THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in GWT, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the H Share Offer contained herein.

CEC 中国电子		GWT
CHINA ELECTRONICS CORPORATION	**CHINA GREAT WALL COMPUTER GROUP COMPANY***	**GREAT WALL TECHNOLOGY COMPANY LIMITED**
(中國電子信息產業集團有限公司)	**(中電長城計算機集團公司)**	**(長城科技股份有限公司)**
(A state-owned enterprise incorporated in the People's Republic of China)	*(A state-owned enterprise incorporated in the People's Republic of China)*	*(A joint stock limited company incorporated in the People's Republic of China with limited liability)* (Stock Code: 0074)

COMPOSITE OFFER AND RESPONSE DOCUMENT

(1) VOLUNTARY CONDITIONAL OFFER BY ABCI CAPITAL LIMITED ON BEHALF OF CEC AND CGW FOR ALL THE ISSUED H SHARES IN GWT (OTHER THAN THOSE ALREADY HELD BY CEC AND CGW AND PARTIES ACTING IN CONCERT WITH ANY OF THEM) AND (2) PROPOSED PRIVATISATION AND VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF GWT AND (3) PROPOSED MERGER BY ABSORPTION OF CGW AND GWT BY CEC

Financial adviser to CEC and CGW

農銀國際
ABC INTERNATIONAL

Independent financial adviser to the Independent Board Committee of GWT

SOMERLEY LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document. A joint letter from CEC Board and CGW Board is set out on pages 10 to 14 of this Composite Document. A letter from ABCI Capital Limited, containing amongst other things, the terms of the H Share Offer and the Merger Agreement is set out on pages 15 to 24 of this Composite Document. A letter from GWT Board is set out on pages 25 to 34 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent GWT H Shareholders in respect of the H Share Offer, the voluntary withdrawal of listing of the H Shares and the Merger Agreement is set out on pages 35 to 36 of this Composite Document. A letter from Somerley containing its advice to the Independent Board Committee in respect of the H Share Offer, the voluntary withdrawal of listing of the H Shares and the Merger Agreement is set out on pages 37 to 70 of this Composite Document.

The procedures for acceptance and settlement of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the H Share Offer contained herein should be received by the Registrar by no later than 4:00 p.m. on Friday, 6 June 2014 or such later time or date as CEC and CGW may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

The summary of terms and important information of the Merger Agreement and the GWT Merger contemplated thereunder are set out in Appendix II to this Composite Document.

The H Share Class Meeting convened to approve the voluntary withdrawal of the listing of the H Shares from the Stock Exchange and the Merger Agreement will be held at 3:00 p.m. on Friday, 30 May 2014 and the Extraordinary General Meeting to approve the Merger Agreement will be held at 4:00 p.m. on Friday, 30 May 2014. A notice of the H Share Class Meeting is set out in Appendix V and a notice of the Extraordinary General Meeting is set out in Appendix VI. A proxy form for use at the H Share Class Meeting and a proxy form for used at the Extraordinary General Meeting are enclosed with this Composite Document. Whether or not you are able to attend the H Share Class Meeting or the Extraordinary General Meeting, you are strongly urged to complete the accompanying proxy forms in accordance with the instructions printed thereon and return the proxy forms to (a) in the case of holders of H Shares, the Registrar, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the holder of the Domestic Shares, GWT of 16th Floor, Great Wall Technology Building, No.2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, the People's Republic of China as soon as possible and in any event not less than 24 hours before the time appointed for the H Share Class Meeting or the Extraordinary General Meeting or any adjournment thereof, and return of the proxy forms will not preclude you from attending and voting in person at the H Share Class Meeting or the Extraordinary General Meeting or any adjourned meetings should you so wish. A reply slip for each of the H Share Class Meeting and the Extraordinary General Meeting is also enclosed. You are reminded to complete and sign the reply slips (if you are entitled to attend the H Share Class Meeting and/or the Extraordinary General Meeting) and return the signed reply slips to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Saturday, 10 May 2014 in accordance with the instructions printed thereon.

* *for identification purpose only*

11 April 2014

TABLE OF CONTENTS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

"ABCI"	ABCI Capital Limited, a licensed corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"acting in concert"	has the meaning given to it in the Takeovers Code, and "parties acting in concert" and "concert parties" shall be construed accordingly
"Articles"	the existing articles of association of a company
"A-Share Listed Subsidiaries"	China Great Wall Computer Shenzhen Co., Ltd. (中國長城計算機深圳股份有限公司), which is owned by GWT directly as to 53.92% and indirectly as to 2.7%; and Shenzhen Kaifa Technology Co., Ltd. (深圳長城開發科技股份有限公司), which is directly owned by GWT as to 44.51%
"Accepting GWT H Shareholder(s)"	the GWT H Shareholders who accept the H Share Offer by duly completing and returning the Form of Acceptance
"Annual General Meeting"	the annual general meeting of the GWT Shareholders to be convened for the purpose of, among other things, approving the audited financial statements of GWT Group for the year ended 31 December 2013
"associate(s)"	has the meaning ascribed thereto in the Takeovers Code
"Authorisations"	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for GWT to carry on its business
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CEC"	China Electronics Corporation (中國電子信息產業集團有限公司), a state-owned enterprise established in 1989 under the PRC Laws with approval from the State Council
"CEC Board"	the board of directors of CEC

"CGW"	China Great Wall Computer Group Company* (中電長城計算機集團公司), formerly known as China Great Wall Computer Group Company* (中國長城計算機集團公司), a state-owned enterprise established in 1986 in accordance with the PRC Laws and a wholly owned subsidiary of CEC
"CGW Board"	the board of directors of CGW
"Composite Document"	this composite offer and response document relating to the H Share Offer and the Merger Agreement
"Conditions"	the conditions of the H Share Offer as set out in this Composite Document and "Condition" means any of them
"CSRC"	China Securities Regulatory Commission
"Delisting"	the voluntary withdrawal of the listing of the H Shares on the Stock Exchange
"Dissenting GWT H Shareholders"	any GWT H Shareholder, who has voted against the Merger Agreement at the H Share Class Meeting and requested GWT and/or other GWT Shareholders who have voted for the Merger Agreement to purchase their delisted H Shares pursuant to Article 174 of GWT's Articles, and as at the effective date of the Merger Agreement has neither effectively withdrawn nor lost his right thereto
"Domestic Share(s)"	ordinary unlisted domestic shares with a nominal value of RMB 1.00 each in the issued share capital of GWT
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Closing Date"	6 June 2014 (or such later date(s) as CEC and CGW may, subject to the rules of the Takeovers Code, decide), being the first closing date for the H Share Offer
"Form of Acceptance"	the form of acceptance and transfer in respect of the H Share Offer which accompanies this Composite Document
"Extraordinary General Meeting"	the extraordinary general meeting of the GWT Shareholders proposed to be convened, and any adjournment thereof, for the purpose of approving the Merger Agreement and the GWT Merger contemplated thereunder

"GWT"	Great Wall Technology Company Limited (長城科技股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
"GWT Board"	the board of directors of GWT
"GWT Group"	GWT and its subsidiaries
"GWT H Shareholder(s)"	registered holder(s) of H Shares and, after the Delisting, the registered holder(s) of the delisted H Shares (as the case may be)
"GWT Merger"	the proposed merger by absorption of GWT by CEC pursuant to the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement
"GWT Shareholders"	the GWT H Shareholders and CGW
"GWT Shares"	Domestic Shares, H Shares and such delisted H Shares in the issued share capital of GWT after the Delisting becomes effective (as the case may be)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the issued share capital of GWT which are listed on the Main Board of the Stock Exchange
"H Share Class Meeting"	the extraordinary general meeting of the GWT H Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Delisting and the Merger Agreement and the GWT Merger contemplated thereunder
"H Share Offer"	the voluntary conditional offer being made by ABCI on behalf of CEC and CGW to acquire all of the issued H Shares (other than those already owned by CEC, CGW and parties acting in concert with any of them)
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Independent Board Committee"	the independent committee of the GWT Board comprising all the independent non-executive directors of GWT, being Yao Xiaocong, James Kong Tin Wong and Zeng Zhijie, which is formed to advise Independent GWT H Shareholders in relation to the H Share Offer, the Delisting, and the Merger Agreement and the GWT Merger contemplated thereunder
"Independent Financial Adviser" or "Somerley"	Somerley Limited, the independent financial adviser to the Independent Board Committee retained by GWT in connection with the H Share Offer pursuant to Rule 2.1 of the Takeovers Code, the Delisting and the Merger Agreement and the GWT Merger contemplated thereunder, which is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Independent GWT H Shareholders"	the GWT H Shareholders, other than CEC, CGW and parties acting in concert with any of them
"Joint Announcement"	the joint announcement issued jointly by CEC, CGW and GWT on 16 December 2013 in connection with the H Share Offer and the Merger Agreement
"Last Trading Date"	24 September 2013, being the last full trading day in the H Shares immediately before the suspension of trading of the H Shares pending publication of the Joint Announcement
"Latest Practicable Date"	8 April 2014, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Long Stop Date"	the date by which all of the Mergers Conditions shall have been fulfilled otherwise the Merger Agreement will become lapsed
"Merger Agreement"	the agreement dated 16 December 2013 (as supplemented by the Supplemental Agreement) entered into amongst CEC, CGW and GWT in relation to the Mergers
"Mergers"	the proposed mergers by absorption of CGW and GWT by CEC pursuant to the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement

"Mergers Conditions"	the conditions in the Merger Agreement as set out in the section headed "B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT – 2. Mergers Conditions" in Appendix II to this Composite Document, subject to which the Mergers will become effective
"Merger Price"	the merger price of HK$3.20 per each delisted H Shares (other than those which may be acquired by CEC and CGW under the H Share Offer) payable in cash by CEC to the GWT H Shareholders, including the Dissenting GWT H Shareholders, whose names appear on Register as at the effective date of the Merger Agreement
"Offer Period"	has the meaning ascribed thereto in the Takeovers Code and commencing from 20 November 2013
"Overseas GWT H Shareholders"	GWT H Shareholders who are not residents in Hong Kong
"PRC"	the People's Republic of China, excluding for the purposes of this Composite Document, Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the PRC as amended, supplemented or otherwise modified from time to time
"PRC Labour Law"	the Labour Law of the PRC as amended, supplemented or otherwise modified from time to time
"PRC Laws"	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations as may be in force and publicly available in the PRC from time to time
"Relevant Authorities"	applicable governments or governmental bodies, statutory or regulatory bodies, courts or institutions including but not limited to the SFC and the Stock Exchange
"Registrar"	Computershare Hong Kong Investor Services Limited whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, being the share registrar of GWT for receiving and processing the acceptances of the H Share Offer from GWT H Shareholders
"Registers"	the registers of members of GWT
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange

"SASAC"	Stated-owned Assets Supervision and Administration Commission of the State Council or its competent local counterparts
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(as revised from time to time)
"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the Merger Agreement dated 8 April 2014
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC (as revised from time to time)
"Unconditional Date"	the date on which the H Share Offer becomes or is declared unconditional in all respects

Unless otherwise specified, amounts denominated in RMB have been translated into HK$ at the exchange rate of RMB0.78 to HK$1.00. No representation is made that the HK$ amounts could have been or could be converted into RMB at such rate or at other rate or at all.

Despatch date of this Composite Document	Friday, 11 April 2014
Opening date of the H Share Offer *(Note 1)*	Friday, 11 April 2014
Latest time for lodging transfers of the H Shares in order to be entitled to attend and vote at the H Share Class Meeting	4:30 p.m. on Tuesday, 29 April 2014
Closure of the Registers for the determination of entitlements of the Independent GWT H Shareholders to attend and vote at the H Share Class Meeting, the Extraordinary General Meeting and Annual General Meeting	Wednesday, 30 April 2014 to Wednesday, 18 June 2014 (both days inclusive)
Last day for return of reply slip for the H Share Class Meeting *(Note 2)*	Saturday, 10 May 2014
Last day for return of reply slip for the Extraordinary General Meeting *(Note 2)*	Saturday, 10 May 2014
Publication of an announcement in relation to the consolidated results of GWT for the three months ended 31 March 2014 *(Note 3)*	Friday, 16 May 2014
Latest time for lodging proxy form in respect of the H Share Class Meeting *(Note 4)*	3:00 p.m. on Thursday, 29 May 2014
Latest time for lodging proxy form in respect of the Extraordinary General Meeting *(Note 5)*	4:00 p.m. on Thursday, 29 May 2014
Suspension of dealings in H Shares	9:00 a.m. on Friday, 30 May 2014
H Share Class Meeting	3:00 p.m. on Friday, 30 May 2014
Extraordinary General Meeting	4:00 p.m. on Friday, 30 May 2014
Announcement of the results of the H Share Class Meeting and the Extraordinary General Meeting on the website of the Stock Exchange	Friday, 30 May 2014
Resumption of dealings in H Shares	9:00 a.m. on Tuesday, 3 June 2014
Latest time for acceptance of the H Share Offer on the First Closing Date *(Note 6)*	4:00 p.m. on Friday, 6 June 2014

First Closing Date *(Note 7)*	Friday, 6 June 2014
Announcement of the results of the H Share Offer as at the First Closing Date on the website of the Stock Exchange	by 7:00 p.m. on Friday, 6 June 2014
Latest date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the latest time for acceptances of the H Share Offer on the First Closing Date (assuming the H Share Offer becomes or is declared unconditional in all respects on the First Closing Date) *(Note 8)*	Tuesday, 17 June 2014
Annual General Meeting	Wednesday, 18 June 2014
Re-opening of the Registers	Thursday, 19 June 2014
Latest time and date for the H Share Offer remaining open for acceptance (assuming the H Share Offer becomes or is declared unconditional in all respects on the First Closing Date) and closing of the H Share Offer *(Note 9)*	4:00 p.m. on Friday, 4 July 2014
Announcement of the results of the H Share Offer as at the final closing date of the H Share Offer on the website of the Stock Exchange	by 7:00 p.m. on Friday, 4 July 2014
Last day of trading the H Shares on the Stock Exchange	Friday, 4 July 2014
Voluntary withdrawal of the listing of the H Shares from the Stock Exchange *(Note 10)*	9:00 a.m. on Friday, 11 July 2014
Effective date of the Merger Agreement *(Note 11)*	Friday, 11 July 2014
Latest time and date for posting of remittances for the amounts due under the H Share Offer in respect of valid acceptances received at or before the latest time for acceptances of the H Share Offer on Friday, 4 July 2014 (being the latest date which the H Share Offer remains open for acceptance assuming the H Share Offer becomes or is declared unconditional in all respects on the First Closing Date) *(Note 8)*	Tuesday, 15 July 2014
Latest time and date for posting of remittances for the amounts due under the Merger Agreement to the GWT H Shareholders whose names appear on the Register as at the effective date of the Merger Agreement	Tuesday, 22 July 2014
Completion of the Merger Agreement *(Note 12)*	

Notes:

(1) The H Share Offer is made on Friday, 11 April 2014, the date of posting of this Composite Document, and is capable of being accepted on and from that date.

(2) Reply slip should be duly completed and returned to Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than Saturday, 10 May 2014 (i.e. 20 days prior to the date of convening of the H Share Class Meeting and the Extraordinary General Meeting). Failure to return the reply slip will not affect GWT Shareholders' right to attend the H Share Class Meeting and/or the Extraordinary General Meeting (as the case may be).

(3) The two A-Share Listed Subsidiaries and TPV Technology Limited, all of which are subsidiaries of GWT, will publish their respective consolidated results for the three months ended 31 March 2014 in around April and May 2014. The publication of these consolidated profit or loss for the three months ended 31 March 2014 will constitute a "profit forecast" of GWT under the Takeovers Code. GWT will also publish a consolidated results for the three months ended 31 March 2014 in May 2014, and which will be "reported on" by the auditors or consultant accountants and a financial adviser.

(4) Proxy form in respect of the H Share Class Meeting should be deposited with Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by the time stated above, in order to be valid. Completion and return of a proxy form for the H Share Class Meeting will not preclude an Independent GWT H Shareholder from attending the H Share Class Meeting and voting in person if he/she/it so wishes and if such Independent GWT H Shareholder has notified GWT not less than 24 hours in writing before the time appointed for any adjournment of the H Share Class Meeting. In such event, the returned proxy form will be deemed to have been revoked.

(5) Proxy form in respect of the Extraordinary General Meeting should be deposited with (a) in the case of the holders of H Shares, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and (b) in the case of the holder of the Domestic Shares, GWT at 16th Floor, Great Wall Technology Building, No.2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, the People's Republic of China as soon as possible and in any event by the time stated above, in order to be valid. Completion and return of a proxy form for the Extraordinary General Meeting will not preclude an GWT Shareholder from attending the Extraordinary General Meeting and voting in person if he/she/it so wishes and if such GWT Shareholder has notified GWT not less than 24 hours in writing before the time appointed for any adjournment of the Extraordinary General Meeting. In such event, the returned proxy form will be deemed to have been revoked.

(6) Unless the H Share Offer has previously become or been declared unconditional, revised or extended, the latest time and date for acceptance of the H Share Offer is 4:00 p.m. on the First Closing Date. Please refer to Appendix I to this Composite Document for additional information on how to accept the H Share Offer.

(7) CEC and CGW reserve the right to extend the H Share Offer until such time and/or date as they may determine and in accordance with the Takeovers Code. CEC and CGW will issue an announcement, stating whether the H Share Offer has been revised or extended, has expired or has become or been declared unconditional (as to acceptances).

(8) Pursuant to Rule 20.1 of the Takeovers Code, settlement in cash in respect of acceptances of the H Share Offer will be made within 7 Business Days of the later of the Unconditional Date and the date on which the H Shares are tendered for acceptance of the H Share Offer. Relevant documents of title must be received by the Registrar to render each acceptance of the H Share Offer complete and valid.

(9) In accordance with Rule 15.3 of the Takeovers Code, where the H Share Offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the H Share Offer is closed to the Independent GWT H Shareholders who have not accepted the H Share Offer if the announcement to extend the H Share Offer does not state the next closing date. CEC and CGW will extend the 14-day period under Rule 15.3 of the Takeovers Code to 28 calendar days.

(10) It is currently expected that the voluntary withdrawal of listing of the H Shares from the Stock Exchange would happen at 9:00 a.m. on Friday, 11 July 2014, subject to the satisfaction of any conditions for delisting such securities from the Stock Exchange, and receipt of any regulatory approvals required for such delisting.

(11) the effective date of the Merger Agreement will be the date on which the Mergers Conditions are all fulfilled, which are set out in the section headed "B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT – 2. Mergers Conditions" in Appendix II to this Composite Document. As at the Latest Practicable Date, amongst all Mergers Conditions referred to in the aforementioned section, the waiver under Mergers Condition (c) has been granted by CSRC, and the approval under Mergers Condition (d) has been obtained; the remaining Mergers Conditions are Mergers Condition (a) and (b), which refer to the approval of the Merger Agreement and the GWT Merger contemplated thereunder by the requisite votes of shareholders in the H Share Class Meeting and the Extraordinary General Meeting, and Mergers Condition (e), which refer to the completion of the H Share Offer and the Delisting becoming effective. In this regard, the last Mergers Condition to be fulfilled will be the Mergers Condition (e).

(12) The transactions under the Merger Agreement will be completed after a number of conditions are fulfilled, which can be referred to the section headed "B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT – 4. Completion of the Mergers" as set out in Appendix II to this Composite Document. The completion date of the Merger Agreement will depend on the actual progress of the deregistration procedures in relation to CGW and GWT.

Unless otherwise indicated, all time references contained in this Composite Document are to Hong Kong time.

CHINA ELECTRONICS CORPORATION
（中國電子信息產業集團有限公司）
(A state-owned enterprise incorporated in the People's Republic of China)

CHINA GREAT WALL COMPUTER GROUP COMPANY*
（中電長城計算機集團公司）
(A state-owned enterprise incorporated in the People's Republic of China)

Directors:
Rui Xiaowu
Liu Liehong
Lang Jia

Outside Directors:
Wang Zuoran
Song Ning
Chen Shengde
Chen Jie
Zhang Xiaotie

Employee Representative Director:
Xu Haihe

Legal Address:
No. 27 Wanshou Road
Haidian District
Beijing, PRC

Directors:
Liu Liehong
Li Xiaochun
Wu Qun
Jia Haiying
Chen Xiaojun
Kong Xueping
He Shaokun

Legal Address:
No. 38 Xueyuan Road
Haidian District
Beijing, PRC

11 April 2014

To the Independent GWT H Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL OFFER BY ABCI CAPITAL LIMITED ON BEHALF OF CEC AND CGW FOR ALL THE ISSUED H SHARES IN GWT (OTHER THAN THOSE ALREADY HELD BY CEC AND CGW AND PARTIES ACTING IN CONCERT WITH ANY OF THEM) AND (2) PROPOSED PRIVATISATION AND VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF GWT AND (3) PROPOSED MERGER BY ABSORPTION OF CGW AND GWT BY CEC

A. INTRODUCTION

On 16 December 2013, the CEC Board, the CGW Board and the GWT Board jointly announced that ABCI, on behalf of CEC and CGW (a wholly-owned subsidiary of CEC), will make a voluntary conditional offer to acquire all of the issued H Shares in the issued share capital of GWT (other than those already held by CEC, CGW and parties acting in concert with any of them) in accordance with the Takeovers Code.

* *for identification purpose only*

The H Share Offer is subject to the fulfilment or waiver, as applicable, of a number of Conditions, including the approval of the voluntary withdrawal of the listing of the H Shares on the Stock Exchange by Independent GWT H Shareholders at the H Share Class Meeting.

The CEC Board, the CGW Board and the GWT Board further announced that on 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). If the Merger Agreement is implemented and completed, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger Agreement is subject to a number of Mergers Conditions, including the completion of the H Share Offer and the Delisting.

CEC and CGW consider that the H Share Offer and the Mergers will be beneficial for CEC and its subsidiaries to streamline their structure, enhance management effectiveness, and promote the development of CEC and its subsidiaries.

This letter forms part of this Composite Document and sets out certain background information on CEC and CGW, explains why CEC and CGW are making the H Share Offer, entering into the Merger Agreement and the intention in relation to the GWT Group.

The details of (a) the terms of the H Share Offer are set out in the "Letter from ABCI" in this Composite Document, (b) the procedures for acceptance of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance, (c) the summary of the terms and important information of the Merger Agreement are set out in Appendix II to this Composite Document; and (d) the meetings to be convened for approving the Delisting and the Merger Agreement are set out in the section headed "G. H SHARE CLASS MEETING AND EXTRAORDINARY GENERAL MEETING" in the "Letter from GWT Board" in this Composite Document.

Terms defined in this Composite Document have the same meaning when used in this letter.

B. INFORMATION ON CEC AND CGW

CEC is a state-owned enterprise established in 1989 under the PRC Laws with approval from the State Council, it is a leading national electronics and information technology enterprise administered by the PRC government. CEC is wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. CEC is principally engaged in the communications, consumer electronic products, semiconductor and software industries in the PRC.

CEC, through its wholly-owned subsidiary CGW, holds the entire 743,870,000 Domestic Shares of GWT. The GWT H Shareholders are third parties independent of CEC and CGW and connected persons of them.

CGW is a state-owned enterprise established in 1986 in accordance with the PRC Laws and was consolidated into CEC in 2005. It is a wholly-owned subsidiary of CEC. CGW is an investment enterprise holding the entire 743,870,000 Domestic Shares.

C. H SHARE OFFER

For the details of the H Share Offer, please refer to (a) the terms of the H Share Offer as set out in the "Letter from ABCI" in this Composite Document, and (b) the procedures for acceptance of the H Share Offer as set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

D. INTENTION IN RELATION TO GWT

1. Voluntary Withdrawal of Listing of the H Shares

Upon the H Share Offer becoming unconditional, GWT will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15(2) of the Listing Rules. Pursuant to Rule 6.15(2) of the Listing Rules, GWT may voluntarily withdraw its listing on the Stock Exchange as it is privatised by way of capital reorganisation which is governed by the Takeovers Code and all the relevant requirements, including the shareholders' approval requirements.

Accordingly, the Independent GWT H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent GWT H Shareholders holding securities that are not listed on the Stock Exchange. In addition, GWT may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.

The GWT Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares (which is expected to be on 4 July 2014) and on which the voluntary withdrawal of the listing of the H Shares on the Stock Exchange will become effective (which is expected to be on 11 July 2014).

Once all of the Conditions have been either satisfied or, waived (if applicable) by CEC and CGW, the H Share Offer will be declared unconditional in all respects (which is expected to be on 6 June 2014) and the H Share Offer will be extended for a subsequent period of 28 calendar days.

2. Merger by Absorption of CGW and GWT

Subject to the completion of the H Share Offer, the Delisting and the fulfilment of other Mergers Conditions, the Merger Agreement will be implemented, pursuant to which, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries. The further details of the

Merger Agreement can be referred to in the section headed "E. MERGER BY ABSORPTION OF CGW AND GWT BY CEC" below.

E. MERGER BY ABSORPTION OF CGW AND GWT BY CEC

1. The Merger Agreement

On 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). Pursuant to the Merger Agreement, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. The Mergers will be implemented and completed by the following major processes after the completion of the H Share Offer and the Delisting, namely (i) CEC will pay a Merger Price of HK$3.20 per delisted H Shares (other than those which may be acquired by CEC and CGW under the H Share Offer) in cash to the GWT H Shareholders whose names appear on Registers as at the effective date of the Merger Agreement, which will be the date when the Mergers Conditions are all fulfilled; and (ii) CGW and GWT will be de-registered in accordance with the PRC Company Law or the Administrative Regulations of the PRC Governing the Registration of Legal Enterprises (as the case may be) and other relevant legal provisions.

Consequently, each of GWT and CGW will cease to exist as a separate legal entity, which will be merged into CEC. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries.

The effectiveness of the Merger Agreement is conditional upon the fulfilment of a number of Mergers Conditions. Pursuant to the PRC Laws, when the Merger Agreement becomes effective, it will be legally binding on CEC, CGW and GWT. **Upon the completion of transactions under the Merger Agreement, CEC will have the right under the PRC Laws and the Articles of GWT to compulsorily deregister GWT and the then existing delisted H Shares.**

GWT H Shareholders are reminded that, pursuant to Article 174 of GWT's Articles, any Dissenting GWT H Shareholder who has voted against Merger Agreement, will have the right to request GWT or other GWT Shareholders who have voted for the Merger Agreement to acquire their delisted H Shares at a "fair price", and receipt of the Merger Price by the Dissenting GWT H Shareholders does not preclude them from exercising such right. Under such circumstance, CEC shall, at the request of GWT or such GWT Shareholders, assume all obligations which GWT or such GWT Shareholders who have received such a request may have towards the Dissenting GWT H Shareholder(s).

For details in relation to the arrangement by which the Dissenting GWT H Shareholders could request for acquisition of their delisted H Shares at a "fair price", please refer to the section headed "C. IMPORTANT INFORMATION OF THE MERGER AGREEMENT – 3. Compulsory Deregistration and Right of the Dissenting GWT H Shareholders" as set out in Appendix II to this Composite Document.

CEC and CGW have no intention to make significant changes to the existing business of GWT (including any redeployment of fixed assets in relation to the principal business of GWT).

For the details of the Merger Agreement, including but not limited to the major terms of the Merger Agreement, the Mergers Conditions, the completion of the Merger Agreement, the payment of Merger Price, the compulsory deregistration and right of the Dissenting GWT H Shareholders, please refer to the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document.

F. REASONS FOR THE H SHARE OFFER, THE DELISTING AND THE MERGERS

CEC and CGW confirm that the reasons for proposing the H Share Offer, the Delisting and the Mergers are as follows:

(a) GWT and CGW are investment holding companies which do not have material business operation and the major assets are the equity interests in two A-Share Listed Subsidiaries. The H Share Offer and the Delisting of GWT, if successful will, through the simplification of the structure, reduce the costs associated with compliance and maintaining the listing status of GWT. The mergers of GWT and CGW by CEC, if successful, can fully integrate the underlying assets and liabilities of GWT by CEC, which will allow CEC to have direct management of the assets and liabilities of GWT; and

(b) the thin trading liquidity and persistently weak price performance of the H Shares limit GWT's ability to raise funds in the equity capital markets, so the advantage of maintaining of the listing status of GWT is small.

G. OTHER INFORMATION

Your attention is drawn to (a) the terms of the H Share Offer as set out in the "Letter from ABCI" in this Composite Document, (b) the procedures for acceptance of the H Share Offer as set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance, and (c) the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document, and (d) the other information set out in the rest of this Composite Document.

Yours faithfully,
For and on behalf of
China Electronics Corporation
Rui Xiaowu
Chairman

Yours faithfully,
For and on behalf of
China Great Wall Computer Group Company
Liu Liehong
Chairman

農銀國際
ABC INTERNATIONAL

Room 701, 7/F,
One Pacific Place
88 Queensway
Hong Kong

11 April 2014

To the Independent GWT H Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL OFFER BY ABCI CAPITAL LIMITED ON BEHALF OF CEC AND CGW FOR ALL THE ISSUED H SHARES IN GWT (OTHER THAN THOSE ALREADY HELD BY CEC AND CGW AND PARTIES ACTING IN CONCERT WITH ANY OF THEM) AND (2) PROPOSED PRIVATISATION AND VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF GWT AND (3) PROPOSED MERGER BY ABSORPTION OF CGW AND GWT BY CEC

A. INTRODUCTION

On 16 December 2013, the CEC Board, the CGW Board and the GWT Board jointly announced that ABCI, on behalf of CEC and CGW (a wholly-owned subsidiary of CEC), would make a voluntary conditional offer to acquire all of the issued H Shares in the issued share capital of GWT (other than those already held by CEC, CGW and parties acting in concert with any of them) in accordance with the Takeovers Code.

The H Share Offer is subject to the fulfilment or waiver, as applicable, of a number of Conditions as set out in this letter, including the approval of the voluntary withdrawal of the listing of the H Shares on the Stock Exchange by Independent GWT H Shareholders at the H Share Class Meeting.

The CEC Board, the CGW Board and the GWT Board further announced that on 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). If the Merger Agreement is implemented and completed, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger Agreement is subject to a number of Mergers Conditions, including the completion of the H Share Offer and the Delisting.

This letter forms part of this Composite Documents and sets out the details of the principal terms of the H Share Offer, together with information about the intention of CEC and GWT in relation to the GWT Group. Further details of the procedures for acceptance of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

This letter also set out certain important information of the Merger Agreement, for the details of the Merger Agreement, including but not limited to the major terms of the Merger Agreement, the Mergers Conditions, the completion of the Merger Agreement, the payment of Merger Price, the compulsory deregistration and right of the Dissenting GWT H Shareholders, please refer to the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document.

Your attention is also drawn to (a) the letter from GWT Board on pages 25 to 34 of this Composite Document, (b) the letter from the Independent Board Committee on pages 35 to 36 of this Composite Document; and (c) the letter from Somerley on pages 37 to 70 of this Composite Document.

Terms defined in this Composite Document have the same meaning when used in this letter.

B. THE H SHARE OFFER

1. Consideration for the H Share Offer

The H Share Offer is being made on the following basis:

For each H Share . . . . HK$3.20 in cash

After prudential consideration, the consideration was determined by reference to the market trading price during a relatively long time interval, hence, CEC and CGW will not increase the consideration for the H Share Offer as set out above. You should be aware that, following the making of such statement in the Joint Announcement, CEC and CGW will not be permitted to revise the consideration for the H Share Offer as set out above, save in wholly exceptional circumstances and in compliance with Rule 18.3 of the Takeovers Code.

2. Comparisons of value

The cash offer price offered under the H Share Offer represents:

(a) a premium of approximately 42.9% over the closing price of HK$2.24 per H Share, as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 58.4% over the average closing price of approximately HK$2.02 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 consecutive trading days up to and including the Last Trading Date;

(c) a premium of approximately 63.3% over the average closing price of approximately HK$1.96 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 10 consecutive trading days up to and including the Last Trading Date;

(d) a premium of approximately 74.9% over the average closing price of approximately HK$1.83 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 consecutive trading days up to and including the Last Trading Date;

(e) a premium of approximately 92.8% over the average closing price of approximately HK$1.66 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 consecutive trading days up to and including the Last Trading Date;

(f) a premium of approximately 100% over the average closing price of approximately HK$1.60 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 consecutive trading days up to and including the Last Trading Date;

(g) a premium of approximately 4.9% over the closing price of HK$3.05 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

(h) a premium of approximately 42.9% over the closing price of HK$2.24 per H Share, as quoted on the Stock Exchange on 24 September 2013, being the last full trading day in the H Shares prior to the commencement of the Offer Period on 20 November 2013;

(i) a discount of approximately 29.4% to the unaudited consolidated net asset value attributable to GWT Shareholders per GWT Share of approximately HK$4.53 as at 30 June 2013, calculated based on GWT's unaudited consolidated net asset value attributable to GWT Shareholders of approximately HK$5,424.8 million as at 30 June 2013 (equivalent to RMB4,285.6 million as shown in the interim financial statements of GWT as at 30 June 2013 and translated at the exchange rate of RMB0.79 to HK$1.00 as at 30 June 2013) and 1,197,742,000 Shares in issue as at 30 June 2013; and

(j) a discount of approximately 29.2% to the audited consolidated net asset value attributable to GWT Shareholders per GWT Share of approximately HK$4.52 as at 31 December 2012, calculated based on GWT's audited consolidated net asset value attributable to GWT Shareholders of approximately HK$5,419.7 million as at 31 December 2012 (equivalent to RMB4,335.8 million as shown in the annual report of GWT as at 31 December 2012 and translated at the exchange rate of RMB0.80 to HK$1.00 as at 31 December 2012) and 1,197,742,000 Shares in issue as at 31 December 2012.

3. Highest and lowest prices

During the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date, the highest closing price of the H Shares as quoted on the Stock Exchange was HK$3.08 on 15 January 2014, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK$1.37 on 25 June 2013.

4. Consideration

Based on the offer price of HK3.20 per H Share and 453,872,000 H Shares in issue (representing the H Shares not already held by CEC, CGW and parties acting in concert with any of them) as at the Latest Practicable Date, the maximum value of the H Share Offer (assuming the H Share Offer is accepted in full and there is no change in the share capital of GWT) is approximately HK$ 1,452.4 million. The consideration will be paid in cash.

5. Settlement of consideration

Settlement of consideration in respect of acceptances of the H Share Offer will be made as soon as possible but in any event within 7 Business Days of the date of receipt of a complete and valid acceptance in respect of the H Share Offer or of the Unconditional Date, whichever is later. GWT H Shareholders should refer to Appendix I headed "Further Terms of the H Share Offer" for additional important information.

6. Confirmation of financial resources in respect of the H Share Offer

CEC and CGW have agreed between themselves that if the acceptance level of the H Share Offer is higher than 60.4% of the H Shares in issue, CGW will acquire the H Shares tendered under the H Share Offer up to 274,211,000 H Shares (approximately equivalent to 60.4% of the H Shares in issue) and thereafter CEC will acquire all the remaining H Shares (being approximately 39.6% of the H Shares in issue) tendered under the H Share Offer.

CEC and CGW will finance such cash consideration for the H Share Offer by using the internal financial resources of CEC. CEC, being the sole shareholder of CGW, will provide financial assistance to CGW to meet its financial commitment under the H Share Offer. CEC and CGW are parties acting in concert in respect of the H Share Offer. CEC and CGW do not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of GWT.

We, being the financial adviser to CEC and CGW in respect of the H Share Offer, are satisfied that sufficient financial resources are available to CEC and CGW to satisfy full acceptance of the H Share Offer.

C. CONDITIONS OF THE H SHARE OFFER

The H Share Offer is subject to the fulfilment or waiver, as applicable, of the following conditions:

(a) the passing of resolutions by way of poll approving the voluntary withdrawal of the listing of the H Shares from the Stock Exchange at the H Share Class Meeting to be convened for this purpose by the Independent GWT H Shareholders, provided that:

 (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent GWT H Shareholders that are cast either in person or by proxy; and

 (ii) the number of votes cast against the resolution is not more than 10% of the votes attaching to all of the H Shares held by the Independent GWT H Shareholders;

(b) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as CEC and CGW may, subject to the Takeovers Code, decide) such that, following acquisition of such H Shares, CEC together with CGW would hold not less than 60.4% of the H Shares in issue, and as a result, CEC, CGW and parties acting in concert with any of them holding not less than 85% of the issued share capital of GWT;

(c) the approvals of SASAC and the Beijing local counterpart of SAFE in relation to the H Share Offer having been obtained and remaining in full force and effect pursuant to the provisions of relevant laws and regulations in the PRC;

(d) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the H Share Offer void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the H Share Offer (other than such orders or decisions as would not have a material adverse effect on the legal ability of CEC and/or CGW to proceed with or consummate the H Share Offer);

(e) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the H Share Offer or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the H Share Offer becomes unconditional; and

(f) the obtaining of approval of the Merger Agreement and the GWT Merger contemplated thereunder by the requisite votes of shareholders in the H Share Class Meeting and the Extraordinary General Meeting as described under the section headed "B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT – 2. Mergers Conditions" in Appendix II to this Composite Document.

CEC and CGW confirmed that the approvals under Condition (c) had been obtained as at the date of the Joint Announcement.

CEC and CGW reserve the right to waive the Condition (e) above in whole or in part. GWT does not have the right to waive any of the Conditions.

CEC and CGW will not invoke any condition, other than the Conditions referred to in (b) above, so as to cause the H Share Offer to lapse unless the circumstances which give rise to the right to invoke the Condition are of material significance to CEC and CGW in the context of the H Share Offer.

GWT Shareholders are reminded that the H Share Offer is conditional on CGW having received, by the First Closing Date, valid acceptances in respect of such number of H Shares which will result in CEC together with CGW holding not less than 60.4% of the H Shares as at the First Closing Date, and consequently CEC, CGW and parties acting in concert with any of them will hold not less than 85% of the issued share capital of GWT. GWT Shareholders should note that if such acceptance threshold is not achieved by the First Closing Date, the H Share Offer will lapse and all share certificates in respect of the H Shares which were tendered for acceptance previously will be returned to the respective H Shareholders as soon as possible but in any event within 10 days thereof.

In addition to the Conditions set out above, the H Share Offer is made on the basis that acceptance of the H Share Offer by any person will constitute a warranty by such person or persons to CEC and CGW that the H Shares acquired under the H Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at date of the Joint Announcement or subsequently becoming attached to them, and including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

As of the Latest Practicable Date, none of CEC, CGW or parties acting in concert with any of them had received any irrevocable voting commitment in respect of the H Share Class Meeting and/or any irrevocable commitment to tender into the H Share Offer from any Independent GWT H Shareholder.

D. FURTHER TERMS AND GENERAL MATTERS RELATING TO H SHARE OFFER

1. H Shares

Under the terms of the H Share Offer, the H Shares will be acquired with all rights attached thereto as at the date of the Joint Announcement or which subsequently become attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid, on or after the date of the Joint Announcement, and free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances and third party rights.

2. Hong Kong stamp duty

Seller’s ad valorem stamp duty for the H Shares registered with the Registrar arising in connection with acceptance of the H Share Offer will be payable by each GWT H Shareholder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by CEC and CGW (as the case may be) for such person’s H Shares and will be deducted from the cash amount due to such GWT H Shareholder under the H Share Offer. Each of CEC and CGW will pay the buyer’s ad valorem stamp duty on its own behalf.

3. Completion of the H Share Offer

If the Conditions are not satisfied (or not waived where applicable) on or before the First Closing Date, the H Share Offer will lapse.

CEC and CGW will issue an announcement in relation to the revision, extension, lapse of the H Share Offer or the fulfillment (or, if permissible, waiver) of the Conditions in accordance with the Takeovers Code and the Listing Rules. The latest time on which CEC and CGW can declare the H Share Offer unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent).

E. INTENTION IN RELATION TO CGW AND GWT

1. Voluntary Withdrawal of Listing of the H Shares

Upon the H Share Offer becoming unconditional, GWT will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15(2) of the Listing Rules. Pursuant to Rule 6.15(2) of the Listing Rules, GWT may voluntarily withdraw its listing on the Stock Exchange as it is privatised by way of capital reorganisation which is governed by the Takeovers Code and all the relevant requirements, including the shareholders' approval requirements.

Accordingly, the Independent GWT H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent GWT H Shareholders holding securities that are not listed on the Stock Exchange. In addition, GWT may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.

The GWT Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares (which is expected to be on 4 July 2014) and on which the voluntary withdrawal of the listing of the H Shares on the Stock Exchange will become effective (which is expected to be on 11 July 2014).

Once all of the Conditions have been either satisfied or, waived (if applicable) by CEC and CGW, the H Share Offer will be declared unconditional in all respects (which is expected to be on 6 June 2014) and the H Share Offer will be extended for a subsequent period of 28 calendar days.

2. Merger by Absorption of CGW and GWT

Subject to the completion of the H Share Offer, the Delisting and the fulfilment of other Mergers Conditions, the Merger Agreement will be implemented, pursuant to which, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries. The further details of the Merger Agreement can be referred to in the section headed "F. MERGER BY ABSORPTION OF CGW AND GWT BY CEC" below.

Please refer to the Appendix II to this Composite Document for the details of the Merger Agreement.

F. MERGER BY ABSORPTION OF CGW AND GWT BY CEC

The Merger Agreement

On 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). Pursuant to the Merger Agreement, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. The Mergers will be implemented and completed by the following major processes after the completion of the H Share Offer and the Delisting, namely (i) CEC will pay a Merger Price of HK$3.20 per delisted H Shares (other than those which may be acquired by CEC and CGW under the H Share Offer) in cash to the GWT H Shareholders whose names appear on Registers as at the effective date of the Merger Agreement which will be the date when the Mergers Conditions are all fulfilled; and (ii) CGW and GWT will be de-registered in accordance with the PRC Company Law or the Administrative Regulations of the PRC Governing the Registration of Legal Enterprises (as the case may be) and other relevant legal provisions.

Consequently, each of GWT and CGW will cease to exist as a separate legal entity, which will be merged into CEC. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries.

The effectiveness of the Merger Agreement is conditional upon the fulfilment of a number of Mergers Conditions. Pursuant to the PRC Laws, when the Merger Agreement becomes effective, it will be legally binding on CEC, CGW and GWT. **Upon the completion of transactions under the Merger Agreement, CEC will have the right under the PRC Laws and the Articles of GWT to compulsorily deregister GWT and the then existing delisted H Shares.**

GWT H Shareholders are reminded that, pursuant to Article 174 of GWT's Articles, any Dissenting GWT H Shareholder who has voted against Merger Agreement, will have the right to request GWT or other GWT Shareholders who have voted for the Merger Agreement to acquire their delisted H Shares at a "fair price", and receipt of the Merger Price by the Dissenting GWT H Shareholders does not preclude them from exercising such right. Under such circumstance, CEC shall, at the request of GWT or such GWT Shareholders, assume all obligations which GWT or such GWT Shareholders who have received such a request may have towards the Dissenting GWT H Shareholder(s).

For details in relation to the arrangement by which the Dissenting GWT H Shareholders could request for acquisition of their delisted H Shares at a "fair price", please refer to the section headed "C. IMPORTANT INFORMATION OF THE MERGER AGREEMENT – 3. Compulsory Deregistration and Right of the Dissenting GWT H Shareholders" as set out in Appendix II to this Composite Document.

For the details of the Merger Agreement, including but not limited to the major terms of the Merger Agreement, the Mergers Conditions, the completion of the Merger Agreement, the payment of Merger Price, the compulsory deregistration and right of the Dissenting GWT H Shareholders, please refer to the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document.

Confirmation of financial resources in respect of the GWT Merger

CEC will finance the total consideration of the GWT Merger by using its internal financial resources.

We, being the financial adviser to CEC in respect of the GWT Merger, is satisfied that sufficient financial resources are available to CEC to satisfy the payment of the total consideration of the GWT Merger.

G. ADDITIONAL INFORMATION

In considering what action to take in connection with the H Share Offer and the Merger Agreement, GWT H Shareholders should consider their own tax position and, if they are in doubt, they should consult their own professional advisers.

In making their decision, the GWT H Shareholders must rely on their own examination of the terms of the H Share Offer and the Merger Agreement, including the merits and risks involved. GWT H Shareholders should consult their own professional advisers for professional advice.

Your attention is drawn to the information set out in:

(a) the letter from GWT Board on pages 25 to 34 of this Composite Document;

(b) the letter from the Independent Board Committee on pages 35 to 36 of this Composite Document;

(c) the letter from Somerley on pages 37 to 70 of this Composite Document;

(d) the procedures for acceptance of the H Share Offer as set out in Appendix I to this Composite Document on pages 71 to 77 and in the accompanying Form of Acceptance;

(e) the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document on pages 78 to 87;

(f) the details for meetings to be convened for approving the Delisting and the Merger Agreement as set out in the section headed G. "H SHARE CLASS MEETING AND EXTRAORDINARY GENERAL MEETING" in the "Letter from GWT Board" in this Composite Document; and

(g) other information as set out in the appendices to this Composite Document which form part of this Composite Document.

Yours faithfully,
For and on behalf of
ABCI Capital Limited

Zhou Xingxin
Managing Director

Marco Wong
Vice President

GWT

長城科技股份有限公司

Great Wall Technology Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0074)

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

Independent Non-Executive Directors:
Yao Xiaocong
James Kong Tin Wong
Zeng Zhijie

Legal address and head office:
No. 2 Keyuan Road
Technology and Industrial Park
Nanshan District
Shenzhen, PRC

11 April 2014

To the Independent GWT H Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL OFFER BY ABCI CAPITAL LIMITED ON BEHALF OF CEC AND CGW FOR ALL THE ISSUED H SHARES IN GWT (OTHER THAN THOSE ALREADY HELD BY CEC AND CGW AND PARTIES ACTING IN CONCERT WITH ANY OF THEM) AND (2) PROPOSED PRIVATISATION AND VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF GWT AND (3) PROPOSED MERGER BY ABSORPTION OF CGW AND GWT BY CEC

A. INTRODUCTION

On 16 December 2013, the CEC Board, the CGW Board and the GWT Board jointly announced that ABCI, on behalf of CEC and CGW (a wholly-owned subsidiary of CEC), would make a voluntary conditional offer to acquire all of the issued H Shares in the issued share capital of GWT (other than those already held by CEC, CGW and parties acting in concert with any of them) in accordance with the Takeovers Code.

The H Share Offer is subject to the fulfilment or waiver, as applicable, of a number of Conditions, including the approval of the voluntary withdrawal of the listing of the H Shares on the Stock Exchange by Independent GWT H Shareholders at the H Share Class Meeting.

The CEC Board, the CGW Board and the GWT Board further announced that on 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). If the Merger Agreement is implemented and completed, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger Agreement is subject to a number of Mergers Conditions, including the completion of the H Share Offer and the Delisting.

The Independent Board Committee comprising all the independent non-executive directors of GWT, being Yao Xiaocong, James Kong Tin Wong and Zeng Zhijie, has been formed to make a recommendation to the Independent GWT H Shareholders as to (a) whether the H Share Offer is, or is not, fair and reasonable; (b) whether the Merger Agreement and the GWT Merger contemplated thereunder are, or are not, fair and reasonable, and (c) the acceptance or voting in relation to the H Share Offer, the Delisting and the Merger Agreement.

Somerley has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in connection with the H Share Offer, the Delisting, and the Merger Agreement and the GWT Merger contemplated thereunder.

The purpose of this Composite Document is to provide you with, amongst other matters, information relating to (a) the GWT Group, CEC and CGW; (b) the letter from the Independent Board Committee containing its recommendation to the Independent GWT H Shareholders in respect of the H Share Offer, the Delisting, and the Merger Agreement and the GWT Merger contemplated thereunder; and (c) the letter from Somerley containing its advice to the Independent Board Committee in respect of H Share Offer, the Delisting, and the Merger Agreement and the GWT Merger contemplated thereunder. This Composite Document will also provide with you the notice of the H Share Class Meeting and the notice of the Extraordinary General Meeting.

The details of (a) the terms of the H Share Offer are set out in this letter and the "Letter from ABCI" in this Composite Document; (b) the procedures for acceptance of the H Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance; (c) the summary of the terms and important information of the Merger Agreement are set out in Appendix II to this Composite Document.

The GWT Board anticipates that the two A-Share Listed Subsidiaries and TPV Technology Limited, all of which are subsidiaries of GWT, will publish their respective consolidated results for the three months ended 31 March 2014 in around April and May 2014. The publication of these consolidated profit or loss for the three months ended 31 March 2014 will constitute a "profit forecast" of GWT under the Takeovers Code. GWT will also publish a consolidated results for the three months ended 31 March 2014 in May 2014, and which will be "reported on" by the auditors or consultant accountants and a financial adviser.

Terms defined in this Composite Document have the same meaning when used in this letter.

B. THE H SHARE OFFER

1. The cash offer price offered under the H Share Offer represents:

(a) a premium of approximately 42.9% over the closing price of HK$2.24 per H Share, as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 58.4% over the average closing price of approximately HK$2.02 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 consecutive trading days up to and including the Last Trading Date;

(c) a premium of approximately 63.3% over the average closing price of approximately HK$1.96 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 10 consecutive trading days up to and including the Last Trading Date;

(d) a premium of approximately 74.9% over the average closing price of approximately HK$1.83 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 consecutive trading days up to and including the Last Trading Date;

(e) a premium of approximately 92.8% over the average closing price of approximately HK$1.66 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 consecutive trading days up to and including the Last Trading Date;

(f) a premium of approximately 100% over the average closing price of approximately HK$1.60 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 consecutive trading days up to and including the Last Trading Date;

(g) a premium of approximately 4.9% over the closing price of HK$3.05 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

(h) a premium of approximately 42.9% over the closing price of HK$2.24 per H Share, as quoted on the Stock Exchange on 24 September 2013, being the last full trading day in the H Shares prior to the commencement of the Offer Period on 20 November 2013;

(i) a discount of approximately 29.4% to the unaudited consolidated net asset value attributable to GWT Shareholders per GWT Share of approximately HK$4.53 as at 30 June 2013, calculated based on GWT's unaudited consolidated net asset value attributable to GWT Shareholders of approximately HK$5,424.8 million as at 30 June 2013 (equivalent to RMB4,285.6 million as shown in the interim financial statements of GWT as at 30 June 2013 and translated at the exchange rate of RMB0.79 to HK$1.00 as at 30 June 2013) and 1,197,742,000 Shares in issue as at 30 June 2013; and

(j) a discount of approximately 29.2% to the audited consolidated net asset value attributable to GWT Shareholders per GWT Share of approximately HK$4.52 as at 31 December 2012, calculated based on GWT's audited consolidated net asset value attributable to GWT Shareholders of approximately HK$5,419.7 million as at 31

December 2012 (equivalent to RMB4,335.8 million as shown in the annual report of GWT as at 31 December 2012 and translated at the exchange rate of RMB0.80 to HK$1.00 as at 31 December 2012) and 1,197,742,000 Shares in issue as at 31 December 2012.

2. Highest and lowest prices

During the period commencing six months preceding the commencement of the Offer Period, and ending on the Latest Practicable Date, the highest closing price of the H Shares as quoted on the Stock Exchange was HK$3.08 on 15 January 2014, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK$1.37 on 25 June 2013.

3. Consideration

Based on the offer price of HK$3.20 per H Share and 453,872,000 H Shares in issue (representing the H Shares not already held by CEC, CGW and parties acting in concert with any of them) as at the Latest Practicable Date, the maximum value of the H Share Offer (assuming the H Share Offer is accepted in full and there is no change in the share capital of GWT) is approximately HK$1,452.4 million. The consideration will be paid in cash.

4. Settlement of consideration

Settlement of consideration in respect of acceptances of the H Share Offer will be made as soon as possible but in any event within 7 Business Days of the date of receipt of a complete and valid acceptance in respect of the H Share Offer or of the Unconditional Date, whichever is later. GWT H Shareholders should refer to Appendix I headed "Further Terms of the H Share Offer" for additional important information.

5. Conditions of the H Share Offer

The H Share Offer is subject to the fulfilment or waiver, as applicable, of the Conditions as set out in the section headed "C. CONDITIONS OF THE H SHARE OFFER" in the "Letter from ABCI" in this Composite Document.

GWT Shareholders are reminded that the H Share Offer is conditional on CGW having received, by the First Closing Date, valid acceptances in respect of such number of H Shares which will result in CEC together with CGW holding not less than 60.4% of the H Shares as at the First Closing Date, and consequently CEC, CGW and parties acting in concert with any of them will hold not less than 85% of the issued share capital of GWT. GWT Shareholders should note that if such acceptance threshold is not achieved by the First Closing Date, the H Share Offer will lapse and all share certificates in respect of the H Shares which were tendered for acceptance previously will be returned to the respective H Shareholders as soon as possible but in any event within 10 days thereof.

In addition to the Conditions set out above, the H Share Offer is made on the basis that acceptance of the H Share Offer by any person will constitute a warranty by such person or persons to CEC and CGW that the H Shares acquired under the H Share Offer are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Joint Announcement or subsequently becoming attached to them, and including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

C. INFORMATION AND PRINCIPAL BUSINESS OF GWT

GWT was incorporated as a joint stock limited company in accordance with the PRC Company Law on 20 March 1998. GWT became listed on the Main Board of the Stock Exchange on 5 August 1999. GWT is an investment holding company and the GWT Group is principally engaged in the in the development, manufacture, sale and research of personal computers and information terminal products, storage products, power supply products, monitoring terminals, liquid crystal display television products and electronics manufacturing services business.

Shareholding in GWT

As at the Latest Practicable Date, GWT has 1,197,742,000 GWT Shares in issue, with 743,870,000 Domestic Shares and 453,872,000 H Shares. CGW owned the entirety of 743,870,000 Domestic Shares, representing approximately 62.11% of the issued share capital of GWT, and GWT H Shareholders were interested in 453,872,000 H Shares, representing approximately 37.89% of the issued share capital of GWT. The Domestic Shares and H Shares rank pari passu with each other, including voting rights and the right to receive dividend payments, except that payments of dividend will be made in RMB to holders of the Domestic Shares and in Hong Kong dollars to GWT H Shareholders. As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by GWT.

The table below sets out the shareholding structure of GWT as at the Latest Practicable Date and immediately after completion of the H Share Offer (assuming the H Share Offer is fully accepted by GWT H Shareholders):

	As at the Latest Practicable Date			Immediately after completion of the H Share Offer (assuming the H Share Offer is fully accepted by GWT H Shareholders)		
	Number of Domestic Shares	Number of H Shares	Percentage over the entire issued share capital of GWT (%)	Number of Domestic Shares	Number of H Shares	Percentage over the entire issued share capital of GWT (%)
CEC	–	–	–	–	179,661,000	15.00
CGW	743,870,000	–	62.11	743,870,000	274,211,000	85.00
Total number of GWT Shares held by CEC, CGW and parties acting in concert with any of them	743,870,000	–	62.11	743,870,000	453,872,000	100.00
Independent GWT H Shareholders	–	453,872,000	37.89	–	–	–
Total number of GWT Shares	743,870,000	453,872,000	100.00	743,870,000	453,872,000	100.00

D. INTENTION IN RELATION TO GWT

1. Voluntary Withdrawal of Listing of the H Shares

Upon the H Share Offer becoming unconditional, GWT will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15(2) of the Listing Rules. Pursuant to Rule 6.15(2) of the Listing Rules, GWT may voluntarily withdraw its listing on the Stock Exchange as it is privatised by way of capital reorganisation which is governed by the Takeovers Code and all the relevant requirements, including the shareholders' approval requirements.

Accordingly, the Independent GWT H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent GWT H Shareholders holding securities that are not listed on the Stock Exchange. In addition, GWT may not continue to be subject to the Takeovers Code after the completion of the H Share Offer.

The GWT Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the H Shares (which is expected to be on 4 July 2014) and on which the voluntary withdrawal of the listing of the H Shares on the Stock Exchange will become effective (which is expected to be on 11 July 2014).

Once all of the Conditions have been either satisfied or, waived (if applicable) by CEC and CGW, the H Share Offer will be declared unconditional in all respects (which is expected to be on 6 June 2014) and the H Share Offer will be extended for a subsequent period of 28 calendar days.

2. Merger by Absorption of CGW and GWT

Subject to the completion of the H Share Offer, the Delisting and the fulfilment of other Mergers Conditions, the Merger Agreement will be implemented, pursuant to which, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries. The further details of the Merger Agreement can be referred to in the section headed "E. MERGER BY ABSORPTION OF CGW AND GWT BY CEC" below.

E. MERGER BY ABSORPTION OF CGW AND GWT BY CEC

The Merger Agreement

On 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). Pursuant to the Merger Agreement, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. The Mergers will be implemented and completed by the following major processes after the completion of the H Share Offer and the Delisting, namely (i) CEC will pay a Merger Price of HK$3.20 per delisted H Shares in cash (other than those which may be acquired by CEC and CGW under the H Share Offer) to the GWT H Shareholders whose names appear on Registers as at the effective date of the Merger Agreement, which will be the date when the Mergers Conditions are all fulfilled; and (ii) CGW and GWT will be de-registered in accordance with the PRC Company Law or the Administrative Regulations of the PRC Governing the Registration of Legal Enterprises (as the case may be) and other relevant legal provisions.

Consequently, each of GWT and CGW will cease to exist as a separate legal entity, which will be merged into CEC. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries.

The effectiveness of the Merger Agreement is conditional upon the fulfilment of a number of Mergers Conditions as set out below. Pursuant to the PRC Laws, when the Merger Agreement becomes effective, it will be legally binding on CEC, CGW and GWT. **Upon the completion of transactions under the Merger Agreement, CEC will have the right under the PRC Laws and the Articles of GWT to compulsorily deregister GWT and the then existing delisted H Shares.**

GWT H Shareholders are reminded that, pursuant to Article 174 of GWT's Articles, any Dissenting GWT H Shareholder who has voted against Merger Agreement, will have the right to request GWT or other GWT Shareholders who have voted for the Merger Agreement to acquire their delisted H Shares at a "fair price", and receipt of the Merger Price by the Dissenting GWT H Shareholders does not preclude them from exercising such right. Under such circumstance, CEC shall, at the request of GWT or such GWT Shareholders, assume all obligations which GWT or such GWT Shareholders who have received such a request may have towards the Dissenting GWT H Shareholder(s).

For details in relation to the arrangement by which the Dissenting GWT H Shareholders could request for acquisition of their delisted H Shares at a "fair price", please refer to the section headed "C. IMPORTANT INFORMATION OF THE MERGER AGREEMENT – 3. Compulsory Deregistration and Right of the Dissenting GWT H Shareholders" as set out in Appendix II to this Composite Document.

For the details of the Merger Agreement, including but not limited to the major terms of the Merger Agreement, the Mergers Conditions, the completion of the Merger Agreement, the payment of Merger Price, the compulsory deregistration and right of the Dissenting GWT H Shareholders, please refer to the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document.

F. RECOMMENDATION

Your attention is drawn to the sections headed "D. INTENTION IN RELATION TO GWT – 2. Merger by Absorption of CGW and GWT" and "E. MERGER BY ABSORPTION OF CGW AND GWT BY CEC" in the "Joint Letter from CEC Board and CGW Board" as set out on pages 10 to 14 of this Composite Document. It is noted that (a) CEC intends to co-ordinate and arrange the employees of both GWT and CGW by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws, and CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries; and (b) CEC and CGW have no intention to make significant changes to the existing business of GWT (including any redeployment of fixed assets in relation to the principal business of GWT). GWT Board agrees with CEC's intentions regarding GWT and GWT's employees as stated above.

Your attention is drawn to (a) the recommendation of Somerley to the Independent Board Committee, in respect of the H Share Offer, the Delisting, and the Merger Agreement and the GWT Merger contemplated thereunder as set out in the letter from Somerley on pages 37 to 70 of this Composite Document; and (b) the recommendation of the Independent Board Committee in respect of the H Share Offer, the Delisting, and the Merger Agreement and the GWT Merger contemplated thereunder as set out in the letter from the Independent Board Committee on pages 35 to 36 of this Composite Document.

G. H SHARE CLASS MEETING AND EXTRAORDINARY GENERAL MEETING

As you will see from the notice of the H Class Meeting and the notice of the Extraordinary General Meeting in Appendices V and VI to this Composite Document, the H Class Meeting and the Extraordinary Meeting will be held at 3:00 p.m. and 4:00 p.m., respectively, on Friday, 30 May 2014.

Under Rule 2.2 of the Takeovers Code, the Delisting requires the approval of the Independent GWT H Shareholders. The resolution of the Independent GWT H Shareholders will be voted on by way of a poll and will only be considered to have been passed if (a) the Delisting is approved by at least 75% of the votes attaching to the H Shares of the Independent GWT H Shareholders that are cast by poll either in person or by proxy at the H Share Class Meeting; and (b) the number of votes cast against the resolution by poll at the H Share Class Meeting is not more than 10% of the votes attaching to all the H Shares held by all of the Independent GWT H Shareholders (that is, not more than 45,387,200 H Shares, based on 453,872,000 H Shares issued and held by the Independent GWT H Shareholders as at the Latest Practicable Date).

In addition, pursuant to the Articles of GWT and the PRC Company Law, the Extraordinary General Meeting will be convened for the purpose of passing resolutions by way of poll to approval the Merger Agreement, and such approval must be given by not less than two-thirds of the GWT Shareholders at the Extraordinary General Meeting.

Furthermore, the GWT Merger is akin to a scheme of arrangement, such that Rule 2.10 of the Takeovers Code is deemed to be applicable, pursuant to which, approval of the Merger Agreement and the GWT Merger contemplated thereunder must be given by at least 75% of the votes attaching to H Shares held by the Independent GWT H Shareholders that are cast by poll either in person or by proxy in the H Share Class Meeting, and the number of votes cast against the resolutions by poll in relation to the Merger Agreement and the GWT Merger contemplated thereunder shall be no more than 10% of the votes attaching to all H Shares held by the Independent GWT H Shareholders in the H Share Class Meeting.

Accordingly, both the H Class Meeting and the Extraordinary General Meeting will be convened. The Delisting and the Merger Agreement will only proceed upon obtaining the requisite votes of shareholders in the H Class Meeting and the Extraordinary General Meeting as described above.

CEC, CGW and parties acting in concert with any of them, will not be entitled to vote in the H Class Meeting. According to the PRC Company Law and the GWT Articles, CGW is eligible to vote in the Extraordinary General Meeting. CGW intends to vote for the Merger Agreement and the GWT Merger contemplated thereunder.

Whether or not they are able to attend the H Share Class Meeting or the Extraordinary General Meeting (where applicable) in person, the GWT H Shareholders are strongly urged to complete and sign the enclosed white form of proxy in respect of the H Share Class Meeting and the GWT Shareholders (including the GWT H Shareholders and the holder of Domestic Shares) are strongly urged to complete and sign the pink form of proxy in respect of the Extraordinary General Meeting in accordance with the instructions respectively printed thereon and to return them to (a) in the case of the holders of H Shares, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and (b) in the case of the holder of the Domestic Shares, GWT at 16th Floor, Great Wall Technology Building, No.2 Keyuan Road, Technology and Industry Park, Nanshan District, Shenzhen, the People's Republic of China as soon as possible, but in any case not later than the following respective times:

(a) in the case of the white form of proxy for use at the H Share Class Meeting, the Independent GWT H Shareholders are requested to deposit such form of proxy not later than 3:00 p.m. on Thursday, 29 May 2014; and

(b) in the case of the pink form of proxy for use at the Extraordinary General Meeting, the GWT Shareholders are requested to deposit such form of proxy not later than 4:00 p.m. on Thursday, 29 May 2014.

The completion and return of the form of proxy for the H Share Class Meeting shall not preclude you from attending and voting in person at the H Share Class Meeting (or any adjournment thereof) if you so wish. In the event that you attend and vote at the H Share Class Meeting after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

The completion and return of the form of proxy for the Extraordinary General Meeting shall not preclude you from attending and voting in person at the Extraordinary General Meeting (or any adjournment thereof) if you so wish. In the event that you attend and vote at the Extraordinary General Meeting after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

You are requested to complete the accompanying reply slip for each of the H Share Class Meeting and the Extraordinary General Meeting in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Voting at the H Share Class Meeting and the Extraordinary General Meeting will be taken by way of poll as required under the Listing Rules, the Takeovers Code and the Articles of GWT.

For the purpose of determining the entitlements of the Independent GWT H Shareholders to attend and vote at the H Share Class Meeting and the GWT Shareholders to attend and vote at the Extraordinary General Meeting and the Annual General Meeting, the Registers will be closed from Wednesday, 30 April 2014 to Wednesday, 18 June 2014 (both dates inclusive). During such period, no transfer of GWT Shares will be effected.

Only holders of GWT Shares whose names appear on the Registers at 4:30 p.m. on Tuesday, 29 April 2014 are entitled to vote at the H Share Class Meeting and the Extraordinary General Meeting. Each GWT H Shareholder on the Registers at 4:30 p.m. on Tuesday, 29 April 2014 is entitled to cast one vote per GWT H Share on each resolution at the H Share Class meeting. Each GWT Shareholder on the Registers at 4:30 p.m. on Tuesday, 29 April 2014 is entitled to cast one vote per GWT Share on the each resolution at the Extraordinary General Meeting.

Further announcements will be issued giving details of the results of the H Share Class Meeting and the Extraordinary General Meeting and, if all the resolutions are duly passed at the H Share Class Meeting and the Extraordinary General Meeting, the last day for dealing in the H Shares and the date of Delisting.

H. ADDITIONAL INFORMATION

In considering what action to take in connection with the H Share Offer and the Merger Agreement, GWT H Shareholders should consider their own tax position and, if they are in doubt, they should consult their own professional advisers.

In making their decision, the GWT H Shareholders must rely on their own examination of the terms of the H Share Offer and the Merger Agreement, including the merits and risks involved. GWT H Shareholders should consult their own professional advisers for professional advice.

Your attention is drawn to the details of (a) the terms of the H Share Offer as set out in the "Letter from ABCI" on pages 15 to 24 of this Composite Document; (b) the procedures for acceptance of the H Share Offer as set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance; (c) the summary of the terms and important information of the Merger Agreement as set out in Appendix II to this Composite Document; and (d) other Appendices to this Composite Document.

Yours faithfully,
For and on behalf of
Great Wall Technology Company Limited
Liu Liehong
Chairman

GWT
長城科技股份有限公司
Great Wall Technology Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0074)

11 April 2014

To the Independent GWT H Shareholders

Dear Sir or Madam,

(1) VOLUNTARY CONDITIONAL OFFER BY ABCI CAPITAL LIMITED ON BEHALF OF CEC AND CGW FOR ALL THE ISSUED H SHARES IN GWT (OTHER THAN THOSE ALREADY HELD BY CEC AND CGW AND PARTIES ACTING IN CONCERT WITH ANY OF THEM) AND (2) PROPOSED PRIVATISATION AND VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF GWT AND (3) PROPOSED MERGER BY ABSORPTION OF CGW AND GWT BY CEC

We refer to this Composite Document of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein have the same meanings as defined in this Composite Document.

On 16 December 2013, the CEC Board, the CGW Board and the GWT Board jointly announced that ABCI, on behalf of CEC and CGW (a wholly-owned subsidiary of CEC), would make a voluntary conditional offer to acquire all of the issued H Shares in the issued share capital of GWT (other than those already held by CEC, CGW and parties acting in concert with any of them) in accordance with the Takeovers Code.

The H Share Offer is subject to the fulfilment or waiver, as applicable, of a number of Conditions, including the approval of the voluntary withdrawal of the listing of the H Shares on the Stock Exchange by Independent GWT H Shareholders at the H Share Class Meeting.

The CEC Board, the CGW Board and the GWT Board further announced that on 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). If the Merger Agreement is implemented and completed, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws.

The effectiveness of the Merger Agreement is subject to a number of Mergers Conditions, including the completion of the H Share Offer and the Delisting.

Details of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger contemplated thereunder are set out in the "Joint Letter from CEC Board and CGW Board" on pages 10 to 14, "Letter from ABCI" on pages 15 to 24, the "Letter from GWT Board" on pages 25 to 34 of this Composite Document and Appendices I and II to this Composite Document.

We have been appointed as members of the Independent Board Committee to make recommendations to the Independent GWT H Shareholders in respect of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger contemplated thereunder. Somerley has been appointed as the Independent Financial Adviser to advise us in the same regard. Having considered the terms of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger contemplated thereunder, and taken into account the advice of Somerley, in particular, the factors, reasons and recommendation set out in the "Letter from Somerley" on pages 37 to 70 of this Composite Document, we consider that the terms of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger contemplated thereunder are fair and reasonable so far as the Independent GWT H Shareholders are concerned.

On this basis, we recommend the Independent GWT H Shareholders to vote in favour of the resolutions in approving Delisting, the Merger Agreement and the GWT Merger contemplated thereunder at the H Share Class Meeting. We also recommend the Independent GWT H Shareholders to accept the H Share Offer.

Yours faithfully,
For and on behalf of
Independent Board Committee

Yao Xiaocong	**James Kong Tin Wong**	**Zeng Zhijie**
Independent Non-executive GWT Director	*Independent Non-executive GWT Director*	*Independent Non-executive GWT Director*

The following is the letter of advice from the independent financial adviser, Somerley Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this document.

SOMERLEY LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

11 April 2014

To: the Independent Board Committee

Dear Sirs,

(1) VOLUNTARY CONDITIONAL OFFER BY ABCI CAPITAL LIMITED ON BEHALF OF CEC AND CGW FOR ALL THE ISSUED H SHARES IN GWT (OTHER THAN THOSE ALREADY HELD BY CEC AND CGW AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)

AND

(2) PROPOSED PRIVATISATION AND VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES OF GWT

AND

(3) PROPOSED MERGER BY ABSORPTION OF CGW AND GWT BY CEC

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in respect of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger, details of which are set out in the Composite Document jointly issued by CEC, CGW and GWT dated 11 April 2014, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

As stated in the letter from GWT Board in the Composite Document, on 16 December 2013, the CEC Board, the CGW Board and the GWT Board jointly announced that ABCI, on behalf of CEC and CGW (a wholly-owned subsidiary of CEC), will make a voluntary conditional offer to acquire all of the issued H Shares in the issued share capital of GWT (other than those already held by CEC, CGW and parties acting in concert with any of them) in accordance with the Takeovers Code. The H Share Offer is subject to the fulfilment or waiver, as applicable, of a number of Conditions, including the approval of the Delisting by the Independent GWT H Shareholders at the H Share Class Meeting.

On 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). Pursuant to the Merger Agreement, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. Upon completion of the Mergers, each of GWT and CGW will cease to exist as a separate legal entity, which will be merged into CEC. The effectiveness of the Merger Agreement is subject to a number of Merger Conditions, including completion of the H Share Offer and the Delisting. Upon completion of the transactions under the Merger Agreement, CEC will have the right under the PRC Laws and the Articles of GWT to compulsorily deregister GWT and the then existing delisted H Shares.

The GWT Board comprises six executive directors and three independent non-executive directors. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established which comprises Mr. Yao Xiaocong, Mr. James Kong Tin Wong and Mr. Zeng Zhijie, each of whom has no direct or indirect interests in the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger, to advise and make recommendations to the Independent GWT H Shareholders in respect of the terms of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger. The Independent Board Committee has approved our appointment as the independent financial adviser to advise it in the same regard.

We are not associated with CEC, CGW or GWT or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger. Apart from normal professional fees payable to us in connection with this or similar appointment, no arrangement exists whereby we will receive any fees or benefits from CEC, CGW or GWT or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of GWT, which we have assumed to be true, accurate and complete. We have also assumed that all representations contained or referred to in the Composite Document were true, accurate and complete at the time they were made and remained so at the date of the Composite Document. GWT Shareholders will be informed as soon as practicable if we become aware of any material change to such information.

We have reviewed, among others, the Joint Announcement, the Merger Agreement, the information as set out in the Composite Document, the annual reports of GWT for the three years ended 31 December 2010, 2011 and 2012, the interim report of GWT for the six months ended 30 June 2013 (the "**2013 Interim Report**") and the annual results announcement of GWT for the year ended 31 December 2013 (the "**2013 Annual Results Announcement**"). We have sought and received confirmation from the directors of GWT that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information which we have received is sufficient for us to reach our opinion and advice as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the GWT Group.

We have not considered any tax implications for the Independent GWT H Shareholders of acceptance or non-acceptance of the H Share Offer since these depend on their individual circumstances. In particular, the Independent GWT H Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

TERMS OF THE H SHARE OFFER

The H Share Offer is being made on the following basis:

For each H Share .... HK$3.20 in cash (the "**Offer Price**")

As stated in the letter from ABCI in the Composite Document, the Offer Price was determined by reference to the market trading price of the H Shares during a relatively long time interval. CEC and CGW have stated they will not increase the Offer Price set out above. Independent GWT H Shareholders should be aware that, following the making of such statement in the Joint Announcement, CEC and CGW will not be permitted to revise the Offer Price for the H Share Offer under the Takeovers Code (save in wholly exceptional circumstances).

On the basis of the Offer Price of HK$3.20 per H Share and 1,197,742,000 GWT Shares (of which 743,870,000 are Domestic Shares and 453,872,000 are H Shares) in issue as at the Latest Practicable Date, the entire issued share capital of GWT is valued at approximately HK$3,832.8 million. After taking into account the 743,870,000 Domestic Shares already held by CEC, CGW and parties acting in concert with any of them, which are not subject to the H Share Offer, the H Share Offer is valued at approximately HK$1,452.4 million based on the Offer Price and 453,872,000 H Shares in issue. CEC and CGW will finance such cash consideration for the H Share Offer by using the internal financial resources of CEC. CEC, being the sole shareholder of CGW, will provide financial assistance to CGW to meet its financial commitment under the H Share Offer.

As disclosed in the letter from ABCI in the Composite Document, the H Share Offer is subject to the fulfilment or waiver, as applicable, of certain conditions, including but not limited to the following:

(a) the passing of resolutions by way of poll approving the voluntary withdrawal of the listing of the H Shares from the Stock Exchange at the H Share Class Meeting to be convened for this purpose by the Independent GWT H Shareholders, provided that:

   (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent GWT H Shareholders that are cast either in person or by proxy; and

   (ii) the number of votes cast against the resolutions is not more than 10% of the votes attaching to all of the H Shares held by the Independent GWT H Shareholders;

(b) minimum valid acceptances of the H Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as CEC and CGW may, subject to the Takeovers Code, decide) such that, following acquisition of such H Shares, CEC together with CGW would hold not less than 60.4% of the H Shares in issue, and as a result, CEC, CGW and parties acting in concert with any of them holding not less than 85% of the issued share capital of GWT; and

(c) the obtaining of approval of the Merger Agreement and the GWT Merger contemplated thereunder by the requisite votes of shareholders in the H Share Class Meeting and the Extraordinary General Meeting.

GWT Shareholders should note that if the minimum acceptance level as mentioned in (b) above is not achieved by the First Closing Date, the H Share Offer will lapse. In addition, if the Conditions are not satisfied (or not waived where applicable) on or before the Unconditional Date, the H Share Offer will also lapse.

CEC and CGW have agreed between themselves that if the acceptance level of the H Share Offer is higher than 60.4% of the H Shares in issue, CGW will acquire the H Shares tendered under the H Share Offer up to 274,211,000 H Shares (approximately equivalent to 60.4% of the H Shares in issue) and thereafter CEC will acquire all the remaining H Shares (being approximately 39.6% of the H Shares in issue) tendered under the H Share Offer.

Settlement of consideration in respect of acceptances of the H Share Offer will be made as soon as possible but in any event within 7 Business Days of the date of receipt of a complete and valid acceptance in respect of the H Share Offer or of the Unconditional Date, whichever is later.

Details of the terms and conditions of the H Share Offer are contained in the joint letter from CEC Board and CGW Board and letter from ABCI in the Composite Document and Appendix I to the Composite Document. Independent GWT H Shareholders are encouraged to read these sections in the Composite Document in detail.

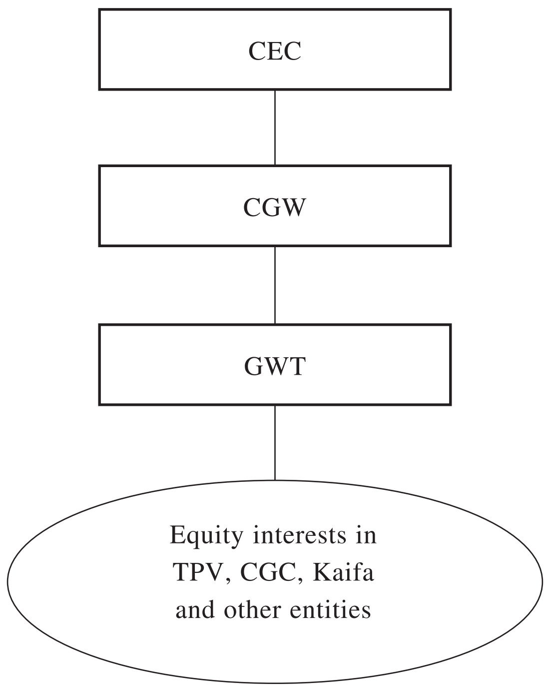
TERMS OF MERGER BY ABSORPTION OF CGW AND GWT BY CEC

Pursuant to the Merger Agreement, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. The Mergers will be implemented and completed by going through the following major processes after completion of the H Share Offer and the Delisting, namely (i) CEC will pay a Merger Price of HK$3.20 per delisted H Share (other than those which may be acquired by CEC and CGW under the H Share Offer) in cash to the GWT H Shareholders whose names appear on Registers as at the effective date of the Merger Agreement, which will be the date when the Merger Conditions are all fulfilled; and (ii) CGW and GWT will be de-registered in accordance with the PRC Company Law or the Administrative Regulations of the PRC Governing the Registration of Legal Enterprises (as the case may be) and other relevant legal provisions.

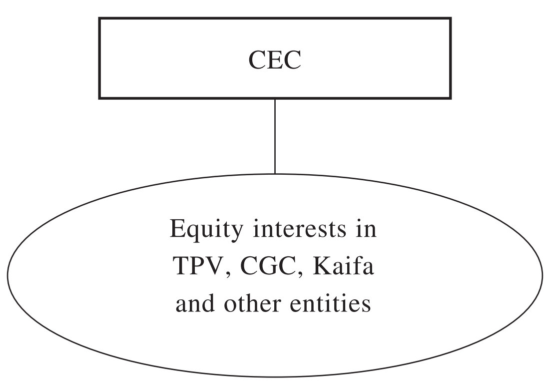
Consequently, each of GWT and CGW will cease to exist as a separate legal entity, which will be merged into CEC. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries.

Set out below is a group structure of GWT immediately before and after the GWT Merger becoming effective.

Group structure of GWT immediately before the GWT Merger becoming effective



Group structure of GWT immediately after the GWT Merger becoming effective



The Merger Agreement will become effective conditional upon the fulfilment of the Mergers Conditions on or before 30 October 2014 (or such other date as CEC, CGW and GWT may agree) or the Merger Agreement shall lapse. The Merger Conditions are set out below:

(a) the approval of the Merger Agreement and the GWT Merger contemplated thereunder by not less than two-thirds of the GWT Shareholders at the Extraordinary General Meeting having been obtained pursuant to the Articles of GWT;

(b) the passing of resolutions by way of poll approving the Merger Agreement and the GWT Merger contemplated thereunder at the H Share Class Meeting to be convened for this purpose by the Independent GWT H Shareholders, provided that:

   (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent GWT H Shareholders that are cast either in person or by proxy; and

   (ii) the number of votes cast against the resolutions is no more than 10% of the votes attaching to all H Shares held by the Independent GWT H Shareholders;

(c) a waiver application having been submitted to CSRC for the exemption of making any mandatory offer in relation to the change of controlling shareholder of the A-Share Listed Subsidiaries as a result of the Mergers, and such waiver having been granted by CSRC (pursuant to the Administrative Measures on Acquisitions of Listed Companies of the PRC, CEC shall submit the waiver application to CSRC within three days after the execution of the Merger Agreement);

(d) the approval of the Beijing local counterpart of SAFE in relation to the Merger Agreement having been obtained; and

(e) the completion of the H Share Offer, and GWT has submitted the Delisting application to the Stock Exchange and such Delisting has become effective pursuant to the Listing Rules.

As at the Latest Practicable Date, the waiver under Mergers Condition (c) above has been granted by CSRC. The approval under Mergers Condition (d) has been obtained as at the date of the Joint Announcement.

Pursuant to the PRC Laws, when the Merger Agreement becomes effective, it will be legally binding on CEC, CGW and GWT. Upon the completion of transactions under the Merger Agreement, CEC will have the right under the PRC Laws and the Articles of GWT to compulsorily deregister GWT and the then existing delisted H Shares.

Pursuant to the Merger Agreement, no consideration will be paid by CEC to CGW as to the entire Domestic Shares and the H Shares which may be acquired by CGW under the H Share Offer as CGW will be merged into CEC at the same time when GWT is merged into CEC. The payment to the GWT H Shareholders will be made as soon as possible but in any event within 7 Business Days after date on which the Merger Agreement has become effective. After the GWT H Shareholders have received the Merger Price, the relevant rights attaching to such delisted H Shares shall be deemed as cancelled and distinguished.

GWT H Shareholders are reminded that, pursuant to Article 174 of GWT's Articles, any Dissenting GWT H Shareholder who has voted against the Merger Agreement, will have the right to request GWT or other GWT Shareholders who have voted for the Merger Agreement to acquire their delisted H Shares at a "fair price", and receipt of the Merger Price by the Dissenting GWT H Shareholders does not preclude them from exercising such right. Under such circumstance, CEC shall, at the request of GWT or such GWT Shareholders, assume all obligations which GWT or such GWT Shareholders who have received such a request may have towards the Dissenting GWT H Shareholder(s). The provisions regarding the right of Dissenting GWT H Shareholder to be bought out at a "fair price" are contained only in the articles of association of PRC companies with shares listed on overseas market and are not otherwise stipulated in any PRC laws or regulations. There is no administrative guidance on the substantive as well as procedural rules as to how the "fair price" will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process to take, (ii) any favourable results to be granted to the Dissenting GWT H Shareholders and (iii) the cost may be incurred by the Dissenting GWT H Shareholders in such process for determining the "fair price". Further details of the terms and conditions of the Merger Agreement are set out in Appendix II to the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger, we have taken into consideration the following principal factors and reasons:

1. Reasons for CEC and CGW to propose the H Share Offer, the Delisting and the Mergers

As set out in the joint letter from CEC Board and CGW Board in the Composite Document, the reasons for proposing the H Share Offer, the Delisting and the Mergers are as follows:

(i) GWT and CGW are investment holding companies which do not have material business operation and their major assets are the equity interests in two A-Share Listed Subsidiaries. The H Share Offer and the Delisting of GWT, if successful, will, through the simplification of the structure, reduce the costs associated with compliance and maintaining the listing status of GWT. The mergers of GWT and CGW by CEC, if successful, can fully integrate the underlying assets and liabilities of GWT by CEC, which will allow CEC to have direct management of the assets and liabilities of GWT; and

(ii) the thin trading liquidity and persistently weak price performance of the H Shares limit GWT's ability to raise funds in the equity capital markets, so the advantage of maintaining the listing status of GWT is small.

2. Background and information of GWT

(i) Principal business of GWT

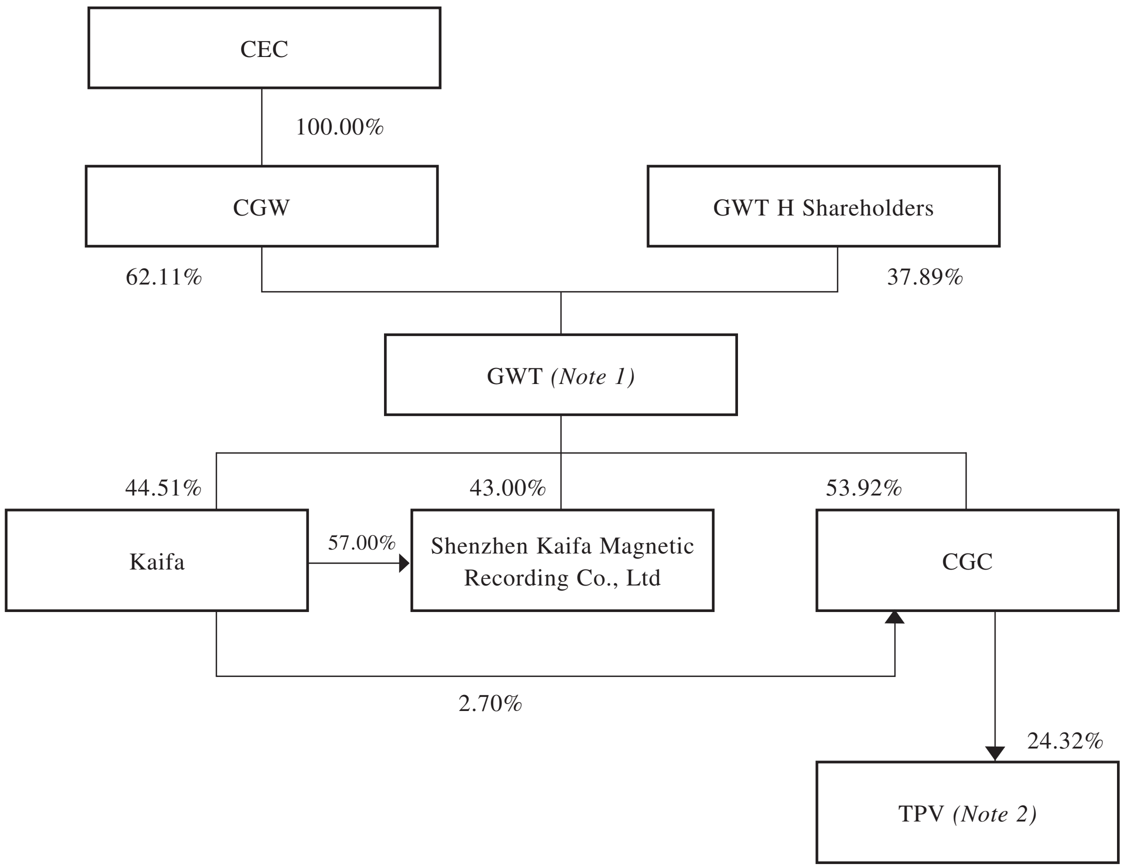
GWT was incorporated as a joint stock limited company in accordance with the PRC Company Law on 20 March 1998. GWT became listed on the Main Board of the Stock Exchange on 5 August 1999. GWT is an investment holding company and the GWT Group is principally engaged in the development, manufacture, sale and research of personal computers ("**PC**") and information terminal products, storage products, power supply products, monitoring terminals, liquid crystal display ("**LCD**") television ("**TV**") products and electronics manufacturing services business.

GWT is an investment holding company with no material business operation. Its major assets are the equity interests in two A-Share Listed Subsidiaries listed on the Shenzhen Stock Exchange, namely China Great Wall Computer Shenzhen Co., Ltd. (中國長城計算機深圳股份有限公司, Shenzhen Stock Exchange stock code: 000066) ("**CGC**") and Shenzhen Kaifa Technology Co., Ltd. (深圳長城開發科技股份有限公司, Shenzhen Stock Exchange stock code: 000021) ("**Kaifa**"), which are directly owned by GWT as to 53.92% and 44.51% respectively. GWT also holds, through Kaifa, an additional 2.7% equity interest in CGC.

CGC is principally engaged in (i) manufacturing and development of computers and peripheral equipment, including computers, servers, monitors, printers, power packs and other related products; (ii) development of computer software; (iii) provision of networking system integration; and (iv) provision of consultancy on e-commerce solution. The key asset of CGC is an approximate 24.32% equity interest in TPV Technology Limited ("**TPV**", Stock Exchange stock code: 903), which is listed on the Stock Exchange and a subsidiary of CGC. TPV is principally engaged in design, manufacturing and sale of PC monitors and flat TV products, including LCD TV. TPV maintains a position as the world's largest monitor manufacturer with more than one third of the market share and ranks fourth among LCD TV makers in terms of unit shipment worldwide in 2013. The major markets of CGC are in the PRC, Europe, North America and South America.

Kaifa is principally engaged in manufacturing and marketing of computer hardware, peripheral equipment, communication equipment and other electronic instruments and components. Kaifa focuses on three business areas comprising self-developed products, advanced manufactured products and spare parts, especially the manufacture of electronic products such as magnetic heads and hard disks and related products, smart measurement products, terminal payment products, mobile communications products, flash memory products and medical electronic products, and new energy business. The major markets of Kaifa are in Asia Pacific (excluding the PRC) and North America.

Set out below is a group chart of GWT as at the Latest Practicable Date.



Source: The 2013 Interim Report and information provided by GWT

Notes:

1. *GWT was interested in approximately 61.68% equity interests in both ExcelStor Great Wall Technology Limited ("**ExcelStor Great Wall**") and Shenzhen ExcelStor Technology Limited ("**ExcelStor Technology**") in 2013. Both ExcelStor Great Wall and ExcelStor Technology were dissolved as at the Latest Practicable Date.*

2. *TPV is accounted for as a subsidiary of GWT on the grounds of board control, despite the less than 50% shareholding.*

(ii) Shareholding of GWT

As at the Latest Practicable Date, GWT has 1,197,742,000 GWT Shares in issue, with 743,870,000 Domestic Shares and 453,872,000 H Shares. CGW owned the entirety of 743,870,000 Domestic Shares, representing approximately 62.11% of the issued share capital of GWT, and GWT H Shareholders (as well as the Independent GWT H Shareholders) were interested in 453,872,000 H Shares, representing approximately 37.89% of the issued share capital of GWT. The Domestic Shares and H Shares rank *pari passu* with each other, including voting rights and the right to receive dividend payments, except that payments of dividend will be made in RMB to holders of the Domestic Shares and in Hong Kong dollars to GWT H Shareholders. As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by GWT.

(iii) Financial performance of the GWT Group

Set out in the table below are the summarised consolidated income statements of GWT for the three years ended 31 December 2013. We have also reviewed certain financials of CGC, Kaifa and TPV in this section below. The analysis of financials of GWT, CGC, Kaifa and TPV below is based on audited (if applicable, restated) financial statements of the respective companies for the three years ended 31 December 2013, except for that of CGC for the six months ended 30 June 2013 (which were unaudited interim financial statements) and the year ended 31 December 2013 (which were unaudited financial summary).

	For year ended 31 December		
	2013	**2012**	**2011**
	(RMB million)	*(RMB million)*	*(RMB million)*
	(Audited)	(Restated)	(Audited)
Turnover	92,816.2	95,884.3	95,024.3
Cost of sales	(86,611.5)	(89,529.2)	(89,824.9)
Gross profit	6,204.7	6,355.1	5,199.4
Other income and gains	1,881.4	1,980.7	462.0
Net realised and unrealised gain on foreign exchange forward contracts	198.1	173.7	205.9
Selling and distribution costs	(3,758.5)	(3,379.0)	(2,223.6)
Administrative and other operating expenses	(2,417.9)	(2,266.5)	(2,116.5)
Research and development expenses	(1,749.9)	(1,894.3)	(878.1)
Finance costs	(708.3)	(493.0)	(155.2)
Share of results of associates and joint ventures	46.5	42.8	10.5
Others	199.0	(129.9)	492.4
Profit/(loss) before tax	(104.9)	389.6	996.8
Income tax expense	(445.0)	(257.9)	(248.9)
Profit/(loss) for the year	(549.9)	131.7	747.9
Profit/(loss) for the year attributable to:			
GWT Shareholders	73.9	(160.7)	156.7
Non-controlling interests	(623.8)	292.4	591.2
Profit/(loss) for the year	(549.9)	131.7	747.9
Basic earnings/(loss) per GWT Share attributable to the GWT Shareholders (RMB per GWT Share)	6.17 cents	(13.41) cents	13.08 cents

(a) Turnover

Turnover of the GWT Group mainly comprised (a) sales of TVs including those under the brand of "Philips"; (b) sales of PC monitors; (c) sales of electronic parts and components for use in PC; (d) sales of computer and PC peripheral products; and (e) rental income from investment properties. Sales of TVs and PC monitors, which were principally carried out through TPV, were the major revenue driver of the GWT Group and represented approximately 70% of the turnover for each of the three years ended 31 December 2013 (the "**Review Period**"). Sales of electronic parts and components for use in PC accounted for around 20% or less of the turnover for the Review Period.

Sales of TVs and PC monitors by TPV grew approximately 8.5% for the year ended 31 December 2012, which was mainly due to inclusion of the revenue generated from retail sales and distribution of TVs by TP Vision Holdings B.V. ("**TP Vision**"), the joint venture owned as to 70% by TPV and 30% by Koninklijke Philips Electronics N.V. ("**Philips**"), since the second quarter of 2012. Sales of TVs and PC monitors by TPV stayed flat for the year end 31 December 2013, which mainly attributable to the feeble demand in the European market and a rapid slowdown of growth in South America, both of which were the key markets of TP Vision, as well as the drop in shipment of monitors, which was in tandem with the shirking PC market.

A significant majority of turnover of CGC was contributed by TPV and therefore the turnover of CGC during the Review Period was generally in line with that of TPV.

During the Review Period, the turnover of Kaifa has been decreasing from approximately RMB18,630 million for the year ended 31 December 2011 to approximately RMB16,400 million for the year ended 31 December 2012, and further down to approximately RMB15,040 million for the year ended 31 December 2013. The decline was generally attributable to the drop in shipments of PC worldwide amid the deterioration of global economy created by, among others, debt crisis in developed economies, high unemployment rates and insufficient consumption demand, which consequentially reduced the demand for hard disks and related components produced by Kaifa.

(b) Gross profit

Gross profit of the GWT Group increased from approximately RMB5,199.4 million for the year ended 31 December 2011 by approximately RMB1,155.7 million or 22.2% to RMB6,355.1 million for the year ended 31 December 2012. Such increase was mainly due to the contribution of gross profit from TP Vision since the second quarter of 2012. The gross profit dropped by approximately RMB150.4 million or 2.4% to approximately RMB6,204.7 million for the year ended 31 December 2013. The decrease was mainly attributable to the aggressive price cuts and sales promotions to clear the build-up in inventory amid a slow TV market.

Gross profit margin of the GWT Group generally demonstrated an upward trend during the Review Period. Gross profit margins were approximately 5.5%, 6.6% and 6.7% for the year ended 31 December 2011, 2012 and 2013 respectively. The improvement in the gross profit margin, in particular for the two years ended 31 December 2012 and 2013, was largely due to the contribution of sales of higher margin products by TP Vision.

Gross profit margin of CGC also had a rising trend during the Review Period as majority of the gross profit came from TPV, including TP Vision in the later part of the Review Period. Gross profit margins were approximately 6.6%, 8.2% and 8.9% for the year ended 31 December 2011 and 2012 and six months ended 30 June 2013 respectively. The improvement in the gross profit margins, as explained in above, was largely due to the contribution of sales of higher margin products by TP Vision.

Gross profit margin of Kaifa has been maintained within a narrow range between approximately 2.4% and approximately 2.7% during the three years ended 31 December 2013.

(c) Profit/Loss for the year

The net profit of the GWT Group declined from approximately RMB747.9 million for the year ended 31 December 2011 by approximately RMB616.2 million or approximately 82.4% to approximately RMB131.7 million for the year ended 31 December 2012. For the year ended 31 December 2013, GWT registered a net loss of approximately RMB549.9 million.

The decrease in the net profit for the year ended 31 December 2012 and the record of a loss for the year ended 31 December 2013 were mainly due to higher selling and distribution costs, administrative and other operating expenses and research and development expenses after the inclusion of TP Vision into the GWT Group. In addition, the decrease in the net profit for the year ended 31 December 2012 was also attributable to the provision for the impairment of accounts receivable and inventories of RMB236 million in relation to Satcon Technology Corporation (the "**CGC Major Client**"), a customer of CGC, and the provision for impairment of property, plant and equipment of RMB98.5 million by Shenzhen Kaifa Magnetic Recording Co., Ltd. ("**Kaifa Magnetic**"), a non-wholly owned subsidiary of GWT (the "**Impairment Losses**").

In respect of CGC, the net profit has been decreasing from approximately RMB474.4 million for the year ended 31 December 2011 to approximately RMB95.5 million for the year ended 31 December 2012. The decreases, in general, can be attributed to the surge in selling and management expenses as a result of the increases in wages and promotion expenses, additional professional fees for TPV's expansion plan and, in respect of 2012 only, the distribution costs incurred by TP Vision after its inclusion in CGC's consolidated accounts since April 2012, as well as the impairment loss on accounts receivable and inventories, which were specifically made for the CGC Major Client, because of bankruptcy of the CGC Major Client. CGC recorded a net loss of approximately RMB225.2 million for the six months ended 30 June 2013 as a result of the costs incurred for restructuring carried out by TPV for integration and rationalisation of its production bases in Brazil and Hungary.

In respect of Kaifa, the net profit has decreased from approximately RMB220.1 million for the year ended 31 December 2011 to approximately RMB8.5 million for the year ended 31 December 2012 and has increased to approximately RMB158.9 million for the year ended 31 December 2013. However, after excluding the substantial non-recurring items such as impairment losses on assets, mainly fixed assets, long-term investments and inventories, of approximately RMB139.9 million and RMB125.5 million for the two years ended 31 December 2012 and 2013 respectively, the adjusted net profits of Kaifa were in the range between approximately RMB148 million and approximately RMB284 million.

(d) Profit/Loss for the year attributable to shareholders

The results attributable to the GWT Shareholders fluctuated during the Review Period. For the year ended 31 December 2011, a net profit of approximately RMB156.7 million was recorded for the GWT Shareholders. For the year ended 31 December 2012, notwithstanding a net profit of approximately RMB131.7 million was made by the entire GWT Group, a loss of approximately RMB160.7 million attributable to the GWT Shareholders was recorded. Such loss was mostly due to recognitions of the Impairment Losses of approximately RMB334.5 million as well as the losses made by a number of CGC's other subsidiaries excluding TPV in that year. The profit attributable to the GWT Shareholders returned to a positive RMB73.9 million for the year ended 31 December 2013 as the profit contributions from CGC's other subsidiaries (i.e. excluding TPV) and Kaifa have covered the loss incurred by TPV.

The results attributable to the shareholders of CGC were a profit of approximately RMB101.3 million, a loss of approximately RMB239.5 million and a profit of approximately RMB29.5 million for the years ended 31 December 2011, 2012 and 2013 respectively. For the year ended 31 December 2012, albeit CGC recorded a net profit for the year due to the profit contribution from the TPV Group, a loss attributable to the shareholders of CGC was recorded since a significant number of CGC's other subsidiaries made losses in that year. For the year ended 31 December 2013, the loss generated from the TPV Group was completely offset by the profit contributed from CGC's other subsidiaries and therefore a small profit was achieved for the shareholders of CGC despite the overall loss recorded by CGC.

The profits attributable to the shareholders of Kaifa were approximately RMB251.5 million, approximately RMB93.6 million and approximately RMB229.9 million for the years ended 31 December 2011, 2012 and 2013 respectively. The profit attributable to the shareholders of Kaifa during the Review Period was generally higher than the net profit achieved in the corresponding year. This was mainly due to losses incurred by Kaifa Magnetic, a non wholly-owned subsidiary of Kaifa, were shared by the minority shareholder of Kaifa Magnetic while the other subsidiaries of Kaifa, in aggregate, made profits in the relevant year.

(iv) Financial position of the GWT Group

Set out below are the summarised consolidated statements of financial position of GWT as at 31 December 2013, 2012 and 2011.

	As at 31 December		
	2013	**2012**	**2011**
	(RMB million)	*(RMB million)*	*(RMB million)*
	(Audited)	(Restated)	(Restated)
Non-current assets			
Property, plant and equipment and prepaid land lease payments	7,633.1	7,457.2	6,270.3
Investment properties	1,858.5	1,458.5	1,478.0
Intangible assets	902.5	1,386.6	349.9
Interests in associates and joint ventures	1,010.0	818.7	714.7
Other non-current assets	2,362.1	1,607.9	1,512.9
	13,766.2	12,728.9	10,325.8
Current assets			
Inventories	8,852.5	10,279.4	7,687.5
Trade and bills receivables	16,174.8	16,560.8	17,484.4
Prepayments, deposits and other receivables	3,796.0	3,932.3	2,897.8
Pledged deposits and term deposits	4,404.4	3,359.7	3,219.8
Bank balances and cash	6,569.6	5,386.1	3,457.9
Other current assets	673.5	430.9	337.6
	40,470.8	39,949.2	35,085.0
Current liabilities			
Trade and bills payables	16,493.7	16,320.6	14,475.1
Other payables and accruals	7,760.4	8,661.7	5,550.0
Bank and other loans	9,439.3	6,705.4	7,902.0
Other current liabilities	1,801.1	1,687.7	815.8
	35,494.5	33,375.4	28,742.9
Net current assets	4,976.3	6,573.8	6,342.1
Total assets less current liabilities	18,742.5	19,302.7	16,667.9

	As at 31 December		
	2013	**2012**	**2011**
	(RMB million)	*(RMB million)*	*(RMB million)*
	(Audited)	(Restated)	(Restated)
Capital and reserves			
Equity attributable to GWT Shareholders	4,458.0	4,336.6	4,570.1
Non-controlling interests	10,430.0	11,028.0	10,842.6
	14,888.0	15,364.6	15,412.7
Non-current liabilities			
Bank and other loans	2,105.6	1,756.7	492.5
Other payables	850.7	1,328.0	288.1
Other non-current liabilities	898.2	853.4	474.6
	3,854.5	3,938.1	1,255.2
	18,742.5	19,302.7	16,667.9

(a) Property, plant and equipment and prepaid land lease payments

Property, plant and equipment and prepaid land lease payments mainly consist of buildings, machinery and equipment, moulds, electrical appliances and equipment and construction-in-progress of the GWT Group for production proposes. They are largely factories and auxiliary facilities located in the PRC, Brazil and Poland. The property, plant and equipment and prepaid land lease payments were generally increasing during the Review Period after the inclusion of TP Vision into the GWT Group.

(b) Investment properties

Investment properties of the GWT Group were chiefly located in the PRC and Poland and certain of them have been leased out for rental income. The investment properties were carried at fair value and revalued on an open market basis at each balance sheet date.

(c) Intangible assets

Intangible assets primarily represented a 5-year trademark license agreement entered into between TP Vision and Philips, whereby TP Vision and its subsidiaries were granted the rights to use the Philips brand for their products and services.

(d) Inventories

Inventories represent largely finished goods and raw materials for production of PC monitors, TVs, PC and computer peripherals. The inventories increased in general during the Review Period, particularly after the inclusion of TP Vision in the GWT Group in the second quarter of 2012, except for as at 31 December 2013 when the TPV Group sold its TV inventories by way of aggressive price cuts and sales promotions near the year end of 2013.

(e) Trade and bills receivables

Trade and bills receivables, being the single largest asset in the GWT Group's balance sheet, were in the range of approximately RMB16.2 billion and RMB17.5 billion during the Review Period. Bad debt was immaterial and consistently around or less than 0.2% of the balance of trade and bills receivable as at the respective year end date.

(f) Trade and bills payables

Trade and bills payables were largely in line with the inventory levels throughout the Review Period. The average credit period on purchase is 30 days to 90 days and majority of the trade and bills payables are payable within 90 days throughout the Review Period.

(g) Net assets

As at 31 December 2013, the net assets attributable to the shareholders (the "**NAV**") of GWT were approximately RMB4,458.0 million. Based on the 1,197,742,000 GWT Shares in issue as at the Latest Practicable Date, the NAV per GWT Share was approximately RMB3.72 (equivalent to approximately HK$4.77).

GWT announced the acquisition of the remaining 30% interest in TP Vision by TPV on 25 March 2014. After taking into account the expected financial effect immediately upon completion of the above transaction, the NAV of the GWT Group is expected to decrease by approximately RMB48.2 million (estimated based on information in relevant announcement) and the NAV per GWT Share will decrease to approximately RMB3.68 (equivalent to approximately HK$4.72) (the "**Reassessed NAV per GWT Share**").

3. Industry overview and outlook of the GWT Group

As set out in the 2013 Annual Results Announcement, the TV and PC monitor business segments accounted for over 70% of both the total external sales and the total segment assets of the GWT Group as at 31 December 2013. Given the significance of these segments in the GWT Group, we have reviewed the trends and outlook of the TV and PC monitor industries as set out below.

(i) TVs

According to DisplaySearch, a leading industry research firm for the display supply chain and display-related industries, global thin film transistor ("**TFT**") LCD capacity has grown from around 13 million square meters ("**sq. m.**") in 2005 to around 70 million sq. m. in 2012 with a compound annual growth rate ("**CAGR**") of around 27.2%. Going forward, it is expected that growth in TFT LCD capacity will slow down, with a projected annual growth rate of less than 5% for the period between 2013 and 2015. Driven by the over-supply of finished goods and panels along the TVs supply chain as well as the gloomy demand outlook (as the market missed the usual peak season for TV sales in the second half of 2013), DisplaySearch forecasted that worldwide LCD TV shipments will grow modestly between 2012 and 2016, from 203 million units in 2012 to 255 million units in 2016, with a mid-single-digit annual growth rate of approximately 5.9%.

As there is no official data published by any major government in relation to the global TV shipments, we adopt the information provided by DisplaySearch. According to the website of DisplaySearch, DisplaySearch has been a provider of information, analysis and industry events specifically focused on the display supply chain and display-related industries since 1996. It has a worldwide team of analysts to conduct interview, connect with and survey buyers, sellers and original equipment manufacturers in the industry. Since 2005, DisplaySearch became an independently operated subsidiary of The NPD Group, a global provider of consumer and retail market research. DisplaySearch has provided information to clients in a number of industries including financial services, manufacturing, technology, communications, healthcare, retail, and government and their clients include some well-known names such as 3M, Applied Materials, Hisense, Hitachi, Intel, LG Electronics, LG Display, Panasonic, Samsung, Sharp, Sony, Sony Ericsson, TCL and Toshiba. Given its background and experience as well as the clientele of DisplaySearch, we consider its findings to be reliable and fairly presented.

(ii) PC monitors

The rising popularity of smartphones and tablets has suggested a declining market for PC. From 2010 to 2012, combined sales of tablets and smartphones have grown from over 350 million to around 1 billion units, much greater than the rate of increase of PC sales during the same period, which grew from around 350 million units in 2010 to around 355 million units in 2012. The continued decline in the demand for desktop PC has led International Data Corporation ("**IDC**") to lower its estimate of PC monitors shipped. In the last quarter of 2013, as per the latest update of "Worldwide Quarterly PC Monitor Tracker" report, IDC estimated worldwide shipments of 134.4 million units of PC monitors for 2013, down from an earlier estimate of 140.1 million units. By 2017, PC monitor worldwide shipments are expected to drop further to 113.6 million units. According to IDC, the continued decline in desktop PC is expected to bring about changes in strategy and product focus in the PC monitor market. The market is likely to see more touch-based monitors with higher price points in general and average screen size of the market is also expected to increase to 21.4" in 2017 from 20.4" in 2012.

As there is no official data published by any major government in relation to the global PC monitors shipments, we adopt the information provided by IDC. According to the website of IDC, IDC is a global provider of market intelligence, advisory services and events for the information technology, telecommunications and consumer technology markets for 50 years. IDC has more than 1,100 analysts globally to provide information technology trend and information in over 110 countries worldwide. IDC is a wholly-owned subsidiary of International Data Group ("**IDG**"), a global technology media, events and research company. IDG's media brands reach an audience of more than 280 million technology buyers in 97 countries. IDG's network features 460 websites and 200 print titles spanning business technology, consumer technology, digital entertainment and video games worldwide. IDG is also a producer of more than 700 technology-related events. Given its background and experience as well as the number of clients of IDC, we consider its findings are reliable and fairly presented.

Based on the above analysis, the prospects of the TV and PC monitor industries are mixed. For the TV industry, the growth in global capacity TFT LCD display capacity is rapidly decelerating while new technology enhancements will offer pricing upsides for those operators that can keep up with such advancements. For PC monitor and PC-related peripheral products in general, the future appears to be challenging with a steady decline of worldwide PC monitor shipments and a flat consumption rate for PC, though some opportunities are available for those PC monitor operators that can adapt to the changing market environment by introducing PC monitors with touch-based technologies and other added features that meet the demands. We consider the operating environment of the GWT Group, having regard of the above trends and outlook, to be challenging and there remains uncertainty on the growth prospects of the TV and PC monitor segments of the GWT Group in the short to medium term.

4. Information on both CEC and CGW and their intention in relation to GWT

CEC is a state-owned enterprise established in 1989 under the PRC Laws with approval from the State Council, it is a leading national electronics and information technology enterprise administered by the PRC government. CEC is wholly owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. CEC is principally engaged in the communications, consumer electronic products, semiconductor and software industries in the PRC. CEC, through its wholly-owned subsidiary CGW, holds the entire 743,870,000 Domestic Shares of GWT.

CGW is a state-owned enterprise established in 1986 in accordance with the PRC Laws and was consolidated into CEC in 2005. It is a wholly-owned subsidiary of CEC. As discussed below, CGW is an investment company holding the entire pool of Domestic Shares in issue.

As stated in the letter from ABCI in the Composite Document, the intention of CEC and CGW in respect of GWT is twofold as set out below:

(i) Voluntary withdrawal of listing of the H Shares on the Stock Exchange, i.e. the Delisting

Firstly, upon the H Share Offer becoming unconditional, GWT will make an application for the voluntary withdrawal of the listing of the H Shares on the Stock Exchange in accordance with Rule 6.12 and Rule 6.15(2) of the Listing Rules. Pursuant to Rule 6.15(2) of the Listing Rules, GWT may voluntarily withdraw its listing on the Stock Exchange as it is privatised by way of capital reorganisation which is governed by the Takeovers Code and all the relevant requirements, including the shareholders' approval requirements.

Independent GWT H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent GWT H Shareholders holding securities that are not listed on the Stock Exchange. In addition, GWT may not continue to be subject to the Takeovers Code after completion of the H Share Offer.

(ii) Merger by absorption of CGW and GWT

Secondly, subject to completion of the H Share Offer, the Delisting and fulfilment of other Mergers Conditions, the Merger Agreement will be implemented and completed, pursuant to which, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries.

We note the above intentions are generally measures to be adopted by CEC and CGW with an overall objective to facilitate business integration amongst CEC, CGW and GWT as well as to achieve the benefits summarised under the section headed "1. Reasons for CEC and CGW to propose the H Share Offer, the Delisting and the Mergers" above.

5. Share price compared to the Offer Price and privatisation precedents

(i) Market price compared to the Offer Price

		Premium over the Offer Price (i.e. HK$3.20 per H Share)
(i)	Closing price of HK$3.05 per H Share, as quoted on the Stock Exchange as at the Latest Practicable Date	4.9%
(ii)	Closing price of HK$2.24 per H Share, as quoted on the Stock Exchange on 24 September 2013, being the Last Trading Date	42.9%
(iii)	Average closing price of approximately HK$2.02 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 consecutive trading days up to and including the Last Trading Date	58.4%
(iv)	Average closing price of approximately HK$1.96 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 10 consecutive trading days up to and including the Last Trading Date	63.3%
(v)	Average closing price of approximately HK$1.83 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 consecutive trading days up to and including the Last Trading Date	74.9%
(vi)	Average closing price of approximately HK$1.66 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 consecutive trading days up to and including the Last Trading Date	92.8%
(vii)	Average closing price of approximately HK$1.60 per H Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 consecutive trading days up to and including the Last Trading Date	100.0%

The Offer Price represents premiums over the H Share prices in different periods before the Joint Announcement ranging from 42.9% to 100.0%. We consider that the H Share price at the Latest Practicable Date and the reduced premium is affected by the Joint Announcement.

(ii) Privatisation precedents

We have compared the H Share Offer to other privatisation proposals in Hong Kong. We have reviewed all the successful privatisation proposals (the "**Privatisation Precedents**") in the past 10 years (from 17 December 2003 to the Latest Practicable Date) and selected those involving Hong Kong listed companies engaged in the manufacture of electronic products and/or components business. Five Privatisation Precedents, which took place during the years 2009 to 2011, are identified, being the exhaustive list to our best knowledge. As the companies in the five Privatisation Precedents are engaged in similar businesses of GWT, they are considered fair and representative samples.

We have performed a comparison of premiums over prevailing market prices at which the Privatisation Precedents had been priced and the level of premium/discount over/to consolidated adjusted NAV per share at which the Privatisation Precedents were made. The results are set out below.

Date of initial announcement	Company name	Premium/(Discount) of offer/cancellation price over/(to) the consolidated adjusted NAV	Principal business activities	Premium of offer/cancellation price over the average share price prior to the privatisation proposal			Market capitalisation based on the offer value
				30 trading days	90 trading days	180 trading days	*(HK$ million)*
8 August 2011	HannStar Board International Holdings Limited (stock code: 667) ("**HannStar**")	(42.4)%	Manufacture of printed circuit boards for the notebook computer industry worldwide	51.8%	48.0%	23.8%	1,645.3
18 July 2011	China Resources Microelectronics Limited (stock code: 597)	13.2%	Integrated circuit open foundry operations as well as integrated circuit design discrete devices and integrated circuit testing and packaging	29.7%	22.0%	27.5%	4,219.0
25 May 2009	Stone Group Holdings Limited (stock code: 409) ("**Stone**")	(63.6)%	Manufacture, distribution and sale of healthcare products and electronic products	48.1%	69.5%	68.9%	963.4

Date of initial announcement	Company name	Premium/ (Discount) of offer/cancellation price over/(to) the consolidated adjusted NAV	Principal business activities	Premium of offer/cancellation price over the average share price prior to the privatisation proposal 30 trading days	90 trading days	180 trading days	Market capitalisation based on the offer value *(HK$ million)*
19 May 2009	Nam Tai Electronic & Electrical Products Limited (stock code: 2633)	162.5%	Manufacture and marketing of consumer electronic and communication products and software development	6.3%	69.5%	60.4%	1,340.1
12 March 2009	Delta Network, Inc. (stock code: 722)	17.7%	Design and manufacture of a wide range of networking products	80.7%	95.8%	32.7%	2,633.1
Privatisation Precedents							
Average		**17.5%**		**43.3%**	**61.0%**	**42.7%**	
Maximum		**162.5%**		**80.7%**	**95.8%**	**68.9%**	
Minimum		**(63.6)%**		**6.3%**	**22.0%**	**23.8%**	
The H Share Offer		**(32.2)%**		**74.9%**	**95.8%**	**100.0%**	**3,832.8**

Source: Bloomberg and the filings of the relevant companies on the Stock Exchange website

(a) Discount to or premium over the consolidated adjusted NAV per share

For the Privatisation Precedents, we have observed a wide range of offer price as compared to the consolidated adjusted NAV ranging from a premium of 162.5% to a discount of 63.6%, averaging at a premium of 17.5%, which is higher than the 32.2% discount as implied by the Offer Price. Both the offer prices of HannStar and Stone represent deeper discounts to consolidated adjusted NAV as compared to that of GWT and while that of the other three Privatisation Precedents had premiums over their respective consolidated adjusted NAV. However, the variation of premiums over and discounts to the consolidated adjusted NAV as represented by the offer prices in the Privatisation Precedents, in our view, suggests that price-to-book ("**P/B**") multiple may not be a relevant valuation methodology in the context of the privatisation of an electronics manufacturer, hence the comparison of offer price as compared to the consolidated adjusted NAV in the Privatisation Precedents, in our view, may not be of immediate relevance to our analysis.

(b) Premiums over the prevailing share price

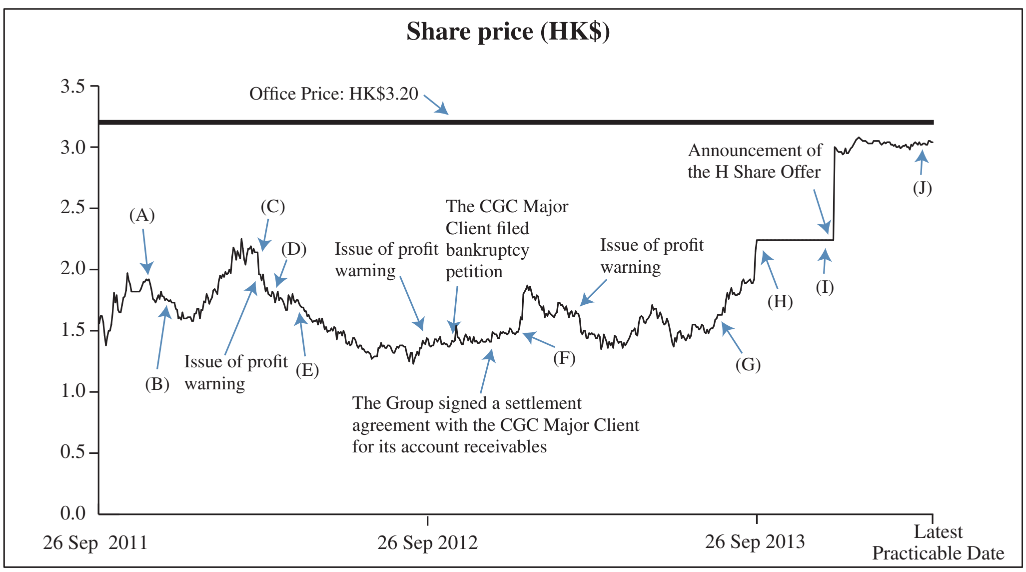
The premiums in the Privatisation Precedents ranged from 6.3% to 80.7%, 22.0% to 95.8% and 23.8% to 68.9% over their respective 30-day, 90-day and 180-day average share prices with averages of 43.3%, 61.0% and 42.7% respectively.

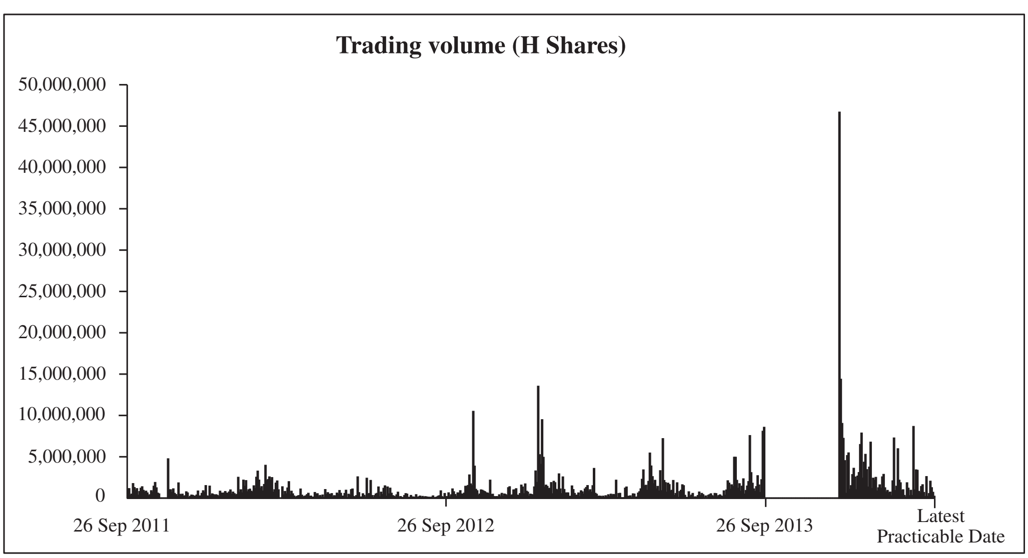
The premiums offered by the Offer Price over the 30-day, 90-day and 180-day average H Share price were approximately 74.9%, 95.8% and 100.0% respectively. With respect to the 30-day and 90-day average H Share price, the premiums represented by the Offer Price are very close and equal to the highest of those of the Privatisation Precedents respectively. The premium of the Offer Price over 180-day average H Share price is higher than all of those Privatisation Precedents.

6. Share price and trading liquidity of the H Shares

(i) Closing market prices over a 2-year period and up to the Latest Practicable Date

Set out below are charts of the closing prices and trading volume of the H Shares from 26 September 2011, being the first trading date two years before the Last Trading Date, up to and including the Latest Practicable Date (the "**Relevant Period**"):





Source: Bloomberg

The H Shares closed at all times below the Offer Price during the period from 26 September 2011 to 24 September 2013 (the "**2-year Review Period**"), ranging from HK$1.23 to HK$2.25 per H Share. Of 491 trading days during the 2-year Review Period, the H Shares closed above HK$2.00 for only 22 trading days.

During the Relevant Period, GWT announced several significant transactions, which are summarised below:

	Date of announcement	Description of the transaction
(A)	9 November 2011	A very substantial acquisition relating to proposed acquisition of Philips' TV business in Europe and certain South American countries by TPV.
(B)	8 December 2011	A major transaction relating to disposal of land in Suzhou by TPV.
(C)	20 March 2012	A very substantial disposal relating to deemed disposal of CGC as result of a subscription of CGC new shares by CEC (the "**CGC New Share Issue**"). GWT's interest in CGC was expected to decrease from 56.62% to 43.98% upon completion.
(D)	2 April 2012	Completion of the acquisition of Philips' TV business by TPV.
(E)	10 May 2012	CGC failed to obtain shareholders' approval for the CGC New Share Issue as announced on 20 March 2012.
(F)	18 December 2012	A major transaction relating to deemed disposal of Kaifa as a result of Kaifa new shares issue to independent third parties (the "**Kaifa New Share Issue**"). GWT's interest in Kaifa was expected to decrease from 49.64% to 43.82% upon completion.
(G)	6 August 2013	A very substantial acquisition relating to construction of office complex by CGC.
(H)	8 October 2013	Completion of Kaifa New Share Issue. GWT's interest in Kaifa was diluted from 49.64% to 44.51% upon completion.
(I)	27 November 2013	A major transaction relating to disposal of property in Fujian Province by TPV.
(J)	25 March 2014	A major transaction relating to acquisition of 30% interests in TP Vision by TPV.

The H Share closing price dropped gradually from HK$1.82 on 9 November 2011, when the acquisition of Philips TV business by TPV was announced, to HK$1.58 on 9 January 2012. The H Share closing price then rebounded to reach HK$2.18 on 23 February 2012. The H Share closing price resumed its downtrend after GWT announced a profit warning in late March 2012 and continued to fall below HK$1.50 after CGC failed to obtain shareholders' approval for the CGC New Share Issue in May 2012.

The closing price of the H Shares stabilised in a range of HK$1.23 to HK$1.49 during the period from 25 June 2012 to 18 December 2012 (except for 24 October 2012 when it closed at HK$1.54) even though GWT announced another profit warning in August 2012 and the uncertainty over the collectability of RMB166.47 million account receivables from the CGC Major Client, which filed bankruptcy petition in the United States of America in October 2012.

On 14 December 2012, GWT announced that a settlement agreement was entered into with the CGC Major Client. It was expected that such account receivables would be reduced from RMB166.47 million to RMB117.04 million. Subsequently, the closing price of the H Shares was generally on an uptrend and reached HK$1.87 on 10 January 2013. It then oscillated around HK$1.50 level after GWT issued another profit warning announcement in March 2013.

It is noted that the closing price of the H Shares started to increase prior to 24 September 2013, being the Last Trading Date prior to the suspension of trading in the H Shares pending the issue of the Joint Announcement. The H Shares closed at HK$2.24 on 24 September 2013. After the release of the Joint Announcement and up to the Latest Practicable Date, both the lower and upper range of the closing price of the H Shares increased to HK$2.94 per H Share and HK$3.08 per H Share respectively, with the average closing price of the H Shares was approximately HK$3.02 per H Share. Independent GWT H Shareholders should however be aware that there can be no assurance that the H Shares will trade at or above the Offer Price of HK$3.20 per H Share in the event the H Share Offer does not become unconditional.

(ii) Trading liquidity

Set out in the table below are the monthly total trading volumes of the H Shares and the percentages of such monthly total trading volumes to the total issued H Shares and the total issued GWT Shares from the start of 2012 to the Latest Practicable Date:

	Monthly total trading volume of the H Shares	Percentage of the monthly total trading volume to the total number of H Shares in issue *(Note 1)*	Percentage of the monthly total trading volume to the total number of GWT Shares in issue *(Note 2)*
2012			
January	9,467,000	2.1%	0.8%
February	28,841,001	6.4%	2.4%
March	30,750,000	6.8%	2.6%
April	5,432,000	1.2%	0.5%
May	8,595,000	1.9%	0.7%
June	14,454,544	3.2%	1.2%
July	12,062,000	2.7%	1.0%
August	3,396,000	0.7%	0.3%
September	5,856,000	1.3%	0.5%
October	31,268,103	6.9%	2.6%
November	12,195,684	2.7%	1.0%
December	14,038,000	3.1%	1.2%
2013			
January	62,666,000	13.8%	5.2%
February	12,068,000	2.7%	1.0%
March	14,004,000	3.1%	1.2%
April	8,828,000	1.9%	0.7%
May	44,282,746	9.8%	3.7%
June	19,674,000	4.3%	1.6%
July	7,045,245	1.6%	0.6%
August	30,368,000	6.7%	2.5%
September	43,980,000	9.7%	3.7%
October	–	–	–
November	–	–	–
December	93,835,230	20.7%	7.8%
2014			
January	67,421,650	14.9%	5.6%
February	36,036,900	7.9%	3.0%
March	30,579,599	6.7%	2.6%
From 1 April 2014 to the Latest Practicable Date	4,874,000	1.1%	0.4%

Source: Bloomberg and the Stock Exchange website

Notes:

1. *The calculation is based on the monthly total trading volumes of the H Shares divided by the total H Shares in issue at the end of each month during the period.*

2. *The calculation is based on the monthly total trading volumes of the H Shares divided by the total GWT Shares in issue at the end of each month during the period.*

Based on the above table, the liquidity of the H Shares, in our view, was generally thin during the review period, except for the period after publication of the Joint Announcement. The H Shares have not, in our opinion, been actively traded in the two years before the Joint Announcement. Given the Offer Price is significantly higher than the closing H Share prices during the review period (i.e. from the start of 2012 to the Last Trading Date), the H Share Offer is a potentially valuable opportunity to exit at a fixed cash price (i.e. the Offer Price).

(iii) Discount of NAV per GWT Share to historical GWT Share price

Set out in the table below are H Share closing prices and the corresponding discounts to NAV per GWT Share since 26 September 2011, being the first trading date two years before the Last Trading Date, to the Last Trading Date.

Period *(Note 1)*	**NAV per GWT Share** *(Note 2)*	**Closing price per H Share**		**The discount of closing price per H Share to the NAV per GWT Share**	
		Low	**High**	**Low**	**High**
	RMB	*HK$*	*HK$*	*(Note 3)*	*(Note 3)*
26 September 2011 to 29 March 2012	3.84	1.38	2.25	52.0%	70.6%
30 March 2012 to 30 August 2012	3.82	1.27	1.82	61.2%	72.9%
31 August 2012 to 28 March 2013	3.79	1.23	1.87	59.6%	73.4%
2 April 2013 to 29 August 2013	3.62	1.35	1.85	59.4%	70.4%
30 August 2013 to the Last Trading Date	3.58	1.79	2.24	50.7%	60.6%

Source: Bloomberg and GWT's respective results announcements and annual and interim reports

Notes:

1. *The beginning date of the relevant period represents the first trading date after GWT released its relevant results announcement, except for the beginning date of the first period, which was the first trading date two years before the Last Trading Date.*

2. *The figure is based on the equity attributable to the GWT Shareholders as set out in the respective results announcement of GWT.*

3. *The percentages are calculated at the average exchange rate prevailing at the relevant period.*

During the period from 26 September 2011 to the Last Trading Date, the H Shares have been trading at discounts to NAV per GWT Shares ranging from 50.7% to 73.4%. As set out in the table above, the H Shares have been trading at discounts of at least 50% to NAV per GWT Share. Based on the Offer Price of HK$3.20 and the latest Reassessed NAV per GWT Share of RMB3.68 (equivalent to approximately HK$4.72), the Offer Price represents a discount of approximately 32.2%, which is significantly below the lower bound of the range of discounts as reviewed above.

7. Comparable analysis

(i) Comparable Companies

The GWT Group is principally engaged in the development, manufacture, sale and research of PC and information terminal products, storage products, power supply products, monitoring terminals, LCD TV products and electronics manufacturing services business. We reviewed and identified companies listed on the Stock Exchange engaging in and with majority of revenue derived from similar activities of the GWT Group (the "**Comparable Companies**") as set out in the table below, being the exhaustive list to our best knowledge. As the Comparable Companies are engaged in and with a majority of their revenue derived from similar activities of the GWT Group, they are considered fair and representative samples.

Name	Stock code	Principal activities	Price-to-earnings ("P/E") multiple (times) *(Note 1)*	P/B multiple (times) *(Note 2)*	Market capitalisation as at the Latest Practicable Date *(HK$ million)*
Skyworth Digital Holdings Limited ("**Skyworth**")	751	Skyworth, through its subsidiaries, designs, manufactures, and sells colour TVs and audio-visual products. Skyworth also invests in properties.	7.7	1.1	11,605.5
TCL Multimedia Technology Holdings Limited ("**TCL**")	1070	TCL, through its subsidiaries, manufactures TV sets, trades TV related components, and manufactures audio visual products. TCL also manufactures PC and peripheral products.	N/A *(Note 3)*	1.0	4,280.9
AVIC International Holdings Limited ("**AVIC**")	161	AVIC, through its subsidiaries, manufactures and sells LCDs, printed circuit boards, and cable TV equipment. AVIC also manufactures and sells mechanical and quartz timepieces and plastic moulds and plastic products. In addition, AVIC operates restaurants.	3.2	0.3	3,276.4
TPV	903	TPV is a display solutions provider. TPV designs and produces a full range of PC monitors and LCD TV on original design manufacturer basis for its distribution worldwide. TPV is listed on both the Hong Kong and Singapore stock exchanges.	N/A *(Note 3)*	0.2	3,166.6
The Comparable Companies					
Average			**5.5**	**0.7**	
Maximum			**7.7**	**1.1**	
Minimum			**3.2**	**0.2**	
GWT			**28.4** *(Note 4)*	**0.5** *(Note 5)*	2,682.9
The H Share Offer			**40.5** *(Note 6)*	**0.7** *(Note 7)*	3,832.8

Source: Bloomberg and the respective Comparable Companies' financial statements

Notes:

1. *The P/E multiples are calculated based on the profit attributable to the shareholders of the relevant Comparable Companies as published in their respective latest results announcements (or financial reports) and the respective closing prices of the shares and number of outstanding shares of the relevant Comparable Companies on the Latest Practicable Date.*

2. *The P/B multiples are calculated based on the NAV of the relevant Comparable Companies as published in their respective latest results announcements (or financial reports) and the respective closing prices of the shares and number of outstanding shares of the relevant Comparable Companies on the Latest Practicable Date.*

3. *Both TCL and TPV were loss-making for the year ended 31 December 2013, hence the P/E multiples for these two companies were not applicable.*

4. *The P/E multiple of GWT is calculated based on the closing H Share price of HK$2.24 on the Last Trading Date and the profit attributable to the GWT Shareholders per GWT Share for the year ended 31 December 2013 of RMB0.062 (equivalent to approximately HK$0.079).*

5. *The P/B multiple of GWT is calculated based on the closing H Share price of HK$2.24 on the Last Trading Date and the Reassessed NAV per GWT Share as at 31 December 2013 of RMB3.68 (equivalent to approximately HK$4.72).*

6. *The P/E multiple implied by the H Share Offer is calculated based on the Offer Price of HK$3.20 per H Share and the profit attributable to GWT Shareholders per GWT Share for the year ended 31 December 2013 of RMB0.062 (equivalent to approximately HK$0.079).*

7. *The P/B multiple implied by the H Share Offer is calculated based on the Offer Price of HK$3.20 per H Share and the Reassessed NAV per GWT Share as at 31 December 2013 of RMB3.68 (equivalent to approximately HK$4.72).*

(ii) Comparison of P/E multiples

As shown in the table above, the P/E multiples of the Comparable Companies are in the range of 3.2 times and 7.7 times. The P/E multiple of GWT as at the Last Trading Date was 28.4 times. The P/E multiple implied by the Offer Price is 40.5 times, which is significantly higher than the average of the P/E multiples of the Comparable Companies of 5.5 times.

(iii) Comparison of P/B multiples

As shown in the table above, the P/B multiples of the Comparable Companies are in the range of 0.2 times and 1.1 times. The P/B multiple of GWT as at the Last Trading Date was 0.5 times. The P/B multiple implied by the Offer Price is 0.7 times, which is equal to the average of the P/B multiples of the Comparable Companies of 0.7 times.

8. Illustration of theoretical value of the GWT Group based on market prices of listed entities

A high proportion of the GWT Group's assets (i.e. CGC and Kaifa) are listed on the Shenzhen Stock Exchange. We have performed, for illustrative purposes only, a calculation of the theoretical valuation of the GWT Group based on the sum of (i) the market value of the shares in its subsidiaries listed on the Shenzhen Stock Exchange; and (ii) book value of other assets and liabilities of the GWT Group (excluding all GWT's assets and liabilities associated with the above listed subsidiaries) as at 31 December 2013. We have discussed with the GWT Group's management the latest financial position of the GWT Group and have concluded that there has been no material change of the value of other assets and liabilities (except for those held by CGC and Kaifa) since 31 December 2013.

	As at 31 December 2013	As at the Latest Practicable Date *(Note 1)*
	(RMB million)	*(RMB million)*
Market value of the shares of the listed subsidiaries held by GWT		
– Kaifa	3,457.6	3,811.2
– CGC	2,740.7	2,769.0
Book value of other assets and liabilities of the GWT Group (excluding all the GWT Group's assets and liabilities associated with the above listed subsidiaries)	677.4 *(Note 2)*	677.4 *(Notes 2, 3)*
Market Price-related Value (as defined below)	**6,875.7**	**7,257.6**
Per GWT Share *(HK$)(Note 4)*	**HK$7.36**	**HK$7.77**

Notes:

1. *Market values of Kaifa and CGC are calculated based on the respective average closing prices as quoted on the relevant stock exchanges for the 30 consecutive trading days up to and including the Latest Practicable Date.*

2. *Book values of other assets and liabilities of the GWT Group were provided by the management of GWT.*

3. *Book values of other assets and liabilities of the GWT Group as at the Latest Practicable Date were the same as that as at 31 December 2013 since, based on our discussion with the management of GWT, there has been no material change in the book values of other assets and liabilities of the GWT Group since 31 December 2013.*

4. *Based on 1,197,742,000 GWT Shares in issue as at the Latest Practicable Date.*

Based on the market value of the shares of the listed subsidiaries and the book value of other assets and liabilities not held by its listed subsidiaries as at 31 December 2013, the aggregate market value (the "**Market Price-related Value(s)**") of GWT as at 31 December 2013 and as at the Latest Practicable Date were approximately RMB6.9 billion and RMB7.3 billion respectively, equivalent to approximately HK$7.36 and HK$7.77 per H Share respectively.

The Offer Price represents discounts of approximately 56.5% and 58.8% to the Market Price-related Values as at 31 December 2013 and the Latest Practicable Date respectively. However, the closing price of the H Shares on the Last Trading Date represents even deeper discounts at approximately 69.6% and 71.2% to the Market Price–related Values as at 31 December 2013 and the Latest Practicable Date respectively.

We have assessed the share prices of 84 mainland companies (the "**A-H Companies**") listed on both the Stock Exchange and Shenzhen Stock Exchange or Shanghai Stock Exchange. It is noted that there are price differences of the A-H Companies on the two stock exchanges in which 60 A-H Companies have lower closing prices on the Stock Exchange as compared to those on the Shenzhen Stock Exchange or Shanghai Stock Exchanges. Nanjing Panda Electronics Company Limited ("**Nanjing Panda**", stock code on the Stock Exchange: 553), one of the A-H Companies, is engaged in a similar electronics manufacturing business as GWT and is also controlled by CEC. The H share closing price of Nanjing Panda represents 67.3% discount to its A share as at the Latest Practicable Date. It appears there is a significant difference in valuation between A shares and H shares in the context of electronics manufacturing business.

As a supporting approach, we have also looked at the P/B multiples of companies listed in the PRC, which are engaged in (i) the manufacture of TVs and PC monitor; and (ii) the manufacture of computer hardware based on the information from Bloomberg. Their average P/B multiples are 2.9 times and 4.1 times respectively, against those of the Hong Kong peer companies of 0.7 times (as discussed in the section headed "7(iii) Comparison of P/B multiples") and 2.8 times respectively. On this basis, the market values of two A-Shares Listed Subsidiaries may not be appropriate for the valuation of GWT in respect of the H Share Offer, which is conducted in Hong Kong.

GWT and CGW are investment holding companies which do not have material business operation and their major assets are the equity interests in two A-Share Listed Subsidiaries. The H Share Offer and the Delisting, if successful, will reduce costs through the simplification of the structure and dispensation of costs associated with compliance and maintenance of the listing status of GWT. The mergers of GWT and CGW by CEC, if successful, can fully integrate the underlying assets and liabilities of GWT by CEC, which will allow CEC to have the direct management on the assets and liabilities of GWT.

CEC is a state-owned enterprise established in 1989 under the PRC Laws with approval from the State Council, it is a leading national electronics and information technology enterprise administered by the PRC government. As advised by the management of CEC, the equity interests in two A-Share Listed Subsidiaries and other remaining business of the GWT Group will be held by CEC as long-term investments. Consequently, the assumption that the listed parts of the principal businesses of the GWT Group may be sold in the market is theoretical and is presented for illustrative purposes only.

DISCUSSION AND ANALYSIS

GWT, though CGC which in turn owns TPV, maintains a position as the world's largest monitor manufacturer with more than one third of the market share and ranks fourth among LCD TV makers in terms of unit shipment worldwide in 2013. The formation of TP Vision with Philips in 2012 allowed GWT to further expand its reach downstream in the display solution supply chain. However, the performance of this joint venture arrangement so far has not been encouraging and has resulted in a significant increase in costs and reduction of net profit, and also a loss to the GWT Group for the year ended 31 December 2013. Kaifa, being the other key part of the GWT Group, also encountered difficulty in maintaining profitability in the ever-increasing competitive environment.

As discussed above, the prospects of the TV and PC monitor industries are mixed. While there are potential upsides for TV manufacturers, the future of PC monitor and PC-related peripheral products appears to be challenging owing to a steady decline of worldwide PC monitor shipments and a flat consumption rate for PC. In short to medium term, the outlook of the TV and PC monitor segments of the GWT Group remains uncertain.

Because of the high proportion of the GWT Group's assets are listed, the estimated value of the GWT Group could be theoretically derived from the market value of the listed subsidiaries. Having considered the significant difference in the valuation of companies listed in the PRC and the Hong Kong stock markets as demonstrated in our analysis of the A-H Companies and the P/B multiples of companies within the same industry of manufacturing of TVs and PC monitors and computer hardware, we are of the view that the market values of the two A-Shares Listed Subsidiaries may not be appropriate for the valuation of GWT in respect of the H Share Offer, which is conducted in Hong Kong. Hence, we have not placed material reliance on the market values of these two A-Shares Listed Subsidiaries in our analysis.

The H Share price was generally sluggish in the last two years before the Last Trading Date. From the Independent GWT H Shareholders' perspective, the Offer Price represents a substantial uplift in shareholder value compared to the recent prices of the H Shares. The Offer Price represents premiums over the average H Share prices in different periods up to 180 trading days before the Joint Announcement ranging from 42.9% to 100.0%. Given the uncertain outlook of the industries for which the GWT Group is engaged in, we believe the recent prices of the H Shares (i.e. the H Share prices after publication of the Joint Announcement) are unlikely to be sustained if the H Share Offer lapses.

In our view, the trading liquidity of the H Shares has been thin. From the Independent GWT H Shareholders' perspective, in particular those holding large blocks of the H Shares, the H Share Offer will provide a good opportunity if the H Share Offer is approved so that the Independent GWT H Shareholders can realise their holdings through a cash exit which would not normally be available through the market.

The P/E multiple implied by the Offer Price of 40.5 times is significantly higher than the average of the P/E multiples of the Comparable Companies of 5.5 times. The P/B multiple implied by the Offer Price of 0.7 times is equal to the average of the P/B multiples of the Comparable Companies of 0.7 times. Having considered the significant amount of revenue and results of the GWT Group were contributed by TPV, we are of the view that TPV is the closest proxy to GWT and we consider it appropriate to give more weight on the P/B multiple of TPV in this analysis. The P/B multiple implied by the Offer Price of 0.7 times is more favourable as compared to that of TPV of 0.2 times. We also note that the GWT Shares have been trading at discounts of over 50% to the NAV per GWT Share, which represents a P/B multiple of less than 0.5 times.

OPINION AND RECOMMENDATION

Based on the above analysis, in particular the factors as set out in the section headed "Discussion and analysis" above, we consider the terms of the H Share Offer, the Delisting, the Merger Agreement and the GWT Merger to be fair and reasonable so far as the Independent GWT H Shareholders are concerned and advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent GWT H Shareholders to (i) vote in favour of the resolutions to approve the voluntary withdrawal of the listing of the H Shares from the Stock Exchange, the Merger Agreement and the GWT Merger at the H Share Class Meeting; and (ii) vote in favour of the resolutions to approve the Merger Agreement and the GWT Merger at the Extraordinary General Meeting.

We also advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent GWT H Shareholders to accept the H Share Offer. Independent GWT H Shareholders should monitor the H Share price performance during the period of the H Share Offer. In the event that the market price of the H Shares exceeds the Offer Price and the net sale proceeds, net of all transaction costs, exceeds the amount receivable under the H Share Offer, the Independent GWT H Shareholders should consider selling their H Shares on the market instead of accepting the H Share Offer.

Independent GWT H Shareholders are reminded that if they do not accept the H Share Offer and the H Share Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the Independent GWT H Shareholders holding securities that are not listed on the Stock Exchange. In addition, GWT may not continue to be subject to the Takeovers Code after completion of the H Share Offer.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
M.N. Sabine
Chairman

1. PROCEDURES FOR ACCEPTANCE AND SETTLEMENT FOR GWT H SHAREHOLDERS

1.1 If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in your name, and you wish to accept the H Share Offer in respect of your H Shares, you must send the duly completed Form of Acceptance together with the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event so as to reach the Registrar at the aforesaid address no later than 4:00 p.m. on the First Closing Date or such later time and/or date as CEC and CGW may determine and announce in accordance with the Takeovers Code.

1.2 If the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the H Share Offer in respect of your H Shares, you must either:

(a) lodge your H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the H Share Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

(b) arrange for the H Shares to be registered in your name by GWT through the Registrar, and deliver the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

(c) if your H Shares have been lodged with your licensed securities dealer or registered institution in securities or custodian bank through CCASS, instruct your licensed securities dealer or registered institution in securities or custodian bank to authorise HKSCC to accept the H Share Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer or registered institution in securities or custodian bank for the timing on the processing of your instruction, and submit your instructions to your licensed securities dealer or registered institution in the securities or custodian bank as required by them; or

(d) if your H Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set out by HKSCC.

1.3 If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your H Share certificate(s), and you wish to accept the H Share Offer in respect of your H Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to ABCI and/or CEC and/or CGW or their respective agent(s) to collect from GWT or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the H Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

1.4 If the H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your H Shares is/are not readily available and/or is/are lost and you wish to accept the H Share Offer in respect of your H Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

1.5 Acceptance of the H Share Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as CEC and CGW may determine and announce as permitted under the Takeovers Code, and is:

(i) accompanied by the relevant H Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those H Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant H Share; or

(ii) from a registered GWT H Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to H Shares which are not taken into account under another sub-paragraph of this paragraph 1.5); or

(iii) certified by the Registrar or the Stock Exchange.

1.6 If the Form of Acceptance is executed by a person other than the registered GWT H Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

1.7 No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) will be given.

1.8 Provided that a valid Form of Acceptance and the relevant H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar no later than the latest time for acceptance (or such later time and/or date as CEC and CGW may announce with the consent of the Executive) and the H Share Offer has become or is declared unconditional in all respects, a cheque for the amount due to each Accepting GWT H Shareholder less seller's ad valorem stamp duty in respect of the H Shares held by the Accepting GWT H Shareholders tendered by him/her/it under the H Share Offer will be despatched to the Accepting GWT H Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days of the later of the date on which the H Share Offer becomes or is declared unconditional in all respects and the date of receipt of the completed Form of Acceptance and all the relevant documents by the Registrar from the GWT H Shareholder accepting the H Share Offer.

2. ACCEPTANCE PERIOD AND REVISIONS

2.1 The H Share Offer is made on Friday, 11 April 2014, the date of posting of this Composite Document, and is capable of acceptance on and from this date.

2.2 CEC and CGW have the right, subject to the Takeovers Code, to extend the H Share Offer after the despatch of this Composite Document or to revise the terms of the H Share Offer (other than the offer price of the H Share Offer), and may introduce new conditions to be attached to any revision to any of the H Share Offer or any subsequent revision thereof to the extent necessary to implement the revised H Share Offer and subject to the consent of the Executive.

2.3 Unless the Executive consents to the extension of the H Share Offer, all acceptances must be received by 4:00 p.m. on the First Closing Date in accordance with the instructions printed on the Form of Acceptance and the H Share Offer will be closed at 4:00 p.m. on the First Closing Date. In accordance with Rule 15.3 of the Takeovers Code, where the H Share Offer becomes or is declared unconditional, it should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the H Share Offer is closed to the Independent GWT H Shareholders who have not accepted the H Share Offer and an announcement will be published. CEC and CGW will extend the 14-day period under Rule 15.3 of the Takeovers Code to 28 calendar days.

2.4 If in the course of the H Share Offer, CEC and CGW revise the terms of the H Share Offer (other than the offer price of the H Share Offer), all GWT H Shareholders, whether or not they have already accepted the H Share Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date.

2.5 If the H Share Offer is extended (with the consent of the Executive) or revised, the announcement of such extension or revision will state the next closing date or, if the H Share Offer becomes or is declared unconditional as to acceptances, a statement may be made that the H Share Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the H Share Offer is closed to those GWT H Shareholders, who have not accepted the H Share Offer and an announcement will be published.

2.6 If the closing date of the H Share Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the H Share Offer so extended.

2.7 The acceptance by or on behalf of GWT H Shareholder in its original and/or any previously revised form, shall be treated as an acceptance of the relevant H Share Offer as so revised.

2.8 Any acceptance of the relevant revised H Share Offer and/or any election pursuant thereof shall be irrevocable unless and until the Accepting GWT H Shareholder of the H Share Offer becomes entitled to withdraw his/her/its acceptance under the paragraph headed "Right of Withdrawal" below and duly does so.

3. ANNOUNCEMENTS

3.1 By 6:00 p.m. on the First Closing Date and any other closing date (or such later time and/or date as the Executive may agree), CEC and CGW must inform the Executive and the Stock Exchange of their decision in relation to the revision, extension, expiry or unconditionality (as applicable) of the H Share Offer. CEC and CGW must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date and any other closing date stating, among other information required under Rule 19.1 of the Takeovers Code, whether the H Share Offer has been revised or extended, has expired or has become or been declared unconditional (as applicable) (and, in such cases, whether as to acceptances or in all respects).

3.2 In computing the total number of H Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in paragraph 1 of this Appendix I, and which have been received by the Registrar no later than 4:00 p.m. on the First Closing Date, being the latest time and date for acceptance of the H Share Offer, shall be included.

3.3 As required under the Takeovers Code and the Listing Rules, any announcement in relation to the H Share Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

4. RIGHT OF WITHDRAWAL

4.1 Acceptance of the H Share Offer tendered by the GWT H Shareholders shall be irrevocable and cannot be withdrawn, except in circumstances set out in 4.2 below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the H Share Offer has not by then become unconditional as to acceptances.

4.2 If CEC and CGW is unable to comply with the requirements set out in the paragraph headed "3. Announcements" in this Appendix, the Executive may require that Accepting GWT H Shareholders who have tendered acceptances to the H Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

4.3 If the H Share Offer is withdrawn or lapses, CEC and CGW shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the H Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Accepting GWT H Shareholder(s).

5. GENERAL

5.1 All communications, notices, Form of Acceptance, certificates of the H Shares, transfer receipts, other documents of title or indemnities, and remittances to settle the consideration payable under the H Share Offer to be delivered by or sent to or from the GWT H Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of CEC, CGW, ABCI, GWT, the Registrar, or any of their respective directors, or any other person involved in the H Share Offer, shall accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

5.2 Subject to Note 1 to Rule 30.2 and other terms of the Takeovers Code, acceptance(s) of the H Share Offer may, at the discretion of CEC and CGW, be treated as valid even if it is not entirely in order or is not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or a satisfactory indemnity or indemnities in respect thereof), but the cheque(s) for the consideration due will not be despatched or (as the case may be) made available for collection until the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or a satisfactory indemnity or indemnities in respect thereof), has/have been received by the Registrar. However, such acceptances to the H Share Offer will not be counted towards fulfilling the acceptance condition unless Rule 30.2 of the Takeovers Code had been fully complied with.

5.3 Acceptance of the H Share Offer by any nominee will be deemed to constitute a warranty by such nominee to CEC, CGW and ABCI that the number of H Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of H Shares held by such nominee for such beneficial owners who are accepting the H Share Offer.

5.4 The provisions set out in the Form of Acceptance form part of the terms of the H Share Offer.

5.5 The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the H Share Offer is made will not invalidate the H Share Offer in any way.

5.6 The H Share Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

5.7 Due execution of a Form of Acceptance will constitute an irrevocable authority to CEC, CGW or ABCI or such person or persons as CEC, CGW or ABCI may direct to complete, amend and execute any document on behalf of the person accepting the H Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in CEC, CGW or such person or persons as it may direct the H Shares in respect of which such person has accepted the H Share Offer.

5.8 Acceptance of the H Share Offer by any person or persons will constitute a warranty by such person or persons to CEC and CGW that the H Shares acquired under the H Share Offer are sold by any such person or persons free from all liens, charges, equities, adverse interests, options, claims, and encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of the Joint Announcement or subsequently becoming attached to them, including without limitation the right to receive in full all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

5.9 References to the H Share Offer in this Composite Document and in the Form of Acceptance shall include any revision and/or extension thereof and references to the H Share Offer becoming unconditional shall include a reference to the H Share Offer being declared unconditional.

5.10 Seller's ad valorem stamp duty for transfers of the H Shares registered with the Registrar arising in connection with acceptance of the H Share Offer will be payable by each Accepting GWT H Shareholder at the rate of HK$1.00 for every HK$1,000 or part thereof of the greater of (i) the consideration payable by CEC and CGW for such person's H Shares; and (ii) the value of the H Shares and will be deducted from the cash amount due to such GWT H Shareholder under the H Share Offer. CEC and CGW will pay the buyer's ad valorem stamp duty in respect of the H Shares accepted under the H Share Offer.

5.11 Settlement of the consideration to which any Accepting GWT H Shareholder is entitled under the H Share Offer will be implemented in full in accordance with the terms of the H Share Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which CEC and CGW may otherwise be, or claim to be, entitled against such Accepting GWT H Shareholder.

5.12 The making of the H Share Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. The GWT H Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about or obtain appropriate legal advice regarding the implications of the H Share Offer in the relevant jurisdiction and observe any applicable regulatory or legal requirements. It is the responsibility of any such person who wishes to accept the H Share Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control, regulation or other consents which may be required or the compliance with other necessary formalities, regulatory or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Any such overseas GWT H Shareholders shall be fully responsible for payment of any transfer or other taxes and duties imposed by whomsoever payable in respect of that jurisdiction. CEC, CGW, ABCI and any other person involved in the H Share Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

5.13 Acceptance of the H Share Offer by any person or persons will constitute a warranty by such person to CEC, CGW and ABCI and that such person is permitted under all applicable laws to receive and accept the H Share Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

5.14 H Shares sold to CEC or CGW by way of the H Share Offer will be registered under the name of CEC or CGW.

5.15 The English text of this Composite Document and of the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

The purpose of this Appendix is to provide the summary of the terms of the Merger Agreement and important information to the GWT Shareholders.

A. INTRODUCTION

On 16 December 2013, CEC and CGW entered into the Merger Agreement with GWT, which was supplemented by a the Supplemental Agreement to extend the Long Stop Date from 30 June 2014 to 30 October 2014 or such other date the parties may agree otherwise (further details of the Supplemental Agreement have been set out in the joint announcement of CEC, CGW and GWT dated 8 April 2014). Pursuant to the Merger Agreement, each of GWT and CGW will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws. The Mergers will be implemented and completed by the following major processes after the completion of the H Share Offer and the Delisting, namely (i) CEC will pay a Merger Price of HK$3.20 per delisted H Share (other than those which may be acquired by CEC and CGW under the H Share Offer) in cash to the GWT H Shareholders whose names appear on the Registers as at the effective date of the Merger Agreement which will be the date when the Mergers Conditions are all fulfilled; and (ii) CGW and GWT will be de-registered in accordance with the PRC Company Law or the Administrative Regulations of the PRC Governing the Registration of Legal Enterprises (as the case may be) and other relevant legal provisions.

Consequently, each of GWT and CGW will cease to exist as a separate legal entity, which will be merged into CEC. As a result of the Mergers, the assets and liabilities (together with the rights and obligations attached to such assets) will be assumed by CEC as the surviving corporation, and the employees of both GWT and CGW will be co-ordinated and arranged by CEC by designating them to CEC's subsidiaries, and such coordination and arrangement will be made in accordance with the terms of relevant employment contracts, the PRC Labour Law and other applicable PRC Laws. CEC has no intention to cause GWT's subsidiaries to make any change to the continued employment policy and practices of GWT's subsidiaries.

A letter from the GWT Board is set out on pages 25 to 34 of this Composite Document. A letter from the Independent Board Committee, together with the letter from the Independent Financial Adviser, in connection with the Merger Agreement and the GWT Merger are set out on pages 35 to 70 of this Composite Document.

B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT

This section of the document describes certain major provisions of the Merger Agreement by way of a summary. As this is a summary, it may not contain all the information of the Merger Agreement. The Merger Agreement is one of the documents available for inspection as referred to in the section headed "General Information – Documents Available for Inspection" in Appendix IV to this Composite Document.

1. Merger Price

CEC will pay a Merger Price of HK$3.20 per delisted H Share in cash to the GWT H Shareholders whose names appear on the Registers as at the effective date of the Merger Agreement.

No consideration will be paid by CEC to CGW as to the entire Domestic Shares and the H Shares which may be acquired by CGW under the H Share Offer as CGW will be merged into CEC at the same time when GWT is merged into CEC.

2. Mergers Conditions

The Merger Agreement will become effective conditional upon the fulfilment of the following Mergers Conditions:

(a) the approval of the Merger Agreement and the GWT Merger contemplated thereunder by not less than two-thirds of the GWT Shareholders at the Extraordinary General Meeting having been obtained pursuant to the Articles of GWT;

(b) the passing of resolutions by way of poll approving the Merger Agreement and the GWT Merger contemplated thereunder at the H Share Class Meeting to be convened for this purpose by the Independent GWT H Shareholders, provided that:

    (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent GWT H Shareholders that are cast either in person or by proxy; and

    (ii) the number of votes cast against the resolutions is no more than 10% of the votes attaching to all H Shares held by the Independent GWT H Shareholders;

(c) a waiver application having been submitted to CSRC for the exemption of making any mandatory offer in relation to the change of controlling shareholder of the A-Share Listed Subsidiaries as a result of the Mergers, and such waiver having been granted by CSRC (pursuant to the Administrative Measures on Acquisitions of Listed Companies of the PRC, CEC shall submit the waiver application to CSRC within three days after the execution of the Merger Agreement);

(d) the approval of the Beijing local counterpart of SAFE in relation to the Merger Agreement having been obtained; and

(e) the completion of the H Share Offer, and GWT has submitted the Delisting application to the Stock Exchange and such Delisting has become effective pursuant to the Listing Rules.

Upon the fulfillment of such conditions, the Merger Agreement will become effective and the parties thereof will be bound by the Merger Agreement and are obligated to perform obligations under the Merger Agreement.

Other than the Mergers Condition (e) above, CEC will not invoke any Mergers Condition or any completion condition of the Merger Agreement, so as to cause the GWT Merger to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to CEC in the context of the GWT Merger.

As at the Latest Practicable Date, the waiver under Mergers Condition (c) above has been granted by CSRC. The approval under the Mergers Condition (d) has been obtained as at the date of the Joint Announcement. The other Mergers Conditions shall be fulfilled on or before 30 October 2014 (or such other date as CEC, CGW and GWT may agree), otherwise the Merger Agreement will become lapsed.

3. The Payment

The payment to the GWT H Shareholders will be made as soon as possible but in any event within 7 Business Days after date on which the Merger Agreement has become effective (i.e. 11 July 2014).

After the payment of the Merger Price, the GWT H Shareholder shall cease to have any entitlement or right over such delisted H Share for which the Merger Price was paid.

4. Completion of the Mergers

The transactions under the Merger Agreement will be completed after the following conditions are fulfilled:

(a) the completion of the Delisting;

(b) the completion of registrations with the relevant bureau of administration for industry and commerce with respect to H Share Offer;

(c) the completion of deregistration procedures by CGW and GWT with the relevant bureau of administration for industrial and commerce as required under the laws, regulations and provisions stipulated by the PRC authorities; and

(d) there shall be no law, decree or order promulgated by any governmental authorities and there shall be no judgment, verdict or ruling of any courts prohibits, restricts or cancels the Mergers.

CGW and GWT have agreed to complete the Mergers by submitting the necessary filings to the relevant authorities for de-registration purpose in accordance with the relevant legal requirements or upon the request of CEC.

Upon the fulfillment of such conditions, the Mergers will be completed.

5. Dissenting GWT Shareholders

The Merger Agreement provides that if any Dissenting GWT H Shareholder elects to request GWT and/or other GWT H Shareholders who have voted for the GWT Merger to purchase its H Shares at a "fair price", CEC shall, at the request of GWT and/or such GWT H Shareholders who have voted for the GWT Merger, assume any obligations which GWT and/or such GWT H Shareholder, who have received such a request may have towards the Dissenting GWT H Shareholders. Further, pursuant to the Merger Agreement, GWT and/or any GWT H Shareholder who have voted for the GWT Merger upon the receipt of such a request from the Dissenting GWT H Shareholders and elect to have CEC assume their obligation in relation thereto, shall (i) provide CEC with the relevant notice (by fax or by mail) of any written demands for payment of the "fair price", and any other documents served on GWT and/or the GWT H Shareholders pursuant to the PRC Company Law or GWT's Articles; (ii) give CEC the opportunity to take a leading role in all negotiations and legal proceedings with respect to demands for determining the "fair price"; and (iii) except with the prior written consent of CEC, not voluntarily make any payment with respect to any demands for determining the "fair price", or settle or offer to settle with any Dissenting GWT H Shareholder.

The address and facsimile number of CEC for receiving notices from those GWT H Shareholders who have voted for the GWT Merger and have received the relevant demand from Dissenting GWT H Shareholders are set out in the section headed "C. IMPORTANT INFORMATION OF THE MERGER AGREEMENT – 3. Compulsory Deregistration and Right of the Dissenting GWT H Shareholders" in this Appendix.

6. Representations and Warranties

(a) The Merger Agreement contains various representations and warranties provided by CEC in relation to:

(i) its due establishment and valid existence under the PRC Laws and its requisite corporate authority to carry on its business and own its existing assets;

(ii) the approval for the Merger Agreement and the transaction contemplated thereunder having been obtained from its board of directors;

(iii) its power to execute the Merger Agreement and to perform the obligations contained thereunder, upon execution, the Merger Agreement will be legally binding on it;

(iv) the sufficiency of fund to pay for the Merger Price and all the expenses in relation to the Mergers; and

(v) the execution and performance of the Merger Agreement and the performance of the obligations contained thereunder (x) will not breach its business licence, articles of association or other similar organization documents; (y) will not violate any relevant PRC Laws or any authorities and approvals granted by government; (z) will not breach any agreements to which it is a party (or it is bound by).

(b) The Merger Agreement contains various representations and warranties provided by each of CGW and GWT in relation to:

(i) CGW was established and is validly existing as a whole-people enterprise under the PRC Laws; and GWT was established and is validly existing as a joint stock company under the PRC Laws; and each of them has the requisite corporate authority to carry on its business and own its existing assets;

(ii) the approval for the Merger Agreement and the transaction contemplated thereunder having been obtained from its board of directors;

(iii) its power to execute the Merger Agreement and to perform the obligations contained thereunder, upon execution, the Merger Agreement will be legally binding on it;

(iv) the execution and performance of the Merger Agreement and the performance of the obligations contained thereunder (x) will not breach its business licence, articles of association or other similar organization documents; (y) will not violate any relevant PRC Laws or any authorities and approvals granted by government; (z) will not breach any agreements to which it is a party (or it is bound by);

(v) its financial statements having been prepared in accordance with all applicable audit requirements and the relevant laws, and having fairly reflected its financial condition, operation and cash flow over the relevant period; and

(vi) the compliance with the relevant laws in relation to the employment of staff by it or its subsidiaries, and the absence of any unsettled disputes or legal proceedings in relation to employees, save and except for those already disclosed to CEC. The compliance with the relevant laws in relation to social insurance by it and its subsidiaries and the timely payment of the relevant premiums to the relevant regulatory bodies for its employees.

7. Notification To Creditors

Under the Merger Agreement, CEC, CGW and GWT have agreed that once they have obtained internal approvals, they will notify their respective creditors, whom CEC, CGW or GWT owe debts to, of the Mergers by way of notifications and announcements pursuant to the PRC legal requirements. Such creditors shall, within 30 days as of the receipt of a notice or within 45 days as of the issuance of the public announcement if it fails to receive a notice, be entitled to require CEC or CGW or GWT (as the case may be) to clear off its debts or to provide corresponding guarantees as required by the PRC Company Law. Each of CEC, CGW and GWT shall, upon request of its creditors, pay off its indebtedness or provide a satisfactory guarantee to its creditors for such indebtedness. Upon the expiry of the relevant period specified in the above announcements, such creditor's right to claim against CEC or CGW or GWT (as the case may be) shall be exercised against CEC from the date of completion of the Mergers under the PRC Laws.

8. Expenses

Unless otherwise provided under the Merger Agreement, each party agreed to pay its own taxation incurred in connection with the execution and performance of Merger Agreement in accordance with relevant legal requirements irrespective of whether the Merger Agreement can be completed or not. If there is no legal requirement, the party shall be responsible for the taxation incurred by its own.

9. Conduct of Business

Each of CGW and GWT has agreed that, prior to the completion of the Mergers: (i) the business of it and its subsidiaries shall be conducted only in the usual, regular and ordinary course and substantially in the same manner as heretofore conducted and (ii) each of it and its subsidiaries shall use its best efforts to preserve its business organization intact and maintain its existing relations with customers and employees.

Each of CGW and GWT has agreed that, prior to the completion of the Mergers that, without the written consent of CEC, it and its subsidiaries shall not:

(i) merge with any companies;

(ii) increase substantially the remunerations of any employees, managements or directors, or adopt any share option schemes;

(iii) cease any business or operation, or change the nature of any principal business, or carry out any business other than the ordinary course of business;

(iv) adopt or amend any business plan or budget other than those in relation to the ordinary course of business;

(v) carrying out any group restructuring;

(vi) enter into any contracts or commitments, or provide any loans, guarantees and indemnities except in the ordinary course of business;

(vii) merge, sell, lease or otherwise dispose any assets except in the ordinary course of business;

(viii) initiate any litigations, arbitrations or legal proceedings or enter into any settlements in relation thereto which are significant to its principal business;

(ix) incorporate new subsidiaries, acquire third parties' shares unrelated to its principal business or purchase any other securities.

10. Amendments

The Merger Agreement may be amended, modified or supplemented by written agreement amongst the parties.

11. Governing Laws

The Merger Agreement shall be governed by and construed in all respects in accordance with the laws of PRC.

C. IMPORTANT INFORMATION OF THE MERGER AGREEMENT

1. H Share Class Meeting and Extraordinary General Meeting

Notices of the H Share Class Meeting and the Extraordinary General Meeting are set out in Appendices V and VI to this Composite Document. The H Share Class Meeting and the Extraordinary General Meeting will be held on Friday, 30 May 2014 at the respective times specified in such notices at the Pheasant & Jasmine Room, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong.

Action to be taken by the GWT Shareholders as to attending or voting at the H Share Class Meeting and the Extraordinary General Meeting are set out in the section headed "G. H SHARE CLASS MEETING AND EXTRAORDINARY GENERAL MEETING" in the "Letter from GWT Board" on page 25 to 34 of this Composite Document.

2. Source of Fund and Payment of Merger Price

CEC intend to finance the total Merger Price by using its internal fund.

Pursuant to the Merger Agreement, no consideration will be paid by CEC to CGW as to the entire Domestic Shares and the H Shares which may be acquired by CGW under the H Share Offer as CGW will be merged into CEC at the same time when GWT is merged into CEC.

If the Merger Agreement becomes effective, cheques for the Merger Price will be issued to the GWT H Shareholders, including the Dissenting GWT H Shareholders, whose names appear on the Registers on the effective date of the Merger Agreement. Such cheques will be despatched as soon as possible but in any event within 7 Business Days after the date on which the Merger Agreement has become effective (i.e. 11 July 2014). **After the Shareholders have received the Merger Price, the relevant rights attaching to such delisted H Shares shall be deemed as cancelled and distinguished and all of the certificates representing the relevant delisted H Shares will, accordingly, cease to have effect as document or evidence of title.**

Each of the GWT H Shareholders who will receive the Merger Price warrants to CEC that the delisted H Shares held by such GWT H Shareholder are free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the date of the Joint Announcement or subsequently becoming attached to them, and including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

In the absence of any specific instructions to the contrary received in writing by the Registrar, cheques will be despatched to the GWT H Shareholders whose names appear on the Registers on the effective date of the Merger Agreement at their respective addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Registers in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and neither GWT nor CEC will be liable for any loss or delay in transmission.

Pursuant to the Merger Agreement, at any time following one year after the effectiveness of the Merger Agreement (unless there is any unsettled dispute between CEC and the Dissenting GWT H Shareholders), CEC or any successor to CEC shall be entitled to require Agricultural Bank of China Limited or any of its subsidiaries to deliver to it any funds, which have not been disbursed to the GWT H Shareholders, and thereafter any GWT H Shareholders shall be entitled to look only to CEC or any successor to CEC and only as general creditors thereof with respect to the Merger Price without any interest thereon.

3. Compulsory Deregistration and Right of the Dissenting GWT H Shareholders

The effectiveness of the Merger Agreement is conditional upon the fulfilment of a number of Mergers Conditions as set out under "B. CERTAIN PROVISIONS OF THE MERGER AGREEMENT" of this Appendix. Pursuant to the PRC Laws, when the Merger Agreement becomes effective, it will be legally binding on CEC, CGW and GWT. Upon the completion of transactions under the Merger Agreement, CEC will have the right under the PRC Laws and the Articles of GWT to compulsorily deregister GWT and the then existing delisted H Shares.

GWT H Shareholders are reminded that, pursuant to Article 174 of GWT's Articles, any Dissenting GWT H Shareholder who has voted against Merger Agreement, will have the right to request GWT or other GWT Shareholders who have voted for the Merger Agreement to acquire their delisted H Shares at a "fair price", and receipt of the Merger Price by the Dissenting GWT H Shareholders does not preclude them from exercising such right. The Dissenting GWT H Shareholders who have voted against the Merger Agreement and the GWT Merger contemplated thereunder at the H Share Class Meeting and/or the Extraordinary General Meeting can exercise their right from the date when the Merger Agreement becomes effective. Under such circumstance, CEC shall, at the request of GWT or such GWT H Shareholders, assume all obligations which GWT or such GWT H Shareholders who have received such a request may have towards the Dissenting GWT H Shareholder(s).

The PRC legal advisor to CEC has confirmed that GWT's Articles and the Merger Agreement do not provide for a time limit for the Dissenting GWT H Shareholders to assert their right of requesting GWT and/or other GWT H Shareholders to purchase the H Shares held by the Dissenting GWT H Shareholders.

The PRC legal advisor to CEC advised that pursuant to Article 189 of GWT's Articles, disputes among GWT H Shareholders, GWT or GWT's directors, supervisors or senior management, among others, should be resolved through arbitration at China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Except otherwise required by applicable laws or regulations, the applicable laws to such disputes should be the PRC Laws. The PRC legal advisor to CEC further advised that the statute of limitations under the PRC Laws are generally two years from the date when the Dissenting GWT H Shareholders are aware of, or should be aware of, their asserted infringed rights, which is expected to be calculated from the date when the Merger Agreement becomes effective.

In addition, the Merger Agreement provides that if any Dissenting GWT H Shareholder elects to request GWT and/or other GWT H Shareholders who have voted for the GWT Merger to purchase its H Shares at a "fair price", CEC shall, at the request of GWT and/or such GWT H Shareholders who have voted for the GWT Merger, assume any obligations which GWT and/or such GWT H Shareholder, who have received such a request may have towards the Dissenting GWT H Shareholders. Further, pursuant to the Merger Agreement, GWT and/or any GWT H Shareholder who have voted for the GWT Merger upon the receipt of such a request from the Dissenting GWT H Shareholders and elect to have CEC assume their obligation in relation thereto, shall (i) provide CEC with the relevant notice (by fax or by mail) of any written demands for payment of the "fair price", and any other documents served on GWT and/or the GWT H Shareholders pursuant to the PRC Company Law or GWT's Articles; (ii) give CEC the opportunity to take a leading role in all negotiations and legal proceedings with respect to demands for determining the "fair price"; and (iii) except with the prior written consent of CEC, not voluntarily make any payment with respect to any demands for determining the "fair price", or settle or offer to settle with any Dissenting GWT H Shareholder.

GWT H Shareholders who have voted for the GWT Merger and have received the relevant demand from Dissenting GWT H Shareholders may at any time after receiving such demand send a notice (by fax or by mail) to CEC at the following address: No.27 Wanshou Road, Haidian District, Beijing, PRC and facsimile: 010-68213745. This will ensure that CEC can assume all obligations that are owed by the GWT H Shareholders who have voted for the GWT Merger to the Dissenting GWT H Shareholders in a timely manner.

The provisions regarding the right of Dissenting GWT H Shareholder to be bought out at a "fair price" are contained only in the articles of association of PRC companies with shares listed on overseas market and are not otherwise stipulated in any PRC laws or regulations. There is no administrative guidance on the substantive as well as procedural rules as to how the "fair price" will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process to take, (ii) any favourable results to be granted to the Dissenting GWT H Shareholders and (iii) the cost may be incurred by the Dissenting GWT H Shareholders in such process for determining the "fair price".

4. Overseas GWT Shareholders

Overseas GWT Shareholders will be entitled to receive this Composite Document and the notices of the H Share Class Meeting and the Extraordinary General Meeting, as well as to attend and vote at the H Share Class Meeting and the Extraordinary General Meeting. The making of the Merger Price and the proposal under the GWT Merger to the Overseas GWT Shareholders may be subject to the laws of the relevant jurisdictions. Overseas GWT Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas GWT Shareholders wishing to accept the Merger Price and the proposal under the GWT Merger to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

5. Taxation

As the cancellation of the delisted H Shares after payment of the Merger Price does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the delisted H Shares after payment of the Merger Price.

The GWT H Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implication of the Merger Agreement and the GWT Merger contemplated thereunder, and in particular whether the receipt of Merger Price would make such GWT H Shareholders liable to taxation in the PRC, Hong Kong or in other jurisdiction.

6. Other Information

Payment of the Merger Price will be implemented in full in accordance with the terms of the Merger Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which CEC may otherwise be, or claim to be, entitled against any GWT H Shareholders.

Other than the Mergers Condition in relation to the completion of the H Share Offer and the effectiveness of the Delisting, CEC will not invoke any Mergers Condition or any completion condition of the Merger Agreement, so as to cause the GWT Merger to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to CEC in the context of the GWT Merger.

1. FINANCIAL SUMMARY

The following is a summary of the financial information of GWT Group for each of the three financial years ended 31 December 2011, 2012 and 2013 as extracted from the annual results announcement of GWT for the year ended 31 December 2013, and the annual reports of GWT for the years ended 31 December 2012 and 2011, respectively.

The auditors of GWT, SHINEWING (HK) CPA Limited, did not issue any qualified opinion on the financial statements of GWT Group for each of the three years ended 31 December 2011, 2012 and 2013. For the year ended 31 December 2013, the auditors of GWT have issued emphasis of matters in relation of the material uncertainty in respect of a proposed privatisation, merger and deregistration of the Company which may cast significant doubt about the Company's ability to continue as a going concern.

Consolidated Statement of Profit or Loss

	Year ended 31 December		
	2013	**2012**	**2011**
RMB'000	(audited)	(audited) (restated)	(audited)
Turnover	92,816,202	95,884,305	95,024,261
Cost of sales	(86,611,544)	(89,529,201)	(89,824,902)
Gross profit	6,204,658	6,355,104	5,199,359
Other income and gains	1,881,351	1,980,664	462,005
Net realised and unrealised gain on foreign exchange forward contracts	198,093	173,741	205,937
Gain on disposal of prepaid land lease payments	546,765	549	494,675
Impairment of property, plant and equipment	(105,025)	(130,414)	–
Impairment of intangible assets	(277,637)	–	–
Selling and distribution costs	(3,758,510)	(3,378,993)	(2,223,578)
Administrative and other operating expenses	(2,417,854)	(2,266,502)	(2,118,876)
Research and development expenses	(1,749,893)	(1,894,346)	(878,059)
Finance costs	(708,313)	(493,002)	(155,175)
Gain on deemed disposal of a subsidiary	24,764	–	–
Gain on deregistration of subsidiaries	10,193	–	–
Share of results of joint venture	(2,836)	(10,023)	(5,866)
Share of results of associates	49,340	52,859	16,361
(Loss) profit before tax	(104,904)	389,637	996,783
Income tax expense	(445,019)	(257,947)	(248,903)
(Loss) profit for the year	(549,923)	131,690	747,880
(Loss) profit for the year attributable to:			
Owners of the Company	73,919	(160,651)	156,698
Non-controlling interests	(623,842)	292,341	591,182
	(549,923)	131,690	747,880
Earnings (loss) per share			
– Basic and diluted (RMB per share)	6.17 cents	(13.41 cents)	13.08 cents
Dividends per share (RMB per share)	Nil	Nil	3.00 cents

Consolidated Statement of Financial Position

	As at 31 December		
	2013	**2012**	**2011**
RMB'000	(audited)	(audited)	(audited)
		(restated)	(restated)
Non-current assets			
Property, plant and equipment	6,469,453	6,790,547	5,912,955
Prepaid land lease payments	1,163,641	666,629	357,339
Investment properties	1,858,472	1,458,451	1,477,954
Intangible assets	902,537	1,386,605	349,889
Interests in associates	1,001,727	807,526	653,161
Interests in a joint venture	8,249	11,194	61,522
Available-for-sale investments	428,788	393,587	263,318
Prepayments, deposits and other receivables	989,399	375,120	133,128
Term deposits	173,452	110,000	113,025
Pledged deposits	23,400	10,000	746,750
Derivative financial instruments	71,657	17,845	–
Deferred tax assets	675,387	701,441	256,734
	13,766,162	12,728,945	10,325,775
Current assets			
Inventories	8,852,463	10,279,397	7,687,545
Trade and bills receivables	16,174,820	16,560,802	17,484,408
Prepaid land lease payments	34,315	18,792	10,548
Prepayments, deposits and other receivables	3,796,046	3,932,341	2,897,849
Financial assets at fair value through profit or loss	19,236	26,104	36,892
Tax recoverable	135,207	112,994	30,401
Derivative financial instruments	443,744	203,727	233,206
Avabilable-for-sale investment	10,072	–	–
Amounts due from fellow subsidiaries	23,355	27,686	20,797
Amounts due from associates	7,511	41,607	5,700
Term deposits	247,000	243,000	1,695,579
Pledged deposits	4,157,430	3,116,683	1,524,218
Bank balances and cash	6,569,581	5,386,054	3,457,887
	40,470,780	39,949,187	35,085,030

	As at 31 December		
	2013	**2012**	**2011**
RMB'000	(audited)	(audited)	(audited)
		(restated)	(restated)
Current liabilities			
Trade and bills payables	16,493,674	16,320,590	14,475,148
Other payables and accruals	7,760,431	8,661,680	5,550,030
Bank and other loans	9,439,259	6,705,430	7,902,033
Derivative financial instruments	418,918	408,605	168,103
Tax payable	345,151	305,057	153,308
Warranties and other provisions	816,644	854,713	480,691
Amounts due to fellow subsidiaries	3,635	1,676	12,778
Amounts due to associates	71,774	16,025	794
Amount due to ultimate holding company	145,000	101,622	–
	35,494,486	33,375,398	28,742,885
Net current assets	4,976,294	6,573,789	6,342,145
Total assets less current liabilities	18,742,456	19,302,734	16,667,920
Capital and reserves			
Share capital	1,197,742	1,197,742	1,197,742
Reserves	3,260,305	3,138,850	3,372,332
Equity attributable to owners of the Company	4,458,047	4,336,592	4,570,074
Non-controlling interests	10,429,931	11,028,046	10,842,602
Total equity	14,887,978	15,364,638	15,412,676
Non-current liabilities			
Bank and other loans	2,105,631	1,756,709	492,497
Other payables	850,709	1,327,991	288,134
Pension obligations	99,361	120,744	46,501
Derivative financial instruments	79,955	176	–
Contingent consideration payable and redemption liability	41,965	117,502	–
Deferred tax liabilities	570,611	533,594	390,646
Warranties and other provisions	22,144	21,892	–
Government grants	84,102	59,488	37,466
	3,854,478	3,938,096	1,255,244
	18,742,456	19,302,734	16,667,920

2. AUDITED CONSOLIDATED FINANCIAL RESULTS

The following financial information is extracted from the audited consolidated annual results of GWT Group prepared in accordance with the Hong Kong Financial Reporting Standards for the financial year ended 31 December 2013:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 *RMB'000*	2012 *RMB'000* *(Restated)*
Turnover	5	92,816,202	95,884,305
Cost of sales	5	(86,611,544)	(89,529,201)
Gross profit		6,204,658	6,355,104
Other income and gains		1,881,351	1,980,664
Net realise and unrealised gain on foreign exchange forward contracts and options		198,093	173,741
Gain on disposal of prepaid land lease payments		546,765	549
Impairment of property, plant and equipment		(105,025)	(130,414)
Impairment of intangible assets		(277,637)	–
Selling and distribution costs		(3,758,510)	(3,378,993)
Administrative and other operating expenses		(2,417,854)	(2,266,502)
Research and development expenses		(1,749,893)	(1,894,346)
Finance costs		(708,313)	(493,002)
Gain on deemed disposal of a subsidiary		24,764	–
Gain on deregistration of subsidiaries		10,193	–
Share of results of joint venture		(2,836)	(10,023)
Share of results of associates		49,340	52,859
(Loss) profit before tax	6	(104,904)	389,637
Income tax expense	7	(445,019)	(257,947)
(Loss) profit for the year		(549,923)	131,690
(Loss) profit for the year attributable to:			
Owners of the Company		73,919	(160,651)
Non-controlling interests		(623,842)	292,341
		(549,923)	131,690
Earnings (loss) per share			
– Basic and diluted (RMB cents per share)	9	6.17 cents	(13.41 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

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

	2013	2012	As at 1 January 2012
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Capital and reserves			
Share capital	1,197,742	1,197,742	1,197,742
Reserves	3,260,305	3,138,850	3,372,332
Equity attributable to owners of the Company	4,458,047	4,336,592	4,570,074
Non-controlling interests	10,429,931	11,028,046	10,842,602
Total equity	14,887,978	15,364,638	15,412,676
Non-current liabilities			
Other payables	850,709	1,327,991	288,134
Bank and other loans	2,105,631	1,756,709	492,497
Pension obligations	99,361	120,744	46,501
Derivative financial instruments	79,955	176	–
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Government grants	84,102	59,488	37,466
	3,854,478	3,938,096	1,255,244
	18,742,456	19,302,734	16,667,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

HKFRS 13 Fair Value Measurement

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

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

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

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

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

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

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) - Int13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

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

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

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKAS 19 Employee Benefits (as revised in 2011)

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

– Increase in consolidated statement of profit or loss for the year ended 31 December 2012 by RMB4,437,000.

– Increase in pension obligations as at 1 January 2012 and 31 December 2012 by RMB8,588,000 and RMB12,715,000 respectively.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKRFS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK ("IFRIC") – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.*

[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below.*

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

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

* Early application is permitted.

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

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

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

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

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

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

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

HK(IFRIC) – Int 21 Levies

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

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

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

3. SEGMENT INFORMATION

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

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

(a) the TV segment produces televisions;

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

(c) the monitor segment produces monitors;

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

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

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

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

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

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

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

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

Inter-segment sales are charged at prevailing market rates.

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

	TV	TP Vision-TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013								
Segment revenue								
Sales to external customers	12,182,712	18,859,602	35,342,116	17,612,794	385,959	391,755	8,041,264	92,816,202
Intersegment sales	10,160,049	–	–	2,672	–	2,560	–	10,165,281
	22,342,761	18,859,602	35,342,116	17,615,466	385,959	394,315	8,041,264	102,981,483
Elimination								(10,165,281)
Consolidated revenue								92,816,202
Segment results before increase in fair value of investment properties	84,459	(1,472,613)	1,224,998	10,528	30,178	(16,357)	(12,602)	(151,409)
Increase in fair value of investment properties	–	–	–	–	–	98,814	–	98,814
Segment results after increase in fair value of investment properties	84,459	(1,472,613)	1,224,998	10,528	30,178	82,457	(12,602)	(52,595)
Unallocated gains								573,749
Net realised and unrealised gain on foreign exchange forward contacts								198,093
Corporate and other unallocated expenses								(162,342)
Finance costs								(708,313)
Share of results of associates and jointly controlled entities								46,504
Loss before tax								(104,904)
At 31 December 2013								
Assets and liabilities								
Segment assets	7,162,033	6,348,668	14,213,035	4,889,336	3,113,882	1,242,569	1,887,787	38,857,310
Corporate and other unallocated assets								15,379,632
Total assets								54,236,942
Segment liabilities	6,062,831	5,373,970	9,967,298	1,737,473	984,187	–	2,065,840	26,191,599
Corporate and other unallocated liabilities								13,157,365
Total liabilities								39,348,964

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

Other segment information

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

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

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

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities and deferred tax assets

Geographical information

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

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

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

Information about the Group's non-current assets is presented based on the geographical location of the assets. At the end of the reporting period, the total amount of approximately RMB5,059,041,000 (2012: RMB5,353,082,000) of non-current assets other than available-for-sale investments, prepayment, deposits and other receivables, term deposits, pledged deposits, derivative financial instruments and deferred income tax assets were located in the PRC, and the total amount of approximately RMB6,345,038,000 (2012: RMB5,767,870,000) of these non-current assets were located in other countries.

Information about major customers

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

4. FINANCE COSTS

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

5. TURNOVER, OTHER INCOME AND GAINS

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

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

	2013	2012
	RMB'000	*RMB'000*
Turnover		
Sale of goods	92,524,382	95,673,875
Rendering of services	80,263	73,068
Gross rental income *(note a)*	211,557	137,362
	92,816,202	95,884,305
Other income		
Bank interest income	265,296	188,713
Dividend income from unlisted available-for-sale investments	20,808	4,875
Government grants *(note b)*	263,534	262,583
Sale of scrap materials	63,313	47,903
Brand promotion fee income	530,280	863,025
Compensation for product launch delay	607	255,258
Reversal of impairment of trade receivables	32,743	32,466
Reversal of impairment of other receivables	201	14,341
Reversal of provisions for products warranties	52	8,275
Other tax refund	4,172	–
Others	67,050	51,044
	1,248,056	1,728,483
Gains		
Fair value gain on investment properties	98,814	31,347
Fair value gain of financial assets at FVTPL	–	2,676
Gain from bargain purchase of subsidiaries	–	161,154
Gain on deemed acquisition of additional interests of an associate	2,987	12,395
Net realised and unrealised gain on cross currency swaps	–	16,039
Gain on disposal of intangible assets	17,706	–
Gain on disposal of available-for-sale investments	21,124	–
Reversal of trademark license fee payable	341,948	–
Gain on disposal of property, plant and equipment	60,058	–
Gain on disposal of equity investments at FVTPL	4,000	–
Gain on remeasurement of contingent consideration payable and redemption liability for written put option over shares in a subsidiary	77,018	–
Gain on disposal of investment properties	9,640	28,570
	633,295	252,181
	1,881,351	1,980,664

Notes:

a.

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

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

6. (LOSS) PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Staff costs, including directors' emoluments:		
Wages and salaries	4,135,021	4,185,076
Share option granted to directors and employees of a subsidiary	7,258	15,593
Contributions to defined benefit plan	11,284	13,281
Contributions to retirement benefits schemes	214,411	302,378
	4,367,974	4,516,328
Cost of inventories sold	86,556,043	89,391,435
Cost of services provided	55,983	58,585
Depreciation of property, plant and equipment	1,297,695	1,284,191
Amortisation of prepaid land lease payments (included in administrative and other operating expenses)	32,781	15,736
Amortisation of intangible assets	391,171	371,878
Acquisition related cost	81	27,887
Auditors' remuneration	35,645	29,562
Minimum lease payment under operating leases of land, buildings and machinery	247,766	264,810
Impairment of trade and bills receivables (included in administrative and other operating expenses)	91,830	209,997
Impairment of other receivables (included in administrative and other operating expenses)	–	960
Impairment of available-for-sale investments (included in administrative and other operating expenses)	37,191	25,577
Allowance for inventories (included in cost of sales)	346,177	150,676
Additional provision for product warranties and restructuring	1,348,888	1,157,314
Loss on disposal of property, plant and equipment	–	8,045
Loss on disposal of equity investments at FVTPL	–	227
Loss on disposal of available-for-sale investments	–	886
Net realised and unrealised losses on cross currency swaps	26,269	–
Fair value loss of financial assets at FVTPL	–	(2,676)
Net realised and unrealised loss on interest rate swaps	–	31,062
Fair value loss on contingent consideration payable (included in administrative and other operating expenses)	–	11,431
Foreign exchange difference, net	203,658	116,714

7. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Current income tax	450,846	539,585
Deferred income tax expense/(credit)	(5,827)	(281,638)
Income tax expense	445,019	257,947

(a) Hong Kong Profits Tax

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

(b) PRC EIT

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

(c) Overseas income tax

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

8. DIVIDENDS

No dividend was proposed during the year ended 31 December 2013 and 2012, or has any dividend been proposed since the end of the reporting period.

9. EARNINGS (LOSS) PER SHARE

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

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

10. TRADE AND BILLS RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade and bills receivables	16,586,762	16,916,913
Less: Impairment	(411,942)	(356,111)
	16,174,820	16,560,802

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables, net of impairment presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	14,953,826	15,678,364
91 to 180 days	686,125	617,448
181 to 365 days	488,410	177,491
Over 365 days	46,459	87,499
	16,174,820	16,560,802

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

	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of the year	356,111	187,655
Impairment losses recognised on receivables	91,830	209,997
Amounts written off during the year as uncollectible	(3,057)	(8,423)
Impairment losses reversed	(32,743)	(32,466)
Exchange realignment	(199)	(652)
Balance at end of the year	411,942	356,111

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB91,830,000 (2012: RMB209,997,000) has been recognised during the year ended 31 December 2013 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	13,903,127	15,004,673
Less than one month past due	1,950,240	1,199,659
One to three months past due	153,853	133,676
Over three months past due	167,600	222,794
	16,174,820	16,560,802

Receivables that were neither past due nor impaired relate to independent customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the debtors are leading electronics producers in the world, which have sound repayment history with no records of delays of payment, the balances are still considered fully recoverable.

11. TRADE AND BILLS PAYABLES

As at 31 December 2013 and 2012, the ageing analysis of the trade and bills payables presented based on the invoice date was as follows:

	2013	**2012**
	RMB'000	*RMB'000*
Within 90 days	12,913,983	11,529,581
91 to 180 days	2,790,811	3,748,461
181 to 365 days	706,044	973,853
Over 365 days	82,836	68,695
	16,493,674	16,320,590

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 December 2013 has been modified but without qualification, an extract of which is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matters

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

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following financial information is extracted from the audited consolidated financial statements of GWT Group prepared in accordance with the Hong Kong Financial Reporting Standards for the financial year ended 31 December 2012:

Consolidated Income Statement
For the year ended 31 December 2012

		2012	2011
	Notes	*RMB'000*	*RMB'000*
Turnover	7	95,884,305	95,024,261
Cost of sales		(89,529,201)	(89,824,902)
Gross profit		6,355,104	5,199,359
Other income and gains	7	1,980,664	462,005
Net realised and unrealised gain on foreign exchange forward contracts		173,741	205,937
Gain on disposal of prepaid land lease payments	17	549	494,675
Impairment of property, plant and equipment	16	(130,414)	(2,341)
Selling and distribution costs		(3,383,430)	(2,223,578)
Administrative and other operating expenses		(2,266,502)	(2,116,535)
Research and development expenses		(1,894,346)	(878,059)
Finance costs	9	(493,002)	(155,175)
Share of results of jointly controlled entities	21	(10,023)	(5,866)
Share of results of associates	20	52,859	16,361
Profit before tax	10	385,200	996,783
Income tax expense	13	(257,947)	(248,903)
Profit for the year		127,253	747,880
(Loss) profit for the year attributable to:			
Owners of the Company		(163,756)	156,698
Non-controlling interests		291,009	591,182
		127,253	747,880
(Loss) earnings per share			
– Basic and diluted (RMB per share)	15	(13.67 cents)	13.08 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
Profit for the year	127,253	747,880
Other comprehensive (expenses) income for the year		
Available-for-sale investments:		
– Fair value gain (loss) arising during the year	6,911	(30,509)
– Reclassification adjustment upon impairment	–	3,353
– Reclassification adjustment upon disposal	886	–
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	–	36,655
Deferred tax on change in fair value of available-for-sale investments	(1,771)	3,988
Deferred tax on change in fair value of transferred owner-occupied properties at transfer date	–	(5,123)
Actuarial loss on pension obligations	(1,439)	–
Share of other comprehensive expenses of associates	(4,404)	(13,077)
Share of other comprehensive income (expenses) of jointly controlled entities	720	(5,594)
Exchange differences arising on translation	(103,005)	(677,122)
Other comprehensive expenses for the year	(102,102)	(687,429)
Total comprehensive income for the year	25,151	60,451
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(195,248)	39,226
Non-controlling interests	220,399	21,225
	25,151	60,451

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	6,790,547	5,912,955
Prepaid land lease payments	17	666,629	357,339
Investment properties	18	1,458,451	1,477,954
Intangible assets	19	1,386,605	349,889
Interests in associates	20	807,526	653,161
Interests in jointly controlled entities	21	11,194	61,522
Available-for-sale investments	22	393,587	263,318
Prepayments, deposits and other receivables	25	375,120	133,128
Term deposits	27	110,000	113,025
Pledged deposits	27	10,000	746,750
Derivative financial instruments	31	17,845	–
Deferred tax assets	35	701,441	256,734
		12,728,945	10,325,775
Current assets			
Inventories	23	10,279,397	7,687,545
Trade and bills receivables	24	16,560,802	17,484,408
Prepaid land lease payments	17	18,792	10,548
Prepayments, deposits and other receivables	25	3,932,341	2,897,849
Financial assets at fair value through profit or loss	26	26,104	36,892
Tax recoverable		112,994	30,401
Derivative financial instruments	31	203,727	233,206
Amounts due from fellow subsidiaries	44	27,686	20,797
Amounts due from associates	44	41,607	5,700
Term deposits	27	243,000	1,695,579
Pledged deposits	27	3,116,683	1,524,218
Bank balances and cash	27	5,386,054	3,457,887
		39,949,187	35,085,030

	Notes	2012 RMB'000	2011 RMB'000
Current liabilities			
Trade and bills payables	28	16,320,590	14,475,148
Other payables and accruals	29	8,661,680	5,550,030
Bank and other loans	30	6,705,430	7,902,033
Derivative financial instruments	31	408,605	168,103
Tax payable		305,057	153,308
Warranties and other provisions	32	854,713	480,691
Amounts due to fellow subsidiaries	44	1,676	12,778
Amounts due to associates	44	16,025	794
Amount due to ultimate holding company	44	101,622	–
		33,375,398	28,742,885
Net current assets		6,573,789	6,342,145
Total assets less current liabilities		19,302,734	16,667,920
Capital and reserves			
Share capital	38	1,197,742	1,197,742
Reserves		3,138,014	3,373,486
Equity attributable to owners of the Company		4,335,756	4,571,228
Non-controlling interests		11,041,597	10,850,036
Total equity		15,377,353	15,421,264
Non-current liabilities			
Bank and other loans	30	1,756,709	492,497
Other payables	29	1,327,991	288,134
Pension obligations	33	108,029	37,913
Derivative financial instruments	31	176	–
Contingent consideration payable and redemption liability	37	117,502	–
Deferred tax liabilities	35	533,594	390,646
Warranties and other provisions	32	21,892	–
Government grants	36	59,488	37,466
		3,925,381	1,246,656
		19,302,734	16,667,920

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Goodwill reserve *RMB'000*	Asset revaluation reserve *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Statutory reserve *RMB'000* *(note a)*	Translation reserve *RMB'000*	Other reserve *RMB'000* *(note b)*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2012	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(163,756)	(163,756)	291,009	127,253
Other comprehensive income (expense) for the year													
Available-for-sale investments:													
– Fair value gain arising during the year	–	–	–	–	–	2,164	–	–	–	–	2,164	4,747	6,911
– Reclassification adjustment upon disposal	–	–	–	–	–	250	–	–	–	–	250	636	886
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	(568)	–	–	–	–	(568)	(1,203)	(1,771)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(2,218)	–	–	(2,218)	(2,186)	(4,404)
Share of other comprehensive income of jointly controlled entities	–	–	–	–	–	–	–	98	–	–	98	622	720
Actuarial loss on pension obligations	–	–	–	–	–	–	–	–	(196)	–	(196)	(1,243)	(1,439)
Exchange differences arising on translation	–	–	–	–	–	–	–	(31,022)	–	–	(31,022)	(71,983)	(103,005)
Total other comprehensive income (expense)	–	–	–	–	–	1,846	–	(33,142)	(196)	–	(31,492)	(70,610)	(102,102)
Total comprehensive income (expense) for the year	–	–	–	–	–	1,846	–	(33,142)	(196)	(163,756)	(195,248)	220,399	25,151
Dividends paid	–	–	–	–	–	–	–	–	–	(35,932)	(35,932)	–	(35,932)
Dividends attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(367,792)	(367,792)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	111,002	111,002
Recognition of equity-settled share-based payments of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,593	15,593
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	240,002	240,002
Redemption liability	–	–	–	–	–	–	–	–	(4,292)	–	(4,292)	(27,643)	(31,935)
Transfer	–	–	–	–	–	–	10,476	–	–	(10,476)	–	–	–
At 31 December 2012	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,262)	(185,508)	1,469,559	4,335,756	11,041,597	15,377,353

	Attributable to owners of the Company												
	Share capital	Share premium	Merger reserve	Goodwill reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Statutory reserve	Translation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note a)*	*RMB'000*	*RMB'000* *(note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	1,197,742	997,498	272	(28,155)	127,678	12,757	1,019,655	(149,934)	(181,020)	1,715,170	4,711,663	11,164,962	15,876,625
Profit for the year	–	–	–	–	–	–	–	–	–	156,698	156,698	591,182	747,880
Other comprehensive income (expense) for the year													
Available-for-sale investments:													
– Fair value loss arising during the year	–	–	–	–	–	(10,038)	–	–	–	–	(10,038)	(20,471)	(30,509)
– Reclassification adjustment upon impairment	–	–	–	–	–	451	–	–	–	–	451	2,902	3,353
Change in fair value of transfer of owner-occupied properties to investment properties at transfer date	–	–	–	–	12,155	–	–	–	–	–	12,155	24,500	36,655
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	2,020	–	–	–	–	2,020	1,968	3,988
Deferred tax on change in fair value of owner-occupied properties at transfer date	–	–	–	–	(2,874)	–	–	–	–	–	(2,874)	(2,249)	(5,123)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	–	(6,116)	–	–	(6,116)	(6,961)	(13,077)
Share of other comprehensive expenses of jointly controlled entities	–	–	–	–	–	–	–	(752)	–	–	(752)	(4,842)	(5,594)
Exchange differences arising on translation	–	–	–	–	–	–	–	(112,318)	–	–	(112,318)	(564,804)	(677,122)
Total other comprehensive income (expense)	–	–	–	–	9,281	(7,567)	–	(119,186)	–	–	(117,472)	(569,957)	(687,429)
Total comprehensive income (expense) for the year	–	–	–	–	9,281	(7,567)	–	(119,186)	–	156,698	39,226	21,225	60,451
Dividends paid	–	–	–	–	–	–	–	–	–	(179,661)	(179,661)	–	(179,661)
Dividends attributable to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(444,831)	(444,831)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	58,597	58,597
Recognition of equity-settled shared-based payments of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	31,303	31,303
Repurchase of shares of a non-wholly owned subsidiary from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(601)	(601)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	19,381	19,381
Transfer	–	–	–	–	–	–	12,484	–	–	(12,484)	–	–	–
At 31 December 2011	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264

Notes:

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

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	385,200	996,783
Adjustments for:		
Finance costs	493,002	155,175
Bank interest income	(188,713)	(102,461)
Share of results of associates	(52,859)	(16,361)
Share of results of jointly controlled entities	10,023	5,866
Gain on deemed acquisition of additional interests of an associate	(12,395)	–
Gain on disposal of associates	–	(900)
Gain on bargain purchase of subsidiaries	(161,154)	(3,993)
Gain on disposal of investment properties	(28,570)	–
Fair value gain on investment properties	(31,347)	(54,692)
Fair value loss on contingent consideration payable	11,431	–
Gain on disposal of prepaid land lease payments	(549)	(494,675)
Government grants income	(262,583)	(103,756)
Reversal of impairment of trade receivables	(32,466)	(10,121)
Reversal of impairment of other receivables	(14,341)	(89)
Recovery of bad debts	–	(27,426)
Reversal of allowance for inventories	–	(147,324)
Loss on disposal of equity investments at fair value through profit or loss ("FVTPL")	227	168
Dividend income from available-for-sale investments	(4,875)	(2,555)
Loss on disposal of property, plant and equipment	8,045	40,094
Loss on disposal of available-for-sale investments	886	–
Change in fair value of financial assets at FVTPL	(2,676)	8,502
Depreciation of property, plant and equipment	1,284,191	1,467,265
Amortisation of prepaid land lease payments	15,736	10,158
Amortisation of intangible assets	371,878	92,625
Allowance for inventories	150,676	32,568
Impairment of trade receivables	209,997	139,340
Impairment of other receivables	960	541
Impairment of property, plant and equipment	130,414	2,341
Impairment of available-for-sale investments	25,577	3,353
Net realised and unrealised gain on derivative financial instruments	(158,718)	(213,833)
Share options granted to directors and employees of a subsidiary	15,593	31,303

	Note	2012 RMB'000	2011 RMB'000
Operating cash flows before movements in working capital		2,162,590	1,807,896
(Increase) decrease in inventories		(1,562,283)	2,339,043
Decrease (increase) in trade and bills receivables		709,138	(510,217)
(Increase) decrease in prepayments, deposits and other receivables		(812,750)	210,259
Increase (decrease) in trade and bills payables		1,876,780	(2,779,566)
Increase (decrease) in other payables and accruals		2,066,903	(57,023)
Increase in amounts due from associates		(35,907)	(12,433)
Increase in warranty provisions and restructuring and other provisions		386,898	5,955
Decrease in pension		(24,770)	(737)
Cash generated from operations		4,766,599	1,003,177
PRC Enterprise Income Tax ("PRC EIT") and overseas income tax paid		(458,595)	(248,033)
Hong Kong Profits Tax paid		(11,834)	(21,165)
NET CASH FROM OPERATING ACTIVITIES		4,296,170	733,979
INVESTING ACTIVITIES			
Net cash flow from the acquisitions of subsidiaries	39	16,048	(83,380)
Purchases of property, plant and equipment		(1,596,007)	(1,850,055)
Purchases of available-for-sale investments		(157,173)	(67,383)
Increase in pledged deposits		(855,826)	(1,879,990)
Capital injection to associates		(106,572)	(271,738)
Additions to prepaid land lease payments		(329,334)	(41,655)
Additions to intangible assets		(59,775)	(41,004)
Proceeds from disposal of associates		–	155,000
Proceeds from disposal of property, plant and equipment		38,300	110,506
Proceeds from disposal of investment properties		94,670	–
Proceeds from disposal of intangible assets		358	–
Interest received		173,517	80,224
Dividends received from associates		17,136	18,405
Proceeds from disposal of available-for-sale investments		8,235	–
Proceeds from disposal of prepaid land lease payments		410,764	108,941
Purchases of financial assets at FVTPL		–	(29,807)
Decrease (increase) in term deposits with terms over three months		1,455,604	(1,248,276)
Proceeds from sales of financial assets at FVTPL		13,237	388
Dividends received from available-for-sale investments		4,875	2,555
Repayment from fellow subsidiaries		(6,889)	132
Payable to Philips for net operating capital contributed		(1,932,695)	–
NET CASH USED IN INVESTING ACTIVITIES		(2,811,527)	(5,037,137)

	2012 *RMB'000*	2011 *RMB'000*
FINANCING ACTIVITIES		
Repayment of bank and other loans	(12,094,339)	(2,597,287)
Inception of subordinated loans	1,269,986	–
Repayment to immediate holding company	–	(910)
Dividends paid to non-controlling interests	(367,792)	(444,831)
Dividends paid as distribution	(35,932)	(179,661)
Interest paid	(306,540)	(155,175)
Settlement for derivative financial instruments	411,030	157,115
Repurchase of shares of a non-wholly owned subsidiary	–	(601)
Repayment to fellow subsidiaries	(11,102)	(18,036)
Advance from ultimate holding company	101,622	–
New bank and other loans raised	10,905,538	6,618,112
Proceeds from factoring of receivables	–	2,016,244
Contribution from non-controlling shareholders	240,002	19,381
Advance from (repayment to) associates	15,231	(558)
Government grants received	284,605	107,095
NET CASH FROM FINANCING ACTIVITIES	412,309	5,520,888
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,896,952	1,217,730
CASH AND CASH EQUIVALENTS AT 1 JANUARY, represented by bank balances and cash	3,457,887	2,757,805
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	31,215	(517,648)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	5,386,054	3,457,887

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL

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

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

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

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that all of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is rebutted. The application of the amendments to HKAS 12 have no significant impact on the results and the financial positions of the Group.

During the year, certain investment properties located in the PRC were disposed of to the municipal authority of the PRC. The directors of the Company are of the opinion that the transaction was instructed by the municipal authority, which was an isolated event and did not indicate a change of the Group's objective of holding the investment properties as mentioned above.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. Since the transaction amount is insignificant, no relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7.

The Group has not early applied new or revised standards, amendments and interpretations that have been issued but are not yet effective. The following new or revised standards have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 *Presentation of Financial Statements*, HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

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

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

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

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

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

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

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

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

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the application of the amendments to HKAS 19 may have an impact on the amounts reported in respect of the Groups' defined benefit plans.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Investments in subsidiaries

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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

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

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

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

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

Property, plant and equipment

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

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

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals.

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefits costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Share-based payments

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

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

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

Research and development costs

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

Inventories

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

Cash and cash equivalents

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in administrative expenses in the consolidated income statement. Fair value is determined in the manner described in note 26.

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

Derivative financial instruments

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

Financial guarantee contracts

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

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

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

Provisions

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

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

Classification between investment properties and owner-occupied properties

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

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

Deferred tax assets

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

De facto control over subsidiaries

The Group's management exercises its critical judgment when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (ii) the extent of reliance of the subsidiary on the financial and operational support from the Group; and (iii) the extent of involvement of directors of the subsidiary nominated by the Group in its operational and financial policy setting and decision making.

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

During the year, impairment loss on property, plant and equipment was recognised in the consolidated income statement amounting to approximately RMB130,414,000 (2011: RMB2,341,000) and the carrying amount of property, plant and equipment is approximately RMB6,790,547,000 (2011: RMB5,912,955,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Estimated impairment loss of trade and other receivables

The policy for making impairment loss on trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. During the year ended 31 December 2012, taking into consideration the bankruptcy of a major customer, impairment loss on trade receivables and other receivables was recognised in the consolidated income statement amounting to approximately RMB209,997,000 and RMB960,000 respectively (2011: impairment loss on trade receivables of RMB139,340,000 and other receivables of RMB541,000) and the carrying amounts of trade and other receivables are approximately RMB16,560,802,000 (net of impairment of RMB356,111,000) and RMB3,779,152,000 (net of impairment of RMB2,117,000) respectively (2011: trade receivables of RMB17,484,408,000 (net of impairment of RMB187,655,000) and other receivables of RMB2,879,306,000 (net of impairment of RMB15,498,000)).

Estimated impairment of interests in associates and jointly controlled entities

The Group regularly reviews investments in associates and jointly controlled entities for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the companies. No impairment loss of associates and jointly controlled entities were recognised for both years and the carrying amount of interests in associates and jointly controlled entities as at 31 December 2012 is RMB807,526,000 (2011: RMB653,161,000) and RMB11,194,000 (2011: RMB61,522,000) respectively.

Estimated allowance for inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period and makes allowance for slow moving inventory items amounting to approximately RMB150,676,000 (2011: RMB32,568,000) and the carrying amount of inventories is approximately RMB10,279,397,000 (2011: RMB7,687,545,000). The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions and the historical experience of manufacturing and selling products of similar nature.

Fair value of contingent consideration payable and redemption liability

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

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

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

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

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Provisions for products warranties and restructuring

As explained in note 32, the Group makes provisions under the warranties it gives on sale of its products taking into account the Group's past experience of the level of repairs and returns, and restructuring provision was provided in relation to employee severance costs in respect of the restructuring of TV business. As the Group are continually upgrading its product designs and launching new models it is possible that the past experience of the level of repairs and returns is not indicative of future claims that the Group will receive in respect of past sales. Also, the determination of employee severance costs for the restructuring of TV business involves estimation and the outcome may be different with the estimation. Any increase or decrease in the provision would affect profit or loss in future years. The carrying value of the warranty provision and restructuring as at 31 December 2012 is approximately RMB622,243,000 and RMB254,362,000 (2011: RMB480,691,000 and nil) respectively.

Pending litigations

The Group had certain pending litigations as at the end of the reporting period. Significant judgment is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognised. Details are set out in note 45.

Fair value of derivative financial instruments

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

The fair value of derivative financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. The carrying amount of the derivative financial assets and derivative financial liabilities are approximately RMB221,572,000 and RMB408,781,000 (2011: RMB233,206,000 and RMB168,103,000) respectively.

Employee benefits – share-based payments

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

Estimated impairment of available-for-sales investments

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale investments is impaired. In the case of equity and debt securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the consolidated income statement. During the year, impairment loss on available-for-sale investments was recognised in the consolidated income statement amounting to approximately RMB25,577,000 (2011: RMB3,353,000) and the carrying amount of the available-for-sale investments is approximately RMB393,587,000 (2011: RMB263,318,000).

5. **FINANCIAL INSTRUMENTS**

a. **Categories of financial instruments**

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

Financial assets

	2012	2011
	RMB'000	*RMB'000*
Loans and receivables (including cash and cash equivalents)	27,368,934	26,507,450
Available-for-sale investments	393,587	263,318
Financial assets at FVTPL	26,104	36,892
Derivative financial instruments	221,572	233,206
	28,010,197	27,040,866

Financial liabilities

	2012	2011
	RMB'000	*RMB'000*
At amortised cost	33,611,190	28,353,208
Derivative financial instruments	408,781	168,103
Contingent consideration payable and redemption liability	117,502	–
	34,137,473	28,521,311

b. **Financial risk management objectives and policies**

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

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

Credit risk

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 11% (2011: 11%) and 31% (2011: 39%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

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

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

Interest rate risk

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

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

As at 31 December 2012, if interest rates on variable-rate bank and other loans had been 10 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been approximately RMB1,003,000 (2011: RMB1,952,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Foreign currency risk

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

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

	Increase (decrease) in US$/BRL/others	**Increase (decrease) in profit after tax and equity**
	%	*RMB'000*
2012		
If RMB weakens against USD	5	(110,769)
If RMB strengthens against USD	-5	110,769
If RMB weakens against BRL	5	37,762
If RMB strengthens against BRL	-5	(37,762)
If RMB weakens against other currencies	5	75,996
If RMB strengthens against other currencies	-5	(75,996)
2011		
If RMB weakens against USD	5	(67,187)
If RMB strengthens against USD	–5	67,187
If RMB weakens against BRL	5	53,110
If RMB strengthens against BRL	–5	(53,110)
If RMB weakens against other currencies	5	32,717
If RMB strengthens against other currencies	–5	(32,717)

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

	2012 *RMB'000*	2011 *RMB'000*
Monetary assets		
Trade and bills receivables and other receivables		
– In USD	967,452	1,170,407
– In BRL	1,543,939	1,340,315
– Others	5,403,551	1,763,222
	7,914,942	4,273,944
Term deposits, pledged deposits and bank balances and cash		
– In USD	1,451,467	1,228,645
– In BRL	170,073	57,307
– Others	2,485,081	294,301
	4,106,621	1,580,253
Total	12,021,563	5,854,197
Monetary liabilities		
Trade and bills payables and other payables		
– In USD	895,543	895,320
– In BRL	707,024	–
– Others	4,473,635	1,066,975
	6,076,202	1,962,295
Bank and other loans		
–In USD	4,477,224	3,271,821
–Others	1,388,435	129,584
	5,865,659	3,401,405
Total	11,941,861	5,363,700

Liquidity risk

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

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

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

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

	Less than 1 year and on demand *RMB'000*	Between 1 and 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31 December *RMB'000*
At 31 December 2011				
Non-derivative financial liabilities				
Bank and other loans	8,226,016	512,689	8,738,705	8,394,530
Trade and bills payables	14,475,148	–	14,475,148	14,475,148
Other payables and accruals	5,181,824	334,778	5,516,602	5,469,958
Amounts due to fellow subsidiaries	12,778	–	12,778	12,778
Amounts due to associates	794	–	794	794
	27,896,560	847,467	28,744,027	28,353,208
Financial guarantee contracts	161,862	–	161,862	–
	28,058,422	847,467	28,905,889	28,353,208
Derivative – net settlement				
Derivative – financial instruments	168,103	–	168,103	168,103
Derivative – gross settlement				
Foreign exchange forward contracts				
– inflow	23,325,299	–	23,325,299	23,325,299
– outflow	19,156,088	–	19,156,088	19,156,088

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

Equity price risk

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

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For the purpose of analysing the equity price risk, the management used the sensitivity rate of 10% (2011: 10%) as a result of the less volatile financial market.

If the prices of the respective equity instruments had been 10% (2011: 10%) higher/lower, with all other variables held constant and based on their carrying amounts at the end of the reporting period, the equity and profit after tax as at 31 December 2012 increase/decrease by approximately RMB3,062,000 (2011: RMB2,793,000) and RMB1,958,000 (2011: RMB2,804,000), respectively as a result of the changes in fair value of available-for-sale investments and financial assets at FVTPL.

c. Fair value estimation

The directors of the Company consider the fair values of trade and bills receivables; deposits and other receivables; amounts due from (to) ultimate holding company, fellow subsidiaries and associates; term and pledged deposits; bank balances and cash; trade and bills payables; other payables and accruals reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

The carrying amount of non-current prepayments and other receivables, and other payables recorded at amortised cost in the consolidated financial statements approximate their fair value as the impact of discounting is not significant.

The carrying amounts of current bank and other loans recorded at amortised cost in the consolidated financial statements approximate their fair values because of the loan rate currently available for loans with similar terms and maturities.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from the market-based credit information and the amount of loss given the default.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using quoted forward exchange market rates at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Available-for-sale investments				
– Listed equity securities	36,745	–	–	36,745
– Unlisted equity securities	–	–	2,728	2,728
– Listed debt securities	25,298	–	–	25,298
Financial assets at FVTPL	36,892	–	–	36,892
Derivative financial instruments	–	233,206	–	233,206
	98,935	233,206	2,728	334,869
Liabilities				
Derivative financial instruments	–	168,103	–	168,103

There were no transfers between Level 1 and 2 in the current year.

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

	Redemption liability *RMB'000*	**Contingent consideration** *RMB'000*	**Available-for-sale investments** *RMB'000*
At 1 January 2012	–	–	2,728
Addition through business combination	(31,935)	(74,351)	–
Total gain or loss	–	(11,431)	–
Exchange realignment	–	215	100
At 31 December 2012	(31,935)	(85,567)	2,828

	Redemption liability *RMB'000*	**Contingent consideration** *RMB'000*	**Available-for-sale investments** *RMB'000*
At 1 January 2011	–	–	6,073
Addition through business combination	–	–	26
Total gain or loss	–	–	(3,353)
Exchange realignment	–	–	(18)
At 31 December 2011	–	–	2,728

For the year ended 31 December 2011, included in profit or loss is an impairment loss of RMB3,353,000 (2012: nil) related to available-for-sale investments measured at Level 3 held at the end of the reporting period.

6. CAPITAL RISK MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2012 and 2011.

7. TURNOVER, OTHER INCOME AND GAINS

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

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

	2012	2011
	RMB'000	*RMB'000*
Turnover		
Sale of goods	95,673,875	94,814,287
Rendering of services	73,068	88,736
Gross rental income *(note a)*	137,362	121,238
	95,884,305	95,024,261
Other income		
Bank interest income	188,713	102,461
Dividend income from unlisted available-for-sale investments	4,875	2,555
Government grants *(note b)*	262,583	103,756
Sale of scrap materials	47,903	46,850
Brand promotion fee income *(note 44(a))*	863,025	–
Compensation for product launch delay *(note 44(a))*	255,258	–
Reversal of impairment of trade receivables	32,466	10,121
Reversal of impairment of other receivables	14,341	89
Reversal of provisions for products warranties	8,275	2,004
Recovery of bad debts	–	27,426
Others	51,044	31,580
	1,728,483	326,842
Gains		
Foreign exchange differences, net	–	67,682
Fair value gain on investment properties	31,347	54,692
Change in fair value of financial assets at FVTPL	2,676	–
Gain from bargain purchase of subsidiaries	161,154	3,993
Gain on deemed acquisition of additional interests of an associate	12,395	–
Gain on disposal of associates	–	900
Net realised and unrealised gain on cross currency swaps	16,039	6,137
Net realised and unrealised gain on interest rate swaps	–	1,759
Gain on disposal of investment properties	28,570	–
	252,181	135,163
	1,980,664	462,005

Notes:

(a)

	2012	2011
	RMB'000	*RMB'000*
Gross rental income	137,362	121,238
Less: direct expenses (included in cost of sales)	(79,181)	(71,264)
Net rental income	58,181	49,974

(b) Included in the amount of government grants recognised during the year ended 31 December 2012 of approximately RMB247,678,000 (2011: RMB78,831,000) were received in respect of certain research projects of the Group and fulfilled the relevant granting criteria which immediately recognised as other income for the year and of approximately RMB14,905,000 (2011: RMB24,925,000) were government grants recognised as deferred income utilised during the year (note 36).

8. SEGMENT INFORMATION

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

During the year, one more operating segment, T.P. Vision Holding B.V. ("TP Vision") – TV business, was identified, as a result of the acquisition of 70% equity interest of TP Vision on 1 April 2012 (note 39). Given that the newly acquired business is an individual operating segment that is separately reviewed by the chief operating decision maker from the Group's original TV business, therefore TP Vision – TV business is considered as a separate reportable segment. The segment information for the year ended 31 December 2011 has been reclassified to align with the presentation of the latest segment information disclosure. The Group is organised in the following basis:

(a) the TV segment produces televisions;

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

(c) the monitor segment produces monitors;

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

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

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

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

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

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

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

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

Inter-segment sales are charged at prevailing market rates.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the two years ended 31 December 2012 and 2011.

	TV	TP Vision – TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012								
Segment revenue								
Sales to external customers	14,360,198	17,149,314	36,458,670	16,561,380	3,326,360	137,362	7,891,021	95,884,305
Intersegment sales	7,697,343	–	44,405	–	–	27,731	30,132	7,799,611
	22,057,541	17,149,314	36,503,075	16,561,380	3,326,360	165,093	7,921,153	103,683,916
Elimination								(7,799,611)
Consolidated revenue								95,884,305
Segment results before increase in fair value of investment properties	70,733	237,749	54,000	13,023	25,506	30,671	60,270	491,952
Increase in fair value of investment properties	–	–	–	–	–	31,347	–	31,347
Segment results after increase in fair value of investment properties	70,733	237,749	54,000	13,023	25,506	62,018	60,270	523,299
Unallocated gains								487,383
Net realised and unrealised gain on foreign exchange forward contacts								173,741
Corporate and other unallocated expenses								(349,057)
Finance costs								(493,002)
Share of results of associates and jointly controlled entities								42,836
Profit before tax								385,200
At 31 December 2012								
Assets and liabilities								
Segment assets	11,628,885	4,354,536	16,284,274	3,031,253	1,819,841	1,458,451	2,071,259	40,648,499
Corporate and other unallocated assets								12,029,633
Total assets								52,678,132
Segment liabilities	6,418,873	6,319,574	10,524,821	1,120,120	1,243,175	–	1,763,182	27,389,745
Corporate and other unallocated liabilities								9,911,034
Total liabilities								37,300,779

	TV	TP Vision – TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011 (restated)								
Segment revenue								
Sales to external customers	24,059,085	–	40,511,153	19,293,055	3,037,247	121,238	8,002,483	95,024,261
Intersegment sales	–	–	–	–	–	29,720	–	29,720
	24,059,085	–	40,511,153	19,293,055	3,037,247	150,958	8,002,483	95,053,981
Elimination								(29,720)
Consolidated revenue								95,024,261
Segment results before increase in fair value of investment properties	(469,701)	–	854,536	148,571	(27,797)	49,974	(2,727)	552,856
Increase in fair value of investment properties	–	–	–	–	–	54,692	–	54,692
Segment results after increase in fair value of investment properties	(469,701)	–	854,536	148,571	(27,797)	104,666	(2,727)	607,548
Unallocated gains								217,568
Net realised and unrealised gain on foreign exchange forward contacts								205,937
Gain on disposal of prepaid land lease payments								494,675
Corporate and other unallocated expenses								(384,265)
Finance costs								(155,175)
Share of results of associates and jointly controlled entities								10,495
Profit before tax								996,783
At 31 December 2011								
Assets and liabilities								
Segment assets	11,468,930	–	15,998,104	3,186,129	1,670,407	1,477,954	1,975,433	35,776,957
Corporate and other unallocated assets								9,633,848
Total assets								45,410,805
Segment liabilities	6,298,953	–	10,477,507	996,366	1,282,144	–	1,770,484	20,825,454
Corporate and other unallocated liabilities								9,164,087
Total liabilities								29,989,541

Other segment information

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

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities and deferred tax assets.

Year ended 31 December 2011	TV	TP vision-TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Unallocated	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation and amortisation	408,969	–	258,489	642,993	126,547	–	133,050	–	1,570,048
Additions to non-current assets *(note)*	803,957	–	344,443	499,528	241,735	–	43,051	–	1,932,714
Addition to non-current assets through acquisition of subsidiaries *(note)*	253,239	–	–	94,700	–	–	–	–	347,939
Impairment losses and allowance recognised	43,807	–	72,534	43,314	8	–	15,127	–	174,790
Impairment losses and allowance reversed	(49,327)	–	(80,571)	(8,539)	(2,680)	–	(16,417)	–	(157,534)
Recovery of bad debts	–	–	–	(27,426)	–	–	–	–	(27,426)
Provision for product warranties	201,311	–	328,827	4,974	6,232	–	67,000	–	608,344
Reversal of provision for product warranties	–	–	–	(2,004)	–	–	–	–	(2,004)
(Gain) loss on disposal of property, plant and equipment	22,274	–	36,383	(28,452)	2,476	–	7,413	–	40,094
Gain from bargain purchase of subsidiaries	(3,993)	–	–	–	–	–	–	–	(3,993)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:									
Bank interest income	(15,089)	–	(11,054)	(70,502)	(4,335)	–	(1,481)	–	(102,461)
Gain on disposal of associates	–	–	–	–	–	–	–	(900)	(900)
Finance cost	42,832	–	31,379	50,307	26,453	–	4,204	–	155,175
Income tax expense	62,680	–	102,382	51,969	11,011	–	20,861	–	248,903
Impairment of available-for-sale investments	1,645	–	1,708	–	–	–	–	–	3,353
Change in fair of financial assets at FVTPL	–	–	–	–	–	–	–	8,502	8,502
Gain on disposal of prepaid land lease payments	–	–	–	(494,675)	–	–	–	–	(494,675)
Share of results of jointly controlled entities and associates	–	–	–	–	–	–	–	(10,495)	(10,495)
Net realised and unrealised forward foreign contract, cross currency swaps and interest rate swaps	–	–	–	–	–	–	–	(213,883)	(213,833)

Note: Non-current assets excluded financial instruments, interests in associates, interests in jointly controlled entities and deferred tax assets.

Geographical information

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

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

	Turnover by geographical market	
	2012	**2011**
	RMB'000	*RMB'000*
The PRC (including Hong Kong)	24,961,280	26,424,768
Europe	28,056,211	18,845,953
Asia Pacific (excluding the PRC)	9,856,601	13,354,086
North America	12,826,987	16,341,765
Others	20,183,226	20,057,689
	95,884,305	95,024,261

Information about the Group's non-current assets is presented based on the geographical location of the assets. At the end of the reporting period, the total amount of approximately RMB5,370,927,000 (2011: RMB4,898,556,000) of non-current assets other than available-for-sale investments, prepayment, deposits and other receivables, term deposits, pledged deposits, derivative financial instruments and deferred income tax assets were located in the PRC, and the total amount of approximately RMB5,767,870,000 (2011: RMB3,914,264,000) of these non-current assets were located in other countries.

Information about major customers

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

9. FINANCE COSTS

	2012	**2011**
	RMB'000	*RMB'000*
Interest on bank and other loans, wholly repayable within five years	256,725	155,175
Interest on subordinated loans, wholly repayable within five years	49,815	–
Unwinding of interests on license fee payable	189,315	–
Total borrowing costs	495,855	155,175
Less: amounts capitalised	(2,853)	–
	493,002	155,175

10. PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Staff costs, including directors' emoluments *(note 11)*:		
Wages and salaries	4,185,076	3,005,636
Share option granted to directors and employees of a subsidiary	15,593	31,303
Contributions to defined benefit plan	9,153	4,083
Contributions to retirement benefits schemes	302,378	318,513
	4,512,200	3,359,535
Cost of inventories sold	89,391,435	89,641,870
Cost of services provided	58,585	111,768
Depreciation of property, plant and equipment	1,284,191	1,467,265
Amortisation of prepaid land lease payments (included in administrative and other operating expenses)	15,736	10,158
Amortisation of intangible assets *(note 19(ii))*	371,878	92,625
Acquisition related cost *(note 39)*	27,887	3,357
Auditors' remuneration	29,562	26,040
Minimum lease payment under operating leases of land, buildings and machinery	264,810	150,804
Impairment of trade and bills receivables (included in administrative and other operating expenses)	209,997	139,340
Impairment of other receivables (included in administrative and other operating expenses)	960	541
Impairment of available-for-sale investments	25,577	3,353
Allowance for inventories (included in cost of sales)	150,676	32,568
Additional provision for product warranties and restructuring	1,157,314	608,344
Loss on disposal of property, plant and equipment	8,045	40,094
Loss on disposal of equity investments at FVTPL	227	168
Loss on disposal of available-for-sale investments	886	–
Change in fair value of financial assets at FVTPL	(2,676)	8,502
Net realised and unrealised loss on interest rate swaps	31,062	(1,759)
Fair value loss on contingent consideration payable (included in administrative and other operating expenses)	11,431	–
Foreign exchange difference, net	116,714	(67,682)
Reversal of allowance for inventories (included in cost of sales)	–	(147,324)

11. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

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

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

Note:

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

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

For the year ended 31 December 2011	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Bonuses *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Liu Liehong (Note (a))	–	–	–	–	–
Mr. Lu Ming (Note (a))	100	–	–	–	100
Mr. Tam Man Chi	100	5,111	2,899	289	8,399
Mr. Yang Jun (Note (a))	–	–	–	–	–
Mr. Su Duan (Note (a))	–	–	–	–	–
Mr. Du Heping (Note (b))	–	300	644	57	1,001
	200	5,411	3,543	346	9,500
Independent non-executive directors					
Mr. Chen Zhiya (resigned on 16 June 2011)	–	–	–	–	–
Mr. Yao Xiaocong	100	–	–	–	100
Mr. James Kong Tin Wong	100	–	–	–	100
Mr. Zeng Zhijie (appointed on 16 June 2011)	58	–	–	–	58
	258	–	–	–	258
Supervisors					
Ms. Kong Xueping	–	–	–	–	–
Ms. Song Jianhua	–	–	–	–	–
Ms. Lang Jia	–	–	–	–	–
	–	–	–	–	–
Total	458	5,411	3,543	346	9,758

Note:

(a) The directors' emoluments were borne by CEC, the ultimate holding company of the Company, for the year ended 31 December 2011. No apportionment had been made as it was impracticable to apportion this amount between their services to the Group and their services to CEC.

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

One executive director of the Company is entitled to bonus payments which are determined as percentage of the profit after tax of certain subsidiaries of the Group.

There was no arrangement under which a director, the chief executive or supervisor waived or agreed to waive any emoluments during the two years ended 31 December 2012 and 2011.

During the two years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the directors, the chief executive and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. The remuneration of directors and chief executive is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2012 included one (2011: one) director details of whose emoluments are set out in note 11 above. Details of the remuneration of the remaining four (2011: four) non-directors, highest paid employees for the year are as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	21,258	23,963

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

	Number of employees	
	2012	2011
HK$5,500,001 to HK$6,000,000 (2012: equivalent to RMB4,476,286 to RMB4,883,220; 2011: equivalent to RMB4,559,336 to RMB4,973,820)	3	2
HK$8,000,001 to HK$8,500,000 (2012: equivalent to RMB6,510,961 to RMB6,917,895; 2011: equivalent to RMB6,631,761 to RMB7,046,245)	1	1
HK$9,000,001 to HK$9,500,000 (2012: equivalent to RMB7,324,831 to RMB7,731,765; 2011: equivalent to RMB7,460,731 to RMB7,875,215)	–	1
	4	4

13. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax		
Hong Kong	20,131	11,480
PRC EIT and overseas income tax		
– Current year	513,872	287,443
– Under provision in prior years	5,582	408
	519,454	287,851
Deferred tax		
– Current year *(note 35)*	(279,775)	(58,347)
– Attributable to a change in tax rate *(note 35)*	(1,863)	7,919
	(281,638)	(50,428)
Total tax charge for the year	257,947	248,903

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

(b) PRC EIT

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

On 16 March 2007, the PRC Government promulgated the Law of the PRC on PRC EIT (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the PRC EIT rate of the Group's subsidiaries in the PRC, except for those subsidiaries approved to be high technology enterprise, was increased from 15% to 25% progressively from 1 January 2008 onwards (2008:18%, 2009:20%, 2010:22%, 2011:24%, 2012:25%). The relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% for the two years ended 31 December 2012 and 2011.

(c) Overseas income tax

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

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

	2012	**2011**
	RMB'000	*RMB'000*
Profit before tax	385,200	996,783
Tax at the applicable tax rate at 25% (2011: 24%)	96,300	239,228
Under provision in prior years	5,582	408
Effect of different tax rate of subsidiaries' operations in other jurisdictions and tax on concessionary rate	3,969	(84,524)
Effect on opening deferred tax of increase in tax rates	1,863	(7,919)
Tax effect of share of results of associates and jointly controlled entities	(10,889)	(2,519)
Tax effect of income not taxable for tax purpose	(450,127)	(178,247)
Tax effect of expenses not deductible for tax purpose	383,705	153,057
Withholding tax on undistributable profits	12,594	13,924
Utilisation of tax losses previously not recognised	(14,749)	(12,572)
Tax effect of tax losses and deductible temporary differences not recognised	229,699	128,067
Tax charge for the year	257,947	248,903

Details of deferred tax are set out in note 35.

14. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Final dividend of nil (2011: RMB 3 cents)	–	35,932

Neither dividend was proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period. The final dividend for the year ended 31 December 2011 was approved and paid in 2012.

15. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of approximately RMB163,756,000 (2011: profit for the year attributable to owner of the Company of approximately RMB156,698,000) and on the weighted average number of approximately 1,197,742,000 (2011: 1,197,742,000) ordinary shares in issue during the year.

Diluted (loss) earnings per shares was the same as the basic (loss) earnings per share because there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2012 and 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2011	121,149	3,049,386	4,945,826	57,751	522,567	8,696,679
Additions	659	17,425	1,161,536	10,426	660,009	1,850,055
Acquisition of subsidiaries	–	10,147	21,506	531	2,017	34,201
Disposals	–	(43,125)	(958,996)	(8,270)	(2,048)	(1,012,439)
Transfer	–	461,557	189,665	–	(651,222)	–
Transfer to investment properties *(note 18)*	(2,978)	(71,060)	–	–	–	(74,038)
Transfer from investment properties *(note 18)*	–	7,900	–	–	–	7,900
Exchange realignment	(9,068)	(92,483)	(168,915)	(1,555)	(23,304)	(295,325)
At 31 December 2011 and 1 January 2012	109,762	3,339,747	5,190,622	58,883	508,019	9,207,033
Additions	–	4,495	961,213	975	632,177	1,598,860
Acquisition of subsidiaries	–	265,879	493,579	642	103,270	863,370
Disposals	–	–	(122,826)	(387)	–	(123,213)
Transfer	–	–	577,231	–	(577,231)	–
Transfer to investment properties *(note 18)*	–	(33,698)	–	–	–	(33,698)
Transfer to prepaid land lease payments	–	–	–	–	(10,194)	(10,194)
Transfer from investment properties *(note 18)*	–	6,242	–	–	–	6,242
Exchange realignment	(8,049)	(47,834)	(96,007)	(1,178)	(5,008)	(158,076)
At 31 December 2012	**101,713**	**3,534,831**	**7,003,812**	**58,935**	**651,033**	**11,350,324**

	Freehold land outside Hong Kong	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	–	456,508	2,351,811	29,415	–	2,837,734
Impairment	–	–	2,341	–	–	2,341
Depreciation provided during the year	–	192,111	1,263,027	12,127	–	1,467,265
Transfer to investment properties *(note 18)*	–	(14,393)	–	–	–	(14,393)
Eliminated on disposals	–	(30,327)	(824,453)	(7,059)	–	(861,839)
Exchange realignment	–	(17,942)	(117,956)	(1,132)	–	(137,030)
At 31 December 2011 and 1 January 2012	–	585,957	2,674,770	33,351	–	3,294,078
Impairment	–	10,659	108,143	–	11,612	130,414
Depreciation provided during the year	–	150,391	1,121,743	12,057	–	1,284,191
Transfer to investment properties *(note 18)*	–	(11,618)	–	–	–	(11,618)
Eliminated on disposals	–	–	(76,512)	(356)	–	(76,868)
Exchange realignment	–	(11,760)	(47,997)	(663)	–	(60,420)
At 31 December 2012	**–**	**723,629**	**3,780,147**	**44,389**	**11,612**	**4,559,777**
NET BOOK VALUE						
At 31 December 2012	**101,713**	**2,811,202**	**3,223,665**	**14,546**	**639,421**	**6,790,547**
At 31 December 2011	109,762	2,753,790	2,515,852	25,532	508,019	5,912,955

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

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

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

During the year ended 31 December 2012, the directors of the Company conducted a review of the Group's assets related to electronic parts and components segment and determined that a number of those assets were impaired, due to continuous decrease in demand. Accordingly, impairment loss of approximately RMB130,414,000 (2011: RMB2,341,000) has been recognised in respect of plant, machinery and equipment, certain construction in progress and leasehold land and buildings. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 10% (2011: 9%) in relation to the assets.

At the end of the reporting period, certain of the Group's leasehold land and buildings with carrying value of approximately RMB104,877,000 (2011: RMB124,593,000) were pledged to obtain bank and other loans granted to the Group, details of which are set out in note 30.

17. PREPAID LAND LEASE PAYMENTS

Analysed for reporting purposes as:

	2012	2011
	RMB'000	*RMB'000*
Current asset	18,792	10,548
Non-current asset	666,629	357,339
	685,421	367,887

The Group's prepaid land lease payments comprise:

	2012	2011
	RMB'000	*RMB'000*
Outside Hong Kong:		
Long lease	13,712	13,975
Medium-term lease	671,709	353,912
	685,421	367,887

During the year ended 31 December 2012, a piece of land of approximately RMB329,334,000 located in the PRC (2011: RMB41,655,000) was acquired and a piece of land with carrying value of approximately RMB2,156,000 was disposed of at a consideration of approximately RMB2,705,000 and resulted in a gain on disposal of approximately of RMB549,000 being recognised in profit or loss.

During the year ended 31 December 2011, a piece of land with carrying value of approximately RMB22,325,000 was disposed of to 蘇州市土地儲備中心 at a consideration of approximately RMB517,000,000 and resulted in a gain on disposal of approximately RMB494,675,000 being recognised in profit or loss. As at December 2011, consideration receivable of approximately RMB408,059,000 was included in other receivables under current assets and was fully settled during the year ended 31 December 2012.

18. INVESTMENT PROPERTIES

	2012	2011
	RMB'000	*RMB'000*
At fair value		
Balance at beginning of year	1,477,954	1,295,585
Acquisition of subsidiaries *(note 39)*	–	49,877
Disposal	(66,100)	–
Transfer from property, plant and equipment *(note 16)*	22,080	59,645
Transfer to property, plant and equipment *(note 16)*	(6,242)	(7,900)
Revaluation surplus at transfer date from transferred owner-occupied properties	–	36,655
Fair value gains recognised in the consolidated income statement	31,347	54,692
Exchange realignment	(588)	(10,600)
Balance at the end of the year	1,458,451	1,477,954

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

	2012 *RMB'000*	2011 *RMB'000*
Freehold land	63,891	63,891
Medium-term lease	1,154,360	1,194,563
Long lease	240,200	219,500
	1,458,451	1,477,954

The Group's investment properties were revalued on 31 December 2012 by Dudley Surveyors Limited and Jones Lang Lasalle Sallmanns Limited, independent professionally qualified valuers, at approximately RMB1,458,451,000 (2011: RMB1,477,954,000) on an open market basis, which has taken into account the comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential. The investment properties are leased to third parties under operating leases, further details of which are included in note 40.

At the end of the reporting period, certain of the Group's investment properties with carrying amount of approximately RMB157,316,000 (2011: RMB137,600,000) were pledged to secure banking facilities granted to the Group, details of which are set out in note 30.

The Group leases out some of the buildings under operating leases. Certain investment properties had been taken up by the Group as its own premises and transferred to property, plant and equipment. The transfer amounts were based on the valuation performed by the independent professionally qualified valuers on an open market basis.

All of the Group's properties interests held under operating leases to earn rentals and measured using the fair value model and are classified and accounted for as investment properties. Gross rental income generated for the investment properties during the year amounted to approximately RMB137,362,000 (2011: RMB121,238,000) (note 7).

19. INTANGIBLE ASSETS

	Goodwill	Patents and licences	Technology acquired	Software	Trademark	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2011	–	47,950	88,772	3,700	140,812	–	281,234
Acquired through acquisition of subsidiaries *(note 39)*	30,644	333	–	–	253,239	–	284,216
Additions	–	290	–	3,689	37,025	–	41,004
Exchange realignment	(575)	–	(24)	(126)	(4,524)	–	(5,249)
At 31 December 2011 and 1 January 2012	30,069	48,573	88,748	7,263	426,552	–	601,205
Acquired through acquisition of subsidiaries *(note 39)*	22,433	–	–	–	1,230,305	118,211	1,370,949
Additions	–	63	–	59,712	–	–	59,775
Disposal	–	–	–	(417)	–	–	(417)
Exchange realignment	368	2,702	(466)	691	(22,321)	(3,796)	(22,822)
At 31 December 2012	52,870	51,338	88,282	67,249	1,634,536	114,415	2,008,690
Amortisation							
At 1 January 2011	–	47,420	86,125	2,450	23,585	–	159,580
Amortisation provided during the year	–	203	807	1,274	90,341	–	92,625
Exchange realignment	–	–	(19)	(118)	(752)	–	(889)
At 31 December 2011 and 1 January 2012	–	47,623	86,913	3,606	113,174	–	251,316
Amortisation provided during the year	–	262	675	1,492	289,247	80,202	371,878
Eliminated on disposals	–	–	–	(59)	–	–	(59)
Exchange realignment	–	2,597	(1)	24	(1,095)	(2,575)	(1,050)
At 31 December 2012	–	50,482	87,587	5,063	401,326	77,627	622,085
Carrying values							
At 31 December 2012	52,870	856	695	62,186	1,233,210	36,788	1,386,605
At 31 December 2011	30,069	950	1,835	3,657	313,378	–	349,889

Notes:

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

(ii) Amortisation charge for the Group is included in "cost of sales" and "administrative and other operating expenses" amounted to RMB281,597,000 (2011: RMB89,999,000) and RMB90,281,000 (2011: RMB2,626,000) respectively in the consolidated income statement.

Impairment test on goodwill

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

	2012	2011
	RMB'000	*RMB'000*
PI International Holdings	22,709	22,341
Suzhou Jinguan	7,728	7,728
Hefei Kaidi	22,433	–
	52,870	30,069

The Group conducted impairment review on goodwill attributable to each of the respective CGUs concerned as at 31 December 2012 by reference to the estimated recoverable amount. The recoverable amounts of relevant CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period, and at a discount rate of approximately ranged from 10% to 11% (2011: 9%). The cash flows beyond the five-year period are extrapolated using the average growth rate ranging of 3% – 4% (2011: 2% – 5%). These average growth rates are based on the relevant industry growth rates for casts and do not exceed the average long-term growth rate for the relevant industry.

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

20. INTERESTS IN ASSOCIATES

	2012	2011
	RMB'000	*RMB'000*
Cost of investment in associates		
Listed in Hong Kong	64,319	64,319
Unlisted	785,242	674,591
	849,561	738,910
Share of post-acquisition profit (losses) and other comprehensive income (expenses), net of dividends received	(42,035)	(85,749)
Share of net assets *(note a)*	807,526	653,161
Loans to associates *(note b)*	76,326	76,326
Less: impairment	(76,326)	(76,326)
	807,526	653,161
Fair value of listed investments	398,715	398,617

Notes:

(a) Movements in the Group's share of net assets of associates during the year are summarised below:

(i) During the year ended 31 December 2012, the Group further subscribed the shares of Country Lighting (BVI) Co. Ltd. ("Country Lighting") in proportionate with other shareholders, amounting approximately RMB22,984,000.

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

(iii) During the year ended 31 December 2012, amount of approximately RMB83,588,000 was injected in 開發晶照明(廈門)有限公司 (KAISTAR Lighting Co., Ltd.) ("Kaistar") in proportionate to its shareholdings.

(iv) During the year, the Group acquired an associate with the fair value of approximately RMB4,079,000 through an acquisition of a subsidiary, for which the details were stated in note 39(a).

(b) Loans to associates are unsecured, non-interest-bearing and is repayable after twelve months from the end of the reporting period.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2012	**2011**
	RMB'000	*RMB'000*
Total assets	3,798,630	5,513,739
Total liabilities	(1,088,969)	(2,980,357)
Net assets	2,709,661	2,533,382
Group's share of net assets of associates	807,526	653,161
Revenue	3,109,302	7,920,161
Profit for the year	144,748	195,645
Other comprehensive (expense) income	(367)	(26,681)
Group's share of results of associates for the year	52,859	16,361
Group's share of other comprehensive expense of associates for the year	(4,404)	(13,077)
Group's share of profits and other comprehensive income of associates for the year	48,455	3,284

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity held by the Group 2012	2011	Principal activities
ExcelStor Group Limited	Cayman Islands	US$15,000,000	33.33%	33.33%	Trading of hard disk drives ("HDD")
G&W Technologies, Co., Ltd.	Republic of Korea	US$2,577,320	27.82%	27.82%	Manufacture of HDD spindle motors
O-Net	Cayman Islands	HK$22,224,299	30.13%	27.32%	Trading of fiber optic components and manufacture of fiber optic parts for optical communications networks. Integrated parts for optical communications networks and crystal parts for optical communications networks
Shenzhen KTM Glass Substrate Co., Ltd.	The PRC	RMB122,108,400	49%	49%	Manufacture and sales of glass substrates
Shenzhen Great Wall Keimei Technology Co. Ltd.	The PRC	RMB10,000,000	35%	35%	Trading of network ammeters
Guilin Changhai Technology Co., Ltd *	The PRC	RMB40,000,000	39%	39%	Research and development of safe computers and special computers
Envision Peripherals, Inc.	United States of America	3,520,700 ordinary shares with no par value	24%	24%	Manufacture and sales of computer monitors
CPT TPV Optical (Fujian) Co., Ltd *	The PRC	US$22,500,000	20%	20%	Manufacture and sales of computer monitors
L&T Display Technology (Fujian) Limited	The PRC	US$17,000,000	49%	49%	Trading of LCD monitors/TVs
L&T Display Technology (Xiamen) Limited	The PRC	US$12,000,000	49%	49%	Trading of LCD monitors/TVs
Evertop (Fujian) Optoelectronics Co., Ltd	The PRC	US$25,000,000	25%	25%	Trading of LCD monitors/TVs
Country Lighting (note)	British Virgin Islands	US$8,400,000	55.3%	55.3%	Investment holdings
Kaistar	The PRC	US$80,000,000	44%	44%	Sale and manufacturing of LED products

* English translation is for identification purpose

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

Note: The Group is only able to exercise significant influence over Country Lighting as the Group has the power to appoint one out of four directors of Country Lighting under the provision stated in the Articles of Association of Country Lighting.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012	2011
	RMB'000	*RMB'000*
Cost of unlisted investments in jointly controlled entities	51,233	83,907
Share of post-acquisition profit (losses) and other comprehensive income (expenses)	(40,039)	(22,385)
	11,194	61,522

The following table illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts:

	2012	2011
The Group's share of:	*RMB'000*	*RMB'000*
Total assets	11,276	164,567
Total liabilities	(82)	(103,045)
The Group's share of net assets of the jointly controlled entities	11,194	61,522
Revenue	280,039	293,061
Loss for the year	(10,023)	(5,866)
Other comprehensive income (expenses)	720	(5,594)

Particulars of the jointly controlled entities are as follows:

	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity held by the Group 2012	Percentage of equity held by the Group 2011	Principal activity
Three Titans Technology (Xiamen) Co., Ltd.* ("Three Titans")	The PRC	Ordinary shares	86% *(Note)*	45%	Trading of LCD monitor/TV
BriVictory Display Technology (Labuan) Corp. and its wholly-owned subsidiary, BriVictory Display Technology (Poland) Sp. z o.o.	Malaysia and Poland	Ordinary shares	49%	49%	Trading of LCD monitor/TV

* English translation is for identification purpose

Note: During the year ended 31 December 2012, the Group entered into an equity transfer agreement with the counterparty who jointly controlled Three Titans, pursuant to which the counterparty agreed to transfer its 40.91% of equity interest to the Group. Upon the acquisition, the Group held approximately 86% of equity interest in Three Titans and Three Titans ceased to be a jointly controlled entity of the Group and became a subsidiary of the Group (note 39(c)).

22. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	RMB'000	*RMB'000*
Listed investments:		
– Equity securities listed in the PRC, at fair value	36,905	34,848
– Equity securities listed in Taiwan, at fair value	4,450	1,897
– Debenture listed in Europe with fixed interest ranging from 4.625% to 6% and maturity from 2014 to 2019	19,450	25,298
	60,805	62,043
Unlisted investments:		
– Equity investments, at cost	329,954	198,547
– Equity investments, at fair value	2,828	2,728
	332,782	201,275
Total	393,587	263,318

During the year ended 31 December 2012, an increase in fair value of the Group's available-for-sale investments recognised directly in the consolidated statement of other comprehensive income was approximately RMB6,911,000 (2011: a decrease in fair value of approximately RMB30,509,000) and impairment loss, on unlisted equity investments which are measured at cost, of approximately RMB25,577,000 has been recognised directly in profit or loss (2011: impairment loss of approximately RMB3,353,000 on unlisted equity investments which are measured at fair value has been reclassified from equity to profit or loss).

During the year ended 31 December 2012, the Group disposed of certain listed debt securities with carrying amount of approximately RMB8,235,000, which had been carried at fair value before the disposal. A loss on disposal of approximately RMB886,000 has been reclassified from equity to profit or loss for the current year.

The fair values of listed equity and debt investments are based on quoted market prices.

The fair values of unlisted equity investments are based on discounted cash flows. Other than those measured at fair value, the unlisted equity investments are stated at cost less any impairment losses because the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

At 31 December 2012, debenture investments held by the Group with carrying amount of approximately RMB19,450,000 (2011: RMB25,298,000) were pledged to the banks for the bank loans advanced to the Group (note 30).

23. INVENTORIES

	2012	2011
	RMB'000	*RMB'000*
Raw materials	3,511,138	3,231,478
Work in progress	817,613	274,675
Finished goods	5,921,850	4,171,988
Consumables	28,796	9,404
	10,279,397	7,687,545

During the year ended 31 December 2012, no reversal of allowances for inventories was recognised in cost of sales (2011: reversal of approximately RMB147,324,000) was recognised as an increase in the net realisable values of inventory due to change in the market situation.

24. TRADE AND BILLS RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade and bills receivables	16,916,913	17,672,063
Less: Impairment	(356,111)	(187,655)
	16,560,802	17,484,408

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables, net of impairment presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012	2011
	RMB'000	*RMB'000*
0 to 90 days	15,678,364	17,058,077
91 to 180 days	617,448	225,514
181 to 365 days	177,491	183,909
Over 365 days	87,499	16,908
	16,560,802	17,484,408

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

	2012	2011
	RMB'000	*RMB'000*
Balance at the beginning of the year	187,655	206,236
Impairment losses recognised on receivables	209,997	139,340
Amounts written off during the year as uncollectible	(8,423)	(146,822)
Impairment losses reversed	(32,466)	(10,121)
Exchange realignment	(652)	(978)
Balance at the end of the year	356,111	187,655

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment loss of approximately RMB209,997,000 (2011: RMB139,340,000) has been recognised during the year ended 31 December 2012 accordingly. The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	15,004,673	15,968,935
Less than one month past due	1,199,659	1,188,951
One to three months past due	133,676	134,250
Over three months past due	222,794	192,272
	16,560,802	17,484,408

Receivables that were neither past due nor impaired relate to independent customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the debtors are leading electronics producers in the world, which have sound repayment history with no records of delays of payment, the balances are still considered fully recoverable.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Receivables from disposal of prepaid land lease payments *(note 17)*	–	408,059
Value-added tax refundable	1,906,050	1,420,220
Other receivables	1,875,219	1,066,525
	3,781,269	2,894,804
Less: impairment	(2,117)	(15,498)
	3,779,152	2,879,306
Prepayments and deposits	528,309	151,671
	4,307,461	3,030,977
Presented under		
– non-current assets	375,120	133,128
– current assets	3,932,341	2,897,849
	4,307,461	3,030,977

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

	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of the year	15,498	15,046
Impairment losses reversed	(14,341)	(89)
Impairment losses recognised	960	541
Balance at the end of the year	2,117	15,498

There is no past due but not impaired other receivables as at 31 December 2012 and 2011.

The Group has individually assessed all other receivables and provided in full for those receivables that are considered not recoverable. The Group does not hold any collateral over these balances.

At at 31 December 2012, included within non-current receivable is an amount of RMB312,934,000 (2011: nil) which relates to cash placed in an escrow account for certain consumer care obligations arising in the TPV Group as set out in Trademark License Agreement between TP Vision Group and Philips. The receivables is classified as non-current as the related obligations fall due in more than one year.

Included within current receivable is an advance of RMB16,156,000 (2011: RMB46,670,000 within non-current receivable) to an independent third party, which is interest free and repayable in June 2013.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	RMB'000	*RMB'000*
Listed securities, at fair value:		
– Equity securities – Singapore	–	1,065
– Equity securities – Taiwan	26,104	35,827
	26,104	36,892

27. TERM DEPOSITS, PLEDGED DEPOSITS AND BANK BALANCES AND CASH

	2012	2011
	RMB'000	*RMB'000*
Cash and bank deposits, other than term deposits and pledged deposits	5,386,054	3,457,887
Term deposits and pledged deposits	3,479,683	4,079,572
	8,865,737	7,537,459
Less: Current deposits		
Pledged for bank facilities	3,090,283	1,489,859
Pledged for performance bonds	26,400	34,359
	3,116,683	1,524,218
Term deposits with terms over three months	243,000	1,695,579
	3,359,683	3,219,797
Less: Non-current deposits		
Pledged for bank facilities	10,000	746,750
Term deposits with terms over one year	110,000	113,025
	120,000	859,775
Bank balances and cash	5,386,054	3,457,887

As at 31 December 2012, term deposits, pledged deposits, bank balances and cash of approximately RMB4,471,950,000 (2011: RMB5,344,782,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the government of the PRC. The pledged deposits and bank balances carry interest at 0.35% (2011: 0.5%) per annum.

As at 31 December 2012, the effective interest rates on term deposits with terms over three months ranged from 2.1% to 5.85% (2011: 2.28% to 5.25%) per annum; and these deposits have an average maturity of 256 days (2011: 242 days).

As at 31 December 2012, term deposits of approximately RMB26,400,000 (2011: RMB34,359,000) were pledged in respect of performance bonds in favour of the customers.

28. TRADE AND BILLS PAYABLES

The Group has financial risk management policies in place to ensure all payables are paid within the credit timeframes. The average credit period on purchase is 30 to 90 days. An aged analysis of the trade and bills payables presented based on the invoice date as at the end of the reporting period.

	2012	**2011**
	RMB'000	*RMB'000*
Within 90 days	11,529,581	14,296,243
91 to 180 days	3,748,461	158,230
181 to 365 days	973,853	3,855
Over 365 days	68,695	16,820
	16,320,590	14,475,148

29. OTHER PAYABLES AND ACCRUALS

	2012	**2011**
	RMB'000	*RMB'000*
Current portion		
Payable under factoring arrangement	2,285,301	2,016,244
Accrued employee benefits	971,022	612,199
Other tax payables	1,153,138	368,206
Brand promotion fee received *(note 44(d))*	127,395	–
License fee payable *(note)*	327,462	136,213
Others	3,797,362	2,417,168
	8,661,680	5,550,030
Non-current portion		
License fee payable *(note)*	1,249,369	212,018
Accrued employee benefits	26,871	65,815
Others	51,751	10,301
	1,327,991	288,134
	9,989,671	5,838,164

Note: The license fee payable will be repaid within five years as set out in the trademark license agreement between TP Vision Group and Philips.

30. BANK AND OTHER LOANS

	Notes	2012 RMB'000	2011 RMB'000
Repayable more than two years, but not exceeding five years:			
Subordinated loans – non-current	1	1,138,601	–
Repayable more than one year, but not exceeding two years:			
Note payable – non-current	2	500,005	492,497
Bank and other loans – non-current		118,103	–
		1,756,709	492,497
Repayable within one year:			
Bank and other loans – current		6,705,430	7,902,033
		8,462,139	8,394,530
Bank and other loans:			
Unsecured		5,482,257	6,266,470
Secured		1,223,173	1,635,563
		6,705,430	7,902,033

Notes:

1. The subordinated loans were unsecured loan advanced from a subsidiary's substantial shareholder which carried interest at floating rates ranged from EURIBOR +2.2% to EURIBOR +2.7% per annum, and due in April 2015.

2. The note payable with principal amount of RMB500,000,000 was carried fixed interest of 4.25% (2011: 4.25%) per annum and due in March 2014.

Bank and other loans of approximately RMB1,618,976,000 (2011: RMB2,368,653,000) are at fixed interest rates during the year. The bank and other loans expose the Group to fair value interest rate risk. The effective interest rates at the end of the reporting period as follows:

	2012	2011
Bank and other loans	1.03% – 7.68%	1.68% – 7.22%

As at 31 December 2012, bank and other loans of approximately RMB5,313,213,000 (2011: RMB5,421,859,000) are denominated in US$. As at 31 December 2012, bank and other loans of approximately RMB125,936,000 (2012: nil) are denominated in Polish zloty.

As at 31 December 2012, the secured bank and other loans were pledged by certain of the Group's term deposits, available-for-sale investments, investment properties, leasehold land and buildings with a carrying value of approximately RMB3,126,683,000 (2011: RMB2,270,968,000), RMB19,450,000 (2011: RMB25,298,000), RMB157,316,000 (2011: RMB137,600,000) and RMB104,877,000 (2011: RMB124,593,000) respectively were pledged to secure bank loans of approximately RMB1,223,173,000 (2011: RMB1,635,563,000) as at 31 December 2012.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivatives not under hedge accounting				
Foreign exchange forward contracts *(note a)*	169,102	(382,602)	211,269	(132,906)
Interest rate swaps *(note b)*	26,907	–	11,333	(33,181)
Cross currency swaps *(note c)*	25,563	(26,179)	10,604	(2,016)
	221,572	(408,781)	233,206	(168,103)
Analysis				
– Current portion	203,727	(408,605)	233,206	(168,103)
– Non-current portion	17,845	(176)	–	–
	221,572	(408,781)	233,206	(168,103)

(a) Foreign exchange forward contracts

The total notional principal amount of the outstanding foreign exchange forward contracts as at the end of the reporting period are as follows:

	2012	2011
	RMB'000	*RMB'000*
Sell RMB for US$	7,535,938	21,547,154
Sell US$ for RMB	10,512,030	18,954,459
Sell Japanese yen for US$	9,468	22,935
Sell Euro for US$	5,450,470	1,125,750
Sell Brazilian real for US$	1,692,608	490,840
Sell Indian rupee for US$	476,569	138,620
Sell Polish zloty for US$	252,487	–
Sell Russian ruble for US$	1,441,253	–
Sell Mexican peso for US$	33,942	–
Sell British pound for US$	126,068	–
Sell US$ for Russian ruble	–	94,514
Sell US$ for New Taiwan dollars	5,343	107,115
Sell US$ for Euro	37,713	–
Sell Euro for Singaporean dollar	46,280	–
Sell Euro for Hungarian forint	37,160	–
Sell Euro for Swedish krona	13,294	–
Sell Euro for Danish krone	8,913	–
Sell Euro for Norwegian kroner	6,518	
Sell Euro for Czech koruny	4,224	–
Sell Polish zloty for Euro	178,232	–
Sell Swiss franc for Euro	171,814	–
Sell Russian ruble for Euro	170,023	–
Sell Hungarian forint for Euro	50,957	–
Sell British pound for Euro	50,334	–
Sell Singaporean dollar for Euro	43,295	–
Sell Czech koruny for Euro	39,033	–
Sell Danish krone for Euro	35,834	–
Sell Norwegian kroner for Euro	14,048	–
Sell Swedish krona for Euro	1,873	–

As at 31 December 2012 and 2011, all of the above foreign exchange forward contracts are with maturity dates within 12 months from the end of the reporting period.

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31 December 2012 was approximately RMB3,649,189,000 (2011: RMB1,852,326,000).

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31 December 2012 was approximately RMB3,961,449,000 (2011: RMB436,507,000).

32. WARRANTIES AND OTHER PROVISIONS

	2012	**2012**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Warranties provision	**Restructuring and other provisions**	**Total**	**Warranties provision total**
At 1 January	480,691	–	480,691	498,000
Additional provision recognised	869,883	287,431	1,157,314	608,344
Amounts utilised	(722,122)	(40,019)	(762,141)	(600,385)
Amounts reversed	(8,275)	–	(8,275)	(2,004)
Exchange realignment	2,066	6,950	9,016	(23,264)
At 31 December	622,243	254,362	876,605	480,691

Analysis of warranties and other provisions:

	2012	**2011**
	RMB'000	*RMB'000*
– Current liabilities	854,713	480,691
– Non-current liabilities	21,892	–
Total	876,605	480,691

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from twelve months to thirty-six months on average. The provision as of 31 December 2012 had been made for expected warranty claims on products sold during the last thirty-six months. It is expected that the majority of this provision will be utilised in the next twelve months, and all will be utilised in the next thirty-six months.

The restructuring provision was provided in relation to employee severance costs in respect of the restructuring of TV business of TP Vision as planned during the year ended 31 December 2012. The restructuring was still in process as at 31 December 2012.

33. PENSION OBLIGATIONS

The balance represented the Group's obligations in a defined benefit plan for its employees in Taiwan in accordance with the relevant local regulations.

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31 December 2012 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

The amount recognised in the consolidated statement of financial position is determined as follows:

	2012	2011
	RMB'000	*RMB'000*
Present value of funded obligations	91,247	50,710
Fair value of plan assets	(26,060)	(4,209)
	65,187	46,501
Present value of unfunded obligations	55,558	–
Unrecognised past service cost	4,419	–
Unrecognised actuarial losses	(17,135)	(8,588)
Liability in the consolidated statement of financial position	108,029	37,913

The amounts recognised in the consolidated income statement are as follows:

	2012	2011
	RMB'000	*RMB'000*
Current service cost	4,431	2,029
Interest cost	4,229	1,092
Expected return on plan assets	(669)	(123)
Past service cost	(277)	–
Charges for long term service awards	1,439	–
Net actuarial losses recognised during the year	–	1,085
Total expense, within employee benefit expense	9,153	4,083

The actuarial loss of approximately RMB1,439,000 (2011: nil) were recognised in other comprehensive income for the year. The actual loss on plan assets was approximately RMB25,000 (2011: RMB50,000).

Movements in the pension obligations are as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	50,710	64,532
Current service cost	4,431	2,029
Interest cost	4,229	1,092
Benefit paid	(8,534)	(3,779)
Actuarial losses (gain)	9,897	(8,030)
Acquisition of TP Vision	119,782	–
Employee contributions	580	–
Others *(Note)*	(34,127)	–
Exchange realignment	(164)	(5,134)
At 31 December	146,804	50,710

Note: Others comprise primarily amounts acquired through the business combination which were subsequently released following the announcement of the closure of that location. This release was netted in the consolidated income statement against related charges.

Movements in the fair value of plan assets are as follows:

	2012	2011
	RMB'000	*RMB'000*
At 1 January	4,209	7,100
Expected return on plan assets	669	123
Contributions	4,141	1,305
Benefit paid	(8,534)	(3,779)
Actuarial losses	(221)	(540)
Acquisition of TP Vision	26,335	–
Exchange realignment	(539)	–
At 31 December	26,060	4,209

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rate	1.5% – 5.81%	1.75%
Expected rate of return on plan assets	1.5% – 3.32%	1.75%
Expected rate of future salary increment	3.5% – 5.18%	3.5%

34. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2012 and 2011, the Group provided financial guarantees to banks in respect of banking facilities granted to associates and certain customers. The financial guarantees provided are analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to:		
associate	–	104,406
third parties	59,459	57,456
	59,459	161,862

The directors of the Company reviewed the financial position of the guarantees and considered that payment for the settling the financial guarantee is remote. No liabilities were recognised for the above guarantees as at 31 December 2012 and 2011.

35. DEFERRED TAX

The movements in deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Depreciation allowance in excess of related depreciation and amortisation	Pension obligation	Impairment and provisions	Revaluation of properties	Revaluation of available-for-sale investments	Capitalisation of interest	Equity of associates	Unrealised profit on derivatives financial instruments	Unrealised profit on inventories	Withholding tax on distributable profit	Tax losses	Intangible assets amortization	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	55,001	(8,755)	(200,875)	237,428	6,352	9,335	2,014	47,948	2,046	41,908	(13,391)	–	–	179,011
Acquisition of subsidiaries *(note 39)*	–	–	(1,013)	5,207	–	–	–	–	–	–	–	–	–	4,194
Deferred tax debited (credited) to equity during the year	–	–	–	5,123	(3,988)	–	–	–	–	–	–	–	–	1,135
Deferred tax charged (credited) to the consolidated income statement *(note 13)*	(9,735)	(460)	34,397	7,793	–	(905)	–	(40,173)	(1,290)	13,924	(61,898)	–	–	(58,347)
Effect of change in tax rate *(note 13)*	2,292	–	(4,739)	9,893	–	389	84	–	–	–	–	–	–	7,919
At 31 December 2011 and at 1 January 2012	47,558	(9,215)	(172,230)	265,444	2,364	8,819	2,098	7,775	756	55,832	(75,289)	–	–	133,912
Deferred tax debited (credited) to equity during the year	–	–	–	–	1,771	–	–	–	–	–	–	–	–	1,771
Deferred tax charged (credited) to the consolidated income statement *(note 13)*	(10,191)	65	(189,327)	7,837	–	(943)	–	(5,238)	(27,784)	12,369	40,875	(32,260)	(75,178)	(279,775)
Effect of change in tax rate *(note 13)*	2,033	(6)	(5,285)	5,741	–	367	87	–	(6)	63	–	(2,961)	(1,896)	(1,863)
Acquisition of subsidiaries *(note 39)*	–	–	(151,093)	–	–	–	–	–	–	–	–	165,029	(35,828)	(21,892)
At 31 December 2012	39,400	(9,156)	(517,935)	279,022	4,135	8,243	2,185	2,537	(27,034)	68,264	(34,414)	129,808	(112,902)	(167,847)

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

	2012	**2011**
	RMB'000	*RMB'000*
Deferred tax liabilities	533,594	390,646
Deferred tax assets	(701,441)	(256,734)
	(167,847)	133,912

At the end of the reporting period, the Group did not recognise in respect of tax losses of approximately RMB1,465,003,000 (2011: RMB781,766,000) due to the unpredictability of future profit streams. Tax losses amounting to RMB920,379,000 will expire in 2012 to 2021.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB361,633,000 (2011: RMB185,070,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. GOVERNMENT GRANTS

	2012	2011
	RMB'000	*RMB'000*
At 1 January	37,466	34,127
Government grants raised during the year	36,940	28,264
Government grants utilised during the year	(14,905)	(24,925)
Exchange realignment	(13)	–
At 31 December	59,488	37,466

As at 31 December 2012, government grants of approximately RMB59,488,000 (2011: RMB37,466,000) which were designated for certain research projects, export incentives, technical innovation, localisation incentives and fiscal refund granted by the PRC municipal government. The amount is stated as non-current liabilities in the consolidated statement of financial position as the directors of the Company are of the opinion that certain conditions in respect of these grants will not be fulfilled within the next twelve months from 31 December 2012.

37. CONTINGENT CONSIDERATION PAYABLE AND REDEMPTION LIABILITY

	2012	2011
	RMB'000	*RMB'000*
Contingent consideration payable	85,567	–
Redemption liability	31,935	–
	117,502	–

The contingent consideration payable and redemption liability arising from the acquisition of 70% equity interest in TP Vision. Details are set out in note 39(a).

38. SHARE CAPITAL

	2012	2011
	RMB'000	*RMB'000*
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	743,870	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	453,872	453,872
	1,197,742	1,197,742

There was no change in the authorised and issued capital of the Company for the two years ended 31 December 2012 and 2011.

39. BUSINESS COMBINATIONS

Business combinations for the year ended 2012

a. Acquisition of TP Vision

On 1 April 2012, Coöperatie MMD Meridian U.A. ("MMD"), the wholly-owned subsidiary of TPV and indirect subsidiary of the Company, completed the acquisition of 70% equity in TP Vision and its subsidiaries ("TP Vision Group") from Koninklijke Philips Electronics N.V. ("Philips") pursuant to the Share Purchase Agreement ("SPA") dated 1 November 2011. Philips retains the remaining 30% equity interest in TP Vision, and has the right to sell or transfer, partly or all, of its equity interest of TP Vision to the Group pursuant to the Shareholders' Agreement dated 1 April 2012.

As a result of the acquisition, the Group owns and controls 70% of the Philips' TV business through TP Vision Group, which comprise, amongst other things, innovation and development sites, manufacturing sites, sales organisations in various countries, assumed employees, and certain patents and contracts relating to the designs, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for the Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

The TP Vision Group's future operations are expected to leverage on Philips' strengths, especially awareness of its brand and its well-established market share particularly in Europe and South America, and increase the Group's retail market share in the global TV business.

A gain on this bargain purchase of US$24,803,000 (equivalent to approximately RMB155,898,000) has been recognised in the consolidated income statement of the Group, attributable to the recognition of fair values of net assets acquired at higher values than the contingent consideration payable.

Consideration transferred:

	RMB'000
Contingent consideration arrangement *(Note)*	74,351

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

Based on management's current view, the contingent consideration that the Group may be required to pay to Philips, on an undiscounted basis, is estimated to amount to EUR28,476,000 (equivalent to approximately RMB239,501,000).

The present value of the contingent consideration of approximately RMB74,351,000 was recognised on date of acquisition and the carrying value of approximately of RMB85,567,000 was classified as non-current liabilities in the consolidated statement of financial position as at 31 December 2012.

The Group has recognised the contingent consideration at the fair value which is determined in accordance with the terms as stipulated in the SPA and the supplementary agreements and with reference to the expected post-acquisition performance of the acquired business. Judgement is applied to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payable amount. Contingent consideration shall be re-measured at fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement in accordance with HKFRS 3 (Revised).

Pursuant to SPA in relation to acquisition of 70% equity interest in TP Vision Group during the year, Philips is granted an option pursuant to which Philips shall have the right to sell and transfer all (i.e. 30% equity interest), and not less than all, of its shares in TP Vision to the Group, as from expiry of a period of 6 years commencing on the date of SPA. The consideration to be paid by the Group for the 30% equity interest in TP Vision owned by Philips pursuant to the exercise of the written put option shall be the higher of nil and an amount calculated based on TP Vision Group's average consolidated EBIT in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2018 or the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to exercise the written put option, times a multiple of four.

The Group's written put option to Philips over the 30% equity interest of TP Vision Group has been valued as no value. As a result, no related financial instrument has been recognised.

The valuation of contingent consideration payable and the redemption liability upon Philips' exercise of the put option are based on the projected EBIT forecasted by TP Vision Group's management. The key assumptions adopted in projecting the future EBIT including 8% sales growth for the first year and a terminal growth beyond the second year period using the estimated growth rates not exceeding the long-term average growth rates of 3.0% for similar business operates. Other key assumptions applied in the valuation include the expected improvement in gross profit margin (ranged from 13.5% to 14.5%) and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. A discount rate of 21.5% that reflects specific risks related to TP Vision Group was adopted.

The fair value of the redemption liability of approximately RMB31,935,000 was recognised as at date of acquisition, and the carrying value of approximately RMB31,935,000 was classified as non-current liabilities in the consolidated statement of financial position as at 31 December 2012.

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	726,252
Intangible assets	1,341,332
Interests in associates	4,079
Inventories	1,164,672
Prepayment, deposits and other receivables – non-current portion	118,387
Prepayments, deposits and other receivables – current portion	559,950
Bank balance and cash	40,271
Deferred tax assets	186,921
Deferred tax liabilities	(165,029)
Other payables and accruals	(202,106)
Payable to Philips for net operating capital contributed	(1,932,695)
Other payables – non current portion	(1,419,649)
Pension obligations	(93,447)
Fair values of net assets acquired	328,938

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	74,351
Plus: non-controlling interests	98,689
Less: net assets acquired	(328,938)
Gain from a bargain purchase of subsidiaries	(155,898)

The Group's acquired intangible assets mainly represented a 5-year trademark license agreement between TP Vision and Philips, whereby TP Vision Group is granted the rights to use the Philips brand for its products sold, favourable service coverage meets.

The Group recognised TP Vision Group's non-controlling interest at their proportionate share of TP Vision's net assets.

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	–
Less: Cash and cash equivalent acquired	(40,271)
	(40,271)

The acquisition-related costs of approximately RMB27,862,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2012.

Impact of acquisition on the results of the Group

Included in the net profit for the year is approximately profit of RMB162,955,000 contributed by TP Vision. Revenue for the year includes approximately RMB17,203,175,000 is attributable to TP Vision.

As the TV operations of Philips were integral to its other businesses until the end of March 2012, it is impracticable to estimate, on a like-for-like basis, the net contribution of TP Vision Group to the Group should the acquisition had occurred on the 1st January 2012. Accordingly, no disclosure was made to this effect within these consolidated financial statements.

b. *Acquisition of 100% equity interest in Hefei Kaidi*

On 25 September 2012, TPV Technology (Qingdao) Company Limited ("TPV QD"), a wholly-owned subsidiary of TPV and an indirect subsidiary of the Company, entered into an equity transfer agreement with Hefei Haier Information Products Company Ltd ("Haier"), under which TPV QD agreed to purchase 100% equity interest of Hefei Kaidi, a wholly-owned subsidiary of Haier, with consideration of approximately RMB44,789,000. Hefei Kaidi was holding assets including machinery, equipments, workforce and contracts for production and sales of flat TV products. The acquisition of Hefei Kaidi can help increasing market shares of the Group in TV market in the PRC. The acquisition was completed on 7 December 2012. Upon acquisition, the Group exercises control over Hefei Kaidi by appointment of all directors into the board of Hefei Kaidi.

Consideration transferred:

	RMB'000
Cash	44,789

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	20,434
Intangible assets	7,184
Inventories	1,414
Bank balance and cash	19
Prepayments, deposits and other receivables – current portion	1,426
Other payables, accruals and other provisions	(8,121)
Fair values of net assets acquired	22,356

Goodwill

	RMB'000
Cash consideration	44,789
Less: Fair value of the net asset acquired	(22,356)
	22,433

The acquisition-related costs included in administrative expenses in the consolidated income statement for the year amounted to approximately RMB25,000.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	44,789
Less: cash and cash equivalent acquired	(19)
	44,770

Impact of acquisition on the results of the Group

The acquired business contributed revenues from external customers of approximately RMB1,736,000 and operating loss of approximately RMB2,620,000 to the Group for the year from its acquisition on 7 December 2012 to 31 December 2012. As the operations of Hefei Kaidi were integral to Haier's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired company to the Group should the acquisition had occurred on the 1 January 2012. On this basis no disclosure was made to this effect within these consolidated financial statements.

c. *Acquisition of additional equity interest in Three Titans*

As at 31 December 2011, Three Titans was a jointly controlled entity of the Group, which held 45.45% equity interest in it. On 31 May 2012, Top Victory Investments Limited ("TVI"), a wholly owned subsidiary of TPV and an indirect subsidiary of the Company, entered into an equity transfer agreement, under which TVI agreed to purchase additional 40.91% equity interest in Three Titans from an investor,山聚企業股份有限公司, (the "seller"), with a consideration of US$5,040,000 (equivalent to approximately RMB31,679,000). The equity interest held by TVI upon acquisition was 86.36% and become a subsidiary of the Group. Three Titans is engaged in production and sales of flat TV product modules. The acquisition was completed on 1 October 2012. Acquisition of Three Titans can facilitate the production of flat TV products of the Group. Upon the acquisition, the Group exercises control by appointment of majority of directors to the board of Three Titans.

Consideration transferred:

	RMB'000
Cash	31,679
Acquisition-date fair value of equity interest held as a jointly controlled entity of the Group	41,025
	72,704

The fair values of amounts of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	116,684
Prepayments, deposits and other receivables – non current portion	1,201
Inventories	29,718
Bank balance and cash	52,226
Prepayments, deposits and other receivables – current portion	168,621
Other payables and accruals	(275,663)
Other payables – non current portion	(2,514)
Fair values of net assets acquired	90,273

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	72,704
Plus: non-controlling interests	12,313
Less: net assets acquired	(90,273)
Gain from a bargain purchase of subsidiaries	(5,256)

The acquisition-related costs of the transaction is minimal.

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	31,679
Less: cash and cash equivalent acquired	(52,226)
	(20,547)

The Group recognised Three Titans's non-controlling interest at their proportional share of Three Titans's fair value of total identifiable net assets.

The acquired business did not contribute revenues from external customers as all its revenue was arisen from intercompany sales to the group. The acquired business contributed operating profit of approximately of RMB7,549,000 to the Group for the year from its acquisition on 1 October 2012 to 31 December 2012. Had Three Titans been consolidated from 1 January 2012, the consolidated income statement would show and increase pro-forma revenue (including sales to the group) of approximately RMB360,988,000 and profit of RMB23,601,000.

A gain on bargain purchase of approximately RMB5,256,000 has been recognised in the consolidated income statement of the Group, attributable to the recognition of fair market values of net assets acquired at higher values than the cash consideration paid.

d. *Acquisition of PI International Holdings and its subsidiaries*

On 31 March 2011, the Group acquired 51% equity interests in PI International Holdings, from an independent third party, for cash consideration of HK$94,619,000 (equivalent to approximately RMB79,573,000). PI International Holdings is mainly engaged in the development, manufacturing and sale of power supplies for electronic products.

Consideration transferred:

	RMB'000
Cash	79,573

Acquisition-related costs amounting to approximately RMB2,518,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	34,201
Prepaid land lease payments	3,753
Intangible assets	333
Available-for-sale investments	29,922
Deferred tax assets	1,013
Inventories	119,727
Trade and bills receivables	266,719
Prepayments, deposits and other receivables	4,941
Bank balances and cash	42,119
Trade and bills payables	(175,126)
Other payables and accruals	(104,617)
Tax payable	(362)
Bank loan	(106,444)
Deferred tax liabilities	(925)
	115,254

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately RMB266,719,000 had gross contractual amounts of approximately RMB270,583,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB3,864,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	79,573
Plus: non-controlling interests of PI International Holdings's subsidiaries	2,123
non-controlling interests of PI International Holdings	56,474
Less: net assets acquired (100%)	(115,254)
Goodwill arising on acquisition	22,916

The non-controlling interest (49%) in PI International Holdings recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of PI International Holdings and amounted to approximately RMB56,474,000.

Goodwill arose on the acquisition of PI International Holdings because the acquisition included the sales network of PI International Holdings in the overseas markets, especially in the South East Asia region. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	79,573
Less: bank balances and cash acquired	(42,119)
	37,454

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2011 is approximately RMB32,757,000 attributable to PI International Holdings. Revenue for the year ended 31 December 2011 includes approximately RMB718,326,000 is attributable to PI International Holdings.

Had the acquisition of PI International Holdings been effected on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB95,300,522,000 and the profit for the year would have been approximately RMB767,989,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PI International Holdings been acquired on 1 January 2011, the directors of the Company calculated depreciation and amortisation of property, plant and equipment and prepaid land leases on the recognised amounts of property, plant and equipment and prepaid land leases at the date of acquisition.

e. *Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited*

On 29 September 2010, AOC Holdings Limited ("AOC"), a subsidiary of the Company, entered into a five-year trademark license agreement with Koninklijke Philips Electronics N.V. ("Philips"), under which trademarks for the sales and distribution of colour TVs in the PRC was granted to AOC and its affiliates in which AOC is required to pay royalty on an annual basis, which is based on higher of percentage of the turnover and a minimum royalty of EUR6,800,000 (equivalent to approximately RMB58,548,000) a year of the aforesaid TVs as specified in the agreement. The trademark license agreement has been effective since 1 January 2011.

In addition, a share purchase agreement was signed pursuant to which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, with a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000). The two companies were holding the necessary spare parts, in-store samples, equipment, employees and contracts for the operations of the Philips contributed business. The Philips contributed business represents the entire business of the product management, operation, marketing, sale and distribution of the aforesaid TVs manufactured under the brand name "Philips" or any other brand name or trademark of the Philips Group as carried on by the Philips Group in the PRC prior to completion of the share purchase agreement.

The share purchase agreement was completed on 1 January 2011 and AOC acquired 100% of the share capital of Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, for a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000) on 1 January 2011.

Consideration transferred:

	RMB'000
Cash	10,677

Acquisition-related costs amounting to approximately RMB759,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Trademark	253,239
Inventories and spare parts	14,670
Other payables	(253,239)
	14,670

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	10,677
Less: net assets acquired	(14,670)
Gain from a bargain purchase of subsidiaries	(3,993)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	10,677

Impact of acquisition on the results of the Group

The acquired business contributed revenue of RMB1,369,149,000 and net loss of RMB66,218,000 to the Group for the year ended 31 December 2011.

f. Acquisition of Suzhou Jinguan

On 1 July 2011, the Group acquired 100% equity interests in Suzhou Jinguan, from an independent third party, for consideration of RMB37,340,000. Suzhou Jinguan is mainly engaged in the property investment in Suzhou, the PRC.

Consideration transferred:

	RMB'000
Cash	37,340

Acquisition-related costs amounting to approximately RMB80,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Investment properties	49,877
Prepaid land lease payments	6,536
Prepayments, deposits and other receivables	756
Bank balances and cash	2,091
Trade and bills payables	(266)
Other payables and accruals	(25,100)
Deferred tax liability	(4,282)
	29,612

Goodwill arising on acquisition

	RMB'000
Consideration transferred	37,340
Less: net assets acquired (100%)	(29,612)
Goodwill arising on acquisition	7,728

Goodwill arose on the Suzhou Jinguan because the acquisition included the property management team. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	37,340
Less: Bank balances and cash acquired	(2,091)
	35,249

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2011 is approximately RMB3,407,000 attributable to Suzhou Jinguan. Revenue for the year ended 31 December 2011 includes approximately RMB1,188,000 is attributable to Suzhou Jinguan.

Had the acquisition of Suzhou Jinguan been effected on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB95,026,716,000 and the profit for the period would have been approximately RMB750,608,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Suzhou Jinguan been acquired on 1 January 2011, the directors of the Company calculated amortisation of prepaid land leases on the recognised amounts of prepaid land leases at the date of acquisition.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The remaining properties are expected to generate rental yields of 11% (2011: 10%) on an ongoing basis. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012	**2011**
	RMB'000	*RMB'000*
Within one year	101,837	76,217
In the second to fifth years, inclusive	98,149	70,821
After five years	1,346	2,247
	201,332	149,285

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years. At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	**2011**
	RMB'000	*RMB'000*
Within one year	169,622	131,770
In the second to fifth years, inclusive	249,504	88,257
After five years	43,137	53,085
	462,263	273,112

41. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2012	**2011**
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	905,273	510,319

As at 31 December 2011, the Group had commitments for investments in associates amounting to approximately RMB162,964,000 (2012: nil).

42. RETIREMENT BENEFITS SCHEMES

Apart from the defined benefit plan stated in note 33, the employees in the Group, which operates in the PRC are required to participate in a central pension scheme (the "CP Scheme") operated by the local municipal government. The Group are required to contribute 5% to 13% of their payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As at 31 December 2012, the Group had no amount capitalised and forfeited contributions available to reduce its contributions to the CP Scheme and MPF Scheme in future years (2011: nil).

43. SHARE OPTION SCHEME OF A SUBSIDIARY

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

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

For the year ended 31 December 2012

			Number of share options				
Date of grant	**Exercise price**	*Note*	**At 1 January 2012**	**Granted during the year**	**Expired during the year**	**Lapsed during the year**	**At 31 December 2012**
12 December 2007	HK$5.750	(i)	20,138,026	–	(20,138,026)	–	–
18 January 2011	HK$5.008	(ii)	44,080,000	–	–	(4,000,000)	40,080,000
			64,218,026	–	(20,138,026)	(4,000,000)	40,080,000
Weighted average exercise price			HK$5.241	–	HK$5.750	HK$5.008	HK$5.008
Exercisable at the end of the year							10,020,000

For the year ended 31 December 2011

			Number of share options				
Date of grant	**Exercise price**	*Note*	**At 1 January 2011**	**Granted during the year**	**Expired during the year**	**Lapsed during the year**	**At 31 December 2011**
12 December 2007	HK$5.750	(i)	20,668,026	–	–	(530,000)	20,138,026
18 January 2011	HK$5.008	(ii)	–	45,000,000	–	(920,000)	44,080,000
			20,668,026	45,000,000	–	(1,450,000)	64,218,026
Weighted average exercise price			HK$5.75	HK$5.008	–	HK$5.279	HK$5.241
Exercisable at the end of the year							20,138,026

Note:

(i) These options are exercisable at HK$5.750 (equivalent to approximately RMB5.07) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12 December 2008 to 11 December 2012, from 12 December 2010 to 11 December 2012 and from 12 December 2010 to 11 December 2012 are 20%, 50% and 100% respectively.

(ii) These options are exercisable at HK$5.008 (equivalent to approximately RMB4.152) per share in four trenches: the maximum percentage of share options exercisable within the periods commencing from 18 January 2012 to 17 January 2021, from 18 January 2013 to 17 January 2021, from 18 January 2014 to 17 January 2021 and from 18 January 2015 to 17 January 2021 are 25%, 50%, 75% and 100% respectively.

The fair value of share options granted was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

	12 December 2007	18 January 2011
Share price on the date of grant	HK$5.75	HK$4.96
Exercise price	HK$5.75	HK$5.008
Expected volatility	44.954%	53.96%
Risk-free interest rate	3.64%	2.73%
Expected dividend yield	0%	3.11%

The volatility measured at the grant date is referenced to the historical volatility of TPV. The Group recognised the total expenses of approximately RMB15,593,000 for the year ended 31 December 2012 (2011: RMB31,303,000) in relation to share options granted by TPV.

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2012** *RMB'000*	**2011** *RMB'000*
Ultimate holding company:			
Sales of products	(i)	9,367	509
License fees	(ii)	1,622	2,213
Associates:			
Sales of products	(i)	1,917,470	2,127,471
Rental income	(iii)	17,901	31,905
Purchases of components and parts	(iv)	651,102	382,680
Jointly controlled entities:			
Sales of products	(i)	196	342
Rental income	(iii)	3,554	6,499
Purchases of raw materials	(iv)	182,359	470,640
Fellow subsidiaries:			
Sales of products	(i)	38,643	2,735
Rental income	(iii)	6,089	12,940
Purchases of components and parts	(iv)	19,177	51,321
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of products	(v)	100,868	125,374
Purchases of raw materials	(v)	5,294,667	4,642,790
Interests paid	(vi)	49,815	–
Brand promotion fee income	(vii)	863,025	–
Compensation for product launch delay	(vii)	255,258	–

Notes:

(i) The sales to the ultimate holding company, associates, jointly controlled entities and the fellow subsidiaries were made according to the published prices and conditions offered to major customers of the Group.

(ii) The license fees paid to the ultimate holding company was based on a rate of 0.39% (2011: 0.39%) of the revenue from the products under the "Great Wall" brand.

(iii) The rental income from the property leased to associates, jointly controlled entities and fellow subsidiaries was made according to the market rate offered to third parties.

(iv) The purchases from associates, jointly controlled entities and fellow subsidiaries were made according to published prices and conditions offered by associates, jointly controlled entities and fellow subsidiaries to their major customers.

(v) The transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(vi) The interests paid to a subsidiary's substantial shareholder were made according to the rate as agreed between the parties.

(vii) The brand promotion fee income and compensation for product delay from a subsidiary's substantial shareholder was made on terms mutually agreed between both parties.

In April 2012, TPV entered into an agreement with CEC Panda LCD Technology Co., Ltd ("Panda LCD"), a subsidiary of CEC to establish a joint venture company in Nanjing, the PRC, ("Nanjing JV") with a registered capital of RMB17,500,000,000. The Nanjing JV will engage in manufacturing, research and development and provision of after-sales service of large panel in the PRC. CEC and TPV will own 99.2% and 0.8% equity interests of the Nanjing JV respectively. TPV agreed to contribute RMB140,000,000 to Nanjing JV in proportion to the equity interest. Pursuant to the agreement, TPV has sole discretion to exercise an option to require Panda LCD to acquire the 0.8% equity interests owned by TPV at a consideration of RMB140,000,000, plus interest of 4% per annum. As at 31 December 2012, the Nanjing JV has been incorporated. TPV was made no capital contribution to the Nanjing JV at the reporting date.

(b) In addition to the outstanding balances with related parties detailed elsewhere in these consolidated financial statements, the Group had the following material outstanding balances with related parties:

(i) The Group had outstanding receivable from TPV's associates and jointly controlled entities of approximately RMB607,846,000 (2011: RMB659,269,000) and nil (2011: RMB1,947,000) respectively, which were presented in the consolidated statement of financial position within trade receivables.

The Group had outstanding payables to TPV's associates and jointly controlled entities of approximately RMB188,798,000 (2011: RMB166,293,000) and RMB138,000 (2011: RMB34,157,000) respectively, which were presented in the consolidated statement of financial position within trade payables.

Receivables from TPV's substantial shareholders and their subsidiaries of approximately RMB2,200,000 (2011: RMB88,000) were presented in the consolidated statement of financial position within trade receivable.

Payables to subsidiaries' substantial shareholders and their subsidiaries of approximately RMB303,872,000 (2011: RMB516,655,000) were presented in the consolidated balance sheet within trade payables and other payables and accruals respectively.

The above balances and the balances with ultimate holding company, fellow subsidiaries and associates are unsecured, interest free and repayable on demand.

(ii) License fee payable of RMB1,576,831,000 (2011: nil) to a subsidiary's substantial shareholder were presented in the consolidated statement of financial position within other payable and accruals. Included in the license fee payable amount of approximately RMB1,249,369,000 (2011: nil) were classified under non-current liabilities.

(iii) The Group had a bank deposit of approximately RMB608,604,000 (2011: RMB163,189,000) in a fellow subsidiary, which was an authorised non-bank financial institution set up in the PRC. The deposit was presented in the consolidated statement of financial position within bank balances and cash.

(c) CEC, the ultimate holding company of the Company, is owned and controlled by SASAC and are the state-owned enterprises. In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state enterprises and their subsidiaries directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had transactions with state-owned enterprises including, but not limited to, sales and purchase of computers, electronic parts and computer-related products. The directors of the Company consider that transactions with other state-owned enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

(d) Apart from the acquisition of TP Vision as disclosed in note 39(a), TP Vision has entered into service agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision.

TP Vision is entitled to charge Philips a brand promotion fee up to EUR172 million (equivalent to approximately RMB1,444 million) for brand promotion and/or enhancement activities. Such activities can included advertising and promotion, sales and marking, research and development and other activities which incentivise the distribution channels and reduce the cost of non-quality. The fee is charged based on 5% of TP Vision revenue and recognized upon approval by Philips. Total income for the period from 1 April 2012 to 31 December 2012 was EUR107 million (equivalent to approximately RMB865 million). As at 31 December 2012, there is a balance of EUR16 million (equivalent to approximately RMB126 million) deferred income included within "other payables and accruals".

TV Vision is also entitled to charge Philips a compensation of EUR32 million (equivalent to approximately RMB256 million) due to the delay in the launch of certain products.

The directors of the Company are of the opinion that these represent transactions with Philips that are separate from the business acquisition and therefore do not form part of the net assets acquired and are recognised separately in accordance with HKFRS 3 (Revised).

(e) Key management compensation

The remunerations of directors (executive and non-executive) and other members of key management during the year were as follows:

	2012	**2011**
	RMB'000	*RMB'000*
Short-term benefits	28,607	32,936
Retirement benefits scheme contributions	256	346
Share-based payments	201	439
	29,064	33,721

45. CONTINGENT LIABILITIES

The Group had certain outstanding litigations as recorded by TPV, the details of which are set out as follow:

(a) In December 2008, a third party company filed a complaint in the United States of America against one of its subsidiaries, one of its associated companies and other third party companies. The complaint currently concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitors ("Patent I").

The directors are of the opinion that while arbitration proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(b) In January 2009, a third party company filed a complaint in Germany against one of its subsidiaries. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent II").

As far as the Group is concerned, it is alleged among other matters that:

(i) they had infringed, actively induced, contributed to the infringement of Patent II by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(c) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(d) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent III").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III by others in the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent III.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(e) In November 2010, a third party individual filed a complaint in the United States of America against the Group. The Complaint concerns alleged claims of personal injury caused by products that contain asbestos.

On 26 April 2012, the complaint was dismissed according to the Court's order. The directors consider that the dismissal does not have any material financial impact on the Group as a whole.

(f) In August 2011, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns alleged infringement of a United States patent in respect of technology of the manufacture of certain televisions ("Patent IV").

The directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case for the time being.

(g) In January 2012, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party company against the Group, one of its associated companies and other third party companies. The investigation concerns alleged infringement of Patent IV in respect of technology of the manufacture of certain televisions.

As far as the Group and its associated company are concerned, it is claimed among other matters that:

(i) they have sold for importation, imported, and/or sold within the United States after importation certain televisions that directly infringe Patent IV; and

(ii) the complainant seeks as relief a permanent exclusion order barring from entry into the United States the accused televisions. Complainant seeks as further relief permanent cease and desist orders preventing them from all commercial activities concerning infringing imported goods.

On 17 October 2012, the investigation was terminated according to the order of the U.S. International Trade Commission. The directors consider that the termination does not have any material financial impact on the Group as a whole.

(h) In June 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of a United States patent in respect of technology of the manufacture of certain monitors and televisions ("Patent V").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent V, and contributing to and actively inducing the infringement of Patent V by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent V.

The directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case for the time being.

(i) In July 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent VI").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent VI, and contributing to and actively inducing the infringement of Patent VI by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent VI.

The directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case for the time being.

(j) In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by an indirectly non wholly-owned subsidiary in Manaus, Brazil. The matter is currently under consideration by the legal authorities. The Directors are of the opinion that while the proceedings are ongoing, it is not probable to assess the outcome of the case at this time. Under the terms of the Share Purchase Agreement ("SPA") with Philips, any damages arising from this claim will be fully indemnified by Philips.

(k) In 2012, in one specific country, the compensation payments to customers accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the local tax authorities in that country following the submission of the relevant tax returns in 2013.

The directors do not consider a provision is required for the time being.

46. EVENTS AFTER THE REPORTING PERIOD

(a) Non-public offering of Shenzhen Kaifa Technology Co., Ltd. ("S. Kaifa")

On 18 December 2012, the board of S. Kaifa, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC, and a subsidiary of the Company, approved to issue not more than 175,000,000 A shares of S. Kaifa of RMB1.00 each, to not more than 10 investors at the propose issue price of not less than RMB3.97 per share. Upon the completion of the above non-public offer, the Group's interests in S. Kaifa will be diluted from approximately 49.64% to 43.82%. In the opinion of directors, the Company will continue to be the single largest shareholder of S. Kaifa and control the majority of the board S. Kaifa, accordingly, S. Kaifa will continue to be a subsidiary of the Group. The above non-public offer were approved by the shareholders on S. Kaifa on 1 February 2013. Up to the date of this report, the above non-public offer have not been completed. Details are set out, inter alia, in the announcement of the Company dated 18 December 2012, and the circular dated 25 January 2013.

(b) Deemed disposal of interest in Shenzhen CEC Great Wall Information Security System Co., Ltd. ("Xin An")

On 27 March 2013, CEC, the Group and Xin An, a subsidiary of the Company, entered into a capital injection agreement pursuant to which the Parties agreed that CEC to inject RMB100 million into Xin An as registered capital of Xin An. Upon the completion of the above capital injection, the Group's interest in Xin An will be diluted from 100% to 14.89%. In the opinion of the directors of the Company, Xin An will cease to be a subsidiary of the Group upon the completion of the transaction. Up to the date of this report, the above capital injection agreement has not been approved by the shareholders of the Company and has not been completed. Details are set out, inter alia, in the announcement of the Company dated 27 March 2013.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012	2011
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	42,496	53,685
Investment properties	402,431	404,100
Prepaid land lease payments	2,915	3,275
Investment in subsidiaries, listed	1,909,828	1,909,828
Investment in subsidiaries, unlisted	321,889	321,889
Available-for-sale investments, unlisted	135,620	2,500
	2,815,179	2,695,277
Current assets		
Prepayments, deposits and other receivables	36,256	50,673
Bank balances and cash	14,573	19,210
	50,829	69,883
Current liabilities		
Trade and bills payables	–	538
Other payables and accruals	13,133	14,043
Bank borrowing	35,000	–
	48,133	14,581
Net current assets	2,696	55,302
Total assets less current liabilities	2,817,875	2,750,579
Capital and Reserves		
Share capital	1,197,742	1,197,742
Reserves *(note)*	1,564,204	1,496,491
Total equity	2,761,946	2,694,233
Non-current liability		
Deferred tax liabilities	55,929	56,346
	2,817,875	2,750,579

Note: Reserves of the Company

	Share premium RMB'000	Asset revaluation reserve RMB'000	Retained profits RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2011	996,660	20,109	427,083	101,090	1,544,942
Profit for the year	–	–	131,210	–	131,210
Transfer	–	–	(12,484)	12,484	–
Dividend paid	–	–	(179,661)	–	(179,661)
At 31 December 2011 and 1 January 2012	996,660	20,109	366,148	113,574	1,496,491
Profit for the year	–	–	103,645	–	103,645
Transfer	–	–	(10,476)	10,476	–
Dividend paid	–	–	(35,932)	–	(35,932)
At 31 December 2012	996,660	20,109	423,385	124,050	1,564,204

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		2012	2011	
			Direct	Indirect	Direct	Indirect			
China Great Wall Computer (Shenzhen) Company Limited ("CGCSZ") *(note 1, 6)*	The PRC	RMB1,323,593,886	55.26%	–	55.26%	–	56.62%	56.62%	Manufacture and trading of personal computer ("PC") and PC peripheral products
ExcelStor Great Wall Technology Limited	Cayman Islands	US$25,000,000	61.68%	–	61.68%	–	61.68%	61.68%	Trading HDD
ExcelStor Technology (Shenzhen) Limited *(note 2)*	The PRC	US$26,600,000	61.68%	–	61.68%	–	61.68%	61.68%	Manufacture of HDD
Kaifa Technology (H.K.) Limited	Hong Kong	US$500,000	–	49.64%	–	49.64%	100%	100%	Trading of HDD and HDD substrates
Shenzhen Kaifa Magnetic Recording Joint-stock Co., Ltd. *(note 2)*	The PRC	RMB251,363,000	–	49.64%	–	49.64%	100%	100%	Production and development of HDD substrates
S. Kaifa *(note 1, 5, 8)*	The PRC	RMB1,317,894,655	49.64%	–	49.64%	–	49.64%	49.64%	Production of HDD heads and related electronic products

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Proportion of voting power held by the Company 2012	2011	Principal activities
PI International Holdings	The British Virgin Islands (the "BVI")	US$579,000	–	27.5%	–	27.5%	51%	51%	Production and sales of electronic parts
TPV (note 3, 4, 7, 9)	Bermuda	US$21,112,525	–	13.44%	–	13.44%	24.32%	24.32%	Designs, manufacture and selling computer monitors and flat TV products
Top Victory International Limited *(note 3)*	British Virgin Islands	US$1,000	–	13.44%	–	13.44%	100%	100%	Investment holding
Top Victory Investments Limited *(note 3)*	Hong Kong	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	–	13.44%	–	13.44%	100%	100%	Trading of computer monitors and flat TVs and sourcing of materials
Top Victory Electronics (Fujian) Company Limited *(note 2, 3)*	The PRC	US$40,000,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors
Top Victory Electronics (Taiwan) Company Limited *(note 3)*	Taiwan	NT$920,000,000	–	13.44%	–	13.44%	100%	100%	Research and development of computer monitors and flat TVs and sourcing of certain components
TPV Electronics (Fujian) Company Limited *(note 2, 3)*	The PRC	US$45,000,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors and flat TVs
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited *(note 2, 3)*	The PRC	US$3,000,000	–	13.44%	–	13.44%	100%	100%	Trading computer monitors and flat TVs
TPV Technology (Wuhan) Company Limited *(note 2, 3)*	The PRC	US$16,880,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors
TPV Display Technology (Wuhan) Company Limited *(note 2, 3)*	The PRC	US$27,000,000	–	13.44%	–	13.44%	100%	100%	Production and sales computer monitors

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		2012	2011	
			Direct	Indirect	Direct	Indirect			
Wuhan Admiral Technology Limited *(note 2, 3)*	The PRC	RMB80,000,000	–	13.44%	–	13.44%	100%	100%	Trading of computer monitors and flat TVs
TPV International (USA), Inc. *(note 3)*	United States of America	US$1,000,000	–	13.44%	–	13.44%	100%	100%	Sales and distribution of computer monitors and flat TVs
Envision Industira de Productos Electronicos Ltda *(note 3)*		BRL50,000,000	–	13.41%	–	13.41%	100%	100%	Production and sales of computer monitors and flat TVs
TPV Technology (Beijing) Company Limited *(note 2, 3)*	The PRC	RMB320,000,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors and flat TVs
TPV Displays Polska Sp. z o.o. *(note 3)*	Poland	PLN126,800,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors and flat TVs
MMD (Shanghai) Electronics Trading Co., Ltd *(note 2, 3)*	The PRC	RMB20,000,000	–	13.44%	–	13.44%	100%	100%	Sales and distribution of computer monitors and flat TVs
MMD (Shanghai) Electronics Technology Co., Ltd *(note 2, 3)*	The PRC	RMB20,000,000	–	13.44%	–	13.44%	100%	100%	Sales and distribution of computer monitors and flat TVs
TPV-INVENTA Holding Ltd. *(note 3)*	Hong Kong	US$20,000,000	–	6.9%	–	6.9%	51%	51%	Sales and distribution of all-in-one PC products
TPV-INVENTA Technology (Fujian) Ltd. *(note 2, 3)*	The PRC	US$15,000,000	–	6.9%	–	6.9%	51%	51%	Production and sales of all-in-one PC products
TPV-INVENTA Technology Co. Ltd. *(note 3)*	Taiwan	NTD152,500,000	–	6.9%	–	6.9%	51%	51%	Research and development and after-sale services
TPV Display Technology (Xiamen) Co., Ltd. *(note 2, 3)*	The PRC	US$25,000,000	–	13.44%	–	13.44%	100%	100%	Production and sales of flat TVs and LCM modules
TPV Display Technology (China) Co. Ltd. *(note 2, 3)*	The PRC	US$20,000,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors, flat TVs and all-in-one PC products

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		2012	2011	
			Direct	Indirect	Direct	Indirect			
Trend Smart America Ltd. *(note 3)*	USA	US$200,000	–	13.44%	–	13.44%	100%	100%	Trading of flat TVs
TPV CIS Ltd. *(note 3)*	Russia	US$19,679,857	–	13.44%	–	13.44%	100%	100%	Production and sales of flat TVs
TPV do Brazil Industria de Electronicos Ltda. *(note 3)*	Brazil	BRL6,650,000	–	13.44%	–	13.44%	100%	100%	Production and sales of computer monitors, flat TVs components
T.P. Vision Holding B.V. *(note 10)*	The Netherlands	Euro18,000	–	9.41%	–	–	70%	–	Sales and distribution of TVs
MMD Hong Kong Holding Ltd. *(note 3)*	Hong Kong	1 ordinary share of HK$1	–	13.44%	–	13.44%	100%	100%	Investment holdings
Xiamen Admiral Electronics Technology Co. Ltd. *(note 2, 3)*	The PRC	RMB3,000,000	–	13.44%	–	13.44%	100%	100%	Trading of computer monitors and flat TVs
PTC Technology Company Limited* *(note 2)*	The PRC	RMB19,740,030	–	13.44%	–	13.44%	100%	100%	Sales and distribution of flat TVs
PTC Consumer Electronics Company Limited* *(note 2)*	The PRC	Euro1,240,000	–	13.44%	–	13.44%	100%	100%	Sales and distribution of flat TVs
Ebony Hong Kong Holding Limited	Hong Kong	1 ordinary share of HK$1 each	–	13.44%	–	13.44%	100%	100%	Investment holding
Three Titans Technology (Xiamen) Co., Ltd *(note 10)*	The PRC	US$11,000,000	–	11.61%	–	–	86.36%	–	Production and sales of flat TV components
Hefai Haier *(note 10)*	The PRC	RMB20,000,000	–	13.44%	–	–	100%	–	Production and sales of flat TVs
TP Television Iberica Spain S.L. *(note 10)*	Spain	Euro34,100	–	9.41%	–	–	100%	–	Sales and distribution TVs
TP Vision Belgium NV *(note 10)*	Belgium	Euro5,500,000	–	9.41%	–	–	100%	–	Production, sales and distribution of TVs
TP Vision Czech Republic s.r.o. *(note 10)*	Czech	CZK9,783,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Finland Oy *(note 10)*	Finland	Euro2,500	–	9.41%	–	–	100%	–	Sales and distribution of TVs

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of effective equity interests attributable to the Company				Proportion of voting power held by the Company		Principal activities
			2012		2011		2012	2011	
			Direct	Indirect	Direct	Indirect			
TP Vision France SAS (note 10)	France	Euro724,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Germany GmbH *(note 10)*	Germany	Euro501,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Hong Kong Limited *(note 10)*	Hong Kong	HK$926,338	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Hungary Ltd *(note 10)*	Hungary	Euro4,500,272	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Industria Eletronica Ltda *(note 10)*	Brazil	BRL 211,725,159	–	9.41%	–	–	100%	–	Production, sales and distribution of TVs
TP Vision Italy s.r.l. *(note 10)*	Italy	Euro200,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Singapore Pte. Ltd *(note 10)*	Singapore	SGD8,300,000	–	9.41%	–	–	100%	–	Production, sales and distribution of TVs
TP Vision Sweden AB *(note 10)*	Sweden	SEK50,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs
TP Vision Switzerland AG *(note 10)*	Switzerland	CHF200,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs
AOC Holding Limited *(note 10)*	Hong Kong	HK$1	–	13.44%	–	–	100%	–	Investment holding
TP Vision Eurasia LLC *(note 10)*	Russia	RUB46,000,000	–	9.41%	–	–	100%	–	Sales and distribution of TVs

* English translation is for identification purpose

Notes:

1. Subsidiaries with their A shares listed on the Shenzhen Stock Exchange in the PRC.

2. Companies incorporated as private limited companies in the PRC.

3. Since 13 October 2009, the Group has the effective control over the majority of the board of directors of the subsidiaries.

4. Subsidiaries with shares listed on the Hong Kong Stock Exchange.

5. The Group held 49.64% (2011: 49.64%) equity interests in S. Kaifa, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in S. Kaifa represents 654,839,851 A shares which have been tradable in the stock market. The market price of S. Kaifa and market value of these tradable shares as at 31 December 2012 are RMB4.71 per share and approximately RMB3,084,296,000 respectively.

6. The Group held 56.62% (2011: 56.62%) equity interests in CGCSZ, a company listed on the Shenzhen Stock Exchange of the PRC. The Company's equity interests in CGCSZ represents 749,362,206 A shares which have been tradable in the stock market. The market price of CGCSZ and market value of these tradable shares as at 31 December 2012 are RMB3.34 per share and approximately RMB2,502,870,000 respectively.

7. The Group held 13.44% (2011: 13.44%) equity interests in TPV, a company listed on the Stock Exchange of Hong Kong. The Company's equity interests in TPV represents 570,458,000 shares which have been tradable in the stock market. The market price of TPV and market value of these tradable shares as at 31 December 2012 are HK$2.09 per share and approximately HK$1,192,257,000 respectively.

8. The Group has control over S. Kaifa even though the Group does not hold more than 50% voting power in S. Kaifa because the Company has the power to appoint the majority of directors of S. Kaifa by its majority of substantial voting power in relative to other shareholders.

9. The Group has control over TPV even though the Group does not hold more than 50% voting power in TPV because the Company has the power to appoint the majority of directors of TPV pursuant to the shareholders agreements agreed among the major shareholders of TPV, which constitute over 50% equity interest in TPV.

10. Subsidiaries acquired during the year ended 31 December 2012 (note 39).

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

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the both years, except for the note payable with principal amount of RMB500,000,000 at fixed interest of 4.25% per annum issued by TPV on 21 March 2011.

4. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 January 2014, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this Composite Document, the borrowings of GWT Group were shown as below:

	RMB'000
Short-term borrowings	
– bank borrowings	12,459,825
– notes payable	595,312
	13,055,137
Long-term borrowings	
– Bank borrowing	412,311
– Note Payable	500,000
– Subordinated loan	1,191,958
	2,104,269
	15,159,406

Pledge of Assets

At the close of business on 31 January 2014, GWT Group pledged the following amounts of assets to secure the facilities of GWT Group:

	RMB'000
Available-for-sale investment	26,420
Pledged bank deposit	5,665,932
Restricted cash	419,765
Investment properties, land and buildings	113,995
	6,226,112

Guarantee

At the close of business on 31 January 2014, GWT Group provided guarantee to a third party customer of approximately RMB341,000,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the GWT Group did not have, at the close of business on 31 January 2014, any loan capital, issued and outstanding or agreed to be issued, bank overdrafts or loans, charges, debentures or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

On 25 March 2014, TPV Technology Limited ("TPV"), a non wholly-owned subsidiary of GWT, Coöperatie MMD Meridian U.A. ("MMD"), a wholly-owned subsidiary of TPV, and TP Vision Holding B.V. ("TP Vision"), a company owned as to 70% by MMD and 30% by Philips, entered into a sale and purchase agreement (the "30% Sale and Purchase Agreement") with Koninklijke Philips N.V. ("Philips"), pursuant to which MMD has conditionally agreed to acquire, and Philips has conditionally agreed to sell, the remaining 30% equity interest in TP Vision for an amount equal to 30% of a new deferred purchase price (the "New Deferred Purchase Price"), and 70% of the New Deferred Purchase Price will be attributed to the sale and transfer of the 70% equity interest in TP Vision acquired by MMD on 1 April 2012 pursuant to the sale and purchase agreement dated 1 November 2011 (as amended and supplemented from time to time) between TPV, MMD, TP Vision and Philips in respect of the sale and transfer of a 70% equity interest in TP Vision (the "First Sale and Purchase Agreement"). Subject to a cap of US$350 million (equivalent to approximately RMB2,149 million), the New Deferred Purchase Price for 100% of the shares in TP Vision will be calculated based on four times the average proportional earnings before interest and tax.

Following completion of the proposed acquisition pursuant to the terms of the 30% Sale and Purchase Agreement ("Completion"), TP Vision will become an indirect wholly-owned subsidiary of TPV.

As part of the proposed transactions, on 25 March 2014:

1. TPV, MMD, TP Vision and Philips entered into a supplemental agreement dated 25 March 2014, pursuant to which the parties have agreed that, subject to and with effect from Completion, the First Sale and Purchase Agreement will be amended such that the purchase price payable by MMD to Philips for the 70% equity interest in TP Vision acquired by MMD on 1 April 2012 will be an amount equal to 70% of the New Deferred Purchase Price, calculated and to be paid in accordance with the terms of the 30% Sale and Purchase Agreement. The purchase price of the 70% equity interest in TP Vision acquired by MMD in 2012 has not been paid as at the Latest Practicable Date and will only be paid when Philips elects to do so in the future, subject to the terms and conditions of the First Sale and Purchase Agreement. Similarly, the purchase price of the remaining 30% equity interest in TP Vision to be acquired by MMD will not be paid at Completion and will only be paid when Philips elects to do so in the future, subject to the terms and conditions of the 30% Sale and Purchase Agreement. Upon Completion, the total maximum amount of the New Deferred Purchase Price for 100% equity interest in TP Vision payable by MMD in the future will be US$350 million (equivalent to approximately RMB2,149 million) in accordance with the 30% Sale and Purchase Agreement;

2. Philips (as the licensor) and TP Vision (as the licensee) entered into a supplemental agreement dated 25 March 2014, pursuant to which the parties have agreed that, subject to and with effect from Completion, the guaranteed minimum annual royalty payable by TP Vision to Philips under the trademark license agreement dated 1 April 2012 (as amended and supplemented from time to time) between Philips (as the licensor) and TP Vision (as the licensee) will be reduced from EUR50 million (equivalent to approximately RMB427 million) to EUR40 million (equivalent to approximately RMB341.60 million) from 1 April 2014; and

3. Philips, AOC Holdings Limited ("AOC"), a wholly-owned subsidiary of TPV, and TP Vision entered into a transfer of contract and amendment and restatement deed dated 25 March 2014 (the "Loan Amendment and Restatement Deed") with TPV, pursuant to which the parties have agreed that, subject to and with effect from Completion, Philips (as the transferor) will transfer its rights and obligations as a lender under each of an existing revolving loan agreement and an existing shareholder loan agreement (the "Existing Loan Agreements") to AOC (as the transferee) such that AOC will become the sole lender under the Existing Loan Agreements, in consideration of which Philips, AOC and TPV will enter into a new revolving loan agreement and a new term loan agreement (the "New Loan Agreements"). Under the New Loan Agreements, (i) in order to preserve the funding arrangements under the shareholders agreement dated 1 April 2012 (as amended and supplemented from time to time) between Philips, MMD, TPV and TP Vision (which will be terminated at Completion), Philips will make available to AOC a term loan of EUR60 million (equivalent to approximately RMB512.40 million) at Completion to fund loans to be made by AOC to TP Vision under the existing shareholder loan agreement (as amended by the Loan Amendment and Restatement Deed); and (ii) Philips will make available to AOC a revolving loan facility in an aggregate amount of EUR30 million (equivalent to approximately RMB256.20 million) to fund loans to be made by AOC to TP Vision under the existing revolving loan agreement.

Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV. TP Vision will continue to be accounted for as a subsidiary of the Company and its financial results (including earnings, assets and liabilities) will continue to be consolidated into and reflected in the financial statements of the Group after Completion. It is expected that there would be no immediate profit and loss effect on the Group as enlarged by the proposed acquisition immediately upon Completion, assuming that Completion had taken place on 31 December 2013.

Further details of the proposed acquisition pursuant to the terms of the 30% Sale and Purchase Agreement have been set out in the announcement of the Company dated 25 March 2014.

Save as disclosed above, the directors of GWT confirm that there are no material change in the financial and trading position or outlook of the GWT Group since 31 December 2013, the date to which the latest audited consolidated financial statements of the GWT Group were made up.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the H Share Offer, the Merger Agreement, CEC, CGW and GWT.

The directors of CEC jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to GWT Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by GWT) have been arrived at after due and careful consideration and there are no facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of CGW jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to GWT Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by GWT) have been arrived at after due and careful consideration and there are no facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of GWT jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the CEC and CGW), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by CEC, CGW, the parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES OF H SHARES

(a) During the period beginning 20 May 2013, being six months prior to the commencement of the Offer Period, and ending on the Latest Practicable Date, the highest closing price of the H Shares as quoted on the Stock Exchange was HK$3.08 per H Share on 15 January 2014, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK$1.37 per H Share on 25 June 2013.

(b) The table below shows the respective closing prices of the H Shares as quoted on the Stock Exchange on the last trading day of each of the calendar months during the period beginning six months prior to the commencement of the Offer Period and ending on the Latest Practicable Date:

Date	**Closing Price per H Share** *(HK$)*
28 March 2013	1.44
30 April 2013	1.40
31 May 2013	1.71
28 June 2013	1.48
31 July 2013	1.51
30 August 2013	1.79
Last Trading Date	2.24
30 September 2013	Trading Suspended
31 October 2013	Trading Suspended
29 November 2013	Trading Suspended
31 December 2013	2.99
30 January 2014	3.05
28 February 2014	3.01
31 March 2014	3.02
8 April 2014, being the Latest Practicable Date	3.05

(c) The closing price of the H Shares as quoted on the Stock Exchange on the Latest Practicable Date was HK$3.05 per H Share.

3. DISCLOSURE OF INTERESTS

(a) Interests of the directors, supervisors and the chief executives of GWT in the securities of GWT and the securities of GWT's associated corporations

As at the Latest Practicable Date, the interests and short positions of the directors, supervisors or chief executive of GWT or their respective associates had or was deemed to have in GWT Shares, underlying shares and debentures of GWT and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to GWT and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code"), to be notified to GWT and the Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code were as follows:

Personal Interests

Name of director	Name of subsidiary of GWT	Number of shares held	Approximate percentage of shares in issue of the subsidiary
Tam Man Chi	Shenzhen Kaifa Technology Co., Ltd. ("Great Wall Kaifa")	1,670,817 (L)	0.11%
Du Heping	Great Wall Kaifa	6,270 (L)	0.0004%
	China Great Wall Computer (Shenzhen) Co., Ltd. ("CGC")	60,000 (L)	0.0045%

Corporate Interests

Name of director	Name of subsidiary of GWT	Number of shares held	Approximate percentage of shares in issue of the subsidiary
Tam Man Chi	Great Wall Kaifa	106,649,381 *(Note)*	7.25%

Note:

These shares are held by Broadata (HK) Limited, which in turn is held as to 69.08% by Flash Bright Investment Limited. Mr. Tam Man Chi and his spouse held in aggregate 100% equity interests in Flash Bright Investment Limited.

The letter "L" denotes a long position.

Saved as disclosed above, as at the Latest Practicable Date, none of the directors, supervisors or chief executive of GWT or their respective associates had or was deemed to have any interests or short positions in GWT Shares, underlying shares and debentures of GWT and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to GWT and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to GWT and the Stock Exchange; or (iv) to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

(b) Interests of substantial shareholders in the securities of GWT

As at the Latest Practicable Date, so far as was known to any of the directors of GWT, the following persons had or were deemed to have interests or short positions in the GWT Shares or underlying shares of GWT which would fall to be disclosed to GWT and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the shares and underlying shares of GWT

Name of shareholder	Class of shares	Number of shares held	Shareholding percentage of Domestic Shares	Shareholding percentage of total issued shares
CGW	Domestic Shares	743,870,000 *(Note 1)*	100%	62.11%
CEC	Domestic Shares	743,870,000 *(Note 2)*	100%	62.11%

Notes:

1. Mr. Liu Liehong, the Chairman of GWT, is the Chairman of CGW.

2. CGW is wholly-owned by CEC. CEC is deemed to be interested in the 743,870,000 Domestic Shares held by CGW.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any of the directors of GWT, there was no person who had any interest or short position in the GWT Shares or underlying shares of GWT which would fall to be disclosed to GWT under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be disclosed herein pursuant to the Takeovers Code.

4. DISCLOSURE OF INTERESTS UNDER THE TAKEOVERS CODE

(a) Interests discloseable under Schedule I to the Takeovers Code

As at the Latest Practicable Date:

(i) GWT had 1,197,742,000 GWT Shares in issue, with 743,870,000 Domestic Shares and 453,872,000 H Shares. CGW owned the entirety of 743,870,000 Domestic Shares, representing approximately 62.11% of the issued share capital of GWT. There were no outstanding options, warrants or convertible securities issued by GWT;

(ii) no directors of CEC or CGW were interested in any shares in GWT or any convertible securities, warrants, options or derivatives in respect of the shares in GWT;

(iii) save as disclosed in the section headed "Disclosure of Interests — Interests of the directors, supervisors and the chief executives of GWT in the securities of GWT and the securities of GWT's associated corporations" in paragraph (3) in this Appendix, none of the persons acting in concert with CEC or CGW owned or controlled any interests in any shares, convertible securities, warrants, options or derivatives in respect of the shares of GWT;

(iv) no one who owned or controlled shares, convertible securities, warrants, options or derivatives in respect of the shares of GWT had irrevocably committed to vote in favour of or against the resolutions at the H Share Class Meeting and/or at the Extraordinary General Meeting (save that CGW intends to vote in favour of the Merger Agreement and the GWT Merger contemplated thereunder in the Extraordinary General Meeting), or to accept or reject the H Share Offer;

(v) no one who owned or controlled shares, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CEC, CGW or any persons acting in concert with any of them; and

(vi) none of CEC, CGW or any person acting in concert with any of them had borrowed or lent any shares, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT; and

(vii) none of CEC, CGW, their respective directors or any parties acting in concert with any of them had dealt for value in any shares of GWT, or any convertible securities, warrants, options or derivatives in respect of the shares of GWT during the period beginning 6 months prior to the Offer Period and ending on the Latest Practicable Date.

(b) Interests discloseable under Schedule II to the Takeovers Code

As at the Latest Practicable Date:

(i) GWT had no interests in any shares of CEC or CGW, or convertible securities, warrants, options or derivatives in respect of the shares of CEC or CGW;

(ii) no directors of GWT had any interests in any shares of CEC or CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of CEC or CGW or GWT;

(iii) no subsidiary of GWT, nor any pension fund of GWT or any of its subsidiaries owned or controlled any shares of GWT, convertible securities, warrants, options or derivatives in respect of the shares of GWT;

(iv) none of the advisers to GWT as specified in class (2) of the definition of associate in the Takeovers Code owned or controlled any shares of GWT, convertible securities, warrants, options or derivatives in respect of the shares of GWT;

(v) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with GWT or with any person who is an associate of GWT by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with CEC, CGW or any persons acting in concert with any of it;

(vi) no fund managers connected with GWT who managed funds on a discretionary basis owned or controlled any shares of CEC, CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of GWT;

(vii) none of the directors of GWT has any beneficial interest in the GWT Shares and as such, none of them is eligible to vote at the H Share Class Meeting or Extraordinary General Meeting nor to accept or reject the H Share Offer;

(viii) as at the Latest Practicable Date, none of GWT nor any directors of GWT had borrowed or lent any shares, convertible securities, options or derivatives in respect of the shares of GWT;

(ix) none of GWT or its directors had dealt for value in any shares of CEC, CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT during the period beginning 6 months prior to the Offer Period and ending on the Latest Practicable Date;

(x) no subsidiary of GWT, nor any pension fund of GWT or any of its subsidiaries has dealt for value in any shares of CEC, CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT during the period beginning 6 months prior to the Offer Period and ending on the Latest Practicable Date;

(xi) none of the advisers to GWT as specified in class (2) of the definition of associate under the Takeovers Code has dealt for value in any shares of CEC, CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT during the period beginning 6 months prior to the Offer Period and ending on the Latest Practicable Date; and

(xii) no fund managers connected with GWT who managed funds on a discretionary basis owned or controlled any shares of CEC, CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT, or has dealt for value in any share of CEC, CGW or GWT, convertible securities, warrants, options or derivatives in respect of the shares of CEC, CGW or GWT during the period beginning 6 months prior to the Offer Period and ending on the Latest Practicable Date.

(c) Other Interests

(i) there was no agreement, arrangement or understanding between CEC and/or CGW and any other person in relation to the transfer, charge or pledge of the GWT Shares to be purchased by CEC and/or CGW (or any of its wholly-owned subsidiaries) upon completion of the H Share Offer or the GWT Merger;

(ii) CEC and CGW has no intention to transfer, charge or pledge any securities in GWT pursuant to the H Share Offer or the GWT Merger to any other person, or has no agreement, arrangement or understanding with any third party to do so;

(iii) no benefit (save for statutory compensation required under appropriate law) is or will be paid to any directors of GWT as compensation for loss of office or otherwise in connection with the H Share Offer or the GWT Merger;

(iv) there are no material contracts entered into by CEC and/or CGW in which any director of GWT has a material personal interest;

(v) save for proposal of acquiring all the H Shares under the H Share Offer and the Merger Agreement and the GWT Merger contemplated thereunder, there was no agreement, arrangement or understanding (including any compensation arrangement) between CEC, CGW and the parties acting in concert with any of them on the one hand and any of the directors of GWT, recent directors of GWT, GWT Shareholders or recent GWT Shareholders on the other hand having any connection with or dependence upon or being conditional upon the outcome of the H Share Offer or the GWT Merger or otherwise connected with the H Share Offer or the GWT Merger;

(vi) save for proposal of acquiring all the H Shares under the H Share Offer and the Merger Agreement and the GWT Merger contemplated thereunder, there was no agreement or arrangement between any of the directors of GWT and any other person which is conditional on or dependent upon the outcome of the H Share Offer or the GWT Merger or otherwise connected with the H Share Offer or the GWT Merger;

(vii) none of the directors of GWT had any existing or proposed service contract with GWT or any of its subsidiaries or associated companies which (i) has been entered into or amended within six months before the commencement of the Offer Period; or (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period;

(viii) there is no agreement or arrangement to which CEC and/or CGW is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to H Share Offer or the GWT Merger;

(ix) as at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between CEC, CGW or any parties acting in concert with any of them, or any of its associate of any of them, and any other person; and

(x) as at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between GWT or any of its associate, and any other person.

5. INFORMATION REGARDING THE SHARE CAPITAL OF GWT

(i) As of the Latest Practicable Date, the authorised share capital and the issued share capital of GWT were as follows:

Authorised share capital

Number of shares	**Value of shares**
743,870,000 Domestic Shares	RMB743,870,000
453,872,000 H Shares	RMB453,872,000

Issued and fully paid-up share capital

Number of shares	**Value of shares**
743,870,000 Domestic Shares	RMB743,870,000
453,872,000 H Shares	RMB453,872,000

(ii) All of the GWT Shares currently in issue rank pari passu in substantially all respects to each other, including with respect to dividends (except with respect to the currency in which the dividends are paid), voting rights and capital.

(iii) No new GWT Shares were issued since 31 December 2013, being the end of the last financial year of GWT to the Latest Practicable Date.

(iv) Other than the GWT Shares, there are no other options, derivatives, warrants or other securities convertible or exchangeable into GWT Shares which are issued by GWT as at the Latest Practicable Date.

The directors of GWT did not recommend the payment of any final dividend for the year ended 31 December 2013 or the payment of an interim dividend for the six months ended 30 June 2013.

6. LITIGATION

As at the Latest Practicable Date, neither GWT nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the directors of GWT to be pending or threatened by or against GWT or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by GWT Group within two years preceding 20 November 2013 and up to the Latest Practicable Date and are or may be material:

(i) the Supplemental Agreement;

(ii) the sale and purchase agreement dated 25 March 2014 and entered into among TPV Technology Limited ("TPV"), a subsidiary of GWT, Coöperatie MMD Meridian U.A., ("MMD"), a wholly-owned subsidiary of TPV, T.P. Vision Holding B.V. ("TP Vision"), a company held as to 70% by MMD and 30% by Koninklijke Philips N.V. ("Philips"), and Philips in respect of the acquisition of the remaining 30% equity interest in TP Vision by MMD from Philips ("Proposed Acquisition") for an amount equal to 30% of an agreed pricing formula, subject to a cap of USD350 million (the "New Deferred Purchase Price"), and 70% of the New Deferred Purchase Price will be attributed to the sale and transfer of the 70% equity interest in TP Vision acquired by MMD on 1 April 2012 pursuant to the sale and purchase agreement dated 1 November 2011 (the "First SPA");

(iii) the supplemental agreement dated 25 March 2014 and entered into among TPV, MMD, TP Vision and Philips to amend certain terms of the First SPA;

(iv) the supplemental agreement dated 25 March 2014 and entered between Philips and TP Vision pursuant to which the parties agree that subject to and with effect from completion of the Proposed Acquisition, the guaranteed minimum annual royalty provided under the trademark license agreement dated 1 April between the parties will be reduced from ERR50 million to EUR40 million from 1 April 2014;

(v) the transfer of contract and amendment and restatement deed dated 25 March 2014 and entered into among AOC Holding Limited ("AOC"), a wholly-owned subsidiary of TPV, Philips and TP Vision (the "Loan Amendment and Restatement Deed") pursuant to which the parties have agreed that, subject to and with effect from completion of the Proposed Acquisition, Philips (as the transferor) will transfer its rights and obligations as a lender under each of the EUR 100 million revolving facility agreement dated 13 December 2013 ("Existing Revolving Loan Agreement") and the EUR170 million term loan agreement dated 1 April 2012 ("Existing Shareholder Loan Agreement") (the Existing Revolving Loan Agreement and the Existing Shareholder Loan Agreement together, the "Existing Loan Agreements") to AOC (as the transferee) such that AOC will become the sole lender under the Existing Loan Agreements, in consideration of which Philips, AOC and TPV will enter into the new revolving loan agreement (as more particularly set out in (vi) below) and the new term loan agreement (as more particularly set out in (vii) below).

(vi) the EUR30 million revolving facility agreement dated 25 March 2014 and entered into among Philips (as the lender), AOC (as the borrower) and TPV (as the guarantor) pursuant to which Philips makes available to AOC a revolving loan facility in an aggregate amount of EUR30 million (representing 30% of the revolving loan facility of EUR100 million under the Existing Revolving Loan Agreement). Such revolving loan facility bears the same interest rate as the Existing Revolving Loan Agreement (being EUROLIBOR plus 1.80% per annum) and is available from completion of the Proposed Acquisition until 1 January 2015. AOC shall apply all amounts borrowed by it under the New Revolving Loan Agreement towards financing any loan with the same principal amount, the same drawdown date and the same interest period as the amount borrowed, required to be made by it under and in accordance with the Existing Revolving Loan Agreement. TPV has agreed to irrevocably and unconditionally guarantee to Philips the punctual performance by AOC of its obligations under the New Revolving Loan Agreement.

(vii) the EUR111 million term loan agreement dated 25 March 2014 and entered into among Philips (as the lender), AOC (as the borrower) and TPV (as the guarantor) pursuant to which Philips has made (in the case of Tranche A and Tranche B) and will make (in the case of Tranche C) available to AOC a term loan in an amount of EUR111 million (representing 30% of the principal loan amount of the Existing Shareholder Loan Agreement, as amended by the Loan Amendment and Restatement Deed), comprising: (a) a 3-year EUR21 million tranche bearing an interest rate of EUROLIBOR plus 2.20% per annum, repayable on 1 April 2015 ("Tranche A"); (b) a 5-year EUR30 million tranche bearing an interest rate of EUROLIBOR plus 2.70% per annum, repayable on 1 April 2017 ("Tranche B"); and (c) a third tranche with an amount of EUR60 million, which will be made available to AOC at completion of the Proposed Acquisition and bears an interest rate of EUROLIBOR plus 1.80% per annum, repayable three years after completion of the Proposed Acquisition ("Tranche C"). AOC shall apply Tranche C to fund loans to be made by AOC to TP Vision under the Existing Shareholder Loan Agreement (as amended by the Loan Amendment and Restatement Deed). TPV has agreed to irrevocably and unconditionally guarantee to Philips the punctual performance by AOC of its obligations under the New Term Loan Agreement;

(viii) the term sheet dated 20 January 2014 entered into among TPV, MMD and Philips relating to the proposed acquisition of the remaining 30% equity interest in TP Vision by MMD and the proposed amendments to certain agreements in connection with the joint venture with Philips relating to the Philips TV business in Europe and certain South American countries and the licensing of Philips trademarks;

(ix) the Merger Agreement;

(x) the property resumption agreement dated 25 November 2013 and entered into among Top Victory Electronics (Fujian) Company Limited ("Top Victory Fujian"), TPV Electronics (Fujian) Company Limited (both Top Vitcory Fujian and TPV Electronics (Fujian) Company Limited are subsidiaries of GWT) and Fuqing Municipal People's Government, a third party independent of the connected person (as defined under the Listing Rules) of GWT ("Independent Third Party"), pursuant to which Fuqing Municipal People's Government has agreed to acquire by resumption, and Top Victory Fujian has agreed to dispose of the piece of land situated at Shangzheng, Honglu, Fuqing City, Fujian Province, the PRC and the buildings thereon for a consideration of RMB576,690,000 subject to the terms and conditions thereof;

(xi) the agreement dated 21 October 2013 and entered into between CGC, a subsidiary of GWT, and CEC Institute of Information Technology Co., Ltd.中電信息技術研究院有限公司("CEC Institute"), a wholly-owned subsidiary of CEC, in relation to the arrangement of the office premises comprising the whole of the fourth floor of Building A situated at the northern area of Future & Science Technology City, Bei Qi Jia, Chang Ping District, Beijing, the PRC, with approximately 4,445 square meters ("Office Premises") whereby CEC Institute let CGC uses the Office Premises as a R&D platform for its information safety at an initial consideration of RMB57,785,000, subject to the terms and conditions of the agreement;

(xii) the financial services agreement dated 19 August 2013 and entered into between CEC Finance Co., Ltd.中國電子財務有限責任公司("CEC Finance"), a non-bank financial institute of CEC, owned as to 41.97% by CEC and 5.71% by GWT, and GWT pursuant to which CEC Finance has agreed to provide to GWT deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions thereof for a term of three years commencing from 12 November 2013, the date on which the independent shareholders of GWT approved same at GWT's extraordinary general meeting. The maximum daily deposit amount (including accrued interest) placed by GWT with CEC Finance during the term of the agreement shall not exceed RMB100 million and the maximum daily balance for loan and loan guarantee services provided by CEC Finance to GWT during the term of the agreement shall not exceed RMB200 million. The interest rate payable by CEC Finance for the deposits placed by GWT with it shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be payable by CEC Finance to GWT on a quarterly basis. The interest charged by CEC Finance on loans granted to GWT shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be payable by GWT to CEC Finance on a quarterly basis. The fees charged by CEC Finance for the provision of loan guarantee services shall not be higher than the fees charged by other commercial banks in the PRC for the same type of services and no fees shall be charged by CEC Finance for the provision of settlement services and general strategic advisory services;

(xiii) the financial services agreement dated 19 August 2013 and entered into between CEC Finance and Great Wall Kaifa pursuant to which CEC Finance has agreed to provide to Great Wall Kaifa, a subsidiary of GWT, deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions thereof for a term of three years commencing from 4 December 2013, the date on which the shareholders of Great Wall Kaifa approved same at Great Wall Kaifa's shareholders meeting. The maximum daily deposit amount (including accrued interest) placed by Great Wall Kaifa with CEC Finance during the term of the agreement shall not exceed RMB600 million and the maximum daily balance for loan and loan guarantee services provided by CEC Finance to Great Wall Kaifa during the term of the agreement shall not exceed RMB600 million. The interest rate payable by CEC Finance for the deposits placed by Great Wall Kaifa with it shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be payable by CEC Finance to Great Wall Kaifa on a quarterly basis. The interest charged by CEC Finance on loans granted to Great Wall Kaifa shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be payable by

Great Wall Kaifa to CEC Finance on a quarterly basis. The fees charged by CEC Finance for the provision of loan guarantee services shall not be higher than the fees charged by other commercial banks in the PRC for the same type of services and no fees shall be charged by CEC Finance for the provision of settlement services and general strategic advisory services;

(xiv) the financial services agreement dated 19 August 2013 and entered into between CEC Finance and CGC pursuant to which CEC Finance has agreed to provide to CGC deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions thereof for a term of three years commencing from 13 November 2013, the date on which the shareholders of CGC approved same at CGC's shareholders meeting. The maximum daily deposit amount (including accrued interest) placed by CGC with CEC Finance during the term of the agreement shall not exceed RMB200 million and the maximum daily balance for loan and loan guarantee services provided by CEC Finance to CGC during the term of the agreement shall not exceed RMB400 million. The interest rate payable by CEC Finance for the deposits placed by CGC with it shall not be lower than the interest rate for deposits offered by other commercial banks in the PRC during the same period and such interest shall be payable by CEC Finance to CGC on a quarterly basis. The interest charged by CEC Finance on loans granted to CGC shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be payable by CGC to CEC Finance on a quarterly basis. The fees charged by CEC Finance for the provision of loan guarantee services shall not be higher than the fees charged by other commercial banks in the PRC for the same type of services and no fees shall be charged by CEC Finance for the provision of settlement services and general strategic advisory services;

(xv) the agreement dated 7 June 2013 and entered into by China Electronics Great Wall Energy (Shenzhen) Co., Ltd. ("Great Wall Energy"), a wholly-owned subsidiary of CGC, and Shenzhen Land Reserve Centre, pursuant to which Great Wall Energy agreed to sell, and Shenzhen Land Reserve Centre, an Independent Third Party, agreed to acquire the two pieces of lands situated at Ping Shan New District, Ping Shan Grand Industrial Zone, Shenzhen, the PRC, namely G12302-0774 of approximately 5,784.88 square meters ("Land A") and G12203-0119 of approximately 82,588.51 square meters ("Land B") (inclusive of the respective land use rights) (Land A and Land B collectively, the "Land") and all premises erected on the Land as well as the seven complementary facilities on Land A at an aggregate consideration of RMB156,211,572;

(xvi) the merger agreement dated 4 June 2013 and entered into among Top Victory, a wholly-owned subsidiary of TPV, a subsidiary of GWT, TP Vision, a non wholly-owned subsidiary of TPV, TP Vision Indústria Eletrônica Ltda., ("TP Vision Brazil"), a whollyowned subsidiary of TP Vision, and Envision Indústria De Produtos Eletrônicos Ltda. ("Envision Brazil"), a wholly-owned subsidiary of Top Victory, pursuant to which the parties have agreed to the merger of TP Vision Brazil and Envision Brazil under Brazilian law through the injection of the entire business, assets and liabilities of TP Vision Brazil into Envision Brazil in return for the issue of shares of Envision Brazil to TP Vision (the sole shareholder of TP Vision Brazil) such that TP Vision will hold shares representing 49% of the capital of Envision Brazil upon completion;

(xvii) the capital injection agreement dated 27 March 2013 and entered into among CEC, CGC and深圳中電長城信息安全系統有限公司(Shenzhen CEC Great Wall Information Security System Co., Ltd.) ("Xin An"), a subsidiary of GWT which is wholly-owned by CGC, pursuant to which the parties agreed that CEC to inject RMB100,000,000 into Xin An as registered capital of Xin An;

(xviii) the joint venture agreement dated 27 April 2012 and entered into between Top Victory and 南京中電熊貓液晶顯示科技有限公司(CEC Panda LCD Technology Co., Ltd.) ("Panda LCD"), a subsidiary of CEC, in relation to the establishment of南京中電熊貓平板顯示科技有限公司(CEC Panda Flat Panel Display Technology Co., Ltd) ("Joint Venture"), which will be owned as to 0.8% by Top Victory and 99.2% by Panda LCD. The total investment of the Joint Venture will be RMB35,000,000,000 and the registered capital of the Joint Venture will be RMB17,500,000,000, of which Top Victory will contribute 0.8% (i.e. RMB140,000,000) and Panda LCD will contribute 99.2% (RMB17,360,000,000);

(xix) the supplemental agreement ("Supplemental Agreement") dated 1 April 2012 to the sale and purchase agreement dated 1 November 2011 ("SPA") entered into between TPV, Cooperatie MMD Meridian U.A. ("MMD"), a wholly-owned subsidiary of TPV, Koninklijke Philips Electronics N. V. ("Philips") and T.P. Vision Holding B.V. ("JV Co") in respect of the acquisition by MMD of 70% equity interest in JV Co from Philips by the parties thereto to vary certain provisions of the SPA. The transactions contemplated under the SPA completed on 1 April 2012. The changes made to the SPA by the Supplemental Agreement include (i) reducing the fees payable by the JV Co to Philips for the provision of information technology services from EUR20,000,000 to EUR6,795,000 and (ii) reducing the amount payable by Philips to JV Co which is to be applied by the JV Co towards its promotion and marketing activities which benefit the Philips brand from EUR135,000,000 to EUR121,795,000;

(xx) the supplemental agreement dated 16 March 2012 and entered into between CEC and CGC to revise some terms of the subscription agreement dated 11 May 2011 in relation to the subscription by CEC for a subscription amount of not more than RMB100,000,000 of the new shares to be offered by CGC in its non-public offering of new shares; and

(xxi) the sale and purchase agreement dated 8 December 2011 entered into among 蘇州冠捷科技有限公司 (TPV Technology (Suzhou) Company Limited*), a subsidiary of GWT, 蘇州市土地儲備中心 (Suzhou Land Reserve Centre*) and 蘇州國家高新技術產業開發區管理委員會 (the Suzhou National New & Hi-Tech Industrial Development Zone Administration Committee*), both Independent Third Parties, in relation to the sale and purchase of the land (together with the buildings and other immovable fixed assets attached thereto) situated at the Suzhou National New & Hi-Tech Industrial Development Zone, Suzhou, the Jiangsu Province, the PRC for a consideration of RMB510 million.

8. QUALIFICATION OF EXPERT

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
ABCI Capital Limited	corporation licensed by the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Somerley Limited	corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser appointed to advise the Independent Board Committee in respect of the H Share Offer, the Delisting and the Merger Agreement and the GWT Merger contemplated thereunder

9. CONSENT

ABCI Capital Limited and Somerley Limited have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion in this Composite Document of the text of their respective letters, reports or opinions, as the case may be, and references to their names in the form and context in which they respectively appear.

10. GENERAL

(a) The registered office of GWT is situated at No. 2, Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, the PRC.

(b) The company secretary of GWT is Ms. Zhong Yan, an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Zhong obtained a bachelor's degree in Business English from Zhongnan University of Economics and Law and a bachelor's degree in Journalism from Wuhan University, both in 2006.

(c) The registered office of CEC is situated at No. 27 Wanshou Road, Haidian District, Beijing, PRC. The CEC Board comprises: Rui Xiaowu, Liu Liehong and Lang Jia as directors, Wang Zuoran, Song Ning, Chen Shengde, Chen Jie and Zhang Xiaotie as outside directors and Xu Haihe as the employee representative director.

(d) The registered office of CGW is situated at No. 38 Xueyuan Road, Haidian District, Beijing, PRC. The directors of CGW are Liu Liehong, Li Xiaochun, Wu Qun, Jia Haiying, Chen Xiaojun, Kong Xueping and He Shaokun.

(e) The registered office of ABCI is situated at Room 701, 7/F, One Pacific Place, 88 Queensway, Hong Kong.

(f) The registered office of Somerley is situated at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.

(g) The Registrar of GWT is Computershare Hong Kong Investor Services Limited which is situated at Shop 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(h) In case of inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.

(i) All time and dates references contained in this Composite Document refer to Hong Kong time and dates.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at (i) the office of Jones Day at 31st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (excluding public holidays); (ii) the website of GWT at www.greatwalltech.com; and (iii) the website of SFC at www.sfc.hk from the date of this Composite Document for so long as the H Share Offer remains open for acceptance:

(a) the articles of association of CEC;

(b) the articles of association of CGW;

(c) the articles of association of GWT;

(d) the Merger Agreement;

(e) the annual report containing the audited consolidated financial statements of the GWT for each of the two years ended 31 December 2011 and 2012;

(f) the interim report containing the unaudited consolidated results of GWT for the six months ended 30 June 2013;

(g) the annual results announcement containing the audited consolidated results of GWT for the year ended 31 December 2013;

(h) the joint letter from CEC Board and the CGW Board, the text of which is set out on pages 10 to 14 of this Composite Document;

(i) the letter from ABCI, the text of which is set out on pages 15 to 24 of this Composite Document;

(j) the letter from GWT Board, the text of which is set out on pages 25 to 34 of this Composite Document;

(k) the letter from the Independent Board Committee, the text of which is set out on pages 35 to 36 of this Composite Document;

(l) the letter of advice from Somerley, the text of which is set out on pages 37 to 70 of this Composite Document;

(m) the material contracts referred to in section 7 above in this Appendix entitled "Material Contracts" in this Appendix; and

(n) the written consents referred to in section 9 above in this Appendix entitled "Consent" in this Appendix.

GWT

長城科技股份有限公司
Great Wall Technology Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0074)

NOTICE OF CLASS MEETING OF HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that a class meeting of holders of H shares (the "**H Share Class Meeting**") of Great Wall Technology Company Limited (the "**Company**") will be held at 3:00 p.m. on Friday, 30 May 2014 at Pheasant & Jasmine Room, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong to consider and, if thought fit, to pass the following resolutions by at least 75% of the votes attaching to the H shares of the Company and held by the independent shareholders of the Company that are cast by poll either in person or by proxy at the H Share Class Meeting, and with the number of votes cast by poll against the resolutions at the H Share Class Meeting amounting to not more than 10% of all the H shares of the Company held by the independent shareholders of the Company.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the composite offer and response document of the Company dated 11 April 2014.

SPECIAL RESOLUTIONS

1. "**THAT**:

   (a) the voluntary withdrawal of the listing of the H Shares from the Stock Exchange be and is hereby approved; and

   (b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the voluntary withdrawal.

2. **THAT** subject to the passing of resolution (1) above and subject to the passing of this same resolution by the shareholders of the Company in a separate extraordinary general meeting of the shareholders of the Company by not less than two-thirds of the shareholders of the Company:

   (a) the merger agreement entered into between CEC, CGW and the Company dated 16 December 2013 (and supplemented by a supplemental agreement dated 8 April 2014) ("**Merger Agreement**"), the execution of the Merger Agreement by or for and on behalf of the Company, and the GWT Merger and the other transactions conducted or to be conducted as contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the GWT Merger and all other transactions contemplated under the Merger Agreement."

On behalf of the board of
Great Wall Technology Company Limited
Liu Liehong
Chairman

Shenzhen, the PRC, 11 April 2014

Notes:

1. The register of members of the Company will be closed from Wednesday, 30 April 2014 to Wednesday, 18 June 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the H Share Class Meeting, holders of H shares shall lodge all share transfers accompanied by the relevant share certificates with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 29 April 2014.

2. Holders of H shares whose names appear on the register of members of H shares of the Company at the close of business on Tuesday, 29 April 2014 are entitled to attend and vote at the H Share Class Meeting and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time appointed for holding the H Share Class Meeting or any adjournment thereof.

4. Shareholders who intend to attend the H Share Class Meeting should complete and return the reply slip by hand, by post or by facsimile to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Saturday, 10 May 2014.

5. Voting at the H Share Class Meeting will be conducted by way of poll.

6. The legal address and head office of the Company is as follows:

   No. 2 Keyuan Road,
   Technology and Industry Park,
   Nanshan District,
   Shenzhen, 518057
   PRC
   Tel: 86 755 2672 8686
   Fax: 86 755 2663 3904

7. The H Share Class Meeting is expected to take half a day. Shareholders or their proxies attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the H Share Class Meeting.

8. As at the date of this notice, the board of directors of the Company comprises:

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

   Independent Non-executive Directors:
   Mr. Yao Xiaocong
   Mr. James Kong Tin Wong
   Mr. Zeng Zhijie

GWT

長城科技股份有限公司

Great Wall Technology Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0074)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders (the "**Extraordinary General Meeting**") of Great Wall Technology Company Limited (the "**Company**") will be held at 4:00 p.m. on Friday, 30 May 2014 at Pheasant & Jasmine Room, Mandarin Oriental, 5 Connaught Road Central, Central, Hong Kong to consider and, if appropriate, pass the following resolutions by not less than two-thirds of the shareholders of the Company.

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the composite offer and response document of the Company dated 11 April 2014.

SPECIAL RESOLUTION

"**THAT**:

Subject to the passing of this same resolution by the independent holders of H shares of the Company in a separate H Share Class Meeting of the Company, as approved by at least 75% of the votes attaching to the H shares of the Company held by the independent shareholders of the Company that are cast by poll either in person or by proxy at the meeting and with the number of votes cast by poll against the resolution by the independent shareholders of the Company being not more than 10% of all the H shares held by the independent shareholders of the Company:

(a) the merger agreement entered into between CEC, CGW and the Company dated 16 December 2013 (and supplemented by a supplemental agreement dated 8 April 2014) ("**Merger Agreement**"), the execution of the Merger Agreement by or for and on behalf of the Company, and the GWT Merger and the other transactions conducted or to be conducted as contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any director of the Company be and is hereby authorised to take such other action and execute such documents or deeds as he may consider necessary or desirable for the purpose of implementing the GWT Merger and all other transactions contemplated under the Merger Agreement."

On behalf of the board of
Great Wall Technology Company Limited
Liu Liehong
Chairman

Shenzhen, the PRC, 11 April 2014

Notes:

1. The register of members of the Company will be closed from Wednesday, 30 April 2014 to Wednesday, 18 June 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the Extraordinary General Meeting, holders of H shares shall lodge all share transfers accompanied by the relevant share certificates with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 29 April 2014.

2. Holders of H shares and domestic shares whose names appear on the register of members of the Company at the close of business on Tuesday, 29 April 2014 are entitled to attend and vote at the Extraordinary General Meeting and may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.

3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H shares) or the legal address of the Company (for holders of domestic shares) not less than 24 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof.

4. Shareholders who intend to attend the Extraordinary General Meeting should complete and return the reply slip by hand, by post or by facsimile to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Saturday, 10 May 2014.

5. Voting at the Extraordinary General Meeting will be conducted by way of poll.

6. The legal address and head office of the Company is as follows:

   No. 2 Keyuan Road,
   Technology and Industry Park,
   Nanshan District,
   Shenzhen, 518057
   PRC
   Tel: 86 755 2672 8686
   Fax: 86 755 2663 3904

7. The Extraordinary General Meeting is expected to take half a day. Shareholders or their proxies attending the Extraordinary General Meeting shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the Extraordinary General Meeting.

8. As at the date of this notice, the board of directors of the Company comprises:

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

   Independent Non-executive Directors:
   Mr. Yao Xiaocong
   Mr. James Kong Tin Wong
   Mr. Zeng Zhijie