SMC, at a consideration of US$12,850,000 (equivalent to approximately HK$99,619,000); and (ii) the stock purchase agreement pursuant to which the Group agreed to acquire 45,000 shares in SMSA, representing 90% of the equity interest of SMSA at a consideration of US$1,646,000 (equivalent to approximately HK$12,761,000). The total consideration was US$14,496,000 (equivalent to approximately HK$112,380,000). SMSA is principally engaged in the manufacture and sale of a wide range of electronic consumer products including television sets. The acquisition was completed on 30 April 2014.

The Sanyo Assets are an integral part of the operation of SMSA and therefore the above two acquisitions are linked transactions and considered as a single business combination.

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

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

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(i) (continued)

The aggregate fair values of the Sanyo Assets and the identifiable assets and liabilities of SMSA as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	97,621
Other intangible assets	721
Deferred tax assets	10,134
Trade receivables	11,905
Other receivables and prepayments	5,723
Cash and bank balances	4,445
Tax payable	(832)
Other payables and accruals	(4,802)
Deferred tax liabilities	(9,497)
Total identifiable net assets at fair value	115,418
Non-controlling interests	(1,719)
	113,699
Gain on bargain purchase recognised in other revenue and gains in profit or loss (note 7)	(1,319)
Satisfied by cash	112,380

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

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(i) (continued)

An analysis of the cash flows in respect of the acquisition of Sanyo Assets and SMSA is as follows:

	HK$'000
Cash consideration	**(112,380)**
Cash and bank balances acquired	**4,445**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(107,935)**

Since the completion of the acquisition, SMSA did not contribute any turnover to the Group but contributed a profit of approximately HK$4,073,000 to the consolidated profit for the year ended 31 December 2014.

Had the acquisition taken place at the beginning of the year, the turnover and profit of the Group for the year ended 31 December 2014 would have been HK$33,526,265,000 and HK$246,620,000, respectively.

(ii) On 2 December 2013, the Group entered into an equity transfer agreement with Toshiba Corporation, an independent third party, pursuant to which the Group agreed to acquire an additional 21% equity interest in Toshiba Visual, a former 49% owned associate of the Group, at nil consideration. Toshiba Visual is mainly engaged in the trading of television products and components under the brand of "Toshiba". The equity transfer was completed on 9 May 2014 and Toshiba Visual became a 70% owned subsidiary of the Group since then.

This equity transfer was considered as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Toshiba Visual at the equity transfer date and recognised a gain of HK$35,688,000 in profit or loss for the year ended 31 December 2014.

The Group has elected to measure the non-controlling interest in Toshiba Visual at the non-controlling interest's proportionate share of Toshiba Visual's identifiable net liabilities.

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

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(ii) (continued)

The aggregate fair values of the identifiable assets and liabilities of Toshiba Visual as at the date of equity transfer were follows:

	Fair value recognised on equity transfer HK$'000
Property, plant and equipment	345
Inventories	141,543
Trade receivables	144,979
Other receivables and prepayments	22,958
Tax recoverable	946
Cash and bank balances	17,422
Trade payables	(239,148)
Other payables and accruals	(161,878)
Total identifiable net liabilities at fair value	(72,833)
Non-controlling interests	21,850
	(50,983)
Goodwill arising on equity transfer	50,983
	–
Satisfied by:	
Cash	–
Fair value of investment in the associate held before the equity transfer	–
	–

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

(a) Business combinations (continued)

Year ended 31 December 2014 (continued)

(ii) (continued)

An analysis of the cash flows in respect of the equity transfer of Toshiba Visual is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	**17,422**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**17,422**

Since the completion of the equity transfer, Toshiba Visual contributed approximately HK$490,746,000 and HK$47,200,000 to the Group's turnover and consolidated profit for the year ended 31 December 2014, respectively.

Had the equity transfer taken place at the beginning of the year, the turnover and profit of the Group for the year ended 31 December 2014 would have been HK$33,779,517,000 and HK$249,905,000, respectively.

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

(b) Acquisition of an associate

Year ended 31 December 2013

In July 2013, the Group entered into 13 stock transfer agreements with certain independent third parties, and pursuant to which the Group agreed to acquire a total of 6,746,885 shares of preferred equity interest of Amlogic, Inc., representing 18.89% of Amlogic, Inc.'s total equity interest, for a cash consideration of US$29,000,000 (equivalent to approximately HK$226,572,000). Amlogic, Inc. is a fabless semiconductors manufacturer for a wide range of consumer application including smart televisions and tablets. The acquisition was completed on 22 July 2013.

The assets and liabilities acquired by the Group on the date of completion were as follows:

	HK$'000
The Group's share of net identifiable assets at fair value	158,764
Goodwill	67,808
Satisfied by cash	226,572
Net outflow of cash and cash equivalents included in cash flows from investing activities	(226,572)

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

(c) The AV Spin-off and the Distribution

Year ended 31 December 2013

During the year, the Group completed the AV Spin-off and the Distribution. Further details are set out in note 12 to the financial statements.

Details of the aggregate net assets of Tonly Group distributed by the Company under the Distribution and the financial impact are summarised below:

	Notes	HK$'000
Net assets distributed:		
Property, plant and equipment	15	291,126
Prepaid land lease payments	16	38,821
Investment in an associate		460
Deferred tax assets	34	69,379
Inventories		446,314
Trade receivables		836,152
Bills receivable		9,551
Prepayments, deposits and other receivables		152,960
Other investment		134,216
Tax recoverable		810
Derivative financial instruments		21,258
Pledged deposits		477,540
Cash and bank balances		695,149
Trade payables		(963,602)
Bills payable		(262,341)
Other payables and accruals		(1,057,019)
Interest-bearing bank borrowings		(106,252)
Tax payable		(84,685)
Derivative financial instruments		(10,766)
Provisions		(176,089)
Deferred tax liabilities	34	(4,409)
Non-controlling interests		(122,106)
		386,467
Special interim dividend	13	(386,467)
		–

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

(c) The AV Spin-off and the Distribution (continued)

Year ended 31 December 2013 (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the Distribution is as follows:

	2013 HK$'000
Net outflow of cash and cash equivalents included in cash flows from financing activities	(695,149)

(d) Liquidation of subsidiaries

Year ended 31 December 2014

TCL International Electronics (Huizhou) Co., Ltd., Inner Mongolia TCL Electrical Appliance Company Limited, TCL King Electrical Appliances (Huhehaote) Company Limited and TCL GoVideo, all were wholly-owned subsidiaries of the Group and were wound-up voluntarily during the year.

	HK$'000
Release of exchange fluctuation reserve upon liquidation	**(158,931)**
Gain on liquidation of subsidiaries (note 7)	**158,931**
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	**–**

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

(d) Liquidation of subsidiaries (continued)

Year ended 31 December 2013

TCL Retail (HK) Limited and TTE Technology Canada Ltd., wholly-owned subsidiaries of the Group, had been dormant for a number of years and were wound-up voluntarily during the prior year.

	HK$'000
Net assets of subsidiaries:	
Inventories	1,115
Other payables	(6)
	1,109
Release of exchange fluctuation reserve upon liquidation	7,148
Loss on liquidation of subsidiaries (note 7)	(8,257)
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**2,761,614**	1,645,571
Guarantees given to suppliers in connection with the payment of purchases by subsidiaries	**–**	–	**310,304**	775,160
	–	–	**3,071,918**	2,420,731

As at 31 December 2014, the guarantees given to banks in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$1,395 million (2013: HK$191 million), and the guarantees given to suppliers in connection with the payments of purchases by subsidiaries were utilised to the extent of approximately HK$110 million (2013: HK$111 million).

In addition, the Company provided guarantees to banks in connection with foreign exchange and interest rate swap contracts entered into by certain subsidiaries of the Group. As at 31 December 2014, the aggregate notional amounts of unsettled foreign exchange amounted to HK$690 million (2013: the aggregate notional amounts of unsettled foreign exchange and interest rate swap contracts amounted to HK$2,138 million and HK$78 million, respectively).

39. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and factories under operating lease arrangements. These leases are negotiated for terms ranging from one to seven years.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**64,851**	53,323
In the second to fifth years, inclusive	**43,663**	42,055
After five years	**322**	153
	108,836	95,531

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**–**	78,328
Capital contribution payable to joint ventures	**61,429**	96,928
	61,429	175,256
Authorised, but not contracted for:		
Land and buildings	**305,633**	385,484
	367,062	560,740

As at the end of the reporting period, the Company had no significant commitment.

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2014 HK$'000	2013 HK$'000
A joint venture:			
Sale of finished goods	(ii)	**185,307**	128,530
TCL Corporation:			
Interest expense	(iv)	**701**	469
Other finance service fees	(ix)	**4,437**	4,318
T.C.L. Industries:			
Interest expense	(v)	**6,239**	3,824
Associates:			
Interest income	(vii)	**58,727**	10,880
Interest expense	(viii)	**617**	1,852
Other finance service fees	(ix)	**11,071**	22,242
Sale of finished goods	(ii)	**93,721**	787,482
Sale of raw materials	(i)	**747**	2,036
Subcontracting fee expense	(x)	**24,898**	75,914

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

	Notes	2014 HK$'000	2013 HK$'000
Companies controlled by TCL Corporation:			
Sale of raw materials	(i)	**1,090,499**	1,548,910
Sale of finished goods	(ii)	**1,746,179**	1,667,516
Purchases of raw materials	(iii)	**7,854,700**	9,773,780
Purchases of finished goods	(iii)	**848,120**	1,659,690
Subcontracting fee expense	(x)	**558**	38,808
Subcontracting income	(xi)	**23,756**	87,772
Rental, maintenance fees and facilities usage fees	(xii)	**2,524**	2,200
Rental expense	(xiii)	**3,860**	19,124
Reimbursement of brand advertising costs	(xiv)	**266,156**	236,233
Logistics service fee expense	(xv)	**316,102**	208,679
Call centre service fee expense	(xvi)	**28,990**	27,200
Reimbursement of research and development and rental expenses	(xviii)	**66,325**	75,120
Construction management fee expense	(xx)	**–**	3,826
After-sales service income	(vi)	**51,798**	24,656
After-sales service fee	(xix)	**81,461**	–
Associates of TCL Corporation:			
Sale of raw materials	(i)	**152,246**	–
Rental expense	(xiii)	**–**	2,275
Service fee expenses	(xvii)	**46,294**	76,799
Content income	(xvii)	**2,381**	–

Notes:

(i) The sale of raw materials were made at cost (2013: at cost).

(ii) The sale of finished goods were made by reference to the prevailing market prices for comparable transactions.

(iii) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers.

(iv) The interest was charged at a rate of 6.60% (2013: 6.60%) per annum.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(v) The interest was charged at rates ranging from 1.49% to 4.20% (2013: 1.49%) per annum.

(vi) The after-sales service income was determined with reference to the rates of other similar services for comparable transactions and the amount of general after-sales service expenses of the Group in the past.

(vii) The interest was charged at rates ranging from 0.39% to 3.30% (2013: from 0.39% to 3.30%) per annum, which were determined with reference to the savings rates quoted by the People's Bank of China.

(viii) The interest was charged at rates ranging from 1.36% to 5.31% (2013: 1.38%) per annum.

(ix) The other finance service fees were determined with reference to the rates of other similar services for comparable transactions.

(x) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(xi) The subcontracting income was determined with reference to the rates of other similar services for comparable transactions.

(xii) The rental, maintenance fees and facilities usage fees were determined with reference to the rates of other similar premises and comparable transactions.

(xiii) The rental expense was charged at rates ranging from RMB10 to RMB81 (2013: from RMB9.50 to RMB82) per square metre.

(xiv) Reimbursement of brand advertising costs incurred by TCL Corporation was made based on 2.0% (2013: 1.5%) of the aggregate net sales of TV products using TCL A brand and TCL B brand and at 0.25% (2013: 0.25%) of the aggregate net sales of TV products of OEM brands, as defined in the Master TCL Trademark License Agreement.

(xv) The logistics service fee was determined with reference to the rates of other similar services for comparable transactions.

(xvi) The call centre service fee was calculated based on the actual cost in connection with the provision of the call centre service.

(xvii) The service fee expenses of the internet television software were charged at agreed rates between the parties and at RMB12 (2013: RMB12) for each internet television targeted for non-rural areas and rural areas in the PRC, respectively. Content income was shared equally between the Group and the related party.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

(xviii) The research and development expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Corporation. The rental expenses were determined with reference to the rates of other similar premises for comparable transactions.

(xix) The service fee was calculated and charged at a percentage of the sales revenue (capped at 2%) of certain TV products in the PRC market.

(xx) The construction management fee expense was determined with reference to the rates of other similar services for comparable transactions.

(b) Other major transactions with related parties:

(i) On 24 April 2014, the Group and CPT Display Technology (Shenzhen) Limited ("CPT Display"), a non wholly-owned subsidiary of TCL Corporation, entered into (i) the acquisition agreement pursuant to which CPT Display agreed to sell and the Group agreed to purchase production lines for aging in the manufacture of backlight module at a consideration of RMB45,000,000 (equivalent to approximately HK$56,700,000); and (ii) the disposal agreement pursuant to which the Group agreed to sell and CPT Display agreed to purchase production lines for bonding in the manufacture of backlight module at a consideration equivalent to the then net book value of RMB116,514,000 (equivalent to approximately HK$146,800,000). These transactions were completed on 30 April 2014, resulting in no gain or loss to the Group. Further details of these transactions are set out in the Company's announcement dated 24 April 2014.

(ii) On 24 April 2014, the Group entered into a capital injection agreement with TCL Corporation and seven connected parties of the Company and Kuyu Network Technology Co., Ltd. ("Kuyu Technology"), pursuant to which the Group agreed to inject RMB80,000,000 (equivalent to approximately HK$100,781,000) in cash to Kuyu Technology as its registered capital. Upon the completion of the capital injection, the registered capital of Kuyu Technology increased from RMB50,000,000 (equivalent to approximately HK$62,988,000) to RMB500,000,000 (equivalent to approximately HK$629,881,000). The investment made by the Group represents 16% of the enlarged registered capital of Kuyu Technology. The capital injection was completed on 27 June 2014 and Kuyu Technology was accounted for as an available-for-sale investment by the Group. Further details of this transaction are set out in the Company's announcement dated 24 April 2014.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) (continued)

(iii) On 11 November 2014, the Group entered into a joint venture agreement with TCL Corporation and TCL Communication Technology Holdings Limited (a non wholly-owned subsidiary of TCL Corporation) to invest in a joint venture, TCL Smart Home Technologies Co., Limited ("TCL Smart Home"). Pursuant to the joint venture agreement, the principal activities of TCL Smart Home include the provision of (i) smart home appliances and integrated systems to end users; (ii) smart home related applications and services to end users; (iii) advertisement and consultancy services to smart appliance manufacturers; and (iv) total solution of smart appliances and services, and the Group will contribute RMB9,000,000 (equivalent to approximately HK$11,340,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, the Group will contribute further RMB18,000,000 (equivalent to approximately HK$22,680,000) at maximum to TCL Smart Home by way of subscription of new shares and/or advancing shareholders' loan. Further details of this transaction are set out in the Company's announcement dated 11 November 2014.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with a joint venture and certain associates of the Group included in note 41(a), all the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in other receivables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals and amounts due to TCL Corporation and T.C.L. Industries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the financial controller. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet the borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At subsidiary level, financing is generally done on a short term floating rate basis. Long term financings are normally done at Group level.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2014		
Hong Kong dollar	**(25)**	**113**
United States dollar	**(25)**	**9,214**
Hong Kong dollar	**25**	**(113)**
United States dollar	**25**	**(9,214)**
2013		
Hong Kong dollar	(25)	113
United States dollar	(25)	5,227
Renminbi	(25)	698
Hong Kong dollar	25	(113)
United States dollar	25	(5,227)
Renminbi	25	(698)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurs, so as to alleviate the impact on business due to exchange rate fluctuations. The Group uses forward currency contracts to reduce the foreign currency exposures.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

It is the Group's policy to negotiate the terms of the hedging instruments to match the terms of the hedged items to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

	Group	
	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2014		
If Hong Kong dollar weakens against United States dollar	**5**	**(199,186)**
If Renminbi weakens against United States dollar	**5**	**(99,768)**
If Macau Pataca weakens against United States dollar	**5**	**10,556**
If Macau Pataca weakens against Euro	**5**	**5,509**
If Hong Kong dollar strengthens against United States dollar	**(5)**	**199,186**
If Renminbi strengthens against United States dollar	**(5)**	**99,768**
If Macau Pataca strengthens against United States dollar	**(5)**	**(10,556)**
If Macau Pataca strengthens against Euro	**(5)**	**(5,509)**
2013		
If Hong Kong dollar weakens against United States dollar	5	(112,401)
If Renminbi weakens against United States dollar	5	(59,275)
If Macau Pataca weakens against United States dollar	5	6,598
If Macau Pataca weakens against Euro	5	8,528
If Hong Kong dollar strengthens against United States dollar	(5)	112,401
If Renminbi strengthens against United States dollar	(5)	59,275
If Macau Pataca strengthens against United States dollar	(5)	(6,598)
If Macau Pataca strengthens against Euro	(5)	(8,528)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit checking procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region. There is no significant concentration of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 24 and 26, respectively, to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2014			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	2,270,010	961,069	–	3,231,079
Trade payables	4,920,901	–	–	4,920,901
Bills payable	3,543,573	–	–	3,543,573
Other payables	2,479,753	–	–	2,479,753
Due to T.C.L. Industries	856,383	–	–	856,383
	14,070,620	961,069	–	15,031,689

	2013			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	877,397	284,423	930,504	2,092,324
Trade payables	5,472,647	–	–	5,472,647
Bills payable	5,108,314	–	–	5,108,314
Other payables	2,595,219	–	–	2,595,219
Due to TCL Corporation	26,578	–	–	26,578
Due to T.C.L. Industries	389,540	–	–	389,540
	14,469,695	284,423	930,504	15,684,622

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

	2014			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	228,900	961,069	–	1,189,969
Other payables	18	–	–	18
	228,918	961,069	–	1,189,987
The maximum amount of the guarantee given to banks in connection with banking facilities granted to subsidiaries	2,761,614	–	–	2,761,614
The maximum amount of the guarantee given to suppliers in connection with the payment of purchase by subsidiaries	310,304	–	–	310,304
	3,071,918	–	–	3,071,918

	2013			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	407,022	284,423	930,504	1,621,949
Other payables	8,958	–	–	8,958
	415,980	284,423	930,504	1,630,907
The maximum amount of the guarantee given to banks in connection with banking facilities granted to subsidiaries	1,645,571	–	–	1,645,571
The maximum amount of the guarantee given to suppliers in connection with the payment of purchases by subsidiaries	775,160	–	–	775,160
	2,420,731	–	–	2,420,731

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of interest-bearing bank and other borrowings, interest-bearing amounts due to TCL Corporation, interest-bearing amounts due to T.C.L. Industries, less cash and bank balances and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	Notes	**2014 HK$'000**	2013 HK$'000
Interest-bearing bank and other borrowings	32	**3,175,597**	2,002,355
Due to TCL Corporation	27	**–**	24,933
Due to T.C.L. Industries	27	**853,336**	387,710
Less: Cash and bank balances	28	**(3,379,369)**	(3,047,524)
Pledged deposits	28	**(203,298)**	–
Net debt/(cash)		**446,266**	(632,526)
Equity attributable to owners of the parent		**4,469,129**	4,358,286
Gearing ratio		**10.0%**	–

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 2 March 2015.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
RESULTS					
CONTINUING OPERATIONS					
TURNOVER	**33,526,265**	39,494,703	36,025,004	29,026,214	23,627,170
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**393,459**	33,026	883,496	488,161	(1,046,285)
Income tax expense	**(147,126)**	(155,949)	(57,121)	(122,592)	(95,412)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**246,333**	(122,923)	826,375	365,569	(1,141,697)
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	88,722	95,162	95,872	168,284
PROFIT/(LOSS) FOR THE YEAR	**246,333**	(34,201)	921,537	461,441	(973,413)
Profit/(loss) attributable to:					
Owners of the parent	**234,499**	(48,075)	910,916	452,600	(983,161)
Non-controlling interests	**11,834**	13,874	10,621	8,841	9,748
	246,333	(34,201)	921,537	461,441	(973,413)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**21,482,316**	22,155,505	28,019,739	24,131,861	18,500,653
Total liabilities	**(16,876,138)**	(17,673,124)	(23,027,894)	(20,479,176)	(15,250,996)
Non-controlling interests	**(137,049)**	(124,095)	(226,598)	(119,033)	(105,211)
	4,469,129	4,358,286	4,765,247	3,533,652	3,144,446