THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Great Wall Technology Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ACQUISITION OF THE REMAINING 30% EQUITY INTEREST IN THE JOINT VENTURE WITH PHILIPS AND PROPOSED AMENDMENTS TO CERTAIN AGREEMENTS IN CONNECTION WITH THE PHILIPS TV BUSINESS IN EUROPE AND CERTAIN SOUTH AMERICAN COUNTRIES AND LICENSING OF PHILIPS TRADEMARKS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

VINCO 城高

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 8 to 28 of this circular and a letter from the Independent Board Committee is set out on pages 29 to 30 of this circular. A letter from Vinco Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 31 to 51 of this circular.

30 April 2014

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"30% Sale and Purchase Agreement"	:	the conditional sale and purchase agreement dated 25 March 2014 between TPV, MMD, TP Vision and Philips in respect of the sale and purchase of the 30% equity interest in TP Vision;
"AOC"	:	AOC Holdings Limited, a wholly-owned subsidiary of TPV;
"associate(s)"	:	has the meaning ascribed to it under the Listing Rules;
"Average Proportional EBIT"	:	the total amount of (i) plus (ii) below to be divided by the number of years as of the financial year ended 2012 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price: (i) 50% of the annual consolidated EBIT of TP Vision for the financial years ended 2012 (being EUR11,909,000) and 2013 (being EUR204,850,000), each as reported in the audited consolidated annual accounts of TP Vision for these financial years, *plus* (ii) the total Proportional EBIT for the period from (and including) the financial year 2014 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price;
"Board"	:	the board of Directors;
"Company"	:	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, whose shares are listed on the Hong Kong Stock Exchange;
"Completion"	:	completion of the Proposed Acquisition pursuant to the terms of the 30% Sale and Purchase Agreement;
"connected person(s)"	:	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	:	the directors of the Company from time to time;

"EBIT"	:	earnings before interest and taxes, including all the profit and loss items as defined under International Financial Reporting Standards (IFRS) (including such amounts which have been paid and/or accrued from time to time by TP Vision to Philips in connection with the royalty or guaranteed minimum royalty, as the case may be, in accordance with the terms of the TMLAs), but excluding (among others) (a) impairment and/or amortization charges of intangible assets, other than goodwill and the intangible assets relating to TP Vision; and (b) gains related to release of negative goodwill;
"Enlarged Group"	:	the Group as enlarged by the Proposed Acquisition;
"EUR"	:	the euro as defined in Council Regulation (EC) No. 1103/97 of 17 June 1997;
"Existing Loan Agreements"	:	the Existing Revolving Loan Agreement and the Existing Shareholder Loan Agreement;
"Existing Revolving Loan Agreement"	:	the EUR100 million revolving facility agreement dated 13 December 2013 originally between Philips and AOC as lenders and TP Vision as borrower and as from Completion, between AOC as lender and TP Vision as borrower as amended by the Loan Amendment and Restatement Deed;
"Existing Shareholder Loan Agreement"	:	the EUR170 million term loan agreement dated 1 April 2012 originally between Philips and AOC as lenders and TP Vision as borrower and as from Completion, the EUR370 million term loan agreement between AOC as lender and TP Vision as borrower as amended by the Loan Amendment and Restatement Deed;
"First Sale and Purchase Agreement"	:	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;
"Great Wall Group"	:	China Great Wall Computer Group Company（中電長城計算機集團公司）, a company incorporated in the PRC, a Shareholder holding 62.11% of the issued Shares of the Company;
"Group"	:	the Company and its subsidiaries from time to time;
"GWSZ"	:	China Great Wall Computer Shenzhen Company Limited（中國長城計算機深圳股份有限公司）, a company incorporated in the PRC, whose shares are listed on the Shenzhen Stock Exchange;
"Hong Kong"	:	Hong Kong Special Administrative Region of the PRC;

"Hong Kong Stock Exchange"	:	The Stock Exchange of Hong Kong Limited;
"Independent Board Committee"	:	an independent committee of the board of Directors comprising all independent non-executive Directors,namely Mr. Yao Xiaocong, Mr. James Kong Tin Wong and Mr. Zeng Zhijie;
"Latest Practicable Date"	:	25 April 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
"Listing Rules"	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Loan Amendment and Restatement Deed"	:	the transfer of contract and amendment and restatement deed dated 25 March 2014 between AOC, Philips, TP Vision in relation to the transfer of Philips' rights and obligations as a lender under each of the Existing Loan Agreements;
"MMD"	:	Coöperatie MMD Meridian U.A., a cooperative established in the Netherlands with limited liability, being a wholly-owned subsidiary of TPV;
"New Deferred Purchase Price"	:	an amount equal to the greater of (i) zero; and (ii) four times the Average Proportional EBIT, subject to a cap of US$350 million (equivalent to approximately RMB2,149 million);
"New Loan Agreements"	:	the New Revolving Loan Agreement and the New Term Loan Agreement;
"New Revolving Loan Agreement"	:	the EUR30 million revolving facility agreement dated 25 March 2014 between Philips (as the lender), AOC (as the borrower) and TPV (as the guarantor);
"New Term Loan Agreement"	:	the EUR111 million term loan agreement dated 25 March 2014 between Philips (as the lender), AOC (as the borrower) and TPV (as the guarantor);
"Philips"	:	Koninklijke Philips N.V. (formerly Koninklijke Philips Electronics N.V.), a public limited liability company incorporated in the Netherlands, the shares of which are listed on NYSE and Euronext;

"Philips Guarantees"	:	any joint and/or separate guarantee, indemnity, surety, letter of comfort or other assurance, security, obligation to contribute or undertaking, given by, assumed by or binding upon Philips or any of its subsidiaries in relation to any liabilities of the TP Vision Group;
"Philips Trademarks"	:	the word mark "Philips", the Philips shield emblem, the Ambilight mark and the word mark "Sense and Simplicity";
"PRC"	:	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Previous Circular"	:	the circular of the Company dated 23 December 2011 relating to the acquisition by MMD of a 70% equity interest in TP Vision and the licensing of Philips Trademarks;
"Proportional EBIT"	:	(i) (the total revenue of Philips-branded TVs manufactured and sold by the TPV Group under the TMLAs divided by the total revenue of TVs manufactured and sold by the TPV Group) multiply by the adjusted operating profit or loss for the TVs segment (or TVs segments if there are more segments in which sales of TVs are reported), each as reported in the audited consolidated annual accounts of TPV, *plus* (ii) (the total revenue of Philips-branded TVs manufactured and sold by the TPV Group under the TMLAs divided by the total consolidated revenue of the TPV Group) multiply by (the unallocated income plus unallocated expenses), each as reported in the audited consolidated annual accounts of TPV. TPV will disclose the proportional EBIT from the financial year 2014 in its subsequent annual reports;
"Proposed Acquisition"	:	the proposed acquisition by MMD of the remaining 30% equity interest in TP Vision from Philips pursuant to the terms and conditions of the 30% Sale and Purchase Agreement;
"Proposed Transactions"	:	the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA, the Supplemental TMLA, the Loan Amendment and Restatement Deed, the New Revolving Loan Agreement and the New Term Loan Agreement;

"RMB"	:	Renminbi, the lawful currency of the PRC;
"Scope Products"	:	TVs but excluding: (i) any display product for exclusively displaying information, advertising and the like to the general public; (ii) any display product for use in combination with medical systems; (iii) any display product for automotive use; (iv) any display product that is a hand-held or portable device with a screen size of less than 15 inch; or (v) any display product primarily intended for being connected to and displaying signals originating from personal computers;
"Secondary Trademark License Agreement"	:	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) in respect of the grant by Philips to the TP Vision Group an exclusive trademark license in respect of the trademarks of "ARISTONA", "ERRES", "PYE", "RADIOLA", "SCHNEIDER" and "SIERA" under which the TP Vision Group may design, manufacture, source, sell, distribute and market the Scope Products in the territory where the relevant trademarks are registered;
"SFO"	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	:	ordinary share of RMB1.00 each in the share capital of the Company;
"Shareholder(s)"	:	holder(s) of Share(s);
"Singapore Stock Exchange"	:	Singapore Exchange Securities Trading Limited;
"substantial shareholder(s)"	:	has the meaning ascribed to it in the Listing Rules;
"Supplemental SPA"	:	the supplemental agreement dated 25 March 2014 between TPV, MMD, TP Vision and Philips to amend certain terms of the First Sale and Purchase Agreement;
"Supplemental TMLA"	:	the supplemental agreement dated 25 March 2014 between Philips and TP Vision to amend certain terms of the Trademark License Agreement;
"Term Sheet"	:	the term sheet dated 20 January 2014 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;

"Territory"	:	worldwide, with the exception of the PRC, India, the United States of America, Canada, Mexico and South America (with the exception of Brazil, Uruguay and Paraguay which will be included in the Territory and Argentina where a non-exclusive trademark license is granted by Philips to the TP Vision Group pursuant to the Trademark License Agreement);
"TMLAs"	:	the Trademark License Agreement and the Secondary Trademark License Agreement;
"TP Vision"	:	T.P. Vision Holding B.V., a company incorporated in the Netherlands with limited liability which is 70% owned by MMD and 30% owned by Philips as at the Latest Practicable Date;
"TP Vision Group"	:	TP Vision and its subsidiaries;
"TPV"	:	TPV Technology Limited, a company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the main board of the Hong Kong Stock Exchange and secondarily listed on the Singapore Stock Exchange, a non wholly-owned subsidiary of the Company;
"TPV Group"	:	TPV and its subsidiaries from time to time;
"TPV SGM"	:	the special general meeting of TPV to be convened for the purpose of considering and, if thought fit, approving the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder;
"Trademark License Agreement"	:	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) in respect of the grant by Philips to the TP Vision Group an exclusive (except with respect to Argentina) trademark license under which the TP Vision Group may design, manufacture, source, sell, distribute and market Philips-branded Scope Products in the Territory;
"TVs"	:	televisions;
"US$"	:	US dollar(s), the lawful currency of the United States of America;

"Vinco Capital"	:	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser of the Company to advise the Independent Board Committee and the independent Shareholders in respect of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transaction contemplated thereunder; and
"%"	:	per cent

Unless otherwise specified in this circular, amounts denominated in EUR have been converted, for illustrative purpose only, into RMB at a rate of EUR 1.00 = RMB8.54 and amounts denominated in US$ have been converted, for illustrative purpose only, into RMB at a rate of US$1.00 = RMB6.14. These exchange rates are for the purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be converted at any of the above rates and any other rates.

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
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

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

30 April 2014

To the Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ACQUISITION OF THE REMAINING 30% EQUITY INTEREST IN THE JOINT VENTURE WITH PHILIPS AND PROPOSED AMENDMENTS TO CERTAIN AGREEMENTS IN CONNECTION WITH THE PHILIPS TV BUSINESS IN EUROPE AND CERTAIN SOUTH AMERICAN COUNTRIES AND LICENSING OF PHILIPS TRADEMARKS

INTRODUCTION

Reference is made to the announcements of the Company dated 25 March 2014 in respect of the subject transactions.

The purpose of this circular is to provide you with, among other things, (i) further information on the Proposed Transactions; (ii) the recommendation of the Independent Board Committee regarding the terms of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder; and (iii) the advice of Vinco Capital regarding the terms of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder.

THE PROPOSED TRANSACTIONS

(I) THE 30% SALE AND PURCHASE AGREEMENT

On 25 March 2014, TPV, MMD and TP Vision entered into the 30% Sale and Purchase Agreement with 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 the New Deferred Purchase Price.

Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV.

Completion is subject to the conditions precedents as referred to in the sub-paragraph headed "**Conditions for the 30% Sale and Purchase Agreement**" below.

A summary of the principal terms of the 30% Sale and Purchase Agreement is set out below:

Date

25 March 2014

Parties

(1) MMD;

(2) Philips;

(3) TPV; and

(4) TP Vision

MMD is principally engaged in investment holding and is a wholly-owned subsidiary of TPV.

As at the Latest Practicable Date, Philips holds a 30% equity interest in TP Vision and is therefore a connected person of the Company by virtue of being a substantial shareholder of TP Vision. In addition, Philips owns approximately 2.69% of the issued share capital of TPV as at the Latest Practicable Date.

Pursuant to the 30% Sale and Purchase Agreement, TPV has guaranteed to Philips the due and punctual discharge by MMD and TP Vision of their obligations thereunder.

Consideration and payment terms

MMD will purchase the remaining 30% equity interest in TP Vision for an amount equal to 30% of 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 from Philips on 1 April 2012.

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 EBIT. If the calculation results in a negative number, then the New Deferred Purchase Price is deemed to be zero. If there is a dispute on the calculation of the New Deferred Purchase Price, subject to compliance with the Listing Rules, Philips is entitled to engage an accountant to conduct an audit of TPV's calculation of the New Deferred Purchase Price. Any out-of-pocket costs and expenses in relation to such audit will be borne by Philips.

It is anticipated that the New Deferred Purchase Price shall be satisfied from TPV's internal resources and be settled by telegraphic transfer in immediately available funds of TPV as and when the New Deferred Purchase Price becomes due and payable. Philips may elect to receive the New Deferred Purchase Price at any time after 31 March 2018 by giving notice in writing to MMD, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination. Given that the New Deferred Purchase Price will be calculated based on the Average Proportional EBIT of TP Vision, it is not possible to ascertain the amount of the New Deferred Purchase Price at the present time. However, the New Deferred Purchase Price is capped at US$350 million (equivalent to approximately RMB2,149 million).

The New Deferred Purchase Price was agreed after arm's length negotiations between TPV and Philips. The New Deferred Purchase Price has been determined with reference to, among other things, (i) the future prospects and performance of the TP Vision Group; (ii) the future economic and commercial prospects of the Territory; and (iii) Philips TV's global presence and innovation capabilities. On the basis of the foregoing, the Board (excluding the independent non-executive Directors who will form their views after receiving and reviewing the advice from Vinco Capital) considers that the New Deferred Purchase Price is fair and reasonable.

Conditions for the 30% Sale and Purchase Agreement

Pursuant to the 30% Sale and Purchase Agreement, Completion is conditional upon the satisfaction or waiver of the following conditions:

(1) TPV having convened a special general meeting at which a resolution shall have been duly passed by the independent shareholders of TPV to approve the entering into of the 30% Sale and Purchase Agreement and other relevant transaction documents and the acquisition by MMD of the 30% equity interest in TP Vision, in compliance with relevant laws and regulations, including the Listing Rules and the by-laws of TPV;

(2) the Company (i) having either convened an extraordinary general meeting at which a resolution shall have been duly passed by the independent Shareholders or obtained a written resolution duly passed by the independent Shareholders; and (ii) having convened a board meeting at which a resolution shall have been duly adopted by the Directors, in each case to approve the entering into of the 30% Sale and Purchase Agreement and other relevant transaction documents and the acquisition by MMD of the 30% equity interest in TP Vision, in each case, in compliance with relevant laws and regulations, including the Listing Rules, and the articles of the Company;

(3) if required by relevant laws and regulations, GWSZ (i) having convened a general meeting at which a resolution shall have been duly passed by the shareholders of GWSZ and (ii) having convened a board meeting at which a resolution shall have been duly adopted by the directors of GWSZ, in each case to approve the entering into of the 30% Sale and Purchase Agreement and other relevant transaction documents and the acquisition by MMD of the 30% equity interest in TP Vision, in each case, in compliance with relevant laws and regulations, including the rules of the Shenzhen Stock Exchange, and the articles of GWSZ;

(4) with effect from Completion, Philips and any of its subsidiaries having been released from the Philips Guarantees;

(5) no government entity that has jurisdiction has enacted, issued, promulgated or enforced any laws and regulations, non-appealable judgment, decree or injunction that is in effect immediately prior to Completion and permanently restrains or prohibits the 30% Sale and Purchase Agreement or completion of the transactions contemplated thereunder; and

(6) if required by relevant laws and regulations, GWSZ having obtained the necessary PRC regulatory approval in respect of the transaction contemplated under the 30% Sale and Purchase Agreement.

The above conditions may only be waived by written agreement between Philips, MMD, TPV and TP Vision. As at the Latest Practicable Date, save for conditions (2) and (3)(ii) (which have been fulfilled), none of the above conditions have been fulfilled or waived. If any of the conditions above are not satisfied or waived (as the case may be) on or before 30 June 2014, then each of Philips, MMD, TPV and TP Vision may in its sole discretion terminate the 30% Sale and Purchase Agreement by notice to the other parties.

Reasons for conditions (2) and (3) above

To the best of the directors of TPV's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, (i) GWSZ owns approximately 8.5% of the issued share capital of TPV; (ii) China Great Wall Computer (H.K.) Holding Limited ("**CGCHK**"), a wholly-owned subsidiary of GWSZ, owns approximately 15.8% of the issued share capital of TPV; and (iii) GWSZ is owned as to 53.92% by the Company. The Company and GWSZ are listed on the Hong Kong Stock Exchange and Shenzhen Stock Exchange, respectively. As such, it is a prerequisite for the Company and GWSZ to obtain the approval from their respective boards and shareholders on the Proposed Acquisition for GWSZ and CGCHK to vote in the TPV SGM.

Termination of the Shareholders agreement

Since Philips will cease to own any shares of TP Vision at Completion, the shareholders agreement dated 1 April 2012 (as amended and supplemented from time to time) between Philips, MMD, TPV and TP Vision (the "**Shareholders Agreement**") in respect of, among others, the corporate governance arrangements of TP Vision, restrictions on transfer of shares of TP Vision and the Philips Put Options (as defined in the Previous Circular) will be terminated subject to and with effect from Completion.

Advertising and Promotion Fee

At Completion, Philips will pay in cash to TP Vision an amount of EUR50 million (equivalent to approximately RMB427 million) as an advance payment, which shall be used for activities to promote and enhance the value of the Philips brand, which activities may include, but are not limited to, advertising and promotion, sales and marketing, research and development and other activities which incentivize the distribution channels and reduce the cost of non-quality, subject to approval by a Philips member of the Philips brand committee formed under the Trademark License Agreement (such approval not to be unreasonably withheld or delayed). The total amount of the Advertising and Promotion Fee up to a maximum of EUR50 million that TP Vision is entitled to charge to Philips will be calculated at 5% of the total revenue of Philips-branded TVs manufactured and sold by the TPV Group under the TMLAs.

TP Vision restructuring

TPV will procure that the obligations of the TP Vision Group under any agreement with Philips or any of its affiliates will continue to be satisfied in the event TPV decides to integrate any operations of the TP Vision Group with those of the TPV Group.

Completion

Completion of the Proposed Acquisition shall take place on the fifth business day after the date on which the last in time of the conditions as set out above (except conditions (4) and (5)) has been satisfied or waived in accordance with the 30% Sale and Purchase Agreement, or at such other date as may be agreed between the parties. Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV.

Information on TP Vision

TP Vision, a company incorporated in the Netherlands, is indirectly held as to 70% by TPV and 30% by Philips as at the Latest Practicable Date. Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV, the financial results of which will continue to be consolidated into the financial statements of the TPV Group.

Since the formation of the joint venture in April 2012, the TP Vision Group has engaged in the business of the product management, innovation and development, manufacturing, operation, marketing, sale and distribution of the Scope Products under the Philips Trademarks in the Territory.

Set out below is a summary of the financial information of the TP Vision Group, as included in the audited consolidated financial statements of the TPV Group, which are prepared based on the accounting policies of the TPV Group and in accordance with Hong Kong Financial Reporting Standards.

	For the period from 22 June 2011 (the date of incorporation of TP Vision) to 31 December 2012 *(Note)* *US$ (million)*	**For the year ended 31 December 2013** *US$ (million)*
Turnover	2,725	3,045
Net loss before income tax	(38)	(315)
Net loss after income tax	(40)	(329)

The audited consolidated net liabilities position of the TP Vision Group as at 31 December 2013 was approximately US$197 million.

Note: As the joint venture was formed on 1 April 2012, the TP Vision Group had not commenced business and did not generate any turnover for the period from 22 June 2011 (being the date of incorporation of TP Vision) to 31 March 2012.

Your attention is drawn to the financial information of the TP Vision Group in Appendix II to this circular. The financial information of the TP Vision Group is prepared for the period from 22 June 2011 (being the date of incorporation of TP Vision) to 31 December 2012 and for the year ended 31 December 2013 on the basis that the TP Vision Group was formed only on 1 April 2012 upon completion of the acquisition of 70% equity interest in TP Vision by TPV. While the Philips TV business was in existence before 1 April 2012, there is no disclosure of the financial information of such business prior to the formation of the joint venture on 1 April 2012 in this circular due to the following reasons:

(i) the TV operations of Philips were integral to its other businesses within the Consumer Lifestyle division of Philips until the end of March 2012. There were no accounting records prepared for the TV operation of Philips on a standalone basis that is fully accessible by the TP Vision Group. The nature of carve out financial information requires management to make estimates of a reasonable allocation key for assets, liabilities and costs shared with other business groups within the Consumer Lifestyle division of Philips as well as within the Philips group. Considering that the Philips TV operations prior to 1 April 2012 were under the management of Philips, the basis of allocation may not be representative of the actual financial position of the Philips TV business under the management of TP Vision; and

(ii) since the TP Vision Group was formed only on 1 April 2012, TPV considers that the preparation of the financial information prior to such date is impractical and given its limited relevance, it does not justify the costs involved in preparing such financial information.

Please refer to the section headed "Financial Effects of the Proposal Acquisition" for the financial effects of the Proposed Acquisition on the Group.

(II) THE SUPPLEMENTAL SPA

As disclosed in the Previous Circular, pursuant to the First Sale and Purchase Agreement, the purchase price for the 70% equity interest in TP Vision payable by MMD to Philips was a deferred purchase price, which was an amount equal to 70% of the TP Vision Group's average audited consolidated earnings before interests and taxes (and adjusted pursuant to the terms of the First Sale and Purchase Agreement) in each financial year commencing from (and including) the year ended 31 December 2012 to (and including) the later of 2014 or the last completed financial year prior to the date on which Philips gives notice in writing to MMD of its election to receive the deferred purchase price, times a multiple of four. If the above calculation results in a negative number, then the deferred purchase price is deemed to be zero.

On 25 March 2014, TPV, MMD, TP Vision and Philips entered into the Supplemental SPA, pursuant to which the parties have agreed that, subject to and with effect from Completion, the First Sale and Purchase Agreement will be amended as follows:

(1) the purchase price for the 70% equity interest in TP Vision payable by MMD to Philips 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; and

(2) Philips will not be liable for any losses suffered or incurred by the TPV Group or any member of the TP Vision Group arising from, related to or otherwise in respect of the transfer of the 30% equity interest in TP Vision as contemplated by the 30% Sale and Purchase Agreement and/or any integration of operations of the TP Vision Group with those of the TPV Group.

The key changes to the calculation of the deferred purchase price are summarised in the table below:

	The original deferred purchase price pursuant to the First Sale and Purchase Agreement and Shareholders Agreement	**The New Deferred Purchase Price as amended by the Supplemental SPA and pursuant to the 30% Sale and Purchase Agreement**	**Reasons for the amendments**
Cap	The purchase price is not subject to a cap.	The purchase price for 100% of the shares in TP Vision is subject to a cap of US$350 million.	Following Completion, the business unit of TP Vision Group will no longer exist and it will be fully integrated into the business unit of the TPV Group. This means that the existing standalone "TP Vision — TVs" segment will be combined into one integrated business unit with the "TVs" segment and will no longer be separately reported in the TPV Group's audited consolidated annual accounts. As such, no separate EBIT will be shown for TP Vision Group upon Completion. As a result, from the financial year 2014 onwards, the proportional contribution of Philips TVs products over the TPV Group's total TVs segment results multiply by the adjusted operating profit or loss for the TPV Group's total TVs segment will be used to calculate the New Deferred Purchase Price. The adjusted operating profit or loss for the TPV Group's TVs segment will be a line item reported under the "Segment Information" section of the TPV Group's audited consolidated annual accounts. After arm's length negotiations between TPV and Philips, both parties have agreed to share equally the result of poor performance in 2012 and incurring loss in 2013. The management of TPV considers that the adjustment is fair and reasonable taking into account the following: (i) Philips is likely to exercise the right to receive the New Deferred Purchase Price when the Average Proportional EBIT becomes positive, of which the effect of sharing 50% of the EBIT of TP Vision for the financial years 2012 and 2013, of which 2013 was loss making, may be spread out by then. This means that the longer Philips takes to exercise its right to receive the
Basis of calculation	The TP Vision Group's average audited consolidated earnings before interests and taxes in each financial year commencing from (and including) the year ended 31 December 2012 to (and including) the later of (a) 2014 (with respect to the 70% equity interest in TP Vision) or 31 March 2018 (with respect to the 30% equity interest in TP Vision pursuant to the Philips Put Options) and (b) the last completed financial year prior to the date on which Philips gives notice in writing to MMD of its election to receive the deferred purchase price times 4.	Average Proportional EBIT times 4. Average Proportional EBIT means the total amount of: (i) 50% of the annual consolidated EBIT of TP Vision for the financial years ended 2012 and 2013, plus (ii) the total Proportional EBIT for the period from (and including) the financial year 2014 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price, divided by the number of years as of the financial year ended 2012 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price. With respect to (i), the annual consolidated EBIT of TP Vision is EUR11,909,000 (equivalent to approximately US$16,395,000) for the financial year ended 2012 and –EUR204,850,000 (equivalent to approximately –US$282,017,000) for the financial year ended 2013, which has been agreed with Philips. With respect to (ii), TPV will disclose the Proportional EBIT from the financial year 2014 in its subsequent annual reports.	

	The original deferred purchase price pursuant to the First Sale and Purchase Agreement and Shareholders Agreement	The New Deferred Purchase Price as amended by the Supplemental SPA and pursuant to the 30% Sale and Purchase Agreement	Reasons for the amendments
			New Deferred Purchase Price, the portion of the incurring loss in 2013 shared by TPV would be smaller; (ii) Philips will pay in cash to TP Vision an amount of EUR50 million as an advance payment of advertising and promotion fee at Completion; (iii) the guaranteed minimum annual royalty under the Trademark License Agreement will be reduced from EUR50 million to EUR40 million from 1 April 2014; and (iv) Philips' continuous provision of loan facilities to AOC at Completion under the Loan Amendment and Restatement Deed.
Payment term	Philips may elect to receive 70% of the deferred purchase price at any time after 31 December 2014 by giving notice in writing to MMD pursuant to the First Sale and Purchase Agreement. Philips may elect to receive 30% of the deferred purchase price at any time after 31 March 2018 (being the expiry of 6 years from the date of the Shareholders Agreement) by giving notice in writing to MMD pursuant to the Shareholders Agreement.	Philips may elect to receive the New Deferred Purchase Price at any time after 31 March 2018 by giving notice in writing to MMD, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination.	The management of TPV wishes to align the timing for Philips to exercise its right to receive the New Deferred Purchase Price with the duration of the Trademark License Agreement to ensure Philips' continued support to the TP Vision Group and renewal of the Trademark License Agreement. The Directors consider that this amendment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, all other terms and conditions of the First Sale and Purchase Agreement will remain the same in all material respects.

(III) THE SUPPLEMENTAL TMLA

As disclosed in the Previous Circular, Philips (as the licensor) and TP Vision (as the licensee) entered into the Trademark License Agreement on 1 April 2012 (being the completion date of the First Sale and Purchase Agreement), pursuant to which Philips has granted an exclusive (except with respect to Argentina) right and license to the TP Vision Group for an initial period of five years from 1 April 2012, under which the TP Vision Group can use the Philips Trademarks in the Territory.

On 25 March 2014, Philips and TP Vision entered into the Supplemental TMLA, pursuant to which the parties agree that, subject to and with effect from Completion, the guaranteed minimum annual royalty will be reduced from EUR50 million (equivalent to approximately RMB427 million) to EUR40 million (equivalent to approximately RMB341.60 million) from 1 April 2014.

The principal terms of the Trademark License Agreement and the key amendments pursuant to the Supplemental TMLA are summarised in the table below:

	Trademark License Agreement (as disclosed in the Previous Circular)	**Supplemental TMLA**	**Reasons for the amendments**
Annual royalty	2.2% of the turnover (being the number of the Scope Products invoiced or shipped by the TP Vision Group times the relevant net selling price of the Scope Products) payable by TP Vision to Philips from the second year to fifth year of the license term.	No change.	Not applicable.
License term	An initial term of five years from 1 April 2012 and will be automatically renewed for a subsequent five-year period if TP Vision meets certain key performance indicators as set out in the Trademark License Agreement. After the second 5-year term, the Trademark License Agreement may be extended by mutual agreement for successive 5-year periods against such terms and conditions as may be agreed between Philips and TP Vision (but including in any event guaranteed minimum royalty obligations for TP Vision).	No change.	Not applicable.
Guaranteed minimum annual royalty	EUR50 million (from 1 April 2013)	EUR40 million (from 1 April 2014)	After arm's length negotiations between TPV and Philips and considering the competitive business environments of the TVs segment and the historic sales record and future sales forecast of TP Vision Group, both parties have agreed to reduce the guaranteed minimum annual royalty. The Directors consider that this amendment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Save as disclosed above, all other terms and conditions of the Trademark License Agreement will remain the same in all material respects.

(IV) THE LOAN AMENDMENT AND RESTATEMENT DEED

The Existing Revolving Loan Agreement

AOC (a wholly-owned subsidiary of TPV) and Philips as lenders, and TP Vision as borrower, entered into the Existing Revolving Loan Agreement dated 13 December 2013, pursuant to which each of AOC and Philips have agreed to make available to TP Vision a revolving loan facility in the total amount of EUR100 million (equivalent to approximately RMB854 million) for financing the working capital requirements of the TP Vision Group. Such revolving loan facility bears an interest rate of EUROLIBOR plus 1.80% per annum. The amount of each of AOC and Philips' participation in the revolving loan facility is in proportion to TPV and Philips' equity interest in TP Vision (that is, EUR70 million (equivalent to approximately RMB597.80 million) in relation to AOC and EUR30 million (equivalent to approximately RMB256.20 million) in relation to Philips).

The Existing Shareholder Loan Agreement

Pursuant to the First Sale and Purchase Agreement and the Existing Shareholder Loan Agreement, on 1 April 2012 (being the completion date of the First Sale and Purchase Agreement), each of Philips and AOC (being the nominee of MMD) provided to TP Vision its respective share of the shareholder loan in an amount of EUR51 million (equivalent to approximately RMB435.54 million) and EUR119 million (equivalent to approximately RMB1,016.26 million), respectively, for the general corporate funding needs of the TP Vision Group. As disclosed in the Previous Circular, the shareholder loan was split into two tranches, being:

(A) a 3-year EUR70 million (equivalent to approximately RMB597.80 million) tranche bearing an interest rate of EUROLIBOR plus 2.20% per annum, repayable on 1 April 2015; and

(B) a 5-year EUR100 million (equivalent to approximately RMB854 million) tranche bearing an interest rate of EUROLIBOR plus 2.70% per annum, repayable on 1 April 2017.

Also, as disclosed in the Previous Circular, pursuant to the Shareholders Agreement, if, at any time after completion of the First Sale and Purchase Agreement, TP Vision requires funding additional to the funding available to it to enable the TP Vision Group to meet its working capital requirements and liabilities as they fall due and carry on its business without a significant curtailment of operations, TPV and Philips, in proportion to its shareholding in TP Vision, shall provide (or arrange its respective nominee to provide) additional funding to TP Vision up to EUR140 million (equivalent to approximately RMB1195.60 million) and EUR60 million (equivalent to approximately RMB512.40 million), respectively. Given that the Shareholders Agreement will be terminated subject to and with effect from Completion (as disclosed in the sub-paragraph headed "**Termination of the Shareholders Agreement**" above), the parties have agreed to amend the Existing Shareholder Loan Agreement such that the aforementioned further funding (as set out in the Shareholders Agreement) will be included as an additional tranche of loan in the Existing Shareholder Loan Agreement. Please refer to the sub-paragraph headed "**Amendments to the Existing Shareholder Loan Agreement**" below.

The Loan Amendment and Restatement Deed

On 25 March 2014, Philips, AOC and TP Vision entered into 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 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 Loan Agreements. Under the New Loan Agreements, (i) in order to preserve the funding arrangements under the Shareholders Agreement (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.

Amendments to the Existing Shareholder Loan Agreement

Subject to and with effect from Completion, the Existing Shareholder Loan Agreement will be amended such that AOC will make available to TP Vision an additional tranche of loan in an amount of EUR200 million (equivalent to approximately RMB1,708 million)); such tranche will be available at Completion and bears an interest rate of EUROLIBOR plus 1.80% per annum, repayable three years after Completion. The repayment date of this tranche cannot be extended.

The New Term Loan Agreement

On 25 March 2014, Philips, AOC and TPV entered into the New Term Loan Agreement, pursuant to which Philips (as the lender) has made (in the case of Tranche A and Tranche B) and will make (in the case of Tranche C) available to AOC (as the borrower) 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 (equivalent to approximately RMB179.34 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 (equivalent to approximately RMB256.20 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 (equivalent to approximately RMB512.40 million), which will be made available to AOC at Completion and bears an interest rate of EUROLIBOR plus 1.80% per annum, repayable three years after Completion. ("**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.

The New Revolving Loan Agreement

On 25 March 2014, Philips, AOC and TPV entered into the New Revolving Loan Agreement, pursuant to which Philips (as the lender) makes available to AOC (as the borrower) a revolving loan facility in an aggregate amount of EUR30 million (equivalent to approximately RMB256.20 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 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.

The EUR100 million term loan (that is, the TPV Loan as disclosed in the Previous Circular) granted by Philips to AOC (being the nominee of MMD) pursuant to the EUR100 million term loan agreement dated 1 April 2012 between AOC (as borrower), TPV (as guarantor) and Philips (as lender) will remain unchanged.

The references to EUROLIBOR above refer to a rate in EUR aimed at reflecting the prevailing market rates for interbank lending between leading banks in the London interbank market for EUR and the respective interest periods applicable to each loan.

The principle terms of the Existing Revolving Loan Agreement and the New Revolving Loan Agreement and the key amendments to the Existing Revolving Loan Agreement pursuant to the Loan Amendment and Restatement Deed are summarised in the table below:

	Existing Revolving Loan Agreement	**Existing Revolving Loan Agreement (as amended and restated by the Loan Amendment and Restatement Deed)**	**New Revolving Loan Agreement**	**Reasons for the amendments**
Date of agreement	13 December 2013	13 December 2013 (as amended and restated on 25 March 2014)	25 March 2014	Under the New Revolving Loan Agreement, Philips will make available to AOC a revolving loan facility in an aggregate amount of EUR30 million to fund loans to be made by AOC to TP Vision under the Existing Revolving Loan Agreement (as amended and restated by the Loan Amendment and Restatement Deed). This amendment is made because Philips wishes to have AOC as the borrower after Completion considering that TP Vision may be integrated into the business of the TPV Group. As the New Revolving Loan Agreement is for the benefit of AOC on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance, the Directors consider that the terms of the New Revolving Loan Agreement are fair and reasonable.
Lender(s)	AOC and Philips	AOC	Philips	
Borrower	TP Vision	No change.	AOC	
Loan amount	EUR100 million, of which EUR70 million will be made by AOC and EUR30 million will be made by Philips	EUR100 million	EUR30 million	
Interest rate	EUROLIBOR + 1.80% per annum	No change.	EUROLIBOR + 1.80% per annum	
Purpose	Financing the working capital requirements of the TP Vision Group.	No change.	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.	
Available for drawdown	From 1 January 2014 to 1 December 2014.	No change. However, the parties have agreed under the Amendment and Restatement Deed that no loans shall be borrowed from 25 March 2014 to Completion.	From Completion to 1 December 2014.	
Final repayment date	All loans then outstanding must be repaid on 1 January 2015.	No change.	All loans then outstanding must be repaid on 1 January 2015.	

The principle terms of the Existing Shareholder Loan Agreement and the New Term Loan Agreement and the key amendments to the Existing Shareholder Loan Agreement pursuant to the Loan Amendment and Restatement Deed are summarised in the table below:

	Existing Shareholder Loan Agreement	**Existing Shareholder Loan Agreement (as amended and restated by the Loan Amendment and Restatement Deed)**	**New Term Loan Agreement**	**Reasons for the amendments**
Date of agreement	1 April 2012	1 April 2012 (as amended and restated on 25 March 2014)	25 March 2014	The amendments to the Existing Shareholder Loan Agreement and the entering into of the New Term Loan Agreement are to preserve the existing funding arrangements available to TP Vision as agreed between the parties under the Shareholders Agreement on 1 April 2012. Pursuant to the Shareholders Agreement, TPV and Philips shall provide additional funding to TP Vision up to EUR140 million and EUR60 million, respectively. As the Shareholders Agreement will be terminated from Completion, the parties have agreed to amend the Existing Shareholder Loan Agreement such that the additional funding of EUR200 million will be made available to TP Vision at Completion (of which EUR60 million will be made available by Philips to AOC under the New Term Loan Agreement to fund loans to be made by AOC to TP Vision).
Lender(s)	AOC and Philips	AOC	Philips	
Borrower	TP Vision	No change.	AOC	
Loan amount	(i) a 3-year EUR70 million tranche ("**Tranche A**") (ii) a 5-year EUR100 million tranche ("**Tranche B**")	No change to the existing two tranches. An additional tranche of loan in an amount of EUR200 million ("**Tranche C**") will be made available by AOC to TP Vision.	(i) a 3-year EUR21 million tranche (being 30% of Tranche A under the Existing Shareholder Loan Agreement) ("**Tranche A**") (ii) a 5-year EUR30 million tranche (being 30% of Tranche B under the Existing Shareholder Loan Agreement) ("**Tranche B**") (iii) a third tranche of EUR60 million (being 30% of the additional tranche under the Existing Shareholder Loan Agreement, as amended and restated on 25 March 2014) ("**Tranche C**")	

	Existing Shareholder Loan Agreement	Existing Shareholder Loan Agreement (as amended and restated by the Loan Amendment and Restatement Deed)	New Term Loan Agreement	Reasons for the amendments
Interest rate	(i) Tranche A: EUROLIBOR + 2.20% per annum (ii) Tranche B: EUROLIBOR + 2.70% per annum	No change to the existing two tranches. The interest rate for Tranche C is EUROLIBOR + 1.80% per annum.	(i) Tranche A: EUROLIBOR + 2.20% per annum (ii) Tranche B: EUROLIBOR + 2.70% per annum (iii) Tranche C: EUROLIBOR + 1.80% per annum.	Based on the above, the Directors consider that the terms of the Existing Shareholder Loan Agreement (as amended and restated on 25 March 2014) and the Loan Amendment and Restatement Deed are fair and reasonable and in the interests of the Shareholders as a whole. As the New Term Loan Agreement is for the benefit of AOC on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance, the Directors consider that the terms of the New Term Loan Agreement are fair and reasonable.
Purpose	Financing the general corporate funding needs of the TP Vision Group.	Financing the general corporate funding needs of the TP Vision Group or the activities that generate the Philips TV sales.	AOC shall apply Tranche C to fund loans to be made by AOC to TP Vision under the Existing Shareholder Loan Agreement, as amended and restated on 25 March 2014.	
Available for drawdown	Tranche A and Tranche B were drawndown on 1 April 2012.	Tranche C is available for drawdown at Completion.	Tranche C is available for drawdown at Completion.	
Final repayment date	(i) Tranche A: 1 April 2015 (ii) Tranche B: 1 April 2017	No change to the existing two tranches. Tranche C is repayable three years after Completion.	(i) Tranche A: 1 April 2015 (ii) Tranche B: 1 April 2017 (iii) Tranche C: Three years after Completion.	

INFORMATION ON THE GROUP

The Group is principally engaged in the development, manufacture, sale and research and development of personal computers, information terminal products, storage products, power supply products, monitoring terminal, liquid crystal display television products and electronics manufacturing services business.

INFORMATION ON THE TPV GROUP

The TPV Group is the world's leading monitor and LCD (liquid crystal display) TV manufacturer. The TPV Group has been able to drive its growth over the years by leveraging its economies of scale and core competencies in research and development, manufacturing, logistic efficiency and superb quality. The TPV Group also distributes its products globally under its own brands AOC and Envision. In 2009 and 2011, the TPV Group acquired exclusive licenses to sell Philips-branded monitors globally and Philips-branded TVs in China. In April 2012, the TPV Group formed a joint venture, TP Vision, with Philips to take over the latter's TV business in the Territory. TPV is listed on both Hong Kong and Singapore stock exchanges.

INFORMATION ON PHILIPS

Royal Philips (NYSE: PHG, AEX: PHIA) is a diversified health and well-being company, focused on improving people's lives through meaningful innovations in the areas of Healthcare, Lifestyle and Lighting. Headquartered in the Netherlands, Philips posted 2013 sales of EUR23.3 billion (equivalent to approximately RMB198.98 billion) and employs approximately 115,000 employees with sales and services in more than 100 countries. The company is a leader in cardiac care, acute care and home healthcare, energy efficient lighting solutions and new lighting applications, as well as male shaving and grooming and oral healthcare.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

Following Completion, TP Vision will become a wholly-owned subsidiary of TPV, which will enable the TP Vision Group to be further integrated into the TPV Group's TV operation and advance the realization of potential synergies and thus reduce costs and improve efficiency. To this end, following Completion, TPV will carry out the following restructuring plans:

- to introduce cost saving measures by merging and consolidating certain administrative functions (including human resources, information technology, treasury and accounting) and management of the TP Vision Group with the TPV Group's operations;

- the research and development (R&D) function of TP Vision will be further integrated with the TPV Group's R&D function by expanding and strengthening the TPV Group's R&D teams in India and China, which is expected to achieve cost saving; the TP Vision Group's centralized R&D team in Ghent, Belgium will continue to focus on concept development and advanced development, as well as set development for the high-end range products; and

- to closely monitor and review the sales network of the TP Vision Group with an aim to consolidate and re-position its sales network and streamline its operation so as to achieve cost saving. For example, certain loss-making sales offices of the TP Vision Group in Europe will be closed down and a distribution model will be adopted to reduce the TP Vision Group's operating costs.

It is expected that the restructuring plans will be completed within the first 12 months of Completion. The Directors believe that the implementation of the restructuring plans will achieve significant cost saving and as a result, the TP Vision Group will be in a better position to narrow the losses in the future and become profitable eventually.

Also, the TPV Group will have full and complete control of TP Vision upon Completion which would enhance the management and operation efficiency in carrying out the TPV Group's business decisions and development strategies in respect of the TP Vision Group.

On the basis of the foregoing, the Board (excluding the independent non-executive Directors who will form their views after receiving and reviewing the advice from Vinco Capital) considers that the terms of the 30% Sale and Purchase Agreement, the Supplemental SPA, the Supplemental TMLA, the Loan Amendment and Restatement Deed, the New Revolving Loan Agreement and the New Term Loan Agreement are fair and reasonable and on normal commercial terms following arm's length negotiations between the parties, and the entering into of the Proposed Transactions is in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA, the Supplemental TMLA, the Loan Amendment and Restatement Deed, the New Revolving Loan Agreement and the New Term Loan Agreement and none of them was required to abstain from voting on the board resolutions in respect of approving the Proposed Transactions.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV, a subsidiary of the Company held as to 24.32% by GWSZ which in turn is held by the Company directly as to 53.92% and indirectly as to 2.7%. 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.

The Board expects that the Proposed Acquisition will have the following financial effects on the Group:

Earnings

For the financial year ended 31 December 2013, the Group recorded audited net profit attributable to the owners of the Company of approximately RMB73,919,000. As set out in the accountant's report on the TP Vision Group in Appendix II to this circular, the consolidated net loss before and after taxation of TP Vision attributable to the continuing operations for the year ended 31 December 2013 amounted to approximately EUR203,057,000 and EUR194,246,000, respectively. After Completion, the financial results of the TP Vision Group will continue to be consolidated into the Group's consolidated financial statements. Assuming the Completion had taken place on 31 December 2013, there would be no immediate profit and loss effect on the Enlarged Group immediately upon Completion.

Assets and liabilities

Based on the audited consolidated accounts of TP Vision which have been prepared in accordance with the Hong Kong Financial Reporting Standards, the consolidated net liabilities position of TP Vision was approximately EUR128,955,000 as at 31 December 2013.

Appendix IV to this circular contains the unaudited pro forma consolidated balance sheet of the Enlarged Group which has been prepared for the purpose of illustrating the effects of the Proposed Acquisition on the assets and liabilities of the Enlarged Group as if Completion had taken place on 31 December 2013. As set out in Appendix IV to this circular, the total assets and total liabilities of the Enlarged Group would increase to approximately RMB54,657,887,000 and RMB39,877,174,000, respectively, while the total equity would be decreased by approximately 0.72% from RMB14,887,978,000 to RMB14,780,713,000.

LISTING RULES IMPLICATIONS

The Proposed Acquisition

As at the Latest Practicable Date, Philips is a connected person of the Company as defined under Chapter 14A of the Listing Rules by virtue of being a substantial shareholder of TP Vision, which is owned as to 70% by TPV (through MMD) and 30% by Philips. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Proposed Acquisition are more than 25% but less than 100%, the Proposed Acquisition constitutes both a non-exempt connected transaction and a major transaction of the Company, and is subject to the reporting, announcement and the independent Shareholders' approval requirements under the Listing Rules.

The proposed amendments to the First Sale and Purchase Agreement and the Trademark License Agreement

The Supplemental SPA constitutes a material amendment to the acquisition by MMD of a 70% equity interest in TP Vision from Philips pursuant to the terms and conditions of the First Sale and Purchase Agreement, which was approved by independent Shareholders at the extraordinary general meeting of the Company held on 21 February 2012. Accordingly, the Supplemental SPA will be subject to the independent Shareholders' approval.

The Supplemental TMLA constitutes a material amendment to the Trademark License Agreement, which was approved by independent Shareholders at the extraordinary general meeting of the Company held on 21 February 2012 as a continuing connected transaction of the Company. Accordingly, the Supplemental TMLA will be subject to the independent Shareholders' approval.

The New Loan Agreements

Under the New Revolving Loan Agreement and the New Term Loan Agreement, the amounts to be advanced by Philips to AOC constitute the provision of financial assistance by a connected person, and each is therefore a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the New Revolving Loan Agreement and the New Term Loan Agreement are for the benefit of AOC on normal commercial terms where no security over the assets of the Group is granted in respect of such financial assistance, the provision of financial assistance by Philips to AOC under the New Revolving Loan Agreement and the New Term Loan Agreement is exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, Philips will cease to hold any shares of TP Vision and will cease to be a connected person of the Company. Accordingly, the licensing of Philips Trademarks under the Trademark License Agreement, the Secondary Trademark License Agreement, the provision of financial assistance under the New Loan Agreements and all existing transactions between Philips and the TPV Group (or the TP Vision Group), will cease to be continuing connected transactions of the Company following Completion.

Shareholders' approval

As none of the Shareholders has a material interest in the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA, none of them would be required to abstain from voting if the Company were to convene a Shareholders' meeting to approve same. The Company has obtained a written approval for the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA from Great Wall Group, which holds 62.11% of the issued Shares as at the Latest Practicable Date, pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules. A waiver from strict compliance with the requirement to convene a Shareholders' meeting to approve the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA under Rule 14A.43 of the Listing Rules has been granted by the Hong Kong Stock Exchange. Accordingly, the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA have been duly approved by the Shareholders.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all of the three independent non-executive Directors has been constituted to advise the independent Shareholders on the terms of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder. Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the same.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The Board would therefore recommend the Shareholders to vote in favor of the resolutions for approving the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder if a general meeting of the Company is required to be convened to consider and approve the foregoing transactions.

ADDITIONAL INFORMATION

Your attention is drawn to the advice of the Independent Board Committee set out pages 29 to 30 of this circular and the letter from Vinco Capital to the Independent Board Committee and the independent Shareholders set out on pages 31 to 51 of this circular.

Your attention is also drawn to the information contained in Appendix I to Appendix V to this circular.

By order of the Board
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)

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

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

30 April 2014

To: the Independent Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ACQUISITION OF THE REMAINING 30% EQUITY INTEREST IN THE JOINT VENTURE WITH PHILIPS AND PROPOSED AMENDMENTS TO CERTAIN AGREEMENTS IN CONNECTION WITH THE PHILIPS TV BUSINESS IN EUROPE AND CERTAIN SOUTH AMERICAN COUNTRIES AND LICENSING OF PHILIPS TRADEMARKS

We refer to this circular dated 30 April 2014 issued by the Company to its shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in this circular shall have the same meanings when used in this letter.

We have been appointed as the Independent Board Committee to advise the independent Shareholders as to whether, in our opinion, the entering into the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are on normal commercial terms and fair and reasonable as far as the independent Shareholders are concerned. Vinco Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the independent Shareholders in the same respect.

We wish to draw your attention to (i) the letters of advice from Vinco Capital as set out on pages 31 to 51 of this circular; and (ii) the letter from the Board as set out on pages 8 to 28 of this circular, which set out information relating to, and the reasons for and benefits of entering into the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder.

After taking into consideration the advice of Vinco Capital, we consider that the entering into the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are on normal commercial terms and fair and reasonable as far as the independent Shareholders are concerned. Accordingly, we would recommend the independent Shareholders to vote in favor of the ordinary resolutions for approving the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder if a general meeting of the Company is required to be convened to consider and approve the foregoing transactions.

Yours faithfully,
Independent Board Committee
Great Wall Technology Company Limited
Yao Xiaocong
James Kong **Tin Wong** **Zeng Zhijie**
Independent non-executive Directors

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the independent Shareholders in respect of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular.

VINCO 城高

Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

30 April 2014

To the Independent Board Committee and the independent Shareholders of
Great Wall Technology Company Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ACQUISITION OF THE REMAINING 30% EQUITY INTEREST IN THE JOINT VENTURE WITH PHILIPS AND PROPOSED AMENDMENTS TO CERTAIN AGREEMENTS IN CONNECTION WITH THE PHILIPS TV BUSINESS IN EUROPE AND CERTAIN SOUTH AMERICAN COUNTRIES AND LICENSING OF PHILIPS TRADEMARKS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder, details of which are set out in the circular of the Company (the "Circular") dated 30 April 2014 to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

Reference is made to the announcement of the Company dated 20 January 2014 relating to the entering into of the Term Sheet by TPV, MMD and Philips in connection with the proposed acquisition by MMD from Philips of the remaining 30% equity interest in TP Vision, the joint venture with Philips relating to the Philips TV business in Europe and certain South American countries. On 25 March 2014, TPV, MMD (a wholly-owned subsidiary of TPV) and TP Vision entered into the 30% Sale and Purchase Agreement with 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 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 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 EBIT. Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV.

As part of the Proposed Transactions, on 25 March 2014, TPV, MMD, TP Vision and Philips entered into the Supplemental SPA, 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.

As part of the Proposed Transactions, on 25 March 2014, Philips (as the licensor) and TP Vision (as the licensee) entered into the Supplemental TMLA, 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 will be reduced from EUR50 million (equivalent to approximately RMB427 million) to EUR40 million (equivalent to approximately RMB341.6 million) from 1 April 2014.

As at the Latest Practicable Date, Philips is a connected person of the Company as defined under Chapter 14A of the Listing Rules by virtue of being a substantial shareholder of TP Vision, which is owned as to 70% by TPV (through MMD) and 30% by Philips. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Proposed Acquisition are more than 25% but less than 100%, the Proposed Acquisition constitutes both a non-exempt connected transaction and a major transaction of the Company, and is subject to the reporting, announcement and the independent Shareholders' approval requirements under the Listing Rules.

The Supplemental SPA constitutes a material amendment to the acquisition by MMD of a 70% equity interest in TP Vision from Philips pursuant to the terms and conditions of the First Sale and Purchase Agreement, which was approved by independent Shareholders at the extraordinary general meeting of the Company held on 21 February 2012. Accordingly, the Supplemental SPA will be subject to the independent Shareholders' approval.

The Supplemental TMLA constitutes a material amendment to the Trademark License Agreement, which was approved by independent Shareholders at the extraordinary general meeting of the Company held on 21 February 2012 as a continuing connected transaction of the Company. Accordingly, the Supplemental TMLA will be subject to the independent Shareholders' approval.

As none of the Shareholders has a material interest in the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA, none of them would be required to abstain from voting if the Company were to convene a Shareholders' meeting to approve same. The Company has obtained a written approval for the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA from Great Wall Group, which holds 62.11% of the issued Shares as at the Latest Practicable Date, pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules. A waiver from strict compliance with the requirement to convene a Shareholders' meeting to approve the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA under Rule 14A.43 of the Listing Rules has been granted by the Hong Kong Stock Exchange. Accordingly, the transactions contemplated under the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA have been duly approved by the Shareholders.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yao Xiaocong, Mr. James Kong Tin Wong and Mr. Zeng Zhijie, has been established by the Company to advise the independent Shareholders on the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder.

We have been appointed, and approved by the Independent Board Committee, as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder. In our capacity as the independent financial adviser to the Independent Board Committee and the independent Shareholders for the purposes of the Listing Rules, our role is to give an independent opinion as to whether the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders are concerned, and the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether the Independent Board Committee should recommend the independent Shareholders to vote in favour of the ordinary resolutions for approving the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder if a general meeting of the Company is required to be convened to consider and approve the foregoing transactions.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied upon the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of such information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of such information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable and necessary steps, which are applicable to the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the independent Shareholders solely in connection with their consideration of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the independent Shareholders in relation to the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

1. The Proposed Acquisition

(a) Information of the Group

The Group is principally engaged in the development, manufacture, sale and research and development of personal computers, information terminal products, storage products, power supply products, monitoring terminal, liquid crystal display television products and electronics manufacturing services business.

The table below tabulates the financial information of the Group for the three years ended 31 December 2013, as extracted from the Company's annual report for the financial year ended 31 December 2012 (the "Annual Report 2012") and the annual report for the financial year ended 31 December 2013 (the "Annual Report 2013").

	For the year ended 31 December		
	2013	**2012**	**2011**
	(audited)	*(audited)*	*(audited)*
		(restated)	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Turnover	92,816,202	95,884,305	95,024,261
Profit/(Loss) attributable to owners of the Company	73,919	(160,651)	156,698

	As at 31 December		
	2013	**2012**	**2011**
	(audited)	*(audited)*	*(audited)*
		(restated)	(restated)
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total assets	54,236,942	52,678,132	45,410,805
Total liabilities	39,348,964	37,313,494	29,998,129
Equity attributable to owners of the Company	4,458,047	4,336,592	4,570,074
Bank balances and cash	6,569,581	5,386,054	3,457,887

Note: Certain financial figures for the financial year 2011 and 2012 have been restated according to new standards and amendments to accounting standards adopted by the Group.

According to the Annual Report 2012, for the year ended 31 December 2012, the Group performed at similar level in terms of revenue when compared to the financial year ended 31 December 2011. The turnover of the Group was approximately RMB95,884 million, which represents approximately 0.91% increase on the corresponding figure of approximately RMB95,024 million in 2011. However, despite the slight increase in revenue, the Group turnaround from profits of approximately RMB156.7 million for the year ended 31 December 2011 to losses of approximately RMB160.7 million for the year ended 31 December 2012. Such turnaround from profits to losses was mainly because (i) one of the Company's subsidiary, namely China Great Wall Computer (Shenzhen) Co. Ltd made a provision for the impairment on assets of RMB236 million; and (ii) Shenzhen Kaifa Magnetic Recording Co. Ltd, a subsidiary of the Company, made a provision for impairment of property, plant and equipment of RMB98.5 million during the year, respectively.

As stipulated in the Annual Report 2013, for the year ended 31 December 2013, the turnover of the Group was approximately RMB92,816 million, which represents a decrease of approximately 3.2% from the corresponding figure of approximately 95,884 million. The decrease in revenue was mainly due to (i) the decrease in revenue in computer segment from approximately RMB3,326 million for the year ended 31 December 2012 to approximately RMB386 million for the year ended 31 December 2013; and (ii) the decrease in revenue for TV segment of approximately 15.2% due to the challenging market. Despite the decrease in revenue, the Group recorded profit attributable to the owners of the Company of approximately RMB73.9 million for the year ended 31 December 2013, which represents a turnaround from the loss attributable to the owners of the Company of approximately RMB160.7 million during the correspondence period in last financial year. Such turnaround from profit to loss was mainly due to a provision made by China Great Wall Computer (Shenzhen) Co. Ltd for the impairment on assets and a provision made by Shenzhen Kaifa Magnetic Recording Co., Ltd. for the impairment of assets during last financial year.

(b) Information of TP Vision

TP Vision, a company incorporated in the Netherlands, is indirectly held as to 70% by the Company and 30% by Philips as at the Latest Practicable Date. Following Completion, TP Vision will become an indirect wholly-owned subsidiary of TPV and the financial results of which will continue to be consolidated into the financial statements of the TPV Group.

Since the formation of the joint venture in April 2012, the TP Vision Group has engaged in the business of the product management, innovation and development, manufacturing, operation, marketing, sale and distribution of the Scope Products under the Philips Trademarks in the Territory.

Set out below is a summary of the financial information of the TP Vision Group, as included in the audited consolidated financial statements of the TPV Group, which are prepared based on the accounting policies of the TPV Group and in accordance with Hong Kong Financial Reporting Standards.

	For the period from 22 June 2011 (the date of incorporation of TP Vision) to 31 December 2012 *(Note)* *US$ (million)*	**For the year ended 31 December 2013** *US$ (million)*
Turnover	2,725	3,045
Net loss before income tax	(38)	(315)
Net loss after income tax	(40)	(329)

The audited consolidated net liabilities position of the TP Vision Group as at 31 December 2013 was approximately US$197 million (equivalent to approximately RMB1,209.6 million).

Note: As the joint venture was formed on 1 April 2012, the TP Vision Group had not commenced business and did not generate any turnover for the period from 22 June 2011 (being the date of incorporation of TP Vision) to 31 March 2012.

As advised by the management of the Company, TP Vision Group recorded net losses after income tax for the period from 22 June 2011 to 31 December 2012 was due to challenging macro-economic backdrop in 2012, as well as adverse political and economic developments, foreign exchange fluctuations and announced restructuring activities and related costs. Further, TP Vision Group also reported net losses after income tax of approximately US$329 million for the financial year ended 31 December 2013, which was due to (i) the slow demand for TVs in 2013 which led to the aggressive price cuts and promotion to avoid inventories build-up; (ii) adverse foreign currency fluctuations; and (iii) one-off charges relating to the transformation of TP Vision Group.

(c) Outlook on the TVs industry in the Territory

TP Vision Group engaged in the business of the product management, innovation and development, manufacturing, operation, marketing, sale and distribution of the Scope Products under the Philips Trademarks in the Territory. As per the Supplemental TMLA, the Territory includes emerging markets and Europe.

According to the news released on 3 December 2013 by DigiTimes, which is a daily newspaper for semiconductor, electronics, computer and communications industries in Taiwan and the Greater China region, there would be a recovery in LCD TVs shipments globally after two consecutive years of recession, to approximately 213 million units in 2014, as estimated by DigiTimes Research, a research platform of DigiTimes. According to the news, emerging markets will be the main drivers for the growth in LCD TVs shipments as the emerging markets, from 2014, will start the conversion of digital broadcasting from terrestrial broadcasting as the old TVs using terrestrial broadcasting can't be used for viewing digital channels. The conversion to digital broadcasting may increase the demand for LCD TVs which are able to broadcast digital channels.

Over the past years, the economic recession across Europe has contracted the private consumption expenditure. However, according to the "European Economic Forecast" issued by European Commission in February 2014, Europe's economic recovery is expected to continue to spread across countries and gaining strength. The Gross Domestic Product for European Union, which rose 0.1% in 2013, is now expected to rise 1.5% in 2014 and 2.0% in 2015, while growth in the euro area, which was -0.4% for 2013 as a whole, is expected to be 1.2% in 2014 and 1.8% in 2015. Also, after two years of contraction, domestic demand is gently firming. Furthermore, the private consumption expenditure are also expected to grow. The private consumption expenditure for European Union, which remain unchanged in 2013, is now expected to rise 1.1% in 2014 and 1.7% in 2015, while growth in euro area, which was -0.7% for 2013, is expected to be 0.7% in 2014 and 1.4% in 2015. Sales of TVs in Europe, as household goods, may start recovering together with the improving private consumption expenditure across the Europe.

Having taken into consideration that (i) the demand for TVs may grow in emerging countries and start recovering in Europe with the improving economic recovery in Europe as mentioned above; (ii) the Proposed Acquisition aligns with the TPV Group's existing strategy to broaden the TPV Group's access to the TVs business globally; (iii) the Proposed Acquisition is merely a further acquisition of the remaining interest in the subsidiary of TPV and helps the TPV Group to further consolidate its control and financial performance, giving it greater flexibility to compete in the highly dynamic TVs market; and (iv) the Proposed Acquisition can advance the realization of potential synergies and thus reduce costs and improve efficiency, we are of the view that the Proposed Acquisition is in the ordinary course of business and is in the interest of the Company and the Shareholders as a whole.

(d) Principal terms of the Proposed Acquisition

(i) Basis of consideration

As stated in the Letter from the Board, MMD will purchase the remaining 30% equity interest in TP Vision for an amount equal to 30% of 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 from Philips on 1 April 2012. 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 EBIT. If the calculation results in a negative number, the New Deferred Purchase Price will be zero.

The New Deferred Purchase Price is capped at US$350 million (equivalent to approximately RMB2,149 million). The New Deferred Purchase Price was agreed after arm's length negotiations between TPV and Philips. The New Deferred Purchase Price has been determined with reference to, among other things, (i) the future prospects and performance of the TP Vision Group; (ii) the future economic and commercial prospects of the Territory; and (iii) Philips TVs' global presence and innovation capabilities. On the basis of the foregoing, the Board considers that the New Deferred Purchase Price is fair and reasonable.

The New Deferred Purchase Price will be calculated based on four times the Average Proportional EBIT. Followings are our analysis for the consideration:

EBIT

The EBIT refers to earnings before interest and taxes, including all the profit and loss items as defined under International Financial Reporting Standards (IFRS) (including such amounts which have been paid and/or accrued from time to time by TP Vision to Philips in connection with the royalty or guaranteed minimum royalty, as the case may be, in accordance with the terms of the TMLAs), but excluding (among others) (a) impairment and/or amortization charges of intangible assets, other than goodwill and the intangible assets relating to TP Vision; and (b) gains related to release of negative goodwill. Under the First Sale and Purchase Agreement, the EBIT of TP Vision in 2012 and 2013 is approximately EUR11,909,000 (equivalent to approximately US$16,395,000) and -EUR204,850,000 (equivalent to approximately -USD282,017,000), respectively. Under the Supplemental SPA, the EBIT of TP Vision in 2012 and 2013 were the same as the EBITs under the First Sale and Purchase Agreement (except that the calculation of the New Deferred Purchase Price only takes into account 50% of the EBIT of TP Vision for 2012 and 2013). Per our discussion with the management of the Company, we understand that certain reconciliations, as mentioned above, have been made between the adjusted operating profit as reported in the TPV's consolidated annual accounts and EBIT for purpose of the calculation of the New Deferred Purchase Price. The management of the Company are of the view that those major reconciliations are consistent with the adjustments to be made when calculating the original deferred purchase price as their rationales for adjustments are the same, i.e. to take out any profit and loss items which are (i) not related to the business operation of TP Vision; and (ii) on non-cash basis which were not generated from the business operation of the TP Vision Group.

Proportional EBIT

As stated in the Letter from the Board, Proportional EBIT refers to (i) (the total revenue of Philips-branded TVs manufactured and sold by the TPV Group under the TMLAs divided by the total revenue of TVs manufactured and sold by the TPV Group), multiply by the adjusted operating profit or loss for the TVs segment (or TVs segments if there are more segments in which sales of TVs are reported), each as reported in the audited consolidated annual accounts of TPV, plus (ii) (the total revenue of Philips-branded TVs manufactured and sold by the TPV Group under the TMLAs divided by the total consolidated revenue of the TPV Group), multiply by (the unallocated income plus unallocated expenses), each as reported in the audited consolidated annual accounts of TPV. For the Proportional EBIT from 2014 onwards, each of the adjusted operating profit or loss for the TPV Group's TVs segment, the unallocated income and the unallocated expenses will be a separate line item reported under the "Segment Information" section of the TPV Group's audited consolidated annual accounts.

As per our discussion with the management of the Company, after the complete merger upon TPV has acquired the remaining 30% equity interest in TP Vision, the business unit of TP Vision Group will no longer exist and it will be fully integrated to the business unit of TPV. As advised by the management of the Company, upon the integration of the accounting system of the TPV Group and that of TP Vision, adjusted operating profit or loss for the TVs segment and adjusted operating profit or loss for TP Vision – TVs segment as reported in the TPV's consolidated annual accounts will be merged together and will be combined into one integrated business unit – the TVs segment in the TPV Group's audited consolidated annual accounts in the future. Therefore, no separate adjusted operating profit or loss will be shown for TP Vision Group upon the accounting integration and hence only the adjusted operating profit or loss for the TVs segment of the TPV Group can be used to calculate the proportional contribution of Philips-branded TVs. As a result, the proportional contribution of Philips TVs products over the TPV Group's total TVs segment results will be used to calculate the New Deferred Purchase Price. Based on the aforesaid, we are of the view that it is fair to use the adjusted operating profit or loss for the TVs segment to calculate the Proportional EBIT after taken into consideration that (i) the TP Vision – TVs segment will no longer be exist upon its integration into the TPV Group; (ii) it is not practicable and cost effective for TPV to calculate the standalone adjusted operating profit or loss of TP Vision once it has been merged into the TPV Group and (iii) the Philips-branded TVs business run by the TPV Group may turn around to profit making once the TPV Group starts to carry out the cost savings initiatives and reformed business strategies (including introduction of cost saving measures by merging and consolidating administrative functions and management of TP Vision Group, integrating the research and development function of TP Vision Group with the TPV Group's research and development team in Asia to achieve cost savings, streamlining of sales organisation of TP Vision Group in Europe by closing down certain loss-making sales offices in Europe) when TP Vision is fully integrated to the

TPV Group. As advised by the management of the Company, the restructuring plan will be completed within the first 12 months of Completion. Since the restructuring plan involves streamlining the TP Vision Group in Europe and further integration into the TPV Group's operation in Asia, we consider that the plan may be cost effective given that the operating costs in Asia are lower than that in Europe in general.

Furthermore, after Completion, the TVs business unit, including operations of Philips-branded TVs, will also be subject to unallocated income/expenses of the TPV Group. It is reasonable, as part of the TPV Group, for the Philips-branded TVs to account for portion of the unallocated income/expenses of the TPV Group after Completion. Therefore, we are of the view that sharing of the unallocated income/ expenses based on the share of revenue of Philips-branded TVs is fair given that (i) upon the accounting system integration of TP Vision into the TPV Group, only the revenue of Philips-branded TVs will be available to measure the contribution by the Philips-branded TVs segment; and (ii) as the unallocated income/expenses are general in nature and cannot be allocated to a particular business segment, revenue contribution is a common benchmark to measure the performance of a particular business segment, especially the TPV Group has similar product ranges, i.e. most products sold by TPV are display devices.

Average Proportional EBIT

As stated in the Letter from the Board, the total amount of (i) 50% of the annual consolidated EBIT of TP Vision for the financial years ended 2012 (being EUR11,909,000) and 2013 (being –EUR204,850,000), plus (ii) the total Proportional EBIT for the period from (and including) the financial year 2014 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price divided by the number of years as of the financial year ended 2012 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price. Philips may exercise its right to receive the New Deferred Purchase Price at any time after 31 March 2018, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination.

We have discussed with the management of the Company about the rationale of each of TPV and Philips sharing 50% of the EBIT of TP Vision for the financial years 2012 and 2013. The management of the Company have advised that TP Vision has been making consistent loss in the past few years due to the competitive environment of global TVs sector. In between the arm's length negotiation between TPV and Philips, both parties agree to share equally the result of poor performance in 2012 and incurring loss in 2013. The management of the Company consider that the adjustment is fair and reasonable given the fact that Philips is likely to exercise the right to receive the New Deferred Purchase Price when the Average Proportional EBIT becomes positive, of which the effect of sharing 50% of the EBIT of TP Vision for the financial years 2012 and 2013, of which 2013 was loss making, may be spread out by then. This means the longer Philips takes to exercise its right to receive the New Deferred Purchase Price, the portion of the incurring loss in 2013 shared by TPV would be smaller.

According to note 2 of notes to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV in this Circular, upon Completion, 70% of the combined contingent consideration is higher than the 70% of the contingent consideration of RMB29.4 million recognised at 31 December 2013. Despite the increase in contingent consideration, we are of the view that the adjustment is fair and reasonable after taking into consideration that (i) the implementation of the restructuring plan after Completion may help the TPV Group to achieve cost savings; (ii) Philips will pay in cash to TP Vision an amount of EUR50 million as an advance payment of advertising and promotion fee at Completion; (iii) the guaranteed minimum annual royalty under the Trademark License Agreement will be reduced from EUR50 million to EUR40 million from 1 April 2014; and (iv) Philips' continuous provision of loan facilities to AOC at Completion under the Loan Amendment and Restatement Deed.

(ii) Comparable companies analysis

For the purpose of assessing the fairness and reasonableness of the consideration of the Proposed Acquisition, we have searched for comparable companies listed on the Hong Kong Stock Exchange as well as other companies listed on other stock exchanges. However, we cannot identify any comparable companies that have exact business that the TP Vision Group does, i.e. product management, innovation and development, manufacturing, operation, marketing, sale and distribution of the Scope Products under the Philips Trademarks in the Territory, as the geographical coverage by the TP Vision Group are quite diverse, i.e. worldwide, with the exception of the PRC, India, the United States of America, Canada, Mexico and South America (with the exception of Brazil, Uruguay and Paraguay which will be included in the Territory and Argentina where a non-exclusive trademark license is granted by Philips to the TP Vision Group pursuant to the Trademark License Agreement). Alternatively, we have conducted a search and have identified ten comparable companies (the "Comparables") listed on the Hong Kong Stock Exchange as well as companies listed on other stock exchanges which have primarily engaged in business similar to TP Vision Group, i.e. with vast majority of the revenue are engaged in manufacturing, marketing and sales of TVs in multiple markets. The list is exhaustive and we consider the Comparables to be fair and representative to the TP Vision Group as the Comparables are the closest business comparables with similar business activities to the TP Vision Group.

As stated in the Letter from the Board, the New Deferred Purchase Price for 100% of the shares in TP Vision will be calculated based on four times the Average Proportional EBIT. For the purpose of assessing the fairness and reasonableness of the consideration and hence the Proposed Acquisition, we have applied price to EBIT ratio analysis (the "P/EBIT Ratio") as it is the closest and most available information to be extracted from the respective annual reports of the Comparables.

Our relevant findings are summarised in the table below:

Company Name	Place of Exchange	Stock code	P/EBIT Ratio (times) *(Note 1)*
Action Electronics Co., Ltd.	Taiwan	3024	N/A *(Note 2)*
Konka Group Co., Ltd	Shenzhen	000016	15.73
Loewe AG	Xetra	LOEK	N/A
Sharp Corporation	Tokyo	6753	N/A
Shenzhen MTC Co Ltd	Shenzhen	002429	21.41
Sichuan Changhong Electric Co., Ltd	Shanghai	600839	20.60
Skyworth Digital Holdings Ltd	Hong Kong	751	5.51
TCL Multimedia Technology Holdings Limited	Hong Kong	1070	18.09
Vestel Elektronik Sanayi ve Ticaret AS	Istanbul	VESTL	N/A
Xiamen Overseas Chinese Electronic Co Ltd	Shanghai	600870	27.07
		Maximum	27.07
		Minimum	5.51
		Mean	18.07

Source: Bloomberg and respective latest published annual reports of the Comparables

Notes:

1. The P/EBIT Ratios are calculated by the respective market capitalisation of the Comparables with their respective earnings before interests and taxes as extracted from their latest published annual reports as at 25 March 2014, being the date of the 30% Sale and Purchase Agreement.

2. N/A represents that the respective Comparables reported negative earnings before interests and taxes. Those Comparables with N/A are excluded for calculation of the mean.

As illustrated on the above table, the P/EBIT Ratios for the Comparables represent a range from 5.51 times to 27.07 times, with an average P/EBIT Ratio of 18.07 times. As mentioned in the Letter from the Board, the New Deferred Purchase Price for 100% of the shares in TP Vision will be calculated based on four times the Average Proportional EBIT, which falls below the range of the P/EBIT Ratios for the Comparables and hence lower than the mean of the P/EBIT Ratio. Based on that, we are of the view the New Deferred Purchase Price is fair and reasonable as its implied P/EBIT Ratio is below than that of the Comparables.

(iii) Payment Term

It is anticipated that the New Deferred Purchase Price shall be satisfied from TPV's internal resources and be settled by telegraphic transfer in immediately available funds of TPV as and when the New Deferred Purchase Price becomes due and payable. Philips may elect to receive the New Deferred Purchase Price at any time after 31 March 2018 by giving notice in writing to MMD, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination. Given that the New Deferred Purchase Price will be calculated based on the Average Proportional EBIT of TP Vision, it is not possible to ascertain the amount of the New Deferred Purchase Price at the present time. However, the New Deferred Purchase Price is capped at US$350 million (equivalent to approximately RMB2,149 million).

According to the annual report of TPV Group for the year ended 31 December 2013, the audited cash and bank balance as at 31 December 2013 was approximately US$364.6 million (equivalent to approximately RMB2,239 million) compared to approximately US$497.9 million (equivalently to approximately RMB3,057 million) in the last financial year. The management of the Company have advised that when TP Vision Group turns around to profit making and the global TVs sector performance improves in the foreseeable future, the TPV Group is able to generate enough operating cash flow to support the payment of New Deferred Purchase Price.

As stated in the Letter from the Board, in the event that the calculation of the Proportional EBIT is not agreed, pursuant to the 30% Sale and Purchase Agreement, Philips is entitled to engage an accountant to conduct an audit of the TPV's calculation of the New Deferred Purchase Price. Any out-of-pocket costs and expenses in relation to such audit will be borne by Philips. Per our discussion with the management of the Company, they are of the view that (i) the New Deferred Purchase Price (including the definition of the Proportional EBIT) is defined with sufficient details; and (ii) the adjusted operation profit/(loss) for the combined TVs segment, the unallocated income and unallocated expenses will each be a line item reported under the "Segment Information" section of the TPV Group's audited consolidated annual accounts as audited by an independent auditor. Therefore, the new calculation method for the New Deferred Purchase Price is fair and reasonable as the chance of dispute with Philips on the calculation is minimal.

Although there is an increase in contingent consideration as mentioned above, having taken into consideration that (i) the demand for TVs may grow in emerging countries and start recovering in Europe with the improving economic recovery in Europe as mentioned in the above section headed "*Outlook on the TVs industry in the Territory*"; (ii) the Proposed Acquisition aligns with the TPV Group's existing strategy to broaden the TPV Group's access to the TVs business globally; (iii) the Proposed Acquisition is merely a further acquisition of the remaining interest in the subsidiary of TPV and helps the TPV Group to further consolidate its control and financial performance; (iv) the implied P/EBIT Ratio derived from the Proposed Acquisition falls below the range and hence the mean of the Comparables; (v) the timing for Philips to exercise its right to call for the New Deferred Purchase Price is in line with the duration of the Trademark License Agreement in which it has ensured Philip's continuous support to the TP Vision Group and renewal of TMLA; (vi) Philip's continuous provision of loan facilities to AOC to facilitate the business operation of the TP Vision Group; and (vii) the implementation of the restructuring plan following Completion may help in cost reduction and may put the TP Vision Group into a better financial position in the future, we are of the view that the Proposed Acquisition is on normal commercial terms, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

2. Potential financial effects of the Proposed Acquisition

(i) Earnings

As disclosed in the Annual Report 2013, the Group recorded net profit attributable to the owners of the Company for the year of approximately RMB73.9 million for the year ended 31 December 2013. Based on the accountant's report on the TP Vision Group as stated in Appendix II of the Circular, the consolidated net loss before and after taxation of TP Vision attributable to the continuing operations for the year ended 31 December 2013 were approximately EUR203.1 million (equivalent to approximately RMB1,734.5 million) and approximately EUR194.2 million (equivalent to approximately RMB1,658.5 million), respectively. The Proposed Acquisition represents the purchase of the remaining interest in the TP Vision Group, in which its financial results have already been consolidated to the Group. After Completion, the financial results of the TP Vision Group will continue to be consolidated into the Group's consolidated financial statements. Assuming the Completion had taken place on 31 December 2013, the Proposed Acquisition would have no immediate profit and loss impact on the Enlarged Group.

(ii) Net assets

As disclosed in the Annual Report 2013, the total equity of the Group were approximately RMB14,888 million as at 31 December 2013. Based on the unaudited pro forma financial information of the Enlarged Group as stated in Appendix IV of the Circular, assuming the Completion had taken place on 31 December 2013, the total assets and total liabilities of the Enlarged Group would increase to approximately RMB54,658 million and RMB39,877 million while the total equity of the Enlarged Group after Completion amounted to approximately RMB14,781 million, representing a slight decrease of approximately 0.72%.

(iii) Cash Position

As stated by the Letter of the Board, the consideration will be equal to 30% of the New Deferred Purchase Price and the New Deferred Purchase Price is capped at US$350 million (equivalent to approximately RMB2,149 million). The New Deferred Purchase Price shall be satisfied from TPV's internal resources. Philips may elect to receive the New Deferred Purchase Price at any time after 31 March 2018 by giving notice in writing to MMD, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination. Since the New Deferred Purchase Price shall be settled at any time after 31 March 2018 or upon the date of the expiration or termination of the Trademark License Agreement. The Proposed Acquisition would not have any material effects on the cash position of the Enlarged Group upon the Completion, save for the advertising and promotion fee of EUR50 million to be received from Philips. However, independent Shareholders are reminded that should Philips elect to receive the New Deferred Purchase Price by giving notice in writing to MMD or upon the date of the expiration or termination of the Trademark License Agreement, the cash position of the Enlarged Group will be reduced by the same amount as the New Deferred Purchase Price.

Based on the above analysis on the financial effects of the Proposed Acquisition on the Enlarged Group, upon Completion, we noted that (i) there will be an increase in cash position of EUR50 million from Philips for advertising and promotion fees; (ii) Proposed Acquisition will not have any material immediate effects on the profit and loss account of the Enlarged Group; and (iii) TPV is able to be solely benefitted from the potential financial benefits by realization of potential synergies and thus reducing costs and improving efficiency. Therefore, we are of the view that the Proposed Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. The Supplemental SPA

On 25 March 2014, the TPV, MMD, TP Vision and Philips entered into the Supplemental SPA, pursuant to which the parties have agreed that, subject to and with effect from Completion, the First Sale and Purchase Agreement will be amended that the purchase price for the 70% equity interest in TP Vision payable by MMD to Philips 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.

As extracted from the Letter from the Board, the key changes to the calculation of the deferred purchase price are summarised in the table below:

	The original deferred purchase price pursuant to the First Sale and Purchase Agreement and Shareholders Agreement	The New Deferred Purchase Price as amended by the Supplemental SPA and pursuant to the 30% Sale and Purchase Agreement	Reasons for the amendments
Cap	The purchase price is not subject to a cap.	The purchase price for 100% of the shares in TP Vision is subject to a cap of US$350 million.	Following Completion, the business unit of TP Vision Group will no longer exist and it will be fully integrated into the business unit of the TPV Group. This means that the existing standalone "TP Vision — TVs" segment will be combined into one integrated business unit with the "TVs" segment and will no longer be separately reported in the TPV Group's audited consolidated annual accounts. As such, no separate EBIT will be shown for TP Vision Group upon Completion. As a result, from the financial year 2014 onwards, the proportional contribution of Philips TVs products over the TPV Group's total TVs segment results multiply by the adjusted operating profit or loss for the TPV Group's total TVs segment will be used to calculate the New Deferred Purchase Price. The adjusted operating profit or loss for the TPV Group's TVs segment will be a line item reported under the "Segment Information" section of the TPV Group's audited consolidated annual accounts.

	The original deferred purchase price pursuant to the First Sale and Purchase Agreement and Shareholders Agreement	**The New Deferred Purchase Price as amended by the Supplemental SPA and pursuant to the 30% Sale and Purchase Agreement**	**Reasons for the amendments**
Basis of calculation	The TP Vision Group's average audited consolidated earnings before interests and taxes in each financial year commencing from (and including) the year ended 31 December 2012 to (and including) the later of (a) 2014 (with respect to the 70% equity interest in TP Vision) or 31 March 2018 (with respect to the 30% equity interest in TP Vision pursuant to the Philips Put Options) and (b) the last completed financial year prior to the date on which Philips gives notice in writing to MMD of its election to receive the deferred purchase price times 4.	Average Proportional EBIT times 4. Average Proportional EBIT means the total amount of: (i) 50% of the annual consolidated EBIT of TP Vision for the financial years ended 2012 and 2013, plus (ii) the total Proportional EBIT for the period from (and including) the financial year 2014 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price, divided by the number of years as of the financial year ended 2012 to (and including) the last completed financial year prior to the date on which Philips exercises its right to receive the New Deferred Purchase Price.	After arm's length negotiations between TPV and Philips, both parties have agreed to share equally the result of poor performance in 2012 and incurring loss in 2013. The management of TPV considers that the adjustment is fair and reasonable taking into account the following: (i) Philips is likely to exercise the right to receive the New Deferred Purchase Price when the Average Proportional EBIT becomes positive, of which the effect of sharing 50% of the EBIT of TP Vision for the financial years 2012 and 2013, of which 2013 was loss making, may be spread out by then. This means that the longer Philips takes to exercise its right to receive the New Deferred Purchase Price, the portion of the incurring loss in 2013 shared by TPV would be smaller; (ii) Philips will pay in cash to TP Vision an amount of EUR50 million as an advance payment of advertising and promotion fee at Completion; (iii) the guaranteed minimum annual royalty under the Trademark License Agreement will be reduced from EUR50 million to EUR40 million from 1 April 2014; and (iv) Philips' continuous provision of loan facilities to AOC at Completion under the Loan Amendment and Restatement Deed.

	The original deferred purchase price pursuant to the First Sale and Purchase Agreement and Shareholders Agreement	**The New Deferred Purchase Price as amended by the Supplemental SPA and pursuant to the 30% Sale and Purchase Agreement**	**Reasons for the amendments**
		With respect to (i), the annual consolidated EBIT of TP Vision is EUR11,909,000 (equivalent to approximately US$16,395,000) for the financial year ended 2012 and –EUR204,850,000 (equivalent to approximately –US$282,017,000) for the financial year ended 2013, which has been agreed with Philips. With respect to (ii), TPV will disclose the Proportional EBIT from the financial year 2014 in its subsequent annual reports.	
Payment term	Philips may elect to receive 70% of the deferred purchase price at any time after 31 December 2014 by giving notice in writing to MMD pursuant to the First Sale and Purchase Agreement. Philips may elect to receive 30% of the deferred purchase price at any time after 31 March 2018 (being the expiry of 6 years from the date of the Shareholders Agreement) by giving notice in writing to MMD pursuant to the Shareholders Agreement.	Philips may elect to receive the New Deferred Purchase Price at any time after 31 March 2018 by giving notice in writing to MMD, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination.	The management of TPV wishes to align the timing for Philips to exercise its right to receive the New Deferred Purchase Price with the duration of the Trademark License Agreement to ensure Philips' continued support to the TP Vision Group and renewal of the Trademark License Agreement. The Directors consider that this amendment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

As per our discussion with the management of the Company, the reasons for entering into the Supplemental SPA are (i) acquiring the remaining interest of TP Vision can allow TPV to integrate the business of TP Vision Group promptly, (ii) gaining full control of TP Vision Group to create more management and operation efficiency, enhancing flexibility to compete in the highly dynamic TVs market and (iii) to realize potential synergies and reduce cost in an effective manner.

For the reasonableness and fairness of the New Deferred Purchase Price, please refer to the above section headed "*Principal terms of the Proposed Acquisition*". Taken the above mentioned reasons and the conclusion that the New Deferred Purchase Price is fair and reasonable, we are of the view that the terms of the Supplemental SPA are fair and reasonable and in the interests of the Shareholders and Company as a whole.

4. The Supplemental TMLA

On 25 March 2014, Philips and TP Vision entered into the Supplemental TMLA, pursuant to which the parties agree that, subject to and with effect from Completion, the guaranteed minimum annual royalty will be reduced from EUR50 million (equivalent to approximately RMB427 million) to EUR40 million (equivalent to approximately RMB341.6 million) from 1 April 2014.

As extracted from the Letter from the Board, the principal terms of the Trademark License Agreement and the key amendments pursuant to the Supplemental TMLA are summarised in the table below:

	Trademark License Agreement (as disclosed in the Previous Circular)	**Supplemental TMLA**	**Reasons for the amendments**
Annual royalty	2.2% of the turnover (being the number of the Scope Products invoiced or shipped by the TP Vision Group times the relevant net selling price of the Scope Products) payable by TP Vision to Philips from the second year to fifth year of the license term.	No change.	Not applicable.
License term	An initial term of five years from 1 April 2012 and will be automatically renewed for a subsequent five-year period if TP Vision meets certain key performance indicators as set out in the Trademark License Agreement. After the second 5-year term, the Trademark License Agreement may be extended by mutual agreement for successive 5-year periods against such terms and conditions as may be agreed between Philips and TP Vision (but including in any event guaranteed minimum royalty obligations for TP Vision).	No change.	Not applicable.
Guaranteed minimum annual royalty	EUR50 million (from 1 April 2013)	EUR40 million (from 1 April 2014)	After arm's length negotiations between TPV and Philips and considering the competitive business environments of the TVs segment and the historic sales record and future sales forecast of TP Vision Group, both parties have agreed to reduce the guaranteed minimum annual royalty. The Directors consider that this amendment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The revised guaranteed minimum annual royalty payable will be EUR40.0 million (equivalent to approximately RMB341.6 million). After reviewing the sales projection of the TP Vision Group prepared by the management of the TPV Group, we note that the projected turnover of the TP Vision Group for 2014 will be approximately EUR2,300 million (equivalent to approximately RMB19,642 million) and the corresponding royalty will be approximately EUR50.6 million (equivalent to approximately RMB432.1 million). The projected turnover of the TP Vision Group is anticipated to increase during the remaining period of the initial 5-year term of the Trademark License Agreement. Therefore, the management of the TPV Group expects that the royalty payable during the license term will not be less than the revised guaranteed minimum annual royalty payable of EUR40.0 million (equivalent to approximately RMB341.6 million). As per our discussion with the management of TPV Group, while making such forecast, they have taken into consideration (i) the competitive environments of TVs segment, (ii) the historic sales record and future sales forecast of TP Vision Group, (iii) the future business strategies of the TPV Group in relation to Phillips-branded TVs products and (iv) the synergies that are expected to occur after the completion of the Proposed Acquisition.

In addition, based on the historical turnover of the TP Vision Group, the implied annual royalty at the rate of 2.2% would be nil for 2012 due to license fee free period and approximately EUR39.7 million (equivalent to approximately RMB339.0 million) for 2013 which was almost the same amount to the revised guaranteed minimum annual royalty of EUR40.0 million (equivalent to approximately RMB341.6 million).

Taken the above into consideration, we are of the view that the revised guaranteed minimum annual royalty payable of EUR40.0 million (equivalent to approximately RMB341.6 million) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we are of the view that:

(i) the terms and conditions of each of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned, and

(ii) each of the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder is on normal commercial terms, in the ordinary course of the business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise (i) the independent Shareholders and (ii) the Independent Board Committee to recommend the independent Shareholders, to vote in favour of the ordinary resolutions for approving the 30% Sale and Purchase Agreement, the Supplemental SPA and the Supplemental TMLA and the transactions contemplated thereunder if a general meeting of the Company is required to be convened to consider and approve the foregoing transactions.

Yours faithfully
For and on behalf of
Grand Vinco Capital Limited

Alister Chung
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2013 together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.greatwalltech.com):

The Annual Report 2011 of the Company for the year ended 31 December 2011 dated 29 March 2012 (pages 59 to 187) which was published on 17 April 2012 (available on http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0417/LTN20120417443.pdf).

The Annual Report 2012 of the Company for the year ended 31 December 2012 dated 28 March 2013 (pages 44 to 181) which was published on 29 April 2013 (available on http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0429/LTN201304291063.pdf).

The Annual Report 2013 of the Company for the year ended 31 December 2013 dated 28 March 2014 (pages 47 to 213 which was published on 25 April 2014 (available on http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN20140425382.pdf).

2. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the present internal resources, available bank and other loan facilities of the Enlarged Group, and the financial effect of the Proposed Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular, in the absence of any unforeseen circumstances and on the assumption that the proposed privatisation, merger and deregistration of the Company, details of which are set out in the announcements dated 25 September 2013, 16 December 2013, 3 January 2014, 28 January 2014, 21 February 2014, 8 April 2014 and 11 April 2014 will not be completed within next twelve months from the date of this circular.

3. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 28 February 2014, being the latest practicable date for the purpose of this indebtedness statement, the borrowings of the Group were shown as below:

	Secured	Unsecured		Total
		Guaranteed	Non-Guaranteed	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term borrowings				
– bank borrowings	287,638	240,433	7,086,617	7,614,688
– notes payable	–	–	499,950	499,950
	287,638	240,433	7,586,567	8,114,638
Long-term borrowings				
– bank borrowings	–	1,499	160,002	161,501
– notes payable	–	–	499,074	499,074
– subordinated loans	–	–	1,197,954	1,197,954
	–	1,499	1,857,030	1,858,529
	287,638	241,932	9,443,597	9,973,167

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding, as at the close of business on 28 February 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments or other material contingent liabilities.

Pledge of assets

At the close of business on 28 February 2014, the Group had pledged the following amount of assets to secure the borrowings of the Group:

	RMB'000
Available-for-sale investment	33,531
Pledged bank deposit	6,191,674
Investment properties, land and buildings	113,571
	6,338,776

Restricted cash

At the close of business on 28 February 2014, the Group had the following amount of restricted cash:

	RMB'000
Restricted cash	421,893

Guarantee

At the close of business on 28 February 2014, the Group provided guarantee to a third party customer of approximately RMB6,000,000.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In 2014, the Group will actively encourage its member enterprises to accelerate industrial transformation and development. In particular, our monitors business will continue to reinforce and enhance its current position in the global market. Efforts will be made to help Philips TV business to reduce losses. For EMS business, the Group will strive to overcome the adverse effects of global economic downturn, strengthen and enhance its position in the industry. Regarding LED business, the Group will speed up the development and industrialization of epitaxies/chips and application systems so as to achieve expansion of business scale and build up the capability of steady profits. In the power supply business, the Group will focus strategically and selectively on sectors such as servers power supply, communication equipment power supply and LED power supply, and speed up the transition to the high-end market to become one of the leading suppliers of high-end power supplies in China.

The inverter business will accelerate international and domestic market expansion and make extra efforts in development and innovation. The operating mode of Great Wall Energy will shift from providing OEM services to single customers toward becoming an operation with combined functions of technology development, supply chain management, manufacturing, product sales, power plant construction and after-sales services.

Meanwhile, the Company will continue to take measures such as forcible transformation and structural adjustments, speeding up of technology development and industrial base construction, so as to enhance the Group's core competitiveness continuously.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

15 April 2014

The Directors
Great Wall Technology Company Limited

Dear Sirs,

We report on the financial information of TP Vision Holding B.V. ("TP Vision") and its subsidiaries (together, the "TP Vision Group"), which comprises the consolidated statements of financial position of the TP Vision Group as at 31st December 2012 and 2013, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the TP Vision Group for the period from 22nd June 2011 (date of incorporation) to 31st December 2012 and the year ended 31st December 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Great Wall Technology Company Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company proposed to be issued on 30 April 2014 (the "Circular") in connection with the proposed acquisition of the remaining 30% equity interest in TP Vision by the Company.

TP Vision was incorporated in the Netherlands on 22nd June 2011 as a private limited liability company.

As at the date of this report, TP Vision has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below.

The consolidated financial statements of the TP Vision Group for the period from 22nd June 2011 (date of incorporation) to 31st December 2012 and the year ended 31st December 2013 were audited by PricewaterhouseCoopers pursuant to separate terms of engagement with TP Vision.

The directors of TP Vision during the Relevant Periods are responsible for the preparation of the consolidated financial statements of the TP Vision Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The financial information has been prepared based on the audited consolidated financial statements of the TP Vision Group with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31st December 2013.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the TP Vision Group as at 31st December 2012 and 2013 and of the TP Vision Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE TP VISION GROUP

The following is the financial information of the TP Vision Group prepared by the directors of the Company as at 31st December 2012 and 2013 and for the period from 22nd June 2011 (date of incorporation) to 31st December 2012 and the year ended 31st December 2013 (the "Financial Information").

(A) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	2012 €'000	2013 €'000
ASSETS			
Non-current assets			
Intangible assets	*6*	132,620	86,152
Property, plant and equipment	*7*	72,820	20,758
Investments accounted for using the equity method	*8*	601	30,855
Deferred income tax assets	*9*	26,309	28,621
Available-for-sale financial asset	*10*	—	2,096
Deposits, prepayments and other receivables	*11*	6,871	10,676
Non-current financial assets	*12*	37,659	50,305
Total non-current assets		276,880	229,463
Current assets			
Inventories	*13*	254,924	107,372
Trade receivables	*14*	441,503	402,098
Current income tax recoverable		8,702	11,463
Deposits, prepayments and other receivables	*11*	141,552	76,227
Derivative financial instruments	*15*	1,516	754
Financial assets at fair value through profit and loss	*16*	5,132	3,616
Restricted cash	*17*	1,003	2,873
Cash and bank deposits	*17*	268,701	82,698
Total current assets		1,123,033	687,101
Total assets		1,399,913	916,564

The accompanying notes are an integral part of this Financial Information.

	Note	2012 €'000	2013 €'000
EQUITY			
Share capital	*18*	18	18
Share premium	*18*	100,000	100,000
Other reserves	*19*	31,560	9,147
Accumulated deficit		(19,876)	(252,267)
Attributable to shareholders of TP Vision		111,702	(143,102)
LIABILITIES			
Non-current liabilities			
Shareholders' loans	*20*	130,732	141,001
Other payables and accruals	*21*	135,974	89,286
Retirement and other employee benefit obligations	*22*	7,524	5,706
Deferred income tax liabilities	*9*	451	405
Warranty and other provisions	*23*	9,178	7,212
Total non-current liabilities		283,859	243,610
Current liabilities			
Trade payables	*21*	608,897	428,838
Other payables and accruals	*21*	291,060	252,539
Current income tax payable		12,691	3,091
Borrowings	*24*	7,736	72,805
Derivative financial instruments	*15*	21,764	15,098
Retirement and other employee benefit obligations	*22*	1,227	151
Warranty and other provisions	*23*	60,977	43,534
Total current liabilities		1,004,352	816,056
Total equity and liabilities		1,399,913	916,564
Net current assets/(liabilities)		118,681	(128,955)
Total assets less current liabilities		395,561	100,508

The accompanying notes are an integral part of this Financial Information.

(B) CONSOLIDATED INCOME STATEMENTS

	Note	For the period from 22nd June 2011 to 31st December 2012 €'000	Year ended 31st December 2013 €'000
Continuing operations			
Revenue	25	1,815,210	1,941,981
Cost of sales	28	(1,689,324)	(1,837,547)
Gross profit		125,886	104,434
Other income	26	142,047	70,498
Other gains/(losses), net	27	9,120	(9,104)
Selling and distribution expenses	28	(138,123)	(196,711)
Administrative expenses	28	(26,546)	(34,289)
Research and development expenses	28	(104,524)	(69,523)
Operating profit/(loss)		7,860	(134,695)
Finance income	31	454	221
Finance costs	31	(37,497)	(56,151)
Finance costs – net	31	(37,043)	(55,930)
Share of profits/(losses) of investments accounted for using equity method	8	115	(12,432)
Loss before income tax		(29,068)	(203,057)
Income tax credit	32	3,395	8,811
Loss for the period/year from continuing operations		(25,673)	(194,246)
Discontinued operations			
Loss for the period/year from discontinued operations	38	(5,791)	(53,546)
Loss for the period/year		(31,464)	(247,792)

	Note	For the period from 22nd June 2011 to 31st December 2012 €'000	Year ended 31st December 2013 €'000
Loss attributable to the shareholders of TP Vision arising from:			
Continuing operations		(25,673)	(194,246)
Discontinued operations		(5,791)	(53,546)
		(31,464)	(247,792)

The accompanying notes are an integral part of this Financial Information.

(C) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the period period from 22nd June 2011 to 31st December 2012	Year ended 31st December 2013
	€'000	*€'000*
Loss for the period/year	(31,464)	(247,792)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Net actuarial gains on retirement benefit obligations	151	126
Items that have been reclassified or may be subsequently reclassified to profit and loss		
Currency translation differences	(12,989)	(28,144)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	—	17,475
Other comprehensive loss for the period/year, net of tax	(12,838)	(10,543)
Total comprehensive loss for the period/year, net of tax	(44,302)	(258,335)
Total comprehensive loss attributable to the shareholders of TP Vision arising from:		
Continuing operations	(30,162)	(213,138)
Discontinued operations	(14,140)	(45,197)
	(44,302)	(258,335)

The accompanying notes are an integral part of this Financial Information.

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Other reserves *(Note 19)*	Accumulated deficit	Attributable Shareholder of the TP Vision Group
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Balance at 22nd June 2011 (date of incorporation)					
Comprehensive loss					
Loss for the period	—	—	—	(31,464)	(31,464)
Other comprehensive income/(loss), net of tax					
Net actuarial gains on retirement benefit obligations	—	—	151	—	151
Currency translation differences	—	—	(12,989)	—	(12,989)
Total other comprehensive loss for the period, net of tax	—	—	(12,838)	—	(12,838)
Total comprehensive loss for the period	—	—	(12,838)	(31,464)	(44,302)
Proceeds from shares issued	18	100,000	—	—	100,018
Contribution from shareholders					
– Shareholders' loan-value of the favourable terms	—	—	46,333	—	46,333
– Revolving credit facility-value of the favourable terms	—	—	9,653	—	9,653
Transfer from accumulated deficit to capital contribution reserve	—	—	(11,588)	11,588	—
Total transactions with owners, recognised directly in equity	18	100,000	44,398	11,588	156,004
Balance at 31st December 2012	18	100,000	31,560	(19,876)	111,702

The accompanying notes are an integral part of this Financial Information.

	Issued capital	Share premium	Other reserves *(Note 19)*	Accumulated deficit	Attributable Shareholder of the TP Vision Group
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Balance at 1st January 2013	18	100,000	31,560	(19,876)	111,702
Comprehensive loss					
Loss for the year	—	—	—	(247,792)	(247,792)
Other comprehensive income/(loss), net of tax					
Net actuarial gains on retirement benefit obligations	—	—	126	—	126
Currency translation differences	—	—	(28,144)	—	(28,144)
Release of exchange reserve to profit or loss upon disposal of a subsidiary *(Note 33(b))*	—	—	17,475	—	17,475
Total other comprehensive loss for the year, net of tax	—	—	(10,543)	—	(10,543)
Total comprehensive loss for the year	—	—	(10,543)	(247,792)	(258,335)
Contribution from shareholders – Revolving credit facility – value of the favourable terms	—	—	3,531	—	3,531
Transfer from accumulated deficit to capital contribution reserve	—	—	(15,401)	15,401	—
Total transactions with owners, recognised directly in equity	—	—	(11,870)	15,401	3,531
Balance at 31st December 2013	18	100,000	9,147	(252,267)	(143,102)

The accompanying notes are an integral part of this Financial Information.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the period from 22nd June 2011 to 31st December 2012 €'000	Year ended 31st December 2013 €'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*33(a)*	262,774	(202,100)
Interest paid		(2,995)	(13,635)
Income tax paid		(20,901)	(9,584)
Net cash generated from/(used in) operating activities		238,878	(225,319)
Cash flows from investing activities			
Additions of property, plant and equipment		(14,808)	(18,156)
Proceeds from disposals of property, plant and equipment	*33(a)*	—	10,695
Additions of intangible assets		(7,116)	(16,181)
Interest received		637	272
Investment in available-for-sale financial asset		—	(2,096)
Investment in financial assets at fair value through profit and loss		—	(85)
Acquisition of business, net of cash acquired	*37*	(224,552)	—
Net cash outflow arising from disposal of a subsidiary	*33(b)*	—	(2,415)
Net cash used in investing activities		(245,839)	(27,966)
Cash flows from financing activities			
Proceeds from shareholders' loans		170,000	—
Proceeds from bank loans and bank overdrafts		7,736	65,069
Proceeds from factoring of receivables with recourse		—	5,801
Issue of new shares		100,018	—
Increase in restricted cash and cash equivalents		(1,003)	(1,870)
Net cash generated from financing activities		276,751	69,000

	Note	For the period from 22nd June 2011 to 31st December 2012 €'000	Year ended 31st December 2013 €'000
Net increase/(decrease) in cash and cash equivalents		269,790	(184,285)
Cash and cash equivalents at beginning of period/year		—	268,701
Currency translation differences		(1,089)	(1,718)
Cash and cash equivalents at end of period/year		268,701	82,698
Analysis of cash and cash equivalents:			
Cash and bank deposits	*17*	268,701	82,698

The accompanying notes are an integral part of this Financial Information.

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

TP Vision Holding B.V. ("TP Vision") and its subsidiary companies (the "TP Vision Group") are principally engaged in the development, design, production and sales of television sets on a global basis.

TP Vision was incorporated in the Netherlands on 22nd June 2011 as a private limited liability company. Its registered address was changed on 31st January 2013 from High Tech Campus 5, 5656AE, Eindhoven, the Netherlands to Prins Bernhardplein 200, 1097 JB, Amsterdam, the Netherlands.

On 1st November 2011, a Share Purchase Agreement ("SPA") was signed between Koninklijke Philips Electronics N.V., ("Philips"), TPV Technology Limited, ("TPV"), Coöperatie MMD Meridian U.A. ("MMD") (a wholly-owned subsidiary of TPV), and TP Vision. The SPA relates to the acquisition by MMD of a 70% equity interest in the shares of the TP Vision Group, which will own and control the worldwide (with the exception of People's Republic of China, India, the United States of America, Canada, Mexico and South America (however including Brazil and Argentina)) television business of Philips. Philips retains a 30% interest in the shares of the TP Vision Group. The acquisition was completed on 1st April 2012. Assets and liabilities in scope for the acquisition were transferred to locally incorporated (TP Vision named) legal entities on 1st April 2012. Prior to the completion of the acquisition, there was no substantial operation in the TP Vision Group. As such, management prepared its first set of Financial Information covering the period from 22nd June 2011 (date of incorporation) to 31st December 2012.

TP Vision is 70% owned and controlled by the TPV Group. The TPV Group is controlled by China Electronics Corporation ("CEC") which indirectly owns 35.06% of the shares of the TPV Group. The directors regard CEC, a state-owned enterprise established under the laws of the Peoples' Republic of China, as being the ultimate holding company of the TPV Group. CEC is an enterprise directly administered by the State-owned Assets Supervision and Administration Commission of the State Council.

The Financial Information is prepared in Euro and rounded to the nearest thousand Euro unless otherwise stated. The 2012 comparatives cover the period from 22nd June 2011 (date of incorporation) to 31st December 2012.

As at 31st December 2012 and 2013 and the date of this report, TP Vision had direct interests in the following subsidiaries:

Company name	Country/place and date of incorporation	Registered/ Issued and paid-up capital	Attributable equity interest of the TP Vision Group as at 31st December 2012 Directly	2013 owned:	the date of this report	Principal activities/ place of operation	Statutory auditors 31st December 2012	2013	*Note*
Fabrica Austral de Productos Electricos Sociedad Anonima	Argentina, (ix)	ARS1,659,840	49.95%	49.95%	49.95%	Sale, Manufacturing and Distribution of televisions, Argentina	(ii)	(ii)	(x)
TP Vision Austria GmbH	Austria, 14th October 2011	€35,000	100%	100%	100%	Sale and Distribution of televisions, Austria	(i)	(i)	
TP Vision Belgium NV	Belgium, 20th June 2011	€5,500,000	100%	100%	100%	Sale and Distribution of televisions, Belgium	(i)	(i)	
TP Vision Indústria Electrônica Ltda.	Brazil, 13th July 2011 (vii)	BRL 211,725,159	100%	N/A	N/A	Sale, Manufacturing and Distribution of televisions, Brazil	(i)	(i)	(vii)
TP Vision Czech Republic s.r.o.	Czech Republic, 25th August 2011	CZK9,783,000	100%	100%	100%	Sale and Distribution of televisions, Czech Republic	(i)	(i)	
TP Vision Denmark A/S	Denmark, 5th August 2011	DKK500,000	100%	100%	100%	Sale and Distribution of televisions, Denmark	(i)	(i)	
TP Vision Finland Oy	Finland, 12th September 2011	€2,500	100%	100%	100%	Sale and Distribution of televisions, Finland	(i)	(i)	
TP Vision France SAS	France, 6th July 2006	€724,000	100%	100%	100%	Sale and Distribution of televisions, France	(i)	(i)	
TP Vision Germany GmbH	Germany, 16th February 2009	€501,000	100%	100%	100%	Sale and Distribution of televisions, Germany	(i)	(i)	
TP Vision Hong Kong Limited	Hong Kong, 19th August 2011	HK$926,338	100%	100%	100%	Sale and Distribution of televisions, Hong Kong	(i)	(i)	(viii)
TP Vision Magyarorszag Korlatolt Felelossegu Tarsasag	Hungary, 30th June 2011	€4,500,272	100%	100%	100%	Sale and Distribution of televisions, Hungary	(i)	(i)	
TP Vision India Private Limited	India, 9th September 2011	INR37,363,800	100%	100%	100%	Sale and Distribution of televisions, India	(i)	(i)	(vi)
TP Vision Italy Srl	Italy, 25th July 2011	€200,000	100%	100%	100%	Sale and Distribution of televisions, Italy	(i)	(i)	
TP Television Malaysia Sdn. Bhd	Malaysia, 1st July 2011	MYR3,000,000	100%	100%	100%	Sale and Distribution of televisions, Malaysia	(iii)	(iii)	
TP Vision Netherlands B.V	Netherlands, 22nd June 2011	€18,000	100%	100%	100%	Sale and Distribution of televisions, Netherlands	(i)	(i)	
TP Vision Norway AS	Norway, 9th November 2011	NOK100,100	100%	100%	100%	Sale and Distribution of televisions, Norway	(i)	(i)	
TP Vision Poland Sp.z.o.o.	Poland, 11th July 2011	PLN6,402,650	100%	100%	100%	Sale and Distribution of televisions, Poland	(iii)	(i)	
TP Vision Eurasia LLC	Russia, 23rd September 2011	RUB46,000,000	100%	100%	100%	Sale and Distribution of televisions, Russia	(i)	(i)	

Company name	Country/place and date of incorporation	Registered/ Issued and paid-up capital	Attributable equity interest of the TP Vision Group as at 31st December 2012 Directly	2013 owned:	the date of this report	Principal activities/ place of operation	Statutory auditors 31st December 2012	2013	*Note*
TP Vision Singapore Pte. Ltd.	Singapore, 23rd June 2011	SGD8,300,000	100%	100%	100%	Sale, Manufacturing and Distribution of televisions, Singapore	(iii)	(iii)	
TP Television Iberica Spain S.L.	Spain, 29th September 2011	€34,100	100%	100%	100%	Sale and Distribution of televisions, Spain	(v)	(i)	
TP Vision Sweden AB	Sweden, 11st July 2011	SEK50,000	100%	100%	100%	Sale and Distribution of televisions, Sweden	(i)	(i)	
TP Vision Switzerland AG	Switzerland, 31st October 2011	CHF200,000	100%	100%	100%	Sale and Distribution of televisions, Switzerland	(i)	(i)	
TP Vision Thailand Ltd.	Thailand, 1stAugust 2011	THB100,000	100%	100%	100%	Sale and Distribution of televisions, Thailand	(v)	(v)	(viii)
TP Vision Elektronik Ticaret Anonim Sirketi	Turkey, 8th August 2011	TRY24,300,000	100%	100%	100%	Sale and Distribution of televisions, Turkey	(v)	(ii)	
TP Vision United Kingdom Limited	United Kingdom, 3rd August 2011	GBP2	100%	100%	100%	Sale and Distribution of televisions, United Kingdom	(iv)	(iv)	
TP Vision Ukraine, LLC	Ukraine, 21st July 2011	UAH21,472,106	100%	100%	100%	Sale and Distribution of televisions, Ukraine	(v)	(i)	

(i) The statutory auditor is PricewaterhouseCoopers affiliate firms.

(ii) The statutory auditor is KPMG.

(iii) The statutory auditor is PKF.

(iv) The statutory auditor is Baker Tilly.

(v) No statutory audit requirement.

(vi) Except for TP Vision India Private Limited which adopted 31st March as its financial year end date because of statutory requirement, all companies comprising the TP Vision Group have adopted 31st December as their financial year end date. TP Vision India Private Limited have prepared financial statements for period ended 31st December for the TP Vision Group's consolidation purpose.

(vii) The company has merged with TPV during the year ended 31 December 2013. Please refer to Note 38 for details.

(viii) The company is in liquidation.

(ix) Shares acquired in the company under the ownership of Koninklijke Philips N.V. (formerly Koninklijke Philips Electronics N.V.)

(x) TP Vision controls the TV business of the company and therefore consolidates the results of the TV business into this financial information. Please refer to Note 39 for details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for sale financial asset and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

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

2.1.1 Changes in accounting policy and disclosure

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

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010, and amendment to HKFRS 9 was issued in November 2013. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch. A new chapter on hedge accounting has also been added to HKFRS 9, which puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. Further, HKFRS 9 allows early adoption of the change to recognise own credit risk to other comprehensive income without the need to adopt any other accounting for financial instruments. The TP Vision Group intends to adopt HKFRS 9 when it is fully completed and the effective date has been determined.

Amendment to HKAS 32, 'Financial instruments: Presentation — Offsetting financial assets and financial liabilities', clarifies the requirements for offsetting financial instruments and amendments to HKFRS 7, "Financial Instruments: Disclosures — Offsetting financial assets and financial liabilities" help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The TP Vision Group intends to adopt it no later than the accounting period beginning on 1st January 2014.

Amendment to HKAS 19 (revised), 'Employee benefits', which simplifies the accounting for contributions that are independent of the number of years of employee service.

Other amendments that may have impacts to the TP Vision Group includes annual improvements to HKFRSs — 2010–2012 Cycle and 2011–2013 Cycle, which are effective for annual periods beginning on or after 1st July 2014.

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

2.1.2 Going concern

For the year ended 31st December 2013, the TP Vision Group's loss for the year amounted to €247,792,000. As at 31st December 2013, the TP Vision Group had shareholders' deficit of €143,102,000. As at the same date, the TP Vision Group had net current liabilities of €128,955,000. Notwithstanding the above, the Financial Information is prepared on a going concern basis. The TP Vision Group has unutilised shareholders' loan facilities totalling €200 million and shareholders' bridging facilities totalled €100 million to support its operation for 12 months or more after the balance sheet date. TPV, as a shareholder of the TP Vision Group, has also confirmed its intention to provide sufficient financial support to enable the TP Vision Group to meet its financial obligation as and when they fall due. After taking into account of the TP Vision Group's budget and cash flow forecast, as well as the available facilities and financial support mentioned above, the directors conclude there is a reasonable expectation that the TP Vision Group has adequate resources to continue in operational existence for the foreseeable future, and to meet its financial obligation as and when required. Therefore the directors consider the use of going concern assumption in preparing the Financial Information as appropriate.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the TP Vision Group has control, including deemed separate entities (refer to as "silo") of which all the assets, liabilities and equity of the silo is in substance controlled by TP Vision. The TP Vision Group controls an entity when the TP Vision Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the TP Vision Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

2.3 Associates

Associates are those companies over which the TP Vision Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The TP Vision Group's investment in associates includes goodwill identified on acquisition.

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

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

The TP Vision Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the TP Vision Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits/(losses) of investments accounted for using equity method" in the consolidated income statement.

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the TP Vision Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Financial Information is presented in Euro (€), which is TP Vision's functional and the TP Vision Group's presentation currency.

(b) Transactions and balances

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

All foreign exchange gains and losses are presented in the consolidated income statement within 'Other gains/(losses) — net'.

(c) Group companies

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

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

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

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

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

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

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

(d) Disposal of foreign operation and partial disposal

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

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

2.6 Property, plant and equipment

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

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

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

Buildings	20 years
Machinery and equipment	5 to 10 years
Moulds	2 years
Electrical appliances and equipment	3 to 5 years
Transportation equipment	3 to 5 years
Furniture, fixtures and miscellaneous equipment	2 to 5 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other gains/(losses) — net' in the consolidated income statement.

2.7 Construction-in-progress

Construction-in-progress represents mould under construction and pending installation and is stated at cost. Cost includes the costs of construction of mould, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.6 above.

2.8 Intangible assets

(a) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives (not more than 5 years).

(b) Software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives of 5 years.

(c) Other intangible assets arising from business combinations

Intangible assets, other than goodwill, identified on business combinations are capitalised at their fair values and amortised over their useful lives.

2.9 Impairment of non-financial assets

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

2.10 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non- current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the TP Vision Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the TP Vision Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post- tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.11 Financial assets

2.11.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The TP Vision Group's loans and receivables comprise 'trade receivables', 'deposits and other receivables', 'restricted cash' and 'cash and cash equivalents' in the consolidated statement of financial position.

(c) Available-for-sale financial asset

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

2.11.2 Recognition and measurement

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

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'Other gains/(losses) — net'.

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

(b) Asset classified as available-for-sale

The TP Vision Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the TP Vision Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial asset, 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 profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.14 Derivative financial instruments which do not qualify for hedge accounting

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

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in the consolidated income statement within 'Other gains/(losses) — net'.

2.15 Inventories

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

2.16 Trade receivables and other receivables

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

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

2.17 Factoring of trade receivables

The TP Vision Group uses non-recourse and with recourse factoring of trade receivables. The trade receivable is derecognised when the TP Vision Group no longer retains the risks and rewards and there is no continuing involvement with the receivable balance.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, but excludes pledged bank deposits and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within "borrowings" in current liabilities.

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and other payables

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

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

2.21 Borrowings and loans

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

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

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

2.22 Capital contributions

The shareholders have provided TP Vision with a shareholders' loan. The difference between the loan amount and the fair value is deemed to be a capital contribution. The difference is recognised in equity in the capital contribution reserve.

The unwinding of the discount on the shareholders' loan is recognised in the consolidated income statement. At each period end, the unwinding of the discounting is transferred from the accumulated deficit reserve to the capital contribution reserve.

The shareholders have also provided the TP Vision Group with a short term revolving credit facility on terms that are considered favourable to market. The value of such favourable terms is also deemed to be a capital contribution and is therefore recognised in equity in the capital contribution reserve.

At each period end, the fair value movements on the revolving credit facilities recognised in the income statement are transferred from the accumulated deficit reserve to the capital contribution reserve.

2.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

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

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

(c) ***Offsetting***

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

2.24 Employee benefits

The TP Vision Group operates various pension schemes, including both defined benefit and defined contribution pension plans mainly in Argentina, Belgium, Italy, France, Switzerland, Germany, India and Turkey.

(a) ***Pension obligations***

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

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

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

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

Past-service costs are recognised immediately in income.

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

(b) ***Termination benefits***

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

(c) Profit-sharing and bonus plans

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

(d) Employee leave entitlements

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

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

(e) Long term service awards

Long term service awards are employee benefits accrued over the period of the employee's service but are due to be settled more than twelve months after the end of the period of service rendered.

With the exception of the following two areas, long term service awards are accounted for in the same manner as defined benefit pension benefits including the use of the projected unit credit method for measuring the obligation arising. The following two exceptions however apply:

(1) Actuarial gains and losses are recognised immediately through the profit or loss. The other comprehensive income approach is not applied.

(2) All past service costs are recognised immediately.

2.25 Provisions

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

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

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

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

2.26 Revenue recognition

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

(a) Sales of goods

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

(b) Rental income

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

(c) Brand promotion fee income

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

(d) Provision for sales rebates

The TP Vision Group has various rebate programmes with, and goods returned from, its customers. The TP Vision Group accounts for rebates and returns by establishing accruals based on the estimate of the amounts arising from the sales of goods.

Management determines the estimate of these accruals primarily based on historical experience. These assessments require the use of judgements and estimates. Management reassesses the accruals at each balance sheet date.

2.27 Government grants

Government grants are subsidies on certain technological investments and other economic assistance provided by governments.

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

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

2.28 Interest income

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

2.29 Research and development costs

Research costs are expensed as incurred.

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

2.30 Borrowing costs

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

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

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

2.31 Leases

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

2.32 Dividend distribution

Dividend distribution to TP Vision's shareholders is recognised as a liability in the TP Vision Group's Financial Information in the period in which the dividends are approved by TP Vision's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The TP Vision Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Russian Ruble. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

As at 31st December 2013, if the Euro had weakened/strengthened by 5 percent against the US Dollar with all other variables held constant, post-tax loss for the year would have been €28,362,000 (2012: €20,669,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated trade and other receivables, trade and other payables, cash and cash equivalents and derivative financial instruments.

As at 31st December 2013, if the Euro had weakened/strengthened by 10 percent against the Russian Ruble with all other variables held constant, post-tax loss for the year would have been €2,620,000 (2012: €3,822,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Russia Ruble denominated other receivables, trade and other payables, cash and cash equivalents and derivative financial instruments.

As at 31st December 2013, the exposure to foreign exchange risk arising from certain currency exposures such as the Brazilian Real, Argentinian Peso, Polish Zloty and Turkish Lira are not significant (2012: same).

(ii) Interest rate risk

The TP Vision Group does not adopt any interest hedging strategy. The TP Vision Group's income and operating cash flows are substantially independent of changes in market interest rates as the TP Vision Group has no significant interest-bearing assets except for cash at bank which earned a low interest. The TP Vision Group's exposures to changes in interest rates are mainly attributable to its borrowings and loans. Borrowings issued at variable rates expose the TP Vision Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

TP Vision's amounts due from subsidiaries were interest-free and this exposes TP Vision to fair value interest rate risk.

As at 31st December 2013, if interest rates on borrowings and loans had been 100 basis points higher/lower with all other variables held constant, the TP Vision Group's and TP Vision's post-tax loss for the year would have been €1,661,000 (2012: €1,472,000) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a Group basis. The TP Vision Group's credit risk mainly arises from derivative financial instruments and cash deposits with banks and financial institutions, as well as credit exposures to customers and debtors, including outstanding trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. The TP Vision Group also uses non-recourse and recourse factoring for trade receivables where appropriate to manage the credit risk of its customer base. As at 31st December 2013, trade receivables of approximated €5,801,000 (2012: nil) is subject to certain recourse factoring arrangement. Correspondingly, an amount of €5,801,000 (2012: nil) is recognised in "other payables and accruals" in the consolidated statement of financial position.

As at 31st December 2013 and 2012, for cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, they are all deposited or traded with reputable financial institutions that are not considered having significant credit risk.

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

Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. A specific credit risk category will be allocated to each individual customer as stipulated in the credit risk manual.

Credit risk in respect of trade receivables is dispersed since the customers are large in number and spread across different geographical areas. Accordingly, the TP Vision Group has no significant concentration of such credit risk.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the TP Vision Group and aggregated by the TP Vision Group's Treasury. Treasury monitors rolling forecasts of the TP Vision Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the TP Vision Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements — for example, currency restrictions.

Surplus cash or deficits held by the operating entities over and above balance required for working capital management are swept to the TP Vision Group's header accounts in the global cash pooling structure where allowed by local regulations. Group Treasury invests surplus cash in time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below presents the TP Vision Group's non-derivative financial liabilities and net- settled derivative financial liabilities into the applicable maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one year	**Between one and two years**	**Between two and five years**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
At 31st December 2013				
Borrowings	72,805	70,000	100,000	242,805
Interest payments on borrowings	5,542	3,362	3,669	12,573
Trade payables	428,838	—	—	428,838
Other payables and accruals	214,902	53,464	90,886	359,252
Derivative financial instruments	15,223	—	—	15,223

	Less than one year	**Between one and two years**	**Between two and five years**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
At 31st December 2012				
Borrowings	7,736	—	170,000	177,736
Interest payments on borrowings	4,800	4,459	6,772	16,031
Trade payables	608,897	—	—	608,897
Other payables and accruals	224,984	65,893	173,034	463,911
Derivative financial instruments	22,322	—	—	22,322

3.2 Capital management

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

The TP Vision Group applies a maximum dividend distribution policy within the legal and fiscal (thin capitalisation) boundaries and also the financial position and capital structure within each country of operation.

3.3 Fair value estimation

The table below presents the TP Vision Group's assets and liabilities that are measured at fair value through a valuation method. The different levels have been identified as follows:

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

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

	Level 1	Level 2	Level 3	Total
	€'000	*€'000*	*€'000*	*€'000*
Assets				
Financial assets at fair value through profit and loss				
– Revolving credit facility-value of the favourable terms	—	—	3,531	3,531
– Other financial assets at fair value through profit and loss	—	—	85	85
Available-for-sale financial asset	—	—	2,096	2,096
Derivative financial instruments	—	754	—	754
Total financial assets	—	754	5,712	6,466
Liabilities				
Derivative financial instruments	—	(15,098)	—	(15,098)

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

	Level 1	Level 2	Level 3	Total
	€'000	*€'000*	*€'000*	*€'000*
Assets				
Financial assets at fair value through profit and loss				
– Revolving credit facility-value of the favourable terms	—	—	5,132	5,132
Derivative financial instruments	—	1,516	—	1,516
Total financial assets	—	1,516	5,132	6,648
Liabilities				
Derivative financial instruments	—	(21,764)	—	(21,764)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the TP Vision Group is the current bid price.

The TP Vision Group does not have any level 1 financial instruments.

(b) Financial instruments in level 2 and level 3

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts and currency swaps is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2 except for certain financial instruments as explained below.

The table below presents the changes in level 3 instruments — financial assets at fair value through profit and loss for the year ended 31st December 2013 and the period ended 31st December 2012.

	2012	2013
	€'000	*€'000*
At the beginning of period/year	—	5,132
Additions	9,653	3,616
Losses recognised in profit or loss	(4,521)	(5,132)
At the end of period/year	5,132	3,616
Total losses for the period/year included in profit or loss for assets held at the end of the period/year, under "Other gains/(losses) – net"	(4,521)	(5,132)

The table below presents the changes in level 3 instruments — available-for-sales financial asset for the year ended 31st December 2013 and the period ended 31st December 2012.

	2012	2013
	€'000	*€'000*
At the beginning of period/year	—	—
Additions	—	2,096
At the end of period/year	—	2,096

There is no unrecognised gain or loss included in profit or loss for assets held at the end of the year/period in relation to level 3 instruments for the year ended 31st December 2013 and the period ended 31st December 2012.

If the interest rate increases during the year ended 31st December 2013, the fair value of the financial instruments would decrease (for the period ended 31st December 2012: same).

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position Other payables and accruals	Net amounts
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
As at 31st December 2013					
Trade receivables	5,801	—	5,801	(5,801)	—
As at 31st December 2012					
Trade receivables	—	—	—	—	—

(b) Financial liabilities

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amounts
				Cash and bank deposits	Derivative financial instruments	
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
As at 31st December 2013						
Borrowings	25,000	—	25,000	(10,008)	—	14,992
Derivative financial instruments	15,098	—	15,098	—	(754)	14,344
As at 31st December 2012						
Borrowings	—	—	—	—	—	—
Derivative financial instruments	21,764	—	21,764	—	(1,516)	20,248

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the TP Vision Group and the counter party allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment); or bankruptcy.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE TP VISION GROUP'S ACCOUNTING POLICIES

The preparation of the financial information of the TP Vision Group requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of the TP Vision Group's financial information.

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

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

4.1 Business combinations

The TP Vision Group accounts for all its business combinations applying the acquisition method. The assets acquired and the liabilities assumed are recognised and measured on the basis of their fair values at the date of acquisition. To determine fair values of assets acquired and liabilities assumed, the TP Vision Group must make estimates and use valuation techniques when a market value is not readily available.

4.2 Useful lives and impairment of property, plant and equipment and intangible assets

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

4.3 Impairment of assets

In determining impairments of intangible assets including goodwill, property, plant and equipment and financial fixed assets, management must make significant judgments and estimates to determine whether the fair value of the cash flows generated by those assets is less than their carrying value. Determining cash flows requires the use of judgments and estimates that have been included in the strategic plans and long-range forecasts of the TP Vision Group. The data necessary for executing the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

4.4 Provision for trademark license agreement royalty payable ("TMLA" payable)

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

4.5 Net realisable value of inventories

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

4.6 Estimation of provision for impairment of receivables

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

4.7 Accrual for sales rebates

In determining rebate accruals, management determines the estimate of these accruals primarily based on historical experience. These assessments require the use of judgements and estimates. Management reassesses the accruals at each balance sheet date.

4.8 Income taxes

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

4.9 Warranty provision

The TP Vision Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily up to twenty-four months after the selling date. Significant judgment is required in determining the warranty expense. The TP Vision Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold since the TV business was acquired from Philips on 1st April 2012. The TP Vision Group also uses historical data from the period prior to the acquisition of the Philips TV business. Where the warranty expenses incurred are different from the original provision, the difference is recognised in the consolidated income statement in the period in which the warranty expenses are incurred.

4.10 Pending litigations and contingent liabilities

Legal proceedings covering a range of matters are pending against the TP Vision Group in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the TP Vision Group often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, the TP Vision Group consults with legal counsel and certain other experts on matters related to litigations.

The TP Vision Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

4.11 Fair value of derivatives and other financial instruments

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

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date.

4.12 Employee benefits — pension obligations and long term service awards

The present value of the pension obligations and long term service awards depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations and long term service awards. Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 22.

4.13 Restructuring provision

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

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker, the management team members of TP Vision, that are used to make strategic decisions and resources allocation.

The TP Vision Group's businesses are managed according to the geographical areas of their operations. The TP Vision Group is organised on a worldwide basis into three main operating segments. They are (i) Europe; (ii) Latin America ("Latam"); and (iii) Asia Pacific, Middle East and Africa group ("APMEA").

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

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

Segment assets consist primarily of property, plant and equipment, inventories, trade receivables, deposits, prepayments and other receivables. They exclude the non-current financial assets, derivative financial instruments, financial assets at fair value through profit and loss, intangible assets, other receivables — receivable from Philips for VAT on brand promotion fee, investments accounted for using equity method and other unallocated assets, which are managed centrally.

Segment liabilities mainly comprise pension obligations, trade payables, other payables and accruals, borrowings and loans, warranty and other provisions. They exclude shareholders' loans, derivatives financial instruments, royalty fee payable Philips, license accruals, deferred income and certain external borrowings which are managed centrally.

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

As a result of the merger of Brazil operations (see Note 39 for details), Envision Brazil is accounted for as an associate under HKFRS. However, for management reporting purposes, chief operating decision maker and management team members review the business performance including the results and financial position of Envision Brazil that are attributable to Philips TV business on gross line-by-line basis (rather than on the net results only). As such, the segment information includes the results and financial position of Envision Brazil after elimination of inter-segment revenue for the year ended and on 31st December 2013; and for the period ended and on 31st December 2012.

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

	For the year ended 31st December 2013			
	Europe	**Latam**	**APMEA**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
Revenue from external customers				
– sales of goods	1,609,116	622,130	60,508	2,291,754
Adjusted operating loss	(165,201)	(30,081)	(2,089)	(197,371)
Depreciation of property, plant and equipment	11,171	6,111	450	17,732
Amortisation of intangible assets	34,546	223	6	34,775
Capital expenditure	24,858	8,494	1,244	34,596

	For the period ended 31st December 2012			
	Europe	**Latam**	**APMEA**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
Revenue from external customers				
– sales of goods	1,645,340	448,053	37,336	2,130,729
Adjusted operating profit/(loss)	22,686	(12,056)	(4,697)	5,933
Depreciation of property, plant and equipment	9,701	6,261	1,067	17,029
Amortisation of intangible assets	34,346	—	—	34,346
Capital expenditure	16,159	5,491	274	21,924

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

	As at 31st December 2013			
	Europe	**Latam**	**APMEA**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
Segment assets	620,057	296,889	25,519	942,465
Segment liabilities	632,363	218,401	17,352	868,116

	As at 31st December 2012			
	Europe	**Latam**	**APMEA**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
Segment assets	868,441	265,330	37,045	1,170,816
Segment liabilities	750,261	149,656	29,934	929,851

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

	2012	2013
	€'000	*€'000*
Adjusted operating profit/(loss) for reportable segments	5,933	(197,371)
Finance income	637	272
Finance costs	(41,544)	(59,578)
Share of profits of associates	115	74
Add back: Losses from the discontinued operations	5,791	53,546
Loss before income tax from continuing operations	(29,068)	(203,057)

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

	As at 31st December	
	2012	2013
	€'000	*€'000*
Segment assets	1,170,816	942,465
Non-current financial assets	37,659	50,305
Derivative financial instruments	1,516	754
Financial asset at fair value through profit and loss	5,132	3,531
Intangible assets	132,620	86,132
Other receivables — receivable from Philips for VAT on brand promotion fee	15,236	—
Investments accounted for using the equity method	601	30,855
Envision Brazil total assets *(Note)*	—	(225,318)
Other unallocated assets	36,333	27,840
Total assets	1,399,913	916,564

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

	As at 31st December	
	2012	2013
	€'000	*€'000*
Segment liabilities	929,851	868,116
Shareholders' loans	130,732	141,001
Derivative financial instruments	21,764	15,098
Royalty fee payable to Philips	167,431	137,837
License accruals	23,067	43,752
Deferred income	15,366	—
External borrowings	—	49,000
Envision Brazil total liabilities *(Note)*	—	(195,138)
Total liabilities	1,288,211	1,059,666

Note: The segment assets and segment liabilities include the total assets and liabilities of Envision Brazil as at 31st December 2013 respectively. To reconcile to the total assets and total liabilities of the TP Vision Group as at 31st December 2013, these balances of assets and liabilities should be excluded.

6 INTANGIBLE ASSETS

	Trademark license	Software	Others	Total
	€'000	*€'000*	*€'000*	*€'000*
At 22nd June 2011 (date of incorporation)				
Cost	—	—	—	—
Accumulated amortisation	—	—	—	—
Net book amount	—	—	—	—
Period ended 31st December 2012				
Opening net book amount	—	—	—	—
Additions through Business combination *(Note 37)*	146,619	—	13,231	159,850
Additions	—	7,116	—	7,116
Amortisation charge	(24,416)	—	(9,930)	(34,346)
Closing net book amount	122,203	7,116	3,301	132,620
At 31st December 2012				
Cost	146,619	7,116	13,231	166,966
Accumulated amortisation	(24,416)	—	(9,930)	(34,346)
Net book amount	122,203	7,116	3,301	132,620
Year ended 31st December 2013				
Opening net book amount	122,203	7,116	3,301	132,620
Additions	—	15,919	262	16,181
Disposal of a subsidiary *(Note 33(b))*	—	(2,523)	—	(2,523)
Impairment charge *(Note 27)*	(25,000)	—	—	(25,000)
Amortisation charge	(28,753)	(2,365)	(3,543)	(34,661)
Exchange differences	—	(465)	—	(465)
Closing net book amount	68,450	17,682	20	86,152
At 31st December 2013				
Cost	146,619	19,937	13,493	180,049
Accumulated amortisation and impairment	(78,169)	(2,255)	(13,473)	(93,897)
Net book amount	68,450	17,682	20	86,152

The trademark license represents a five-year agreement between the TP Vision Group and Philips which is renewable in accordance to the license agreement. The TP Vision Group has been granted the right to use the Philips brand for its products sold (Note 37). For the year ended 31st December 2013, an impairment of €25,000,000 was recognised for this asset and the charge was included in "other gains/(losses), net" in the consolidated income statement.

Other intangible assets mainly relate to a favourable IT contract acquired as part of the business combination in 2012.

Amortisation charge for the TP Vision Group included in cost of sales, selling expenses, administrative expenses and research and development expenses amounted to €28,754,000 (2012: €24,416,000), €358,000 (2012: nil), €5,543,000 (2012: €9,930,000) and €6,000 (2012: nil) respectively in the consolidated income statement.

Impairment of trademark license intangible asset:

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

Management determined the revenue growth rate and gross margin covering the five-year forecast period to be the key assumptions. The revenue growth rate is estimated to range from 0.3% to 8.7% for the five-year forecast period in 2013 assessment (2012 assessment: ranging from 3.0% to 7.9%). Gross margin is estimated based on the average gross margin achieved in past years and the expectation for market development. The directors are of the view that estimated gross margin is a sensitive and confidential information, disclosure of which will significantly affect the TP Vision Group's business competitiveness. It is therefore not disclosed in this consolidated financial statements.

The discount rate applied is 28% (2012: 25.1%), which is pre-tax and reflects specific risks relating to the TP Vision Group and the industry it operates within.

After taking into account the expected operating environment and market conditions, trademark license intangible asset was impaired by €25,000,000 for the year ended 31st December 2013.

As at 31st December 2013, the recoverable amount approximates the carrying amount.

If the forecasted revenue growth rate adopted in the value-in-use calculations had been further lowered/increased by 10%, a further/reduced impairment of approximately €22,600,000/€24,800,000 would result.

If the forecasted gross margin rate adopted in the value-in-use calculations had been further lowered/increased by 0.1 percentage point, a further/reduced impairment of approximately €12,000,000/€14,500,000 would result.

No other impairment indicator was identified for other intangible assets.

7 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

	Freehold land	Buildings	Equipment	Moulds	Construction-in-progress	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
At 22nd June 2011 (date of incorporation)						
Cost	—	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—	—
Accumulated impairment losses	—	—	—	—	—	—
Netbookamount	—	—	—	—	—	—
Period ended 31st December 2012						
Opening net book amount	—	—	—	—	—	—
Exchange differences	(2,166)	(2,428)	(1,164)	(166)	(298)	(6,222)
Acquired through business combination *(Note 37)*	23,826	31,612	16,645	2,497	11,970	86,550
Additions	—	17	1,946	3,282	9,563	14,808
Transfers	—	70	3,576	13,091	(16,737)	—
Disposals	—	—	(495)	(112)	—	(607)
Depreciation	—	(792)	(5,962)	(10,275)	—	(17,029)
Provision for impairment losses *(Note 28)*	—	—	(574)	(4,106)	—	(4,680)
Closing net book amount	21,660	28,479	13,972	4,211	4,498	72,820
At 31st December 2012						
Cost	21,660	29,248	20,267	18,325	4,498	93,998
Accumulated depreciation	—	(769)	(5,721)	(10,008)	—	(16,498)
Accumulated impairment losses	—	—	(574)	(4,106)	—	(4,680)
Net book amount	21,660	28,479	13,972	4,211	4,498	72,820
Year ended 31st December 2013						
Opening net book amount	21,660	28,479	13,972	4,211	4,498	72,820
Exchange differences	(2,243)	(4,976)	(1,398)	(180)	(374)	(9,171)
Additions	—	288	4,473	4,888	8,507	18,156
Transfers	—	513	4,520	4,045	(9,078)	—
Disposals	(2,165)	(6,398)	(4,676)	(127)	—	(13,366)
Disposal of a subsidiary *(Note33(b))*	(12,584)	(13,684)	(2,059)	(975)	(16)	(29,318)
Depreciation	—	(882)	(6,100)	(9,981)	—	(16,963)
Provision for impairment losses *(Note 28)*	—	—	(197)	(1,203)	—	(1,400)
Closing net book amount	4,668	3,340	8,535	678	3,537	20,758

	Freehold land	Buildings	Equipment	Moulds	Construction-in-progress	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
At 31st December 2013						
Cost	4,668	3,766	14,985	12,422	3,537	39,378
Accumulated depreciation	—	(426)	(5,679)	(6,436)	—	(12,541)
Accumulated impairment losses	—	—	(771)	(5,308)	—	(6,079)
Net book amount	4,668	3,340	8,535	678	3,537	20,758

Depreciation expenses for the TP Vision Group included in cost of sales, selling expenses, administrative expenses and research and development expenses amounted to €15,343,000 (2012: €15,239,000), €248,000 (2012: €54,000), €177,000 (2012: €2,000) and €1,195,000 (2012: €1,734,000) respectively in the consolidated income statement.

No property, plant and equipment is restricted or pledged as security for liabilities as at 31st December 2013 and 31st December 2012.

There are no capitalised borrowing costs during the year ended 31st December 2013 and period ended 31st December 2012.

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2012	2013
	€'000	*€'000*
Investment in Envision Indu´ stria de Produtos Eletroˆ nicos Ltda. ("Envision Brazil") *(Note i)*	—	30,180
Investment in other associates *(Note ii)*	601	675
	601	30,855

Note i Investment in Envision Brazil:

Set out below is the information in respect of the associate of the TP Vision Group as at 31st December 2013, which, in the opinion of the directors, is material to the TP Vision Group. The associate was acquired during the year ended 31st December 2013 under a group restructuring exercise.

TP Vision lost control of TP Vision Industria Electronica Ltda. ("TP Vision Brazil") during 2013 due to the merger with Envision Brazil (see Note 38). Since the date of the merger, TP Vision has 49% equity interest in the enlarged Envision Brazil, representing its interest in the Philips branded Television business. The 49% equity interest has been accounted for as an associate using the equity method. All profit or loss and reserves movements attributable to the Philips branded Television business of the enlarged Envision Brazil have been equity accounted for in this consolidated financial statements since the date of merger. TP Vision Brazil was accounted for as a subsidiary for the period from 1st January 2013 to the date of the merger on 31st August 2013 and for the period ended 31st December 2012. Further details of the merger are set out in Note 38.

Envision Brazil as shown below has share capital consisting solely of ordinary shares, which are held directly by the TP Vision Group; the country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Envision Indústria de Produtos Eletrônicos Ltda.	Brazil	49%	Note a	Equity

Note a: Envision Brazil develops, designs, produces and sells television sets and computer monitors in Brazil.

Envision Brazil is a private company and there is no quoted market price available for its shares. There are contingent liabilities relating to the TP Vision Group's interest in Envision Brazil, as detailed in Note 36.

Set out below are the summarised financial information for Envision Brazil which is accounted for using the equity method.

Summarised statement of financial position

	Envision Brazil 2013 *€ '000*
Current assets	316,468
Non-current assets	58,345
Current liabilities	(305,584)
Non-current liabilities	(1,643)
Net assets	67,586

Summarised statement of comprehensive income

	Envision Brazil 2013 *€ '000*
Revenue	492,651
Loss from operation	(43,238)
Other comprehensive income	5,596
Total comprehensive income	(37,642)

The information above reflects the amounts presented in the financial statements of Envision Brazil (and not TP Vision's share of those amounts). No dividend had been declared by Envision Brazil for the year then ended.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Envision Brazil:

Summarised financial information

	Envision Brazil 2013 *€'000*
Total net assets	67,586
Less: net assets not attributable to the Philips branded Television business unit	(37,406)
Total net assets attributable to the Philips branded Television business unit	30,180
Investment in Envision Brazil	30,180
Investment in other associates	675
Carrying value	30,855

Note ii Investment in other associates:

Name	Country of incorporation	% interest held	(Loss)/profit	Other comprehensive income	Total comprehensive (loss)/income
	%	*€'000*	*€'000*	*€'000*	
31st December 2013					
CI Plus LLP	United Kingdom	14.3%	(2)	—	(2)
Tradeplace B.V.	Netherlands	20.0%	375	—	375
31st December 2012					
CI Plus LLP	United Kingdom	14.3%	804	—	804
Tradeplace B.V.	Netherlands	20.0%	(3)	—	(3)

CI Plus LLP's and Tradeplace B.V.'s business activities surround the development of web applications.

The TP Vision Group owns 14.3% of CI Plus LLP but the TP Vision Group exercises significant influence by virtue of its contractual right to appoint one director to the board of directors and the TP Vision Group has the power to participate in the financial and operating policy decisions.

The TP Vision Group have equity accounted for nil (2012: profit of €115,000) and profit of €74,000 (2012: nil) from CI Plus LLP and Tradeplace B.V. respectively.

All the associates' profit/loss attributable to the TP Vision Group have been equity accounted for as "share of profits/(losses) of investments accounted for using equity method" from continuing operation in this Financial Information.

9 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same legal entity or tax group and the same fiscal authority.

	2012	2013
	€'000	€'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	10,833	24,340
– Deferred income tax assets to be recovered within 12 months	15,476	4,281
	26,309	28,621
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(193)	(203)
– Deferred income tax liabilities to be settled within 12 months	(258)	(202)
	(451)	(405)
Deferred income tax assets (net)	25,858	28,216

The gross movements on the deferred income tax accounts are as follows:

	2012	2013
	€'000	€'000
Prior to offset:		
Deferred income tax assets	42,690	38,069
Deferred income tax liabilities	(16,832)	(9,853)
Net deferred income tax	25,858	28,216
After offset:		
Deferred income tax assets	26,309	28,621
Deferred income tax liabilities	(451)	(405)
Net deferred income tax	25,858	28,216

The movements in deferred tax assets during the period/year are as follows:

Deferred income tax assets	**Provisions and accruals**	**Goodwill and intangible assets**	**Tax loss carried forward**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
At 22nd June 2011 (date of incorporation)	—	—	—	—
Credited to income statement	10,277	10,170	—	20,447
Credited to other comprehensive income	12	—	—	12
Recognised on business combination	17,971	4,260	—	22,231
At 31st December 2012	28,260	14,430	—	42,690
(Charged)/credited to income statement	(14,084)	7,220	2,205	(4,659)
Credited to other comprehensive income	38	—	—	38
At 31st December 2013	14,214	21,650	2,205	38,069

Goodwill of €27,726,000 (2012: €30,635,000) has been recognised in the subsidiaries financial statements arising from the business combination at the local entity level. This is eliminated in the financial information. There is a deferred tax asset of €3,512,000 (2012: €4,260,000) relating to the temporary difference on goodwill. The remainder of the deferred tax asset included within the intangible assets above relates to temporary differences arising on the research and development expenses.

In 2013, deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The TP Vision Group did not recognise deferred income tax assets of €13,878,000 (2012: nil) in respect of tax losses amounting to €55,514,000 (2012: nil) that can be carried forward against future taxable income. Losses amounting to €55,514,000 (2012: nil) will be expired in 2021.

Deferred income tax assets are recognised for temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. The TP Vision Group did not recognise deferred income tax assets of €6,321,000 (2012: €1,636,000) in respect of temporary differences relating to accrued expenses that are tax deductible in later years amounting €45,369,000 (2012: €12,869,000).

The movements in deferred tax liabilities during the period/year are as follows:

Deferred income tax liabilities	**Intangible assets**	**Dividend withholding tax**	**Others**	**Total**
	€'000	*€'000*	*€'000*	*€'000*
At 22nd June 2011 (date of incorporation)	—	—	—	—
Credited/(charged) to income statement	3,398	(258)	(376)	2,764
Credited to other comprehensive income	—	—	26	26
Recognised on business combination *(Note 37)*	(19,622)	—	—	(19,622)
At 31st December 2012	(16,224)	(258)	(350)	(16,832)
Credited to income statement	6,834	56	115	7,005
Charged to other comprehensive income	—	—	(26)	(26)
At 31st December 2013	(9,390)	(202)	(261)	(9,853)

Deferred income tax liabilities of €202,000 (2012: €258,000) have been recognised for withholding taxes that would be payable on the unremitted earnings of certain subsidiaries

10 AVAILABLE-FOR-SALE FINANCIAL ASSET

The available-for-sale financial asset is wholly comprised of the investment held in an Argentina private external import/export entity in which the TP Vision Group's interest does not exceed 2%.

Available-for-sale financial asset includes the following:

	2013
	€'000
Unlisted securities, at fair value	
Investment in an Argentina private external import/export entity	2,096

Available-for-sale financial asset is denominated in the following currency:

	2013
	€'000
Argentine Pesos	2,096

This financial asset is not past due or impaired.

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The non-current and current deposits, prepayments and other receivables comprise the following:

	2012		**2013**	
	Non–Current	**Current**	**Non–Current**	**Current**
	€'000	*€'000*	*€'000*	*€'000*
Deposits	—	—	—	453
Prepayments	—	10,360	—	6,376
Other receivables	6,871	59,323	10,676	30,868
Non-income tax recoverable	—	71,86 9	—	38,530
	6,871	141,552	10,676	76,227

The carrying amounts of deposits, prepayments and other receivables approximate their fair values.

Included in deposits, prepayments and other receivables, amounts due from the TPV group was €23,240,000 (2012: €27,573,000), amounts due from Philips group was €1,083,000 (2012: €38,798,000) and amounts due from an associate was €81,000 (2012: nil).

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

12 NON-CURRENT FINANCIAL ASSETS

	2012	2013
	€'000	*€'000*
Escrow account	37,659	50,305

This asset represents cash placed in an escrow account which has been established to satisfy consumer care obligations arising in the TP Vision Group as required in the Trademark License Agreement with Philips. The asset is classified as a non-current asset as the related obligations fall due in more than one year.

The carrying value approximates its fair value.

13 INVENTORIES

	2012	2013
	€'000	*€'000*
Raw materials	61,541	16,669
Finished products	193,383	90,703
	254,924	107,372

As at 31st December 2013, certain inventories were written down to their net realisable values. Provision for impairment approximates €8,547,000 (2012: €7,072,000) as at 31st December 2013, including addition of approximately €6,779,000 (2012: €12,645,000) during the year, reversal of prior year provision approximates €2,336,000 (2012: nil), and provision written-off approximates €2,968,000 (2012: €5,689,000).

14 TRADE RECEIVABLES

	2012	2013
	€'000	*€'000*
Trade receivables	374,484	274,061
Receivables from shareholders *(Note a)*	45,832	131,518
Notes receivables	22,539	—
Total	442,855	405,579
Provision for doubtful debts *(Note b)*	(1,352)	(3,481)
Net trade receivables	441,503	402,098

The fair value of the receivables approximates their carrying amounts, given the short term nature of the receivables.

Note a:

The trade receivables due from shareholders are as follows:

	2012	2013
	€'000	*€'000*
The TPV group	42,155	131,033
Philips group	3,677	485
	45,832	131,518

Balances above include receivables from shareholders as a result of the transactions as described in Note 35(i).

Note b:

The movements in the provision for doubtful debts are as follows:

	2012	2013
	€'000	*€'000*
At beginning of period/year	—	(1,352)
Provision for impairment of receivables	(1,352)	(2,234)
Impairment losses reversed	—	75
Receivables written-off during the period/year as uncollectible	—	25
Exchange differences	—	5
At the end of the period/year	(1,352)	(3,481)

The provision for impairment of receivables is charged as administrative expenses in the consolidated income statement. Amounts charged to the provision for doubtful debts account are generally written off when there are no expectation of recovery.

The aging analysis of trade receivables and notes receivables based on invoice date was as follows:

	2012	2013
	€'000	*€'000*
0–30 days	316,171	113,257
31–60 days	86,922	142,921
61–90 days	35,375	70,730
91–120 days	2,881	37,161
Over 120 days	1,506	41,510
	442,855	405,579

The aging analysis of trade receivables that is past due but not impaired is as follows:

	2012	2013
	€'000	*€'000*
Past due 1–30 days	6,309	8,022
Past due 31–60 days	1,891	2,249
Past due over 61 days	126	17,455
	8,326	27,726

Note: Certain amount of overdue balance approximated to €12,000,000 is covered by insurance arrangement whereby the insurance company would compensate the default amount to the TP Vision Group.

As of 31st December 2013, trade receivables of €3,481,000 (2012: €1,352,000) were impaired. The amount of the provision was €3,481,000 (2012: €1,352,000). The individually impaired receivables relate to the wholesalers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	2012	2013
	€'000	*€'000*
Past due 31–60 days	1,226	—
Past due over 61 days	126	3,481
	1,352	3,481

The carrying amounts of trade receivables are denominated in the following currencies:

	2012	2013
	€'000	*€'000*
Euro	143,629	122,864
Russian Ruble	93,146	48,502
Brazil Real	53,930	—
Turkish Lira	31,496	33,001
US Dollar	47,550	130,971
Argentina Pesos	14,529	21,508
Other currencies	57,223	45,252
	441,503	402,098

15 DERIVATIVE FINANCIAL INSTRUMENTS

	Current assets		Current liabilities	
	2012	**2013**	**2012**	**2013**
	€'000	*€'000*	*€'000*	*€'000*
Cross currency swaps	978	279	(3,157)	(6,149)
Foreign exchange forward contracts	538	4 7 5	(18,607)	(8,949)
Total derivative financial instruments	1,516	754	(21,764)	(15,098)

Changes in fair values of derivative financial assets and liabilities are recorded in "other gains/(losses) — net" in the consolidated income statement (Note 27).

The total notional principal amounts of the outstanding foreign exchange forward contracts at 31st December 2013 amounted to €320,537,000 (2012: €667,631,000).

The total notional principal amount of the outstanding cross currency swaps as at 31st December 2013 amounted to €303,482,000 (2012: €342,873,000).

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS

	2012	**2013**
	€'000	*€'000*
Revolving credit facility — value of favourable terms	5,132	3,531
Others	—	8 5
	5,132	3,616

On 24th December 2013, the TP Vision Group has entered into an agreement with its shareholders to renew a short-term revolving credit facility of €100,000,000 in equal proportion to their respective shareholdings. The terms of the facility are deemed favourable to market. At 31st December 2013, the fair value of such favourable terms of this facility was €3,531,000 (2012: €5,132,000).

17 RESTRICTED CASH AND CASH AND BANK DEPOSITS

	2012	**2013**
	€'000	*€'000*
Cash at bank	267,389	57,732
Current bank deposits	1,312	24,966
Total cash and bank deposits	268,701	82,698
Restricted cash	1,003	2,873

Restricted cash consists of funds deposited into guarantee accounts of which the use of the funds is restricted.

Cash and bank deposits are denominated in the following currencies:

	2012	**2013**
	€'000	*€'000*
Euro	192,070	47,832
Russian Ruble	35,855	13,482
Polish Zloty	6,528	1,841
US Dollar	5,022	4,424
Argentine Pesos	3,881	4,894
Other currencies	25,345	10,225
	268,701	82,698

18 ISSUED AND PAID IN SHARE CAPITAL

	Number of ordinary shares	Share Capital €'000	Share Premium €'000
As at 31st December 2013 and 31st December 2012			
5,400 Ordinary "A" shares at €1 each	5,400	5	30,000
12,600 Ordinary "B" shares at €1 each	12,600	13	70,000
Issued and paid up share capital	18,000	18	100,000

The authorised share capital of TP Vision Holding B.V. is €100,000,000. The issued and fully paid up share capital is €18,000.

19 OTHER RESERVES

	Capital contribution reserve €'000	Other reserve €'000	Exchange reserve €'000	Total €'000
At 22nd June 2011 (date of incorporation)	—	—	—	—
Contributions from shareholders:				
— shareholders' loans — value of the favourable terms (Note 20)	46,333	—	—	46,333
— revolving credit facility — value of the favourable terms	9,653	—	—	9,653
Transfer from accumulated deficit to capital contribution reserve	(11,588)	—	—	(11,588)
Actuarial gains — long term employment benefits	—	151	—	151
Currency translation differences	—	—	(12,989)	(12,989)
At 31st December 2012	44,398	151	(12,989)	31,560
At 1st January 2013	44,398	151	(12,989)	31,560
Contributions from shareholders:				
— revolving credit facility — value of the favourable terms (Note 16)	3,531	—	—	3,531
Transfer from accumulated deficit to capital contribution reserve	(15,401)	—	—	(15,401)
Actuarial gains — long term employment benefits	—	126	—	126
Currency translation differences	—	—	(28,144)	(28,144)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	—	—	17,475	17,475
At 31st December 2013	32,528	277	(23,658)	9,147

20 SHAREHOLDERS' LOANS

	2012	2013
	€'000	*€'000*
Shareholders' loans	130,732	141,001

On 1st April 2012 Philips and TPV provided a loan to TP Vision of €170,000,000.

The loan comprised two tranches from both shareholders with the following key terms:

	Philips	TPV	Total	Loan period	Interest rate
	€'000	*€'000*	*€'000*		
Tranche A	21,000	49,000	70,000	3 years	3-month EURIBOR +2.2%
Tranche B	30,000	70,000	100,000	5 years	3-month EURIBOR +2.7%
	51,000	119,000	170,000		

Movement of the loan balances are as follow:

	€'000	*€'000*
At 22nd June 2011 (date of incorporation) and 1st January 2013	—	130,732
Increase in borrowings	170,000	—
Deemed capital contribution *(Note)*	(46,333)	—
Unwinding of discount *(Note 31)*	7,065	10,269
At 31st December 2012 and 31st December 2013	130,732	141,001

Note: At inception on 1st April 2012, the fair value of the shareholders' loan was calculated as €123,667,000 and the difference of €46,333,000 to the actual loan amount of €170,000,000 was deemed to be a capital contribution from the shareholders and has been recorded accordingly in equity (Note 19).

The fair values of shareholders' loans are based on cash flows discounted using a rate based on the debt yield from comparable bonds at 12% (2012: 12%). The discount rate equals to EURIBOR plus appropriate credit rating. The fair values are within level 2 of the fair value hierarchy. The carrying amounts of the shareholders' loans are denominated in Euro.

21 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2012		2013	
	Non–Current	Current	Non–Current	Current
	€'000	€'000	€'000	€'000
Trade payables	—	608,897	—	428,838
Royalty fee payable to Philips	135,531	31,900	89,282	48,555
Deferred income	443	15,366	—	—
VAT and other taxes	—	97,976	—	37,189
Sales rebate accruals	—	42,392	—	28,315
Employee related accruals	—	22,986	—	17,426
License accruals	—	23,067	4	43,752
Other accruals	—	57,37 3	—	77,302
Other payables and accruals	135,974	291,060	89,286	252,539

The carrying amounts of trade and other payables approximate their fair values.

The ageing analysis of trade payables based on invoice date was as follows:

	2012	2013
	€'000	€'000
0–30 days	141,352	192,696
31–60 days	280,807	105,069
61–90 days	178,004	126,426
91–180 days	8,216	4,176
181–365 days	518	471
	608,897	428,838

The trade payables due to shareholders and an associate are as follows:

	2012	2013
	€'000	€'000
The TPV group	332,863	401,817
Philips group	2,122	—
Associate	—	148
	334,985	401,965

The other payables and accruals due to shareholders and an associate are as follows:

	2012	2013
	€'000	€'000
The TPV group	6,382	16,345
Philips group	184,918	139,760
Associate	—	2,650
	191,300	158,755

The carrying amounts of trade payables are denominated in the following currencies:

	2012 *€'000*	2013 *€'000*
Euro	40,341	13,526
Russian Ruble	112,114	55,140
Brazil Real	44,143	—
Turkish Lira	1,391	818
US Dollar	401,066	335,183
Argentina Pesos	1,546	18,961
Other currencies	8,296	5,210
	608,897	428,838

22 RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

The TP Vision Group operates a number of post-employment benefit plans. Most of the TP Vision Group's post-employment benefit plans are defined contribution plans. Defined benefit plans are also in place primarily in Argentina, Belgium, Italy, France, Switzerland, Germany, India and Turkey.

Long term service awards are also provided in certain countries.

According to Belgium pension law requirements, employers must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions, for all defined contribution plans. Because of this minimum guaranteed interest rate for defined contribution plans in Belgium, the employer is exposed to a financial risk and the plan should be accounted for under HKAS 19 as a defined benefit plan.

The assets and liabilities of the defined benefit plans are held independently of the TP Vision Group in separately administered funds. The TP Vision Group's plans are valued annually by Mercer, a qualified independent actuarial firm using the projected unit credit method for measuring the obligations arising.

The amount recognised on the Financial Information position is determined as follows:

	2012 *€'000*	2013 *€'000*
Present value of funded obligations	3,670	4,622
Fair value of plan assets	(2,847)	(3,039)
Effect of asset ceiling	—	55
Deficit in funded plans	823	1,638
Present value of unfunded obligations	6,701	4,068
Non-current liability	7,524	5,706
Current liability	1,227	151

The movements in the defined benefit obligation over the period/year are as follows:

	2012	2013
	€'000	*€'000*
At beginning of period/year	—	10,371
Obligations through business combination *(Note 37)*	14,245	—
Interest cost	411	323
Employee contributions	71	103
Actuarial gains	(175)	(126)
Exchange differences	(167)	(372)
Current service cost	379	2,006
Benefits paid	(726)	(513)
Others *(Note)*	(3,667)	(3,102)
At the end of the period/year	10,371	8,690

Note:

For 2013, others primarily comprises amounts divested in Brazil in 2013 and acquired through the business combination in 2012 which were subsequently released following the completion of the merger (see Note 38).

For 2012, others comprises primarily amounts acquired through the business combination which were subsequently released following the announcement of the closure of that location (see Note 23). This release was netted in the consolidated income statement against related charges.

The movements in the fair value of plan assets of the period/year are as follows:

	2012	2013
	€'000	*€'000*
At beginning of period/year	—	2,847
Assets acquired through business combination	3,105	—
Expected return on plan assets	73	57
Actuarial losses	(24)	—
Exchange differences	(2)	70
Employer contributions	290	572
Employee contributions	71	103
Benefits paid	(666)	(610)
At the end of the period/year	2,847	3,039

The amounts recognised in the consolidated income statement are as follows:

	2012	2013
	€'000	*€'000*
Current service cost	(379)	(2,006)
Interest cost	(411)	(323)
Expected return on plan assets	73	57
Past service cost	35	241
Charges for long term service awards	(138)	—
	(820)	(2,031)

Of the total charges, €209,000 (2012: €269,000) was reported in cost of sales, €687,000 (2012: €544,000) was reported in selling and distribution expenses and €1,135,000 (2012: €7,000) was reported in research and development expenses.

The cumulative actuarial gain recognised in the consolidated statement of other comprehensive income is €126,000 (2012: €151,000).

The principal actuarial assumptions used are as follows:

	2012	**2013**
Discount rate	5.81%	6.08%
Inflation rate	1.25%	1.22%
Expected return on plan assets	2.48%	5.72%
Future salary increases	5.18%	5.34%
Future pension increases	0.87%	0.83%

Other key assumptions include employee turnover and future mortality rates which are set based upon actuarial advice set in accordance with public statistics and actual experience in each jurisdiction.

The expected return on plan assets is determined by considering the expected returns available on assets underlying the current investments policy. These assumptions are aligned to a weighted average and are based on independent actuarial advice updated on an annual basis.

The actual return on plan assets was €15,000 (2012: €49,000). Plan assets are comprised of the following:

	2012		**2013**	
	€'000	*%*	*€'000*	*%*
Equity securities	577	20.2%	254	8.4%
Debt securities	1,193	42.1%	1,614	53.1%
Property	389	13.6%	163	5.4%
Other	688	24.1%	1, 008	33.1%
	2,847	100.0%	3,039	100%

The plan assets are well diversified, such that the failure of any single investments would not have a material impact on the overall level of assets.

In case of the funded plans, the TP Vision Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under pension schemes. Within this framework, the TP Vision Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The TP Vision Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

The TP Vision Group has not changed the processes used to manage its risk from previous period.

Expected contributions to post-employment benefit plans for the year ending 31st December 2014 are €576,000 (2013: €635,000).

The sensitivity of the employer pension expense to deviations in assumptions consists of the following:

	% Change in assumption %	Change in employer pension expense €'000
Discount rate	+0.5%	994
Rate of future salary increases	+0.5%	1,107
Rate of future pension increases	+0.5%	1,124
Discount rate	–0.5%	(1,172)
Rate of future salary decreases	–0.5%	(1,046)
Rate of future pension decreases	–0.5%	(1,033)

The expected return on plan assets is determined by considering the expected returns available on assets underlying the current investments policy. These assumptions are aligned to a weighted average and are based on independent actuarial advice updated on an annual basis.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

23 WARRANTY AND OTHER PROVISIONS

	Warranty provision €'000	Restructuring and other provisions €'000	Total €'000
At 22nd June 2011 (date of incorporation)	—	—	—
Acquired through business combination	24,939	—	24,939
Charged to income statement	40,816	35,588	76,404
Utilised	(26,281)	(4,907)	(31,188)
At 31st December 2012	39,474	30,681	70,155
At 1st January 2013	39,474	30,681	70,155
Charged to income statement	48,630	28,707	77,337
Disposal of a subsidiary	(3,998)	(279)	(4,277)
Utilised	(55,340)	(37,129)	(92,469)
At 31st December 2013	28,766	21,980	50,746

Analysis of warranty, restructuring and other provisions:

	Warranty provision	Restructuring and other provisions	Total
	€'000	*€'000*	*€'000*
Non-current liabilities	7,977	1,201	9,178
Current liabilities	31,497	29,480	60,977
At 31st December 2012	39,474	30,681	70,155
Non-current liabilities	4,574	2,638	7,212
Current liabilities	24,192	19,342	43,534
At 31st December 2013	28,766	21,980	50,746

The TP Vision Group provides warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period up until twenty four months. The provisions as at 31st December 2013 and 31st December 2012 have been made for expected warranty claims on products sold for which it is expected that the majority of this provision will be utilised in the next twelve months.

The restructuring provision mainly refers to the business model optimisation plan which consolidates similar positions and competencies within Finance, Information Technology, Human resources etc into "Shared Service Centres" and the strategic decision to close down one location and merge two other locations into one during the years 2013 and 2012. These restructuring programs were decided and announced before the respective year end dates. During the year ended 31st December 2013, restructuring costs of €24,314,000 (2012: €35,516,000) and €1,058,000 (2012: nil) was provided and reversed, respectively, for restructuring programs. An amount of €34,890,000 (2012: €4,907,000) was utilised in 2013. An amount of €19,049,000 (2012: €29,408,000) is expected to be utilised within 12 months post balance sheet date.

24 BORROWINGS

	2012	2013
	€'000	*€'000*
Bank borrowings	4,240	55,798
Bank overdrafts	3,496	17,007
Total current borrowings	7,736	72,805

The fair value of the bank borrowings and bank overdrafts approximate their carrying values as these borrowings bear interests at floating rates which are market dependent.

The carrying amounts of the borrowings are denominated in the following currencies:

	2012	2013
	€'000	*€'000*
Euro	—	49,000
Argentine Pesos	—	1,898
Turkish Lira	7,736	21,907
	7,736	72,805

As at 31st December 2012 and 2013, the TP Vision Group's borrowings were repayable as follows:

	Bank borrowings		Bank overdrafts	
	2012	**2013**	**2012**	**2013**
	€'000	*€'000*	*€'000*	*€'000*
Within one year	4,240	55,798	3,496	17,007

25 REVENUE

	2012	**2013**
	€'000	*€'000*
Sales of goods	1,815,210	1,941,981

26 OTHER INCOME

	2012	**2013**
	€'000	*€'000*
Brand promotion fee income *(Note 35)*	106,504	65,291
Compensation for product launch delay *(Note 35)*	31,500	75
Government subsidies *(Note i)*	3,813	4,490
Others	230	642
	142,047	70,498

Note i — The subsidies were mainly granted by Belgium government in relation to research and development activities. All the conditions under the subsidies were met in the period and hence the income has been recognised.

27 OTHER GAINS/(LOSSES), NET

	2012	**2013**
	€'000	*€'000*
Gain on bargain purchase *(Note 37)*	20,778	—
Foreign exchange forward contracts — realised gains/(losses)	13,135	(1,421)
Foreign exchange forward contracts — unrealised losses	(17,563)	(8,474)
Currency swaps — realised gains	215	5,279
Currency swaps — unrealised losses	(2,180)	(5,870)
Impairment of intangible assets *(Note 6)*	—	(25,000)
Net exchange losses	(533)	(6,298)
Reversal of TMLA payable *(Note)*	—	40,679
Revolving credit facility — fair value adjustment	(4,521)	(5,132)
Loss on disposals of property, plant and equipment	(607)	(2,671)
Others	396	(196)
	9,120	(9,104)

Note:

TMLA payable refers to the estimated royalty that TP Vision is obliged to pay to Philips under the Trademark License Agreement signed between Philips and the TP Vision Group in relation to the use of the Philips' brand. The estimated trademark license fee payable is determined based on the discounted cash flow of the forecasted sales during the licensed period. During the year ended 31st December 2013, management has reassessed the forecasted sales in coming years based on an assumption of revenue growth rates from 0.3% to 8.7% from 2014 to 2017, and considers the estimated cash outflow would be lower than the previous expected amount. Thus, a reversal of trademark license fee payable of €40,679,000 was recognised in the consolidated income statement.

28 EXPENSES BY NATURE

	2012	**2013**
	€'000	*€'000*
Cost of inventories	1,497,428	1,566,772
Employee benefit expenses (including directors' emoluments) *(Note 29)*	170,196	174,185
Depreciation of property, plant and equipment	12,146	13,439
Impairment of property, plant and equipment *(Note 7)*	4,680	1,400
Amortisation of intangible assets	34,346	34,552
Operating lease rental for land, buildings and machinery	9,683	8,727
Auditors' remuneration:		
— Audit services	1,385	1,283
— Tax consulting	36	479
— Others	28	148
Charge for warranty provision	34,316	37,775
Charge for restructuring provision	35,304	28,707
Provision for impairment of trade receivables	1,352	2,234
Provision of inventory for impairment	11,936	3,413

29 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2012	**2013**
	€'000	*€'000*
Salaries and wages	114,170	126,665
Social security contributions	15,180	18,254
Termination benefits	34,801	20,062
Long term and post-employment benefit plans:		
— Defined benefit plans	798	1,722
— Defined contribution plans	5,247	7,482
	170,196	174,185

Key management compensation is shown in Note 35.

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the period from 22 June 2011 (date of incorporation) to period ended 31st December 2012 is set out below:

	Fees	Basic salaries, bonuses, allowances and benefits in kind	Discretionary bonuses	Total
	€'000	*€'000*	*€'000*	*€'000*
Hsuan, Jason	—	—	—	—
Pieter Age Johannes Nota	—	—	—	—
Lu Ming	—	—	—	—
Jun Nakagome	—	—	—	—
Alain Perrot	—	400	—	400
Maarten Jan de Vries	—	637	—	637
Ming-Far Peng	—	185	—	185
Che-Chiang Lu	—	183	—	183
James Mark Mattern	—	289	—	289
Peter Bernardus Cornelius Tesink	—	319	—	319
Sven John Joseph van de Wynkele	—	330	—	330
	—	2,343	—	2,343

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

	Fees	Basic salaries, bonuses, allowances and benefits in kind	Discretionary bonuses	Total
	€'000	*€'000*	*€'000*	*€'000*
Hsuan, Jason	—	—	—	—
Pieter Age Johannes Nota	—	—	—	—
Lu Ming	—	—	—	—
Jun Nakagome	—	—	—	—
Alain Perrot (i)	—	846	—	846
Maarten Jan de Vries	—	634	—	634
Ming-Far Peng (i)	—	132	—	132
Che-Chiang Lu	—	282	—	282
James Mark Mattern	—	390	—	390
Peter Bernardus Cornelius Tesink	—	416	—	416
Sven John Joseph van de Wynkele	—	414	—	414
	—	3,114	—	3,114

Note:

(i) These directors resigned as directors of the Company during the year.

During the Relevant Periods, no directors of TP Vision nor senior management of the TP Vision Group waived any emoluments and no emoluments were paid by TP Vision to any of the directors of TP Vision or senior management of the TP Vision Group as an inducement to join or upon joining TP Vision or as compensation for loss of offices.

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the TP Vision Group for the Relevant Periods include five (2012: five) directors whose emoluments are reflected in the analysis presented above.

	Number of individuals	
	2012	**2013**
Emolument ranks (in HK dollars)		
HK$3,000,001–HK$3,500,000 (equivalent to €288,001 to €336,000)	3	—
HK$4,000,001–HK$4,500,000 (equivalent to €384,001 to €432,000)	1	3
HK$6,500,001–HK$7,000,000 (equivalent to €624,001 to €672,000)	1	1
HK$8,500,001–HK$9,000,000 (equivalent to €817,001 to €865,000)	—	1
	5	5

31 FINANCE COSTS, NET

	2012	**2013**
	€'000	*€'000*
Costs associated with receivables factoring arrangements	(2,354)	(1,485)
Shareholders' loan interest	(3,831)	(4,544)
Shareholders' loan — unwinding of discount	(7,065)	(10,269)
Royalty fee payable to Philips — unwinding of discount	(23,661)	(35,674)
Interest on bank borrowings and other finance costs	(586)	(4,179)
Total finance costs	(37,497)	(56,151)
Finance income from short-term bank deposits	454	221
Finance costs, net	(37,043)	(55,930)

32 INCOME TAX CREDIT

Taxation on profits has been calculated on the estimated assessable profits for the period/year at the rates of taxation prevailing in the countries in which the TP Vision Group operations.

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

	2012	2013
	€'000	*€'000*
Current tax:		
Current tax on taxable profits for the period/year	16,275	1,568
Carry-back of current year tax loss against prior year taxable profit	—	(6,434)
Total current tax	16,275	(4,866)
Total deferred tax	(19,670)	(3,945)
Total income tax credit	(3,395)	(8,811)

The current tax credit amounted to €4,866,000 (2012: current tax expense €16,275,000). The difference between the total income tax credit and the current tax expense is due to temporary differences. These temporary differences are recognised as deferred tax assets or deferred tax liabilities.

The effective tax rate differs from the applicable tax rate that would arise using the tax rates applicable in the Netherlands on the profits of the consolidated entities as follows:

	2012		2013	
	€'000	*%*	*€'000*	*%*
Loss before income tax	(29,068)		(203,057)	
Dutch statutory income tax rate	7,268	25.0	50,764	25.0
Taxation rate in different jurisdictions	582	2.0	(18,212)	(9.0)
Non-taxable incomes	935	3.2	1,549	0.8
Non-deductible expenses	(3,907)	(13.4)	(3,829)	(1.9)
Goodwill amortisations	(374)	(1.3)	(374)	(0.2)
Temporary difference recognised in gain on bargain purchase	1,651	5.7	—	—
Other taxes	(1,124)	(3.9)	(888)	(0.4)
Other temporary differences for which no deferred tax asset was recognised	(1,636)	(5.6)	(13,878)	(6.8)
De-recognition of deferred tax assets as future tax profit is not probable	—	—	(6,321)	(3.1)
Tax credit	3,395	11.7	8,811	4.4

The applicable tax rate is based on the relative proportion of the TP Vision Group companies' contribution to profit and the applicable tax rates in the countries concerned.

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to net cash generated/(used in) from operating activities:

	2012	2013
	€'000	*€'000*
Loss before income tax from continuing operations	(29,068)	(203,057)
Loss before income tax from discontinued operations	(718)	(51,944)
Adjustments:		
Depreciation of property, plant and equipment *(Note 7)*	17,029	16,963
Amortisation of intangible assets *(Note 6)*	34,346	34,661
Impairment of property, plant and equipment *(Note 7)*	4,680	1,400
Impairment of intangible assets *(Note 6)*	—	25,000
Loss on disposal of property, plant and equipment *(Note i)*	607	2,671
Gain on bargain purchase *(Note 37)*	(20,778)	—
Loss on disposal of a subsidiary *(Note 38)*	—	17,475
Foreign exchanges forward contracts and currency swaps		
— unrealised losses	20,243	14,344
Revolving credit facility — fair value adjustment *(Note 27)*	4,521	5,132
Share of (profits)/losses from associates	(115)	12,432
Finance income *(Note 31)*	(637)	(272)
Finance costs *(Note 31)*	41,544	59,578
Operating profit/(loss) before working capital changes	71,654	(65,617)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Trade and notes receivables	(447,181)	(19,976)
— Deposits, prepayments, other assets and receivables	(79,305)	45,500
— Inventories	(116,126)	58,473
— Other non-current assets	(44,530)	(16,451)
— Trade payables	608,897	(38,338)
— Warranty provision, other payables, accruals and pension obligations	269,365	(165,691)
Net cash generated from/(used in) operation	262,774	(202,100)

Note i:

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised of:

	2012	2013
	€'000	*€'000*
Net book amount *(Note 7)*	607	13,366
Loss on disposals of property, plant and equipment	(607)	(2,671)
Proceeds from disposals of property, plant and equipment	—	10,695

(b) Net cash outflow in respect of disposal of a subsidiary (see Note 38 for background of the disposal):

	€'000
Consideration received	
49% of the original Envision Brazil	43,916
Analysis of assets and liabilities over which control was lost:	
— Intangible assets	2,523
— Property, plant and equipment	29,318
— Trade and other receivables, prepayments and deposits	60,093
— Inventories	89,079
— Cash and cash equivalents	2,415
— Trade payables and other payables	(135,235)
— Restructuring and other provisions	(279)
— Warranty provision	(3,998)
Net assets disposed of	43,916
Release of exchange reserve to profit or loss upon disposal of a subsidiary	17,475
Loss on disposal of a subsidiary *(Note 38)*	17,475
Net cash outflow arising from disposal of a subsidiary	2,415

(c) For cash flow for discontinued operations, please refer to Note 38.

34 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2012	**2013**
	€'000	*€'000*
No later than one year	18,985	3,230

Included in the above amount is €3,230,000 (2012: €16,329,000) in relation to committed software costs.

(b) Operating lease commitments — Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012	**2013**
	€'000	*€'000*
No later than one year	4,399	4,638
Between one year and no later than five years	7,113	25,110
	11,512	29,748

(c) Operating lease commitments — Group as lessor:

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2012	2013
	€'000	*€'000*
No later than one year	567	—
Between one year and no later than five years	110	—
	677	—

35 RELATED PARTY TRANSACTIONS

The TP Vision Group conducts trading and transactions relationships under normal commercial terms with both its shareholders — the TPV group and the Philips group.

Business combination:

On 1st April 2012, the TP Vision Group completed the acquisition of the TV business from Philips. Further details are provided in Note 37.

Royalty payable to Philips:

According to the Trademark License Agreement entered into between Philips and TP Vision, the TP Vision Group has been granted the right to use the Philips' trademarks. The TMLA also grants the right to the TP Vision Group to assemble, manufacture, sell, market and distribute Philips-branded televisions. As TP Vision will use the Philips trademark in its business to generate positive economic benefits, the trademark is recognised as an intangible asset (Note 6).

The TMLA payable interest unwinding for €35,674,000 (2012: €23,661,000) is charged to the finance costs — net in consolidated income statement. During the year, royalty fee of €39,704,000 (2012: nil) was invoiced by Philips, with actual payment made amounted to €24,589,000 (2012: nil).

Favourable IT contract:

In accordance with the terms of the acquisition, Philips has agreed to provide IT services to the TP Vision Group for a period of one year post completion (up to April 2013). The cost of these IT services are provided at a favourable rate and recognised as an intangible asset.

Shareholders' loans:

On 1st April 2012, subject to the terms of the Shareholders' Loan Agreement, Philips and TPV made available to the TP Vision Group a term loan in an amount of €170,000,000 repayable between 3 and 5 years (Note 20).

Brand promotion fee:

The TP Vision Group is entitled to charge Philips a brand promotion fee up to €171,795,000 for brand promotion and/or enhancement activities. Such activities can include advertising and promotion, sales and marketing, 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 revenue and recognised upon approval by Philips. Total income for the year ended 31st December 2013 was €65,291,000 (2012: €106,504,000). At 31st December 2013, nil amount (2012: €15,809,000) was included as deferred income within other payables and accruals.

The directors are of the view that this transaction with Philips is separate from the acquisition and therefore does not form part of the net assets acquired. It is therefore recognised separately in accordance with HKFRS3 (revised), 'Business Combination'.

Compensation for product launch delay:

The TP Vision Group entitled to compensation for product delay from Philips amounting to €75,000 (2012: €31,500,000). The directors are of the view that this transaction with Philips is separate from the acquisition and therefore does not form part of the net assets acquired. It is therefore recognised separately in accordance with HKFRS3 (revised) 'Business Combination'.

Revolving credit facility:

The TP Vision Group has been granted two short term revolving credit facilities by the shareholders. On 24th December 2013, the TP Vision Group has entered into an agreement with its shareholders to renew a short-term revolving credit facility of €100,000,000 in equal proportion to their respective shareholdings — see Note 16 for further details.

All of the transactions were carried out in the normal course of the TP Vision Group's business and on terms as agreed between the transacting parties. They are summarised as follows:

Transactions in the period/year:

	2012		**2013**	
	Income	**Expense**	**Income**	**Expense**
	€'000	*€'000*	*€'000*	*€'000*
The TPV group:				
Warranty income	11,374	—	21,751	—
Rental income	574	—	93	—
Purchases of products *(Note i)*	—	(644,424)	—	(1,207,848)
Other service charges and license fees	—	(2,702)	—	(10,296)
Shareholders' loan interest	—	(2,682)	—	(3,180)
IT services *(Note ii)*	—	(1,549)	—	(5,020)
Others	—	(167)	—	—
Philips group:				
Brand promotion fee income	106,504	—	65,291	—
Compensation for product launch delay	31,500	—	75	—
Warranty and consumer care costs *(Note iii)*	37,564	—	23,083	—
Other cost incurred on behalf of Philips *(Note iv)*	13,027	—	12,768	—
Sales to Philips	8,004	—	5,808	—
Software application contracts *(Note v)*	1,050	—	1,233	—
Other service charges (for IT, HR and administration)	—	(10,823)	—	(14,407)
Rental expense	—	(1,855)	—	(378)
Shareholders' loan interests	—	(1,149)	—	(1,364)
Associates:				
Sales of finished, goods and raw materials	—	—	68,267	—

Note i — TP Vision acts as an agent of TPV to purchase certain products on behalf with no margin and gain recognised. There is no impact on the income statement in respect of such purchases and direct selling on to TPV, and hence they are not included in the above amount.

Note ii — Certain IT services are provided to the TP Vision Group by TPV under normal commercial terms.

Note iii — Warranty costs in relation to TVs sold before 1st April 2012 are paid by the TP Vision Group and then fully reimbursed by Philips. It is netted against the cost incurred in the consolidated income statement.

Note iv — The TP Vision Group incurred other costs on behalf of Philips which relate to activities prior to 1st April 2012 and are fully reimbursed at cost by Philips. The reimbursement is netted against the charge to which it relates.

Note v — Philips pays the TP Vision Group for use of certain software.

Balances at 31st December 2013

	TPV	**Philips**	**Associate**
	€'000	*€'000*	*€'000*
Trade receivables	131,033	485	—
Other receivables	23,240	1,083	81
Trade payables	(401,817)	—	(148)
Other payables and accruals	(16,345)	(139,760)	(2,650)
Shareholders' loans	(98,701)	(42,300)	—

Balances at 31st December 2012

	TPV	**Philips**	**Associate**
	€'000	*€'000*	*€'000*
Trade receivables	42,155	3,677	—
Other receivables	27,573	38,798	—
Trade payables	(332,863)	(2,122)	—
Other payables and accruals	(6,382)	(184,918)	—
Shareholders' loans	(91,512)	(39,220)	—

Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is as follows:

	2012	**2013**
	€'000	*€'000*
Salaries, commission and bonus	1,790	2,061
Termination benefits	—	423
Expense allowances in excess of actual expenses	292	301
Pension contributions	261	321
Estimated money of benefits received other than in cash	—	8
	2,343	3,114

36 CONTINGENCIES

In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by TP Vision's Brazil business, which was accounted for as an investment in associate of the TP Vision Group as at 31st December 2013. The matter is currently under consideration by the legal authorities. The directors of the TP Vision Group are of the opinion that while the proceedings are ongoing, it is not possible to assess the outcome of the case at this time. Under the terms of the Share Purchase Agreement with Philips any damages arising from this claim will be fully indemnified by Philips.

In 2012 and 2013, in one specific country, the compensation payments to customers have been accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the Tax Authorities in that country following the submission of the relevant tax returns in 2013 and 2014. The directors do not consider any liability arising being probable.

In 2013, the Civil Code of one specific country requires that all companies producing or importing goods with an audio/video replication functionality must pay 1% of turnover (either import or production value) fees to copyrights owners (unnamed list of authors) through the local union of copyright owners. The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case at this time.

In 2013, litigation continued with a third party company that filed patent infringement cases in Germany, alleging that the Group infringes patents relating to the protection of certain aspects of SmartTV and Net TV. The directors are of the opinion that while the proceedings are ongoing, it is not possible to determine the outcome of the case for the time being.

37 BUSINESS COMBINATION

On 1st November 2011, a Share Purchase Agreement ("SPA") was signed between Koninklijke Philips N. V. (formerly Koninklijke Philips Electronics N.V.), ("Philips"), TPV Technology Limited, ("TPV"), Coöperatie MMD Meridian U.A. ("MMD") (a wholly owned subsidiary of TPV), and TP Vision. The SPA relates to the acquisition by MMD of a 70% interest in the shares of the TP Vision Group, which will own and control the worldwide (with the exception of People's Republic of China, India, the United States of America, Canada, Mexico and South America (however including Brazil and Argentina) television business of Philips. Philips retains a 30% interest in the shares of the TP Vision Group.

The acquisition was completed on 1st April 2012. Assets and liabilities in scope for the acquisition were transferred to locally incorporated (TP Vision named) legal entities on 1st April 2012.

As a result of the acquisition, TP Vision owns and controls 100% of Philips' TV business globally, which comprises, amongst other things, innovation and development sites, manufacturing sites, sales organisations in various countries, assumed employees and certain patents and contracts relating to the design, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

The business combination was effected by acquiring entities directly from Philips or subsidiaries established by TP Vision acquiring the trade and assets from Philips. A full list of the TP Vision Group's subsidiaries is included in Note 39.

TPV owns 70% interest in the TP Vision Group through MMD and 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 TPV pursuant to the Shareholders' Agreement dated 1st April 2012.

The TP Vision Group's future operations are expected to leverage on combining Philips' strengths, especially awareness of its brand and its well-established market share particularly in Europe and South America, with the operational excellence, flexibility and speed of TPV.

A gain on bargain purchase of €20,778,000 has been recognised in "other gains/(losses) — net", in the consolidated income statement, attributable to the recognition of fair market values of net assets acquired at higher values than the consideration payable.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the gain arising from the acquisition as at the acquisition date:

	2012
	€'000
Purchase consideration	
— Cash	229,351
Less: Fair value of the net asset acquired	
— Property, plant and equipment	86,550
— Intangible assets	159,850
— Inventories	138,798
— Cash and cash equivalents	4,799
— Other non-current assets	21,114
— Other current assets	62,247
— Retirement and other employee benefits obligations	(11,140)
— Other payables, accruals and other provisions	(212,089)
	250,129
Gain on bargain purchase	(20,778)

The TP Vision Group's acquired intangible assets mainly represent a favourable IT contract and a five year Trademark License Agreement between TP Vision and Philips, whereby the TP Vision Group is granted the right to use the Philips brand for its products sold.

The TP Vision Group does not expect any of the amounts included within receivables to be uncollectible. The acquisition-related costs were borne by its ultimate parents, Philips and TPV, with no recharge to TP Vision.

The amounts presented within the consolidated income statement and the consolidated statement of comprehensive income represents the results contributed by the acquired businesses.

It is impracticable to estimate, on a like-for-like basis, the net contribution of the acquired business of the TP Vision Group had the acquisition occurred on the 22 June 2011 due to the following reasons:

i) The TV operation of Philips were integral to its other business until the end of March 2012. There were no accounting records prepared for the TV operation of Philips on a standalone basis that is fully accessible by TP Vision Group; and

ii) There were insufficient information available to the Company due to the reason set out in (i) above to determine accurately the fair value adjustments that would have been made to the consolidated balance sheet of the TV operation of Philips on 22 June 2011.

Accordingly, no disclosure is made within this financial information.

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition:

	2012
	€'000
Cash consideration	229,351
Less: Cash and cash equivalents acquired	(4,799)
Net cash outflow on acquisition	224,552

38 DISCONTINUED OPERATIONS

On 4th June 2013, the TP Vision Group, TP Vision Brazil (a wholly-owned subsidiary of the TP Vision Group), Top Victory Investments Limited ("Top Victory") (a wholly-owned subsidiary of the TPV group) and Envision Brazil (a wholly owned subsidiary of Top Victory) entered into a merger agreement, 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. Upon completion of the Merger, TP Vision Brazil ceased to be in existence and the enlarged Envision Brazil continued as the surviving entity. The merger was completed on 1st September 2013.

Upon the completion of the merger, TP Vision Brazil no longer exists and there is only one combined entity, the enlarged Envision Brazil. In effective, TP Vision has swapped its 100% equity interest in TP Vision Brazil for a 49% equity interest of the enlarged Envision Brazil and now has a 49% equity interest of the enlarged entity. This has resulted in the TP Vision Group losing control over TP Vision Brazil and the 49% interest in enlarged Envision Brazil is accounted for by the TP Vision Group as an associated company since 1st September 2013.

Analysis of the result of discontinued operations, and the result recognised on the disposal, is as follows:

	2012	**2013**
	€'000	*€'000*
Revenue	315,519	242,996
Expenses	(316,237)	(277,465)
Loss before tax of discontinued operations	(718)	(34,469)
Tax	(5,073)	(1,602)
Loss after tax of discontinued operations	(5,791)	(36,071)
Loss for the period/year	(5,791)	(36,071)
Loss on disposal of discontinued operations *(Note)*	—	(17,475)
Loss from discontinued operations	(5,791)	(53,546)
Loss for the period/year from discontinued operations attributable to shareholders of TP Vision	(5,791)	(53,546)
Other comprehensive (loss)/income:		
Items that have been or may be reclassified to profit or loss		
Currency translation differences	(8,349)	(9,126)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	—	17,475
Other comprehensive (loss)/income for the period/year, net of tax	(8,349)	8,349
Total comprehensive loss for the period/year, net of tax	(14,140)	(45,197)

Note:

The loss mainly arises from the release of exchange reserve upon disposal.

Cash flows:

	2012	**2013**
	€'000	€'000
Operating cash flows	(25,130)	(6,978)
Investing cash flows	(44,639)	(11,104)
Financing cash flows	78,424	24,323
Total cash flows	8,655	6,241

39 GROUP ENTITIES

The TP Vision Group's subsidiaries are shown in the table below. All entities other than TP Vision Holding B.V. are primarily involved in the development, design, production and sales of television sets on a global basis.

Country of incorporation	**Entity**	**Share holding**
Argentina	Fabrica Austral de Productos Electricos Sociedad Anonima *	49.95%
Austria	TP Vision Austria GmbH	100%
Belgium	TP Vision Belgium NV	100%
Czech Republic	TP Vision Czech Republic S.R.O.	100%
Denmark	TP Vision Denmark A/S	100%
Finland	TP Vision Finland Oy	100%
France	TP Vision France SAS	100%
Germany	TP Vision Germany GmbH	100%
Hong Kong	TP Vision Hong Kong Limited	100%
Hungary	TP Vision Magyarorszag Korlatolt Felelossegu Tarsasag	100%
India	TP Vision India Private Limited	100%
Italy	TP Vision Italy Srl	100%
Malaysia	TP Television Malaysia Sdn. Bhd	100%
Netherlands	TP Vision Netherlands B.V	100%
Norway	TP Vision Norway AS	100%
Poland	TP Vision Poland Sp. Z.O.O.	100%
Russia	TP Vision Eurasia LLC	100%
Singapore	TP Vision Singapore Pte. Ltd.	100%
Spain	TP Television Iberica Spain S.L.	100%
Sweden	TP Vision Sweden AB	100%
Switzerland	TP Vision Switzerland AG	100%
Thailand	TP Vision Thailand Ltd.	100%
Turkey	TP Vision Elektronik Ticaret Anonim Sirketi	100%
UK	TP Vision United Kingdom Limited	100%
Ukraine	TP Vision Ukraine, LLC	100%

* Fabrica Austral de Productos Electricos Socieded Anonima is split into two separate divisions comprising the TV business and the non-TV business. TP Vision Holding B.V. controls the TV business of the entity and therefore consolidates the results of the TV business into this financial information. The results of the non-TV business are controlled by Philips.

40 DIVIDEND PAYABLE

No dividends were paid or recommended during the year/period 2013 and 2012.

41 LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this accountant's report, is not considered meaningful.

TP Vision has no potentially dilutive option or other instruments relating to ordinary shares.

42 EVENTS AFTER THE BALANCE SHEET DATE

MMD, a wholly-owned subsidiary of TPV, announced on 20th January, 2014 that it has signed a term sheet to buy the remaining 30% equity interest of TP Vision from Philips. The signing of definitive agreements is expected to take place in 2014, with completion expected in 2014, subject to TPV shareholders' approval. Upon completion, TP Vision will become a wholly-owned subsidiary of TPV, enabling it to further integrate with TPV's TV business.

The business model optimisation plan announced by the TP Vision Group in October 2013 impacting Europe and Russia will be executed in the first two quarters of 2014 in consolidating similar positions and competencies within Finance, Information Technology, Human Resources, Supply Chain Management, Logistics, and Operations in Shared Service Centers in Prague (Czech Republic) and Gorzow (Poland) by 1st June, 2014. Customer-focused roles will be centered in the Shared Service Center in Prague while transactional activities will be consolidated in the Shared Service Center in Gorzow. In Russia, the support functions will be assumed by TPV in Saint Petersburg. The restructuring provision balance related to this as at 31st December 2013 amounted to €10,311,000.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by TP Vision or any of its subsidiaries in respect of any period subsequent to 31st December 2013 and up to the date of this report. No dividend or distribution has been declared or made by TP Vision or any of its subsidiaries in respect of any period subsequent to 31st December 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of the TP Vision Group for the period from the date of incorporation of TP Vision on 22 June 2011 to 31 December 2012 and for the year ended 31 December 2013.

FOR THE PERIOD FROM THE DATE OF INCORPORATION OF TP VISION ON 22 JUNE 2011 TO 31 DECEMBER 2012

Results

The audited net loss of TP Vision Group for this period was EUR31.5 million. These include the results from TP Vision's operations in Brazil, which are classified as "discontinued operations" in the consolidated income statements of TP Vision Group under the IFRS accounting convention, due to the legal merger of Envision Industria De Proclutos Electronicos Ltda ("**Envision Brazil**"), a wholly owned subsidiary of TPV and TP Vision Industria Electronica Ltda ("**TP Vision Brazil**"), a wholly owned subsidary of TP Vision in Brazil in 2013.

Business Review

Analysis of financial performance

In 2012, the markets in which TP Vision operates showed a mixed picture, with customer demand in general decline in developed economies, most noticeably in Western Europe, whilst showing an increasing trend in emerging markets, such as Latin America, Central and Eastern Europe.

During the period from 1 April 2012 to 31 December 2012, TP Vision Group was able to achieve top positions in its major markets in Europe, and its business grew satisfactorily in the fast-growing emerging markets of Eastern and Central Europe, Argentina and Brazil, achieving total sales of 5.7 million TV sets and generating in total net revenue of EUR2,130.7 million, including the results of TP Vision Brazil.

The TP Vision Group is organized on a worldwide basis into three main operating segments. They are (i) Europe; (ii) Latin America ("**Latam**"); and (iii) Asia Pacific, Middle East and Africa group ("**APMEA**").

Europe

Geographically, Europe has been TP Vision Group's biggest market, achieving total sales of 4.3 million TV sets and generating net revenues of EUR1,645.3 million. This has accounted for 77.2% of TP Vision Group's total revenues. This was also positively impacted by the fast-growing emerging markets of Eastern and Central Europe. The "adjusted operating profit" for the segment (that is profit or loss before finance income or costs and share of results of associates, as disclosed in note 5 to the Accountant's Report in Appendix II) has been EUR22.7 million. These included depreciation charges for the property, plant and equipment of EUR9.7 million and amortization charges for the intangible assets of EUR34.3 million.

Latam

Latam segment has achieved total sales of 1.3 million TV sets, generating net revenues of EUR448.1 million in the period. This has represented 21.0% of TP Vision Group's total revenues. Brazil and Argentina are the two main contributing countries in this segment. Due to adverse political and economic developments, foreign exchange fluctuations as well as other operating matters, the segment has resulted in reporting an adjusted operating loss of EUR12.1 million. These included depreciation charges for the property, plant and equipment of EUR6.3 million.

APMEA

APMEA segment has achieved total sales of 0.1 million unit TV sets, generating net revenues of EUR37.3 million. This has accounted for 1.8% of TP Vision Group's total revenues. The net adjusted loss attributable to the segment was EUR4.7 million. These included depreciation charges for the property, plant and equipment of EUR1.1 million.

Despite strong market positioning, the challenging macro-economic backdrop in 2012, as well as adverse political and economic developments, foreign exchange fluctuations and announced restructuring activities and related costs have led to a net loss for the period of EUR31.5 million. Total restructuring costs incurred in the period have amounted to EUR35.5 million.

Soon after TP Vision's formation, plans were mapped out to develop and rollout major synergy and cost reduction programmes, which are deemed by management as essential to the development of a sustainable and profitable business model to ensure long term growth. During 2012, TP Vision Group launched the research and development ("**R&D**") footprint programme, which targeted streamlining TP Vision Group's R&D operations with those of the TPV Group and by making Ghent, Belgium, the future home of European innovation headquarters, expanding the R&D unit in Bangalore, India, to enhance both the firmware and software capabilities, and shifting more engineering resources from Singapore to lowercost centres in Asia.

Some of the other initiatives taken in the period included, building an optimized IT infrastructure that meets the business requirements, further restructuring activities aiming to accelerate product development cycle and time-to-market through tighter management of end-to-end value chain, and promotion of a corporate culture that aligns with long term strategic goals of the TP Vision Group and the vision of its shareholders.

Analysis of the financial position

The majority of the TP Vision Group's non-current assets comprised, intangible assets arising from the acquisition of the TV business in the period, property, plant and equipment relating to the three TV production facilities in Hungary, Brazil and Argentina, and cash placed in an escrow account which has been established to satisfy consumer care obligations as required in the Trademark License Agreements with Philips.

The non-current liabilities mainly represented long term loans received from the parents in the period and royalty fee payable to Philips trademarks.

As at 31 December 2012, TP Vision Group supported a net current asset position of EUR118.7 million, whereby the total current liabilities, mainly attributable to trade and other payables, were more than offset by the total current assets carried on the balance sheet, which mainly related to trade and other receivables, inventories and cash and bank deposits.

Cash flow analysis

During the period ended 31 December 2012, TP Vision Group generated in total, EUR238.9 million cash from its operating activities and EUR276.8 million cash from its financing activities, mainly attributable to the issue of new shares of EUR100.0 million and new long term loans received from its parents of EUR170.0 million. These were used in the investing activities, whereby EUR224.6 million was used in the acquisition of business assets from Philips, EUR14.8 million was used for the purchase of additional tangible fixed assets and EUR7.1 million was used for the intangibles attributable to the new IT system change programme, offset by EUR0.6 million interest income received.

The net closing cash and cash equivalents as at 31 December 2012 was EUR268.7 million.

Liquidity, Financial Resources and Capital Resources

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

TP Vision Group utilises a central approach to cash management and the financing of its operations, whereby the cash flow forecasting is performed in the operating entities and aggregated by the central treasury function of TP Vision Group (the "Treasury"). The Treasury monitors rolling forecasts of the TP Vision Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

Surplus cash or deficits held by the operating entities over and above balance required for working capital management are swept to the TP Vision Group's header accounts in the cash pooling structure where allowed by local regulations. The Treasury invests surplus cash in time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

As of 31 December 2012, TP Vision Group's cash and bank balances totalled EUR268.7 million. Credit facilities secured from parents totalled EUR470.0 million, of which EUR170.0 million was utilised.

The maturity profile of the TP Vision Group's borrowings on an undiscounted basis, as of 31 December 2012, was as follows:

Duration	**2012**
	EUR'000
Within one year	7,736
Between one and two years	–
Between two and five years	170,000
Wholly repayable within five years	177,736

Please refer to Notes 17 and 24 to the accountant's report on TP Vision as set out in Appendix II to this circular for further details on the currencies in which cash and cash equivalents are held and in which borrowings are made.

All of the TP Vision Group's debts were borrowed on floating-rate bases that are market dependent.

Please refer to Notes 3.1 and 15 to the accountant's report on TP Vision as set out in Appendix II to this circular for further details on the use of and balances for the financial instruments for hedging purposes.

As at 31 December 2012, there are no foreign currency net investments that are hedged by currency borrowings and other hedging investments.

Gearing ratio

As at 31 December 2012, TP Vision Group's gearing ratio, which is calculated as total borrowings and loans divided by total assets, was as follows.

	2012
	EUR'000
Total borrowings and loans	138,468
Total assets	1,399,913
Gearing ratio	9.9%

Management considers a gearing ratio of not more than 50% as reasonable. This ratio is also consistent with the policy of the TPV Group.

Capital Commitments

As of 31 December 2012, the total capital commitments of TP Vision Group amounted to EUR19.0 million, mainly in relation to committed software costs.

Contingent Liabilities

Please refer to Note 36 to the accountant's report on TP Vision as set out in Appendix II to this circular for further details on contingent liabilities.

Employment and Remuneration Policy

Remuneration of the staff mainly comprised contractual monthly salary, pension contributions and bonus entitlements based on their contributions to TP Vision Group. As at 31 December 2012, TP Vision Group had 3,138 employees worldwide, whose total emoluments amounted to EUR170.2 million for the period then ended.

Foreign Exchange Risk

TP Vision Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Russian Ruble. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require the TP Vision Group companies to manage their foreign exchange risk against their functional currencies. The TP Vision Group do not adopt formal hedge accounting policy. Entities in the TP Vision Group manage the amount of financial assets and liabilities denominated in foreign currencies together with the use of foreign exchange forward contracts and cross currency swaps to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. These derivative financial instruments are intended to hedge the foreign currency exposures and are for a period of up to 6 months.

As at 31 December 2012, if the Euro had weakened/strengthened by 5 percent against the US Dollar with all other variables held constant, post-tax loss for the year would have been €20,669,000 higher/lower, mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated trade and other receivables, trade and other payables, cash and cash equivalents and derivative financial instruments.

As at 31 December 2012, if the Euro had weakened/strengthened by 10 percent against the Russian Ruble with all other variables held constant, post-tax loss for the year would have been €3,822,000 lower/higher, mainly as a result of foreign exchange gains/losses on translation of Russia Ruble denominated other receivables, trade and other payables, cash and cash equivalents and derivative financial instruments.

Further details of the foreign exchange risk was discussed in Notes 3.1(a)(i) and 15 to the accountant's report on TP Vision Group as set out in Appendix II to this circular.

Significant investments, Material Acquisition and Disposals

TP Vision Group commenced its operations in April 2012. Details of the acquisition are set out in Note 37 to the accountant's report on TP Vision Group as set out in Appendix II to this circular.

Outlook

The following has been extracted from the TPV Group's 2012 annual report, representing TPV management's view on the outlook of the TV sector as at the end of 2012:

Countries and regions around the world are currently facing a host of different economic challenges. These make the outlook for the TV industry highly uncertain. DisplaySearch forecasts that global TV shipments will grow by 4.8 percent year-on-year to 213 million units, with developing markets remaining the growth engine for sales.

The burgeoning demand for connectivity is making Smart TV increasingly popular among consumers. The continuous incorporation of new content, the latest applications and interactive features into Smart TV — including greater compatibility with other electronic devices — may well make it the focal point of the market in 2013. We expect increased collaboration between TV content providers, software developers and TV makers, with a view to enhancing the scope of available content, applications and functionality. For this reason, we will continue to invest in our innovation development, and we will expand our R&D team in Bangalore, India.

Our shipments in the fourth quarter were lower than planned. Therefore, we needed to bring down our inventories to make room for the launch of 2013 models starting from March. While this inventory adjustment would have an adverse effect on our profitability in the first quarter, we anticipate the new product launch will bring improvements to our margins in the coming months. Despite the challenges we currently face, the TPV Group has laid strong foundations for its future growth. Our market leadership, manufacturing expertise and innovative strength would help to ensure our ability to cope with the changing technological landscape and operating environment.

FOR THE YEAR ENDED 31 DECEMBER 2013

Results

The audited net loss of TP Vision Group for the year ended 31 December 2013 was EUR247.8 million.

Business Review

Analysis of financial performance

Global demand for TVs fell short of expectation in 2013. While shipments to the growth markets in Asia Pacific, South America, Eastern Europe, and the Middle East and Africa grew, various negative political and economic developments in those regions slowed the growth momentum considerably. Meanwhile demand in developed economies continued to decline, most noticeably in Western Europe, where TV shipments fell by more than 10% in year-on-year terms, the second consecutive year they have fallen. A range of factors undermined demand. These ranged from economic weakness and high-penetration rates for TVs in developed countries to a lack of new features to stimulate replacement demand.

During 2013, TP Vision Group shipped 6.9 million TV sets globally including the results of TP Vision Brazil (2012: 5.7 million units) and achieved total revenues of EUR2,291.8 million, a EUR161.1 million increase in comparison to 2012. However, this was mainly attributable to operation of only 9 months during 2012 (since the launch of the TP Vision Group) whereas in 2013 these represented a full 12 months of operations. Feeble demand in the European market and a rapid slowdown of growth in South America hit TP Vision Group hard, both in terms of volumes and revenues, because they are the key markets. Besides the adverse effects of global market conditions, TP Vision Group's financial results were also impacted by foreign currency fluctuations.

Europe

Geographically, Europe segment sold 4.9 million TV sets (2012 : 4.3 million) and generated net revenues of EUR1,609.1 million (2012: EUR1,645.3 million), accounting for 70.3% of the TP Vision Group's total revenues (2012: 77.2%). The "adjusted operating loss" for the segment (that is profit or loss before finance income or costs and share of results of associates, as disclosed in note 5 to the Accountant's Report in Appendix II) has been EUR165.2 million (2012: adjusted operating profit of EUR22.7 million). These included depreciation charges for the property, plant and equipment of EUR11.2 million (2012 : EUR9.7 million) and amortization charges for the intangible assets of EUR34.5 million (2012 : EUR34.3 million).

Latam

Latam segment achieved total sales of 1.8 million TV sets (2012: 1.3 million), generating net revenues of EUR622.1 million during the year ended 31 December 2013 (2012 : EUR448.1 million). This has represented 27.1% of TP Vision Group's total revenues (2012 : 21.0%). Brazil and Argentina are the two main contributing countries in this segment. Due to the slowdown of growth in the region, adverse political and economic developments as well as foreign exchange fluctuations, the segment has reported an adjusted operating loss of EUR 30.1 million (2012: adjusted operating loss of EUR12.1 million). These included depreciation charges for the property, plant and equipment of EUR6.1 million (2012 : EUR6.3 million).

APMEA

APMEA segment has sold 0.2 million TV sets (2012 : 0.1 million), and generated net revenues of EUR60.5 million (2012: EUR37.3 million), accounting for 2.6% of TP Vision Group's total revenues (2012 : 1.8%). The adjusted operating loss attributable to the segment was EUR2.1 million (2012 : adjusted operating loss EUR4.7 million). These included depreciation charges for the property, plant and equipment of EUR0.5 million (2012 : EUR1.1 million).

The slow TV market also resulted in a build-up of inventory on hand and at retailers, leading TP Vision Group to resort to aggressive price cuts and sales promotions to clear these. The challenging environment as well as the adverse impact of foreign currency fluctuations during the year put some significant pressure on both the average selling price ("ASP") and gross profit margins where the ASP came down to EUR332.1, as compared to EUR373.8 per set in 2012.

Some one-off charges relating to the transformation of TP Vision Group in order to ensure its long-term growth also contributed to the underperformance of TP Vision Group's results, leading to a net loss position of EUR247.8 million for the year (2012 : EUR31.5 million). However, the inventory returned to a healthy level by the end of the year, and the greater integration of its operations with those of the TPV Group has given TP Vision Group a freer hand and a stronger backbone with which to enter 2014.

Selling and distribution and administration expenses have increased comparatively in 2013; however, this was mainly attributable to 12 months of operations in 2013 in comparison to a period of 9 months in 2012. Included in these were one-time non-recurring costs of EUR17.8 million relating to transformational investments to lower future periods operational costs.

R&D costs came down significantly, as a result of the major strengthening of its R&D capabilities in 2012 with further fine-tuning of these in 2013. TP Vision Group has now created a single European innovation site located in Ghent, Belgium. This brings together the high-end innovation activities in Eindhoven, Netherlands, and Bruges, Belgium, into one science and technology cluster. The team will focus on concept development and advanced development, as well as set development for the high-end range. Meanwhile, TP Vision's R&D office in Singapore has now been replaced by an expanded team based in Bangalore, India.

During 2013, related to the further transformation of TP Vision Group, additional provisions of EUR28.7 million was recorded, mainly in the areas of manufacturing, selling and distribution and administrative functions. Regarding manufacturing, in 2013 the TPV Group and TP Vision manufacturing operations in Manaus, Brazil, merged, sharing the same back-end functions. This strategy was designed to streamline their organizational structure and further centralize their functions, eliminate duplications between them, and achieve economies of scale, thereby reducing their costs and improving their efficiency. Similarly the production capacity of TP Vision's factory in Hungary and the TPV Group's plant in Gorzow, Poland, are also being further consolidated. This project is scheduled for completion during the first quarter of 2014.

Further steps were taken to combine the back office functions of the sales organizations, as well as headquarters impacting both selling and distribution and administration expenses. The business model optimisation plan announced by the TPV Group in October 2013 impacting Europe and Russia will be executed in the first two quarters of 2014 and will consolidate similar positions and competencies within Finance, Information Technology, Human Resources, Supply Chain Management, Logistics, and Operations in Shared Service Centres in Prague (Czech Republic) and Gorzow (Poland) by 1 June, 2014. Customer-focused roles will be cantered in the Shared Service Center in Prague while transactional activities will be consolidated in the Shared Service Center in Gorzow. In Russia, the support functions will be assumed by the TPV Group in Saint Petersburg. The restructuring provision balance related to these as at 31 December 2013 amounted to EUR10.3 million.

Analysis of financial position

Non-current assets declined compared to 31 December 2012, at EUR229.5 million as at 31 December 2013, mainly due to the reduction in intangible assets. Current assets decreased by EUR435.9 million due to reduction in inventories by EUR147.6 million, lower trade and other receivables (decreased by EUR104.7 million), and a reduction in cash and bank deposits by EUR186.0 million.

Current liabilities decreased by EUR188.3 million compared to December 2010 mainly due to EUR180.1 million lower trade payables.

Cash flow analysis

The adversities in the period have also impacted the working capital and cash flows for the year ended 31 December 2013. During the period, there was a net fund out flow of EUR184.3 million, attributable to EUR225.3 million and EUR28.0 million net cash used in operating and investing activities, offset by EUR69.0 million net funds generated from financing activities — mainly as proceeds from bank loans and overdrafts.

The net closing cash and cash equivalents as at 31 December 2013 was EUR82.7 million, a reduction of EUR186.0 million to the position of EUR268.7 million as at 31 December 2012.

Liquidity, Financial Resources and Capital Resources

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

TP Vision Group utilises a central approach to cash management and the financing of its operations, whereby the cash flow forecasting is performed in the operating entities and aggregated by the central treasury function of the TP Vision Group. Treasury monitors rolling forecasts of the TP Vision Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

Surplus cash or deficits held by the operating entities over and above balance required for working capital management are swept to the TP Vision Group's header accounts in the global cash pooling structure where allowed by local regulations. The Treasury invests surplus cash in time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

As of 31 December 2013, TP Vision Group's cash and bank balances (including pledged bank deposits) totalled EUR82.7 million. Credit facilities secured from parents totalled EUR470.0 million, of which EUR170.0 million was utilised.

The maturity profile of TP Vision Group's borrowings on an undiscounted basis, as of 31 December 2013, was as follows:

Duration	**2013**	**2012**
	EUR'000	*EUR'000*
Within one year	72,805	7,736
Between one and two years	70,000	–
Between two and five years	100,000	170,000
Wholly repayable within five years	242,805	177,736

Please refer to Notes 17 and 24 to the accountant's report on TP Vision as set out in Appendix II to this circular for further details on the currencies in which cash and cash equivalents are held and in which borrowings are made.

All of the TP Vision Group's debts were borrowed on floating-rate bases that are market dependent.

Please refer to Notes 3.1 and 15 to the accountant's report on TP Vision as set out in Appendix II to this circular for further details on the use of and balances for the financial instruments for hedging purposes.

As at 31 December 2013, there are no foreign currency net investments that are hedged by currency borrowings and other hedging investments.

Gearing ratio

As at 31 December 2013, TP Vision Group's gearing ratio, which is calculated as total borrowings and loans divided by total assets, was as follows.

	2013	**2012**
	EUR'000	*EUR'000*
Total borrowings and loans	219,607	138,468
Total assets	916,564	1,399,913
Gearing ratio	24.0%	9.9%

The increase in the gearing ratio for the year ended 31 December 2013 was attributable to the adversities as explained in the Business Review section above, which have also impacted the net working capital and cash flows for the year ended 31 December 2013.

Management considers a gearing ratio of not more than 50% as reasonable. This ratio is also consistent with the policy of the TPV Group.

Capital Commitments

As at 31 December 2013, the total capital commitments of TP Vision Group amounted to EUR3.2 million (2012: EUR19.0 million), mainly in relation to committed software costs.

Contingent Liabilities

Please refer to Note 36 to the accountant's report on TP Vision as set out in Appendix II to this circular for further details on contingent liabilities.

Employment and Remuneration Policy

Remuneration of the staff mainly comprised contractual monthly salary, pension contributions and bonus entitlements based on their contributions to the TP Vision Group. As at 31 December 2013, TP Vision Group had 2,251 employees worldwide, whose total emoluments amounted to EUR174.2 million for the year then ended.

Foreign Exchange Risk

TP Vision Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Russian Ruble. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require the TP Vision Group companies to manage their foreign exchange risk against their functional currencies. The TP Vision Group do not adopt formal hedge accounting policy. Entities in the TP Vision Group manage the amount of financial assets and liabilities denominated in foreign currencies together with the use of foreign exchange forward contracts and cross currency options and swaps to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. These derivative financial instruments are intended to hedge the foreign currency exposures and are for a period of up to 6 months.

As at 31 December 2013, if the Euro had weakened/strengthened by 5 percent against the US Dollar with all other variables held constant, post-tax loss for the year would have been €28,362,000 (2012: €20,669,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of US Dollar denominated trade and other receivables, trade and other payables, cash and cash equivalents and derivative financial instruments.

As at 31 December 2013, if the Euro had weakened/strengthened by 10 percent against the Russian Ruble with all other variables held constant, post-tax loss for the year would have been €2,620,000 (2012: €3,822,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Russia Ruble denominated other receivables, trade and other payables, cash and cash equivalents and derivative financial instruments.

Further details of the foreign exchange risk was discussed in Notes 3.1(a)(i) and 15 to the accountant's report on TP Vision Group as set out in Appendix II to this circular.

Significant investments, material acquisition and disposals

On 4 June 2013, the Company, TP Vision Brazil, Top Victory Investments Limited (a wholly-owned subsidiary of TPV) and Envision Brazil entered into a merger agreement, 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. Upon completion of the merger, TP Vision Brazil ceased to be in existence and the enlarged Envision Brazil continued as the surviving entity. The merger was completed on 1 September 2013.

Upon the completion of the merger, TP Vision Brazil no longer existed and there is only one combined entity, the enlarged Envision Brazil, whereby TP Vision owns 49% interest.

Details of the merger are set out in Note 38 to the accountant's report on TP Vision as set out in Appendix II to this circular.

Outlook

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

Moreover, TP Vision Group will focus its strategies on rolling out more value-added products that offer better margins. It has recently launched an exciting new range of highend TVs that embrace the Android platform which have garnered overwhelmingly positive feedback from consumers. There has also been a rapid increase in the popularity of the XXL segment (46 ins. and above) in the past few years, and this segment is set to fuel the growth of the entire industry in the future. TP Vision Group is determined to increase its shipments of XXL products to triple the 2012 figure.

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

Operationally, the transformation & integration programmes that have commenced in 2012 and evolved over the past two years will continue to unfold in 2014 and 2015. These entail combining globally the business and support functions in order to achieve maximum economies of scale, while simultaneously increasing efficiency and reducing costs. In addition, TP Vision will consolidate its country offices into regional ones, which will speed up the flow of data and allow for greater decision-making flexibility in response to market trends.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") which has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the assets and liabilities of the Enlarged Group as if the Proposed Acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2013 has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013; and pro forma adjustments prepared to reflect the effects of the Proposed Acquisition as explained in the notes set out below that are directly attributable to the Proposed Acquisition and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at 31 December 2013 or any future date.

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2013

	The Group as at 31 December 2013 *RMB'000* *(Audited)* *Note 1*	Pro forma adjustments *RMB'000* *Note 2*	Pro forma adjustments *RMB'000* *Note 3*	Pro forma adjustments *RMB'000* *Note4*	Pro forma adjustments *RMB'000* *Note 5*	Pro forma adjustments *RMB'000* *Note 6*	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group *RMB'000* *(Unaudited)*
Non-current assets							
Property, plant and equipment	6,469,453	–	–	–	–	–	6,469,453
Prepaid land lease payments	1,163,641	–	–	–	–	–	1,163,641
Investment properties	1,858,472	–	–	–	–	–	1,858,472
Intangible assets	902,537	–	–	–	–	–	902,537
Interests in associates	1,001,727	–	–	–	–	–	1,001,727
Interests in a joint venture	8,249	–	–	–	–	–	8,249
Available-for-sale investments	428,788	–	–	–	–	–	428,788
Prepayments, deposits and other receivables	989,399	–	–	–	–	–	989,399
Term deposits	173,452	–	–	–	–	–	173,452
Pledged deposits	23,400	–	–	–	–	–	23,400
Derivative financial instruments	71,657	–	–	–	–	–	71,657
Deferred tax assets	675,387	–	–	–	–	–	675,387
	13,766,162	–	–	–	–	–	13,766,162
Current assets							
Inventories	8,852,463	–	–	–	–	–	8,852,463
Trade and bills receivables	16,174,820	–	–	–	–	–	16,174,820
Prepaid land lease payments	34,315	–	–	–	–	–	34,315
Prepayments, deposits and other receivables	3,796,046	–	–	–	–	–	3,796,046
Financial assets at fair value through profit or loss	19,236	–	–	–	–	–	19,236
Tax recoverable	135,207	–	–	–	–	–	135,207
Derivative financial instruments	443,744	–	–	–	–	–	443,744
Available-for-sale investments	10,072	–	–	–	–	–	10,072
Amounts due from fellow subsidiaries	23,355	–	–	–	–	–	23,355
Amounts due from associates	7,511	–	–	–	–	–	7,511
Term deposits	247,000	–	–	–	–	–	247,000
Pledged deposits	4,157,430	–	–	–	–	–	4,157,430
Bank balances and cash	6,569,581	–	–	–	420,945	–	6,990,526
	40,470,780	–	–	–	420,945	–	40,891,725

	The Group as at 31 December 2013	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*Note 2*	*Note 3*	*Note4*	*Note 5*	*Note 6*	*(Unaudited)*
	Note 1						
Current liabilities							
Trade and bills payables	16,493,674	–	–	–	–	–	16,493,674
Other payables and accruals	7,760,431	–	–	–	420,945	6,336	8,187,712
Bank and other loans	9,439,259	–	–	–	–	–	9,439,259
Derivative financial instruments	418,918	–	–	–	–	–	418,918
Tax payable	345,151	–	–	–	–	–	345,151
Warranties and other provisions	816,644	–	–	–	–	–	816,644
Amounts due to fellow subsidiaries	3,635	–	–	–	–	–	3,635
Amounts due to associates	71,774	–	–	–	–	–	71,774
Amount due to ultimate holding company	145,000	–	–	–	–	–	145,000
	35,494,486	–	–	–	420,945	6,336	35,921,767
Net current assets	4,976,294	–	–	–	–	(6,336)	4,969,958
Total assets less current liabilities	18,742,456	–	–	–	–	(6,336)	18,736,120
Capital and reserves							
Share capital	1,197,742	–	–	–	–	–	1,197,742
Reserves	3,260,305	(1,068,019)	12,590	(73,023)	–	(1,843)	2,130,010
Equity attributable to owners of the Company	4,458,047	(1,068,019)	12,590	(73,023)	–	(1,843)	3,327,752
Non-controlling interests	10,429,931	1,027,523	–	–	–	(4,493)	11,452,961
Total equity	14,887,978	(40,496)	12,590	(73,023)	–	(6,336)	14,780,713

	The Group as at 31 December 2013	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*Note 2*	*Note 3*	*Note4*	*Note 5*	*Note 6*	*(Unaudited)*
	Note 1						
Non-current liabilities							
Other payables and accruals	850,709	–	–	–	–	–	850,709
Bank and other loans	2,105,631	–	–	73,023	–	–	2,178,654
Pension obligations	99,361	–	–	–	–	–	99,361
Derivative financial instruments	79,955	–	–	–	–	–	79,955
Contingent consideration payable and redemption liability	41,965	40,496	(12,590)	–	–	–	69,871
Deferred tax liabilities	570,611	–	–	–	–	–	570,611
Other long term provision	22,144	–	–	–	–	–	22,144
Government grants	84,102	–	–	–	–	–	84,102
	3,854,478	40,496	(12,590)	73,023	–	–	3,955,407
	18,742,456	–	–	–	–	(6,336)	18,736,120

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in its published annual report for the year ended 31 December 2013.

2. Upon completion of the Proposed Acquisition, TP Vision will become a wholly owned subsidiary of TPV and an indirectly non-wholly owned subsidiary of the Group. The purchase of the remaining 30% equity interests in TP Vision is accounted for as a transaction with non-controlling interests in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"). The difference between the fair value of the consideration paid and the carrying value of the non-controlling interests for the remaining 30% equity interests is recognised within equity.

   Assuming completion of the Proposed Acquisition at 31 December 2013 for the purpose of the Unaudited Pro Forma Financial Information, the effects on the equity attributable to owners of the Company arising from the Proposed Acquisition is as follows:

	RMB'000
Contingent consideration (a):	40,496
Add: carrying value of non-controlling interest (b)	1,027,523
Debit amount recognised in equity attributable to owners of the Company	1,068,019

   (a) Pursuant to the 30% Sale and Purchase Agreement, upon completion of the Proposed Acquisition, the contingent consideration for the remaining 30% equity interests in TP Vision will be combined with the contingent consideration for the 70% equity interest in TP Vision (the "70% contingent consideration") that was acquired by the Group on 1 April 2012. Collectively, this combined contingent consideration for the 100% equity interests in TP Vision which is referred to as the New Deferred Purchase Price will be determined based on a formula of Average Proportional EBIT times a multiple of four, where Average Proportional EBIT means the amount equal to:

      (i) 50% of the annual consolidated EBIT of TP Vision for financial years 2012 and 2013, each as reported in the audited consolidated annual accounts of TP Vision for these financial years plus

      (ii) the total Proportional EBIT for the period from (and including) the financial year 2014 to (and including) the year in which Philips exercises its right to receive the New Deferred Purchase Price.

and the total amount of (i) plus (ii) is to be divided by the number of years as of financial year ended 2012 to (and including) the year in which Philips exercises its right to receive the New Deferred Purchase Price.

Philips may elect to receive the New Deferred Purchase Price at any time after 31 March 2018, provided that if the Trademark License Agreement expires or is terminated after 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination if it has not been given earlier; if the Trademark License Agreement expires or is terminated before 31 March 2018 pursuant to the terms of the Trademark License Agreement, the election notice will be deemed to have been given by Philips on the date of such expiration or termination.

If the above calculation results in a negative number, then the contingent consideration is deemed to be zero.

The net increase in contingent consideration has been assumed to be approximately RMB40,496,000 (being the difference of fair value of the combined contingent consideration of approximately RMB69,871,000 and the fair value of the 70% contingent consideration of RMB29,375,000 recognised in the consolidated financial statements of the Group as at 31 December 2013). The fair value of the combined contingent consideration has been determined based on a valuation report prepared by an independent valuer and the historical performance of TP Vision. The valuation was carried out on a fair value basis in accordance with the International Valuation Standards ("IVS") issued by the International Valuation Standards Committee. Fair value is defined in IVS as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Under the current arrangement, Average Proportional EBIT only takes into account 50% of the annual consolidated EBIT of TP Vision in 2012 and 2013. Due to the poor performance of TP Vision in 2012 and 2013, 70% of the combined contingent consideration of RMB48,910,000, is higher than 70% of the combined contingent consideration of RMB29,375,000 as at 31 December 2013.

Since the fair value of the combined contingent consideration on the date of completion of the Proposed Acquisition may be substantially different from the value used in the Unaudited Pro Forma Financial information, the final amount of the gain/loss recognised within equity may be different from the amount presented above.

(b) The amount represents the carrying value of the non-controlling interests in TP Vision as at 31 December 2013.

This adjustment is non-recurring in nature.

3. At the time when the Group acquired a 70% equity interests in TP Vision on 1 April 2012, the Group granted Philips the right to sell and transfer all of its remaining 30% of its equity interests in TP Vision to the Group. This option was exercisable after 6 years of the completion of the 70% transaction, and was initially recorded as redemption liability under the non-current liability. As a result of this Proposed Acquisition, the redemption liability of RMB12,590,000 at 31 December 2013 upon Philips exercise of the option is extinguished and is included as part of the amount recognised in equity arising from transaction with the non-controlling interest.

   The adjustment is non-recurring in nature.

4. As part of the Proposed Acquisition, Philips will transfer to AOC, a wholly owned subsidiary of TPV and indirectly non-wholly owned subsidiary of the Group, its rights and obligation as a lender under all outstanding loans and stand-by facilities between Philips and TP Vision. To preserve the original funding arrangement, Philips, AOC and TPV will concurrently enter into new loan agreements, whereby Philips will make available to AOC loans and stand-by facilities of the same terms offered to TP Vision. TPV agrees to irrevocably and unconditionally guarantee to Philips the punctual performance by AOC of its obligations under the new loan agreements.

   Assuming completion of the Proposed Acquisition at 31 December 2013 for the purpose of the Unaudited Pro Forma Financial Information, this represents a transfer of EUR51,000,000 (equivalent to approximately RMB429,364,000) shareholders' loans from TP Vision to AOC.

   As part of the acquisition of a 70% equity interest in TP Vision on 1 April 2012, it was determined that the terms, under which these loans were granted to TP Vision, were better than market conditions. The difference between the loan amounts and their fair market values were recognised as capital contribution by Philips, and the carrying values of the shareholders' loans are amortised through the consolidated statement of profit and loss of the Group over the period of the loans.

   Upon completion of the Proposed Acquisition, no benefit is considered as transferrable to AOC (which is compared to loans of the same principal amount at an effective interest rate based on applicable market rates). Therefore, approximately RMB73,023,000, considered as the benefit on the shareholders' loans payable to Philips as at 31 December 2013, is derecognised through equity.

   This adjustment is non-recurring in nature.

5. Pursuant to the 30% Sale and Purchase Agreement, upon completion of the Proposed Acquisition, Philips will pay EUR50 million (equivalent to approximately RMB420,945,000) in cash as an advance payment for the future advertising and promotion activities to be carried out by TP Vision on behalf of Philips, within the scope in countries as defined in the Sale and Purchase Agreement. This amount has been included in deferred brand promotion fee income within other payables and accruals and will be recognised in the consolidated statement of profit and loss in future periods in accordance with the Group's accounting policy.

6. The adjustment represents estimated transaction costs of approximately RMB6,336,000 payable by the Group in connection with the Proposed Acquisition. Under HKFRS 10, transaction costs incurred in relation to transactions with non-controlling interest that do not result in a change in control are deducted from equity.

   This adjustment is non-recurring in nature.

7. For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the translation of EUR to RMB was made at a rate of EUR1 to RMB8.4189.

8. Apart from the Proposed Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group and the TP Vision Group subsequent to 31 December 2013.

IV. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

信永中和
ShineWing

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

TO THE DIRECTORS OF GREAT WALL TECHNOLOGY COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Great Wall Technology Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and the proposed acquisition (the "Proposed Acquisition") of the remaining 30% equity interests in TP Vision Holding B.V. and its subsidiaries (the "TP Vision Group"), (collectively the "Enlarged Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013 and related notes as set out on pages 142 to 149 of the circular issued by the Company dated 30 April 2014 (the "Circular"), in connection with the Proposed Acquisition by the Group. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 145 to 149 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Enlarged Group's financial position as at 31 December 2013 as if the Proposed Acquisition had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the year ended 31 December 2013, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

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

Hong Kong
30 April 2014

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICERS' INTERESTS

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

Personal Interests

Name of Director/ Chief Executive	Number of shares held	Approximate percentage of total registered share capital of the relevant entity
Mr. Tam Man Chi	1,670,817 shares of Shenzhen Kaifa Technology Co., Ltd. ("GreatWall Kaifa") (L)	0.11%
Mr. Du Heping	60,000 shares of GWSZ (L)	0.0045%
	6,270 shares of Great Wall Kaifa (L)	0.0004%

Corporate Interests

Name of Director	Number of shares held	Approximate percentage of total registered share capital of the relevant entity
Mr. Tam Man Chi	106,649,381 shares of Great Wall Kaifa (L) *(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 hold in aggregate 100% equity interest in Flash Bright Investment Limited.

The letter "L" denotes a long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which was required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interest, direct or indirect, in any asset which have been since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or lease to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executives of the Company are aware, the following persons (not being a Director, supervisor or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, were as follows:

Long position in the shares and underlying shares of the Company

Name of Shareholder	Class of shares	Number of shares held	Shareholding percentage of issued state-owned legal person shares	Shareholding percentage of issued Shares
Great Wall Group	State-owned legal person shares	743,870,000	100%	62.11%

Since 18 August 2006, Great Wall Group has been wholly owned by CEC which in turn, has become the ultimate controlling shareholder of the Company by holding 62.11% of the Company's total issued share capital.

	Position(s) in the Company	Position(s) in Great Wall Group
Mr. Yang Jun	director	director and vice-president

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or senior management had any interest or position in the substantial shareholders of the Company.

Save as disclosed above, so far as is known to the Directors, supervisor and chief executive of the Company, as at the Latest Practicable Date, no other person (other than the Directors, supervisors and chief executives of the Company), had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or, who was, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. COMPETING INTERESTS

Each of the Directors has confirmed that he and his associates do not have any interests in a business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Directors or supervisors of the Company had any existing or proposed service contracts with the Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following contracts (not being contract in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

(a) the supplemental agreement to the Merger Agreement (as more particularly described in item (i) below dated 8 April 2013 entered into among CEC, Great Wall Group and the Company to amend the long stop day in the Merger Agreement from 30 June 2014 to 30 October 2014;

(b) the 30% Sale and Purchase Agreement;

(c) the Supplemental SPA;

(d) the Supplemental TMLA;

(e) the Loan Amendment and Restatement Deed;

(f) the New Term Loan Agreement;

(g) the New Revolving Loan Agreement;

(h) the Term Sheet;

(i) the merger agreement dated 16 December 2013 ("Merger Agreement") entered into among CEC, Great Wall Group and the and the Company pursuant to which, each of the company and Great Wall Group will be merged and absorbed by CEC in accordance with the PRC Company Law and other applicable PRC Laws (the "Mergers"). The Mergers will be implemented and completed by the following major processes after the completion of the voluntary conditional offer being made by ABCI Capital Limited on behalf of CEC and Great Wall Group to acquire all of the issued H shares of the Company ("H Shares") (other than those already owned by CEC, Great Wall Group and parties acting in concert with any of them) (the "H Share Offer") and the voluntary withdrawal of the listing of the H Shares on the Stock Exchange, 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 Great Wall Group under the H Share Offer) in cash to the holders of H Shares whose names appear on the register of the Company as at the effective date of the Merger Agreement which will be the date when the conditions of the Mergers are all fulfilled; and (ii) Great Wall Group and the Company 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;

(j) the Existing Revolving Loan Agreement;

(k) 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 the Company) and Fuqing Municipal People's Government, a third party independent of the Company and the connected person (as defined under the Listing Rules) of the Company ("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;

(l) the agreement dated 21 October 2013 and entered into between GWSZ 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 GWSZ 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;

(m) 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 the Company, and the Company pursuant to which CEC Finance has agreed to provide to the Company deposit services, loan services, settlement services, general strategic advisory services and other financial services subject to the terms and conditions thereof for a term of three years commencing from 12 November 2013, the date on which the independent shareholders of the Company approved same at the Company's extraordinary general meeting. The maximum daily deposit amount (including accrued interest) placed by the Company 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 the Company during the term of the agreement shall not exceed RMB200 million. The interest rate payable by CEC Finance for the deposits placed by the Company 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 the Company on a quarterly basis. The interest charged by CEC Finance on loans granted to the Company shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be payable by the Company 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;

(n) 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, 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;

(o) the financial services agreement dated 19 August 2013 and entered into between CEC Finance and GWSZ pursuant to which CEC Finance has agreed to provide to GWSZ 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 GWSZ approved same at GWSZ's shareholders meeting. The maximum daily deposit amount (including accrued interest) placed by GWSZ 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 GWSZ during the term of the agreement shall not exceed RMB400 million. The interest rate payable by CEC Finance for the deposits placed by GWSZ 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 GWSZ on a quarterly basis. The interest charged by CEC Finance on loans granted to GWSZ shall not be higher than the rate charged by other commercial banks in the PRC and such interest shall be payable by GWSZ 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;

(p) 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 GWSZ, 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;

(q) the merger agreement dated 4 June 2013 and entered into among Top Victory, a wholly-owned subsidiary of TPV, TP Vision, TP Vision Indústria Eletrônica Ltda., ("TP Vision Brazil"), a wholly-owned 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;

(r) the capital injection agreement dated 27 March 2013 and entered into among CEC, GWSZ 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 the Company which is wholly-owned by GWSZ, pursuant to which the parties agreed that CEC to inject RMB100,000,000 into Xin An as registered capital of Xin An; and

(s) 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).

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following sets out the qualifications of the expert which has given an opinion or advice on the information contained in this circular:

Name	Qualifications
Vinco Capital	A licensed corporation for carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited ("SHINEWING")	Certified Public Accountants
PricewaterhouseCoopers ("PwC")	Certified Public Accountants

(a) As at the Latest Practicable Date, each of Vinco Capital, SHINEWING and PwC has no interest, direct or indirect, in the share capital of any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(b) As at the Latest Practicable Date, each of Vinco Capital, SHINEWING and PwC has no interest, direct or indirect, in any assets which have been, since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Each of Vinco Capital, SHINEWING and PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

(d) The letter and recommendation given by the Vinco Capital is given as of the date of this circular for incorporation therein.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 2201, H.K. Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this circular.

(a) the 30% Sale and Purchase Agreement;

(b) the Supplemental SPA;

(c) the Supplemental TMLA;

(d) the Loan Amendment and Restatement Deed;

(e) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;

(f) the letter from the Vinco Capital, the text of which is set out in this circular;

(g) the articles of association of the Company;

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(i) the annual report of the Company for the three years ended 31 December 2013;

(j) the accountants' report on the TP Vision Group, the text of which is set out in Appendix II to this circular;

(k) the report in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(l) the letters of consent referred to in the paragraph headed "Qualifications and Consents of Experts" in this Appendix V;

(m) the contracts referred to in this circular (other than those set out in (h) above), namely the Existing Shareholder Loan Agreement. First Sale and Purchase Agreement, the Trademark License Agreement and the Secondary Trademark License Agreement; and

(n) this circular.

11. GENERAL

(a) The company secretary of the Company 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.

(b) The Company's H shares registrar and transfer office is Hong Kong Registrars Ltd., Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The legal address of the Company is No. 2, Keyuan Road, Technology & Industry Park, Nanshan District, Shenzhen, the PRC.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency