FIH® 富智康™

FIH Mobile Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2038

2014

Annual Report

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CORPORATE INFORMATION

FIH MOBILE LIMITED (THE "COMPANY", AND TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

LEE Kuo Yu

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

COMPANY SECRETARY

LAW Sai Hay

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Clifford Chance, Hong Kong
Freshfields Bruckhaus Deringer, Hong Kong
Mayer Brown JSM, Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2038

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report to you on the Group's 2014 outstanding performance. As I indicated in last year's annual report, the Group would be entering into a new phase of growth through various hard work that our management team and our colleagues put in. Indeed we have seen all such efforts coming into fruition in the year of 2014.

Our sales revenue increased by about 37% and net profit was more than doubled, year-on-year. Customer base was further diversified that we saw a good balance of business coming from international and Chinese customers. Our services revenue and other emerging markets business started to roll out. Overall, I believe the Group is on track for more healthy and sustainable growth.

2014 also marked a year of Chinese cell phone brands' rising into the global leading pack. Key Chinese brands are among world-wide top 10 cell phone ranks, thanks to their success in China home market. Our efforts in working with our Chinese customers were essential to their scale-up expansions. Our supply chain management competitiveness enabled their sky-rocketed volume hype. We believe now we are well positioned, with the strategic partnerships formed with customers in China, to continue driving the growth into 2015.

International customers contributed to our good performance in 2014 as well. Our teams helped design and manufactured several top-selling models for these customers. We believe, in selected markets, such momentum will go on to provide good business flows to the Group.

To enhance the current end-to-end services offered to our customers, we invested in repair and trade-in businesses. This not only fulfills our obligations as an environmental-friendly corporate organisation but also leads us into a new business domain. We have kicked off such activities in North America and China and will keep driving these initiatives.

Looking forward, I expect another exciting year ahead of us. Design differentiation demands handset brands to go into metal casing and other materials that give the Group natural advantages. Our capabilities and capacity in handling complicated metallic mechanical parts position ourselves well in the next waves of product and market trends.

We will continue our endeavours for the Group's successful transformation. Expanding from hardware design, manufacturing and supply chain management to more value-added activities in the mobile devices ecosystem will enable the Group to become an indispensable player in this field. We will work towards greater diversification of customer base into emerging markets and into mobile Internet services. We will also continue to explore and materialise good investment opportunities, particularly those arising in emerging markets. The next phase of the Group's further expansion has been laid upon solid foundation and the management team will drive relentlessly our consolidated efforts towards a greater future for the Group and its shareholders as a whole.

Many thanks to the customers', shareholders' and the board of directors' support to the management team in the past year. We aim to continue to execute well and deliver even better results in the years to come.

Finally, I would like to express my gratitude to our employees and their families. These support and encouragement are essential to the Group's continuous success.

With best regards,

TONG Wen-hsin
Chairman

REVIEW OF RESULTS AND OPERATIONS

For the twelve-month period ended 31 December 2014, the Group recognised a consolidated turnover of US$6,830 million, representing an increase of 36.7% from US$4,997 million for the same period last year. We see diverse performance across our customers driven by market share reshuffles and changes of business strategies. Gross profit for the period reached US$423 million, representing an increase from US$224 million for the same period last year. Profit attributable to owners of the Company for the period was US$169 million, representing an increase from US$77 million for the same period last year. Basic earnings per share for the period was US2.24 cents.

The profit increment was mainly driven by gross margin expansion, principally as a result of greater orders from customers, yield and operation efficiency and effective cost control and resources optimisation. In the past two to three years, the Group had succeeded in both customer penetration and new client expansion which diversified the customer mix through strengthening existing relationships and building up new relationships, thereby giving rise to more orders from customers and ultimate earnings. With rising adoption of metal casings in the market, the Group had increased higher margin component business contribution from both existing and new customers, demonstrating its solid experience and competency and advanced technology and strong execution, and comprehensive manufacturing services have been well acknowledged and highly appreciated by its customers and the market. The management has encouraged creation and innovation at work, and will continue to deploy meaningful resources in R&D (research and development), which in turn could further enhance the Group's manufacturing and ODM (original design manufacturing) capabilities, thus enabling the Group to provide more advanced and diversified services to sustain its leading position in the competitive market in the long run, particularly when the ODM business model continues to be a win-win strategy for the Group and its customers.

Despite strong business performance, the Group has remained lean and managed to maintain operating expense at relatively stable level of US$356 million, when compared with US$365 million for the same period last year, with expense ratio being improved to 5.2% from 7.3%. The management has continued cost control initiatives which were implemented a few years ago, including optimising organisation structure, controlling overheads and raw material costs and rationalising capacities and optimising utilisations. The ongoing roll-out of automation manufacturing process has also mitigated the impact of rising labour cost. All these efforts have enabled the Group to be a more nimble and flexible business partner for its customers and to continue to handle high-mix orders with smaller volumes at competitive pricing.

Across overall business, Asia segment remained our major performance contributor and recorded earnings of US$418 million, reflecting 83.7% growth over those for the same period last year. This was mainly driven by strong growth of Chinese brands and new customer development and greater operation efficiency. The Chinese brands have continued to gain market shares from global brands due to the former's attractive pricing and localised design. The performance of Europe segment remained weak, while US segment became gradually stabilised on the basis of improving economic environment, recording earnings of US$13 million and US$88 million, respectively. The Group recognised US$35 million impairment loss throughout the year due to downsizing of an overseas manufacturing site. While heading into 2015, the Group has planned to add a few production lines, including metal casing, to cope with higher customer demand; at the same time, it will continue to review its global capacities to optimise resources, with the aim to enjoying operating leverage expansion alongside an upturn in the capital expenditure cycle.

The good operating result demonstrates the efforts made by the management team and the staff and our business has been moving on the right track. With the continuing efforts to develop new markets and customers and commitment to upgrade manufacturing technology and efficiency and enhance R&D capability, we expect another strong year ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a cash balance of US$1,844 million (2013: US$2,124 million). The cash balance is expected to be able to finance its operations. The Group's gearing ratio, expressed as a percentage of interest bearing external borrowings of US$179 million (2013: US$138 million) over total assets of US$6,823 million (2013: US$5,586 million), was 2.62% (2013: 2.47%). All of the external borrowings were denominated in US Dollars. The Group borrowed according to real demand and there were no bank committed borrowing facilities and no seasonality of borrowing requirements. The outstanding interest bearing external borrowings were all at fixed rate ranging from 0.95% to 1.46% per annum with original maturity of one to three months.

As at 31 December 2014, the Group's cash and cash equivalents were mainly held in US Dollars and RMB.

Net cash from operating activities for the year ended 31 December 2014 was US$252 million.

Net cash used in investing activities for the year ended 31 December 2014 was US$570 million, of which, mainly, US$139 million represented the expenditures on property, plant and equipment related to the facilities in the Group's major sites in the People's Republic of China (the "PRC"), US$138 million represented placement of bank deposits, US$1,386 million represented purchase of short-term investments, US$34 million represented purchase of available-for-sale investments, US$12 million represented acquisition of investments in associates, US$35 million represented proceeds from disposal of property, plant and equipment and US$1,104 million represented proceeds from settlements of short-term investments.

Net cash from financing activities for the year ended 31 December 2014 was US$78 million, primarily due to net increase in bank borrowings of US$42 million and proceeds of US$36 million from the issue of shares.

EXPOSURES TO CURRENCY RISK AND RELATED HEDGES

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

Besides, the Group sometimes entered into short-term forward foreign currency contracts (usually with tenors less than 3 months) to hedge the currency risk resulting from its short-term bank borrowings (usually with tenors of 1 to 3 months) denominated in foreign currencies. Also, the Group, from time to time, utilised a variety of forward foreign currency contracts to hedge its exposure to foreign currencies.

CAPITAL COMMITMENT

As at 31 December 2014, the capital commitment of the Group was US$54.6 million (2013: US$15.8 million). Usually, the capital commitment will be funded by cash generated from operations.

PLEDGE OF ASSETS

There was no pledge of the Group's assets as at 31 December 2014 and 2013.

OUTLOOK

Looking ahead, the Group will continue to devote resources to enhance its core competences and remain agile and competitive and provide its customers with value-added/end-to-end solutions from design and manufacturing to repair, logistics and distribution and develop much more stable long-term business relationships with the Group's existing and potential customers. At the same time, the Group aims to further grow its business through development of new markets, new businesses and new products and services. In addition to China market, the management has also focused on emerging markets, such as Southeast Asia, which are expected to become the next growth driver. As these markets are experiencing product migration from feature phone to smart phone, the Group's scale, solid know-how and wide service platform from design to manufacturing have turned itself into a reliable business partner for local brands. On the other hand, the Group's global presence could also support both global brands and Chinese brands that plan to do overseas expansion.

Apart from the existing business, the Group is dedicated to exploiting new business by establishing strategic partnerships and making equity investments. In 2014, the Group invested in CExchange, LLC, which offers consumer electronics trade-in and buy-back services to US retailers. In particular, CExchange, LLC could help grow the Group's repair service business with its solid service positioning, familiarity with the retail and wireless industries and comprehensive network of resale and distribution channels. The Group has also stepped in mobile Internet business, which creates higher value throughout the handset industry value chain. By investing in companies like migme Limited (operating a multi-platform mobile Internet business focusing on emerging markets), the Group now has greater access to local end users and better understanding of the emerging markets. The Group will also continuously look for other good investment opportunities. In addition to handsets, the Group has gradually accumulated relevant experience involving wearable devices and IOT (Internet Of Things) products, and would be ready once next killer application arises in the market.

With all these activities going forward, the management has the confidence to accelerate the ongoing growth momentum of the strong 2014 performance into 2015.

EMPLOYEES

As at 31 December 2014, the Group had a total of 83,084 (2013: 63,499) employees. Total staff costs incurred during the year 2014 amounted to US$429 million (2013: US$435 million). The Group offers a comprehensive remuneration policy which is reviewed by the management on a regular basis.

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

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

DIRECTORS

TONG Wen-hsin (Mr.), Chinese (Taiwan) and aged 49, is now the Chairman and an executive director of the Company. He has over 23 years of experience in the investment banking, finance and information technology fields as well as general management experience. He joined the Company as director of investments and investor relations in July 2004 and has been a member of the Company's senior management team since then. During the period from May to December 2012, he was the head overseeing and supervising the respective functions and responsibilities of different departments of the Company, including its investment management, investor relations, accounting/tax, finance, business control, operation management, legal and compliance, company secretarial and internal audit services departments. Mr. Tong was re-designated as the chairman (previously a director) of Chiun Mai Communication Systems, Inc. ("CMCS"), a subsidiary of the Company in Taiwan, effective 1 August 2014. He is also a director of certain other subsidiaries of the Company, namely FIH Co., Ltd. and Fu Hong Enterprises Limited respectively. He resigned as a director of Ways Technical Corp., Ltd. ("Ways Technical"), a limited company incorporated in Taiwan and whose shares are traded on the Taiwan OTC Exchange, effective 25 June 2013. Before joining the Company, Mr. Tong worked at ABN AMRO Rothschild, where he was a director of the equity capital markets department, responsible for capital raising and underwriting of various equity and equity-linked issues of Asian corporate clients. Prior to that, he worked in the equity capital markets department of Jardine Fleming and Robert Fleming (which is now part of JP Morgan) in Hong Kong and London, as well as in the marketing and sales departments of International Business Machines Corporation in Taiwan. Mr. Tong holds a MBA degree from London Business School, United Kingdom, which he obtained in 1995.

CHIH Yu Yang (Mr.), Chinese (Taiwan) and aged 56, joined the Company as an executive director in August 2009. He is the chief executive officer and the chairman of the corporate governance committee respectively of the Company. Mr. Chih was re-designated as a director (previously the chairman) of CMCS, a subsidiary of the Company in Taiwan which is the primary mobile handset design services arm of the Group, effective 1 August 2014. Mr. Chih joined the Group in 2005 when the Group acquired CMCS. Prior to that, Mr. Chih was the founder of CMCS since its establishment in 2001. He is also a director of certain other subsidiaries of the Company, namely Evenwell Digitech Inc., Executar International Limited, FIH Technology Korea Ltd., Greater Success Investments Limited and Transworld Holdings Limited respectively. He has 35 years of extensive experience in the communication industries. From 1997 to 2001, Mr. Chih was the vice president and general manager of Communication B.U. in BenQ (formerly Acer Communication and Multimedia, Inc.) where he was responsible for BenQ's cellular phone business. Prior to that, he held various engineering and managerial positions in companies including ITT Corporation, GTE Corporation and Rockwell Semiconductor Systems. Mr. Chih obtained a Bachelor of Science degree in Electrical Engineering from National Tsing Hua University in Taiwan in 1980.

Dr. LEE Jer Sheng (Mr.), Chinese (Taiwan) and aged 51, joined the Company as an executive director in June 2010. He is a member of the corporate governance committee of the Company. Dr. Lee joined the Company as director of mechanical production in June 2004. Before joining the Company, he had worked for 鴻海精密工業股份有限公司 (Hon Hai Precision Industry Co. Ltd. for identification purposes only), the ultimate controlling shareholder of the Company ("Hon Hai") since February 1998 and had been one of the principal managers responsible for the handset manufacturing services business of Hon Hai, its subsidiaries and associates (collectively, the "Hon Hai Group") since January 2002. Dr. Lee has almost 23 years of mechanical engineering and production management experience. He is also a director of certain subsidiaries of the Company, namely Ease Cheer Holdings Limited, Eastern Leap Holdings Limited, Eastern Source Investments Limited, Everfame Technologies Limited, Excel True Holdings Limited, Extra Harmony Limited, Extra High Enterprises Limited, FIH Co., Ltd., FIH India Private Limited, 富智康精密組件(北京)有限公司 (FIH Precision Component (BeiJing) Co., Ltd. for identification purposes only), FIH Precision Electronics (Lang Fang) Co., Ltd., FIH (Tian Jin) Precision Industry Co., Ltd., Grand Champion Trading Limited, 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd. for identification purposes only), Success World Holdings Limited, Transworld Communication Systems Inc. and Wise Excel Limited respectively. Dr. Lee is also a director of Ways Transworld Inc. (a joint venture of the Company). He also serves as a director of Ways Technical. Prior to that, Dr. Lee held various positions in automotive industry in Taiwan. Dr. Lee received a B.S. in Aerospace Engineering from National Cheng Kung University, Taiwan in 1986 and a Ph.D. in Mechanical Engineering and Applied Mechanics from the University of Michigan (Ann Arbor), US in 1993.

Dr. LEE Kuo Yu (Ms.), Chinese (Taiwan) and aged 56, joined the Company as a non-executive director in May 2013. She is a member of the audit committee, remuneration committee and nomination committee respectively of the Company. Dr. Lee joined Hon Hai in April 2008 and is now a vice president in charge of Business Administration in Hon Hai. Prior to joining Hon Hai in 2008, Dr. Lee was the chief financial officer of CyberTAN Technology Inc., a Taiwan listed public company. She has over 32 years of operation and corporate management related experience. Dr. Lee obtained a Bachelor of Arts degree in Economics from National Taiwan University, Taiwan in 1981 and a Ph.D. in Business Administration from the National Chengchi University, Taiwan in 2001.

LAU Siu Ki (Mr.), Chinese (Hong Kong) and aged 56, joined the Company as an independent non-executive director in December 2004. He is the chairman of the audit committee, remuneration committee and nomination committee respectively of the Company. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. Mr. Lau is currently a financial advisory consultant running his own management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. He graduated from Hong Kong Polytechnic in 1981. Mr. Lau is a member of both the Association of Chartered Certified Accountants ("ACCA") and Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. Mr. Lau also serves as an independent non-executive director of Binhai Investment Company Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Samson Holding Ltd. and TCL Communication Technology Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was appointed as an independent supervisor of Beijing Capital International Airport Co., Ltd., whose shares are listed on the Stock Exchange, effective 30 June 2014. Mr. Lau was also appointed as an independent non-executive director of UKF (Holdings) Limited, whose shares are listed on the Stock Exchange, effective 16 March 2015.

Dr. Daniel Joseph MEHAN (Mr.), American and aged 70, joined the Company as an independent non-executive director in July 2007. He is a member of the audit committee, remuneration committee and nomination committee respectively of the Company. He was the chief information officer of the Federal Aviation Administration from 1999 to 2005. Prior to that, Dr. Mehan was senior level executive who held a variety of leadership positions at AT&T for over 20 years, including international vice president and international chief information officer. Dr. Mehan has strong background in information systems, cyber security, business management, marketing initiatives and technology development. Dr. Mehan received both his Ph.D. in Operations Research and Master of Science in Systems Engineering from University of Pennsylvania, US.

CHEN Fung Ming (Mr.), Chinese (Taiwan) and aged 68, joined the Company as an independent non-executive director in November 2008. Mr. Chen is the chairman of Prolight Opto Technology Corp. in Taiwan which provides high power LED packaging for lighting application. From 2006 to 2008, Mr. Chen was a director of Beyond Innovation Technology Corp. in Taiwan specialising in IC design for video application. He has extensive experience in the electronics and lighting industries. Mr. Chen obtained a Bachelor of Science degree in Physics from Fu Jen Catholic University in Taiwan in 1970. He also received from the University of Wisconsin-Madison, US, a Master of Science degree in Physics and a Master of Science degree in Computer Science in 1974.

SENIOR MANAGEMENT

CHAO Shan Ping, Henry (Mr.), Chinese (Taiwan) and aged 58, joined the Company as director of electronic parts production and assembly in June 2004. Before joining the Company, Mr. Chao was with Hon Hai since September 1996 and was responsible for SMT and computer motherboard manufacturing processes and had been one of the principal managers responsible for the handset manufacturing services business of the Hon Hai Group since March 2001. He is also a director of certain subsidiaries of the Company, namely Effinville International Limited, Eternity Sparkle Holdings Limited, Ever Lucky Industrial Limited, Extra Power International Limited, FIH India Developer Private Limited, 富智康精密組件(北京)有限公司 (FIH Precision Component (BeiJing) Co., Ltd. for identification purposes only), FIH Precision Electronics (Lang Fang) Co., Ltd., FIH Technology Korea Ltd., Honxun Electrical Industry (Hangzhou) Co., Ltd., KSB International Limited, Rocombe Limited and Topper World Investments Limited respectively. Prior to that, Mr. Chao held various production and engineering management positions with Wang Computer and Delta Electronics. He has over 30 years of experience in engineering management. Mr. Chao received a Bachelor's degree in Industrial Engineering from National Taipei University of Technology, Taiwan in 1978.

WANG Chien Ho, Janson (Mr.), Chinese (Taiwan) and aged 55, joined the Company as director of electronic parts manufacturing and SMT and system assembly in June 2004. Before joining the Company, Mr. Wang joined the Hon Hai Group in June 1996 as an operation manager. He was then responsible for SMT and mother board manufacturing in Czech Europe as director of factory operation in 1999. In 2004, he was responsible for setting up a new factory of PCBA and engine production in FIH Europe in Hungary. Mr. Wang was promoted to a vice president responsible for ODM operation in Shenzhen, China in 2007. From 2009, he has started to be based in northern China. Mr. Wang is also a director of certain subsidiaries of the Company, namely 深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd. for identification purposes only) and 衡陽富泰宏精密工業有限公司 (Hengyang Futaihong Precision Industrial Co., Ltd for identification purposes only) respectively. He has over 28 years of extensive experience in manufacturing operation and engineering management. Mr. Wang obtained a Bachelor degree in Electronics Engineering from Feng Chia University, Taiwan in 1982.

TAM Kam Wah, Danny (Mr.), Chinese (Hong Kong with British nationality) and aged 51, joined the Company as senior manager of financial control in October 2004. Mr. Tam is the chief financial officer of the Company. He is responsible for accounting and internal and external financial reporting, financial planning, taxation, investment management, internal control, investor relations, corporate governance, risk management and performance management of the Group. Mr. Tam has over 27 years of experience in accounting and finance in Hong Kong listed companies and multinational companies. He is also the statutory auditor of FIH Technology Korea Ltd., a subsidiary of the Company in Korea. Prior to joining the Company, he worked as a financial controller for ITT Industries and Hutchison Harbour Ring Ltd. and he also worked as an accounting manager for Coates Brothers (HK) Co., Ltd. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Certified Public Accountants. Mr. Tam received a BBA from Chinese University of Hong Kong in 1988, a Master of Applied Finance from Macquarie University, Australia in 1994, a Master of Business Administration degree from University of Ottawa, Canada in 1996, and a Master of Arts degree in Information System and a Master of Arts degree in Electronic Business from City University of Hong Kong in 1999 and 2002 respectively. Mr. Tam also received a Master of Accounting from Jinan University, PRC in 2005.

CHEN Hui Chung, John (Mr.), Chinese (Taiwan) and aged 53, joined the Company as senior director of finance division in August 2013. He is responsible for treasury, financial investment and financial risk management of the Group. Mr. Chen has over 25 years of experience in finance areas in Taiwan listed companies. Before joining the Company, he was the chief financial officer of Taiwan Synthetic Rubber Corp and Wan Hai Lines Ltd. respectively. Mr. Chen received a Bachelor of Transportation and Communication from National Cheng Kung University, Taiwan in 1983 and a MBA from University of California Irvine, US in 1987.

The Board is pleased to announce this annual report, particularly the audited consolidated results of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are set out in the consolidated financial statements on pages 96 and 97. The Group is a vertically integrated manufacturing services provider for handset industry worldwide. It provides a full range of manufacturing services to its customers in connection with the production of handsets.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated financial statements on page 30. The Board has resolved to recommend the declaration and payment of a final dividend of US$0.00544 per ordinary share of the Company (which in aggregate amounts to approximately US$42,359,000), and a special dividend of US$0.01926 per ordinary share of the Company (which in aggregate amounts to approximately US$150,000,000), respectively, for the year ended 31 December 2014, subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Details regarding the proposed declaration and payment of the final dividend and the special dividend are set out in the Company's circular dated 10 April 2015.

RESERVES

Movements in reserves of the Group during the year are set out on page 32.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution amounted to approximately US$1,970,789,000.

SHARE CAPITAL

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

FINANCIAL SUMMARY

A financial summary of the results of the Group for the last five financial years is set out on page 100.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

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

BANK LOANS

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

DIRECTORS

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

Executive Directors

TONG Wen-hsin
CHIH Yu Yang
LEE Jer Sheng

Non-executive Director

LEE Kuo Yu

Independent Non-executive Directors

LAU Siu Ki
Daniel Joseph MEHAN
CHEN Fung Ming

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

Pursuant to article 112 of the articles of association of the Company (the "Articles"), one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every three years. In accordance with article 112 of the Articles, Mr. LAU Siu Ki and Dr. Daniel Joseph MEHAN will retire from office by rotation at the Company's forthcoming annual general meeting and, being eligible, will offer themselves for re-election at such meeting.

During the year, expenses allowances of approximately US$1,300 and US$8,070 were paid to Mr. CHIH Yu Yang and Dr. LEE Jer Sheng respectively.

SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company or any subsidiary of the Company's holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

DISCLOSURE OF INTERESTS

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

As at 31 December 2014, the interests and short positions, if any, of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

Name of director	Name of corporation	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company/ associated corporation
TONG Wen-hsin	Company	Personal Interest	2,032,505	0.0261%
	Hon Hai	Personal Interest	113,636	0.0008%
CHIH Yu Yang	Company	Personal Interest	8,724,053	0.1120%
	Hon Hai	Personal Interest	853,139	0.0058%
	CMCS *(Note 1)*	Personal Interest	1,000	0.0007%
LEE Jer Sheng *(Note 2)*	Company	Personal Interest	1,980,932	0.0254%
		Jointly-held Interest	100,000	0.0013%
LEE Kuo Yu	Hon Hai	Personal Interest	213,880	0.0014%

Notes:

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

2. 1,980,932 shares include 80,292 shares which are issuable upon vesting of the share grants granted under the share scheme of the Company adopted by the Board on 12 January 2005, as amended by the shareholders of the Company on 4 August 2006 and further amended by the Board on 29 October 2009 (the "Former Share Scheme"). 100,000 shares are beneficially and jointly owned by Dr. LEE Jer Sheng and Ms. TING Kuei Feng, the spouse of Dr. LEE Jer Sheng. Accordingly, Dr. LEE Jer Sheng is deemed to be interested in 100,000 shares which are jointly held by him and his spouse for the purposes of the SFO.

Save as disclosed above, none of the directors or chief executive of the Company had, as at 31 December 2014, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), or which were required to be and were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to any director of the Company, as at 31 December 2014, shareholders (other than the directors or chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the Company
Foxconn (Far East) Limited	Beneficial owner	5,081,034,525	65.23%
Hon Hai *(Notes)*	Interest of a controlled corporation	5,081,034,525	65.23%

Notes:

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

2. Dr. LEE Kuo Yu, a non-executive director of the Company, is an employee of the Hon Hai Group.

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any persons (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the members of the senior management of the Company (whose biographical details were disclosed in "Profile of Directors and Senior Management" set forth in the 2013 annual report of the Company and are set out in "Profile of Directors and Senior Management" above) during the year were within the following bands:

	Number of senior management
HK$0 to HK$500,000	3
HK$500,001 to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	3 *(Note)*

Note: Amongst these three members of the senior management of the Company, one ceased to be such with effect from 24 June 2014, and in place of the ceasing member, another became such with effect from 24 June 2014.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions not falling under rule 14A.76(1) of the Listing Rules as undertaken by the Group during the year are summarised as follows:

Purchase Transaction

Pursuant to the framework materials and components supply agreement entered into among the Company, Hon Hai, Innolux Corporation (formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) and 鴻準精密工業股份有限公司 (Foxconn Technology Company Limited for identification purposes only) (both associates of Hon Hai) on 19 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007, 19 November 2010 and 17 October 2013) (the "Purchase Agreement"), the Group has purchased materials and components from the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) in respect of purchases from a supplier of materials and components for the manufacture of handsets as approved by the Group's customer, at the price agreed between the supplier and the Group's customer; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based upon reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Purchase Agreement (the "Purchase Transaction") constitute a continuing connected transaction for the Company, and the Company had set the then existing annual caps for the Purchase Transaction for the three years ending 31 December 2016.

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

In view of certain new handset manufacturing projects of the Group, it was anticipated that the Group would purchase additional materials and components from the Hon Hai Group under the Purchase Transaction pursuant to the Purchase Agreement at prices agreeable to the Company. As such, the Company envisaged that the then existing annual caps for the Purchase Transaction for the three years ending 31 December 2016 might not be sufficient.

Therefore, on 12 September 2014, the Company proposed new annual caps for the Purchase Transaction for the three years ending 31 December 2016 at US$1,353 million for 2014, US$1,758 million for 2015 and US$1,758 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual transaction amounts of the Purchase Transaction for the six months ended 30 June 2014;
- the actual transaction amounts of the Purchase Transaction in 2013;

- the estimated transaction amounts of the Purchase Transaction arising from the Group's new handset manufacturing projects for 2014 taking into account the Group's internal production plans following discussions with and inputs from customers; and

- an additional buffer of 5%.

Based on the maximum amount of the proposed annual caps for the Purchase Transaction for the three years ending 31 December 2016, the relevant percentage ratios (as calculated based on the requirements under rule 14.07 of the Listing Rules) were more than 5% and the Purchase Transaction constituted a non-exempt continuing connected transaction for the Company under the Listing Rules and therefore the Purchase Transaction and the relevant proposed annual caps for the three years ending 31 December 2016 were subject to the approval of the Company's shareholders other than Hon Hai and its associates (as defined in the Listing Rules) (the "Independent Shareholders"). On 24 October 2014, the Purchase Transaction and the relevant proposed annual caps for the three years ending 31 December 2016 were approved by the Independent Shareholders at the Company's extraordinary general meeting.

Product Sales Transaction

Pursuant to the framework product sales agreement entered into among the Company, Hon Hai and Innolux Corporation (an associate of Hon Hai formerly known as Innolux Display Corporation and then Chimei Innolux Corporation) on 18 January 2005 (as amended by the respective supplemental agreements dated 28 February 2006, 24 October 2007, 19 November 2010 and 17 October 2013) (the "Product Sales Agreement"), the Group has sold parts or other products manufactured or owned by it to the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Product Sales Agreement (the "Product Sales Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Product Sales Transaction for the three years ending 31 December 2016.

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

Sub-contracting Income Transaction

Pursuant to the framework sub-contracting agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010, 26 July 2012 and 17 October 2013) between the Company and Hon Hai (the "Sub-contracting Income Agreement"), the Group has provided certain services (such as molding, metal stamping for handsets and desktop computers, handset repair services and other services) to the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where the Group has been approved or otherwise designated by the relevant customers of the Hon Hai Group, at the price agreed between the Group and such customers; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Sub-contracting Income Agreement (the "Sub-contracting Income Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Sub-contracting Income Transaction for the three years ending 31 December 2016.

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

Non-real Property Lease Expense Transaction

Pursuant to the framework lease agreement relating to movable non-real properties dated 13 June 2013 (as amended by a supplemental agreement dated 17 October 2013) between the Company and Hon Hai (the "Non-real Property Lease Expense Agreement"), the Group has leased movable non-real properties such as equipment and machines (the "Non-real Properties") from the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein. The rental payable by the Group under the transactions contemplated under the Non-real Property Lease Expense Agreement (the "Non-real Property Lease Expense Transaction") shall be determined on a fair and reasonable basis with reference to the average market rental of other similar properties in the market. If the average market rental is not available, the rental payable under the Non-real Property Lease Expense Transaction shall be determined on a "cost plus" basis. If both the average market rental basis and the "cost plus" basis are not appropriate or applicable, the rental payable under the Non-real Property Lease Expense Transaction shall be agreed between the relevant parties based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the Non-real Property Lease Expense Transaction constitutes a continuing connected transaction for the Company, and the Company had set annual caps for the Non-real Property Lease Expense Transaction for the three years ending 31 December 2016.

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

General Services Expense Transaction

Pursuant to the general services agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 17 October 2013) between the Company and Hon Hai (the "General Services Expense Agreement"), the Hon Hai Group has provided general administrative, support, utility and other related services to the Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where there is a price determined by the relevant state, at such state-determined price; or

(b) where there is no state-determined price, at the market price; or

(c) where there is no state-determined price or market price, on the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate, at a price to be agreed between the relevant parties.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the General Services Expense Agreement (the "General Services Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the General Services Expense Transaction for the three years ending 31 December 2016.

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

Consolidated Services and Sub-contracting Expense Transaction

Pursuant to the framework consolidated services and sub-contracting agreement entered into among the Company, Hon Hai, PCE Industry Inc. (a subsidiary of Hon Hai) and Sutech Industry Inc. (a wholly-owned subsidiary of the Company) on 24 October 2007 (as amended by the respective supplemental agreements dated 19 November 2010 and 17 October 2013) (the "Consolidated Services and Sub-contracting Expense Agreement"), the Hon Hai Group has provided services including research and development services, design services, repair services and sub-contracting services to the Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) where the Hon Hai Group has been approved or otherwise designated by the relevant customers of the Group, at the price agreed between the Hon Hai Group and such customers; if not, at a price to be determined by reference to the average market price; or

(b) where (a) above is not appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group upon the basis of the principle of "cost plus"; or

(c) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the Group and the Hon Hai Group based on reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Consolidated Services and Sub-contracting Expense Agreement (the "Consolidated Services and Sub-contracting Expense Transaction") constitute a continuing connected transaction for the Company, and the Company had set the then existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2016.

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

In view of certain new handset manufacturing projects of the Group, it was anticipated that the Group would require additional sub-contracting services from the Hon Hai Group under the Consolidated Services and Sub-contracting Expense Agreement at prices agreeable to the Company. As such, the Company envisaged that the then existing annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2016 might not be sufficient.

Therefore, on 12 September 2014, the Company set new annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2016 at US$157 million for 2014, US$210 million for 2015 and US$210 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual transaction amounts of the Consolidated Services and Sub-contracting Expense Transaction for the six months ended 30 June 2014;
- the actual transaction amounts of the Consolidated Services and Sub-contracting Expense Transaction in 2013;
- the estimated transaction amounts of the Consolidated Services and Sub-contracting Expense Transaction arising from the Group's new handset manufacturing projects for 2014 taking into account the Group's internal production plans following discussions with and inputs from customers; and
- an additional buffer of 5%.

Based on the maximum amount of the new annual caps for the Consolidated Services and Sub-contracting Expense Transaction for the three years ending 31 December 2016, the relevant percentage ratios were less than 5%. In accordance with rule 14A.76(2) of the Listing Rules, the Consolidated Services and Sub-contracting Expense Transaction and the relevant new annual caps for the three years ending 31 December 2016 were exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements. On 12 September 2014, the Company published the relevant announcement.

Equipment Purchase Transaction

Pursuant to the framework equipment purchase agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 17 October 2013) between the Company and Hon Hai (the "Equipment Purchase Agreement"), the Group has purchased equipment from the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Hon Hai Group; or

(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or

(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based upon reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Equipment Purchase Agreement (the "Equipment Purchase Transaction") constitute a continuing connected transaction for the Company, and the Company had set the then existing annual caps for the Equipment Purchase Transaction for the three years ending 31 December 2016.

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

In view of certain new handset manufacturing projects of the Group, it was anticipated that the Group would purchase additional equipment from the Hon Hai Group under the Equipment Purchase Agreement at prices agreeable to the Company. As such, the Company envisaged that the then existing annual caps for the Equipment Purchase Transaction for the three years ending 31 December 2016 might not be sufficient.

Therefore, on 12 September 2014, the Company set new annual caps for the Equipment Purchase Transaction for the three years ending 31 December 2016 at US$169 million for 2014, US$182 million for 2015 and US$182 million for 2016, which were determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following major factors:

- the actual transaction amounts of the Equipment Purchase Transaction for the six months ended 30 June 2014;
- the actual transaction amounts of the Equipment Purchase Transaction in 2013;
- the estimated transaction amounts of the Equipment Purchase Transaction arising from the Group's new handset manufacturing projects for 2014 taking into account the Group's internal production plans following discussions with and inputs from customers; and
- an additional buffer of 5%.

Based on the maximum amount of the new annual caps for the Equipment Purchase Transaction for the three years ending 31 December 2016, the relevant percentage ratios were less than 5%. In accordance with rule 14A.76(2) of the Listing Rules, the Equipment Purchase Transaction and the relevant new annual caps for the three years ending 31 December 2016 were exempt from the circular (including independent financial advice) and the Independent Shareholders' approval requirements. On 12 September 2014, the Company published the relevant announcement.

Equipment Sale Transaction

Pursuant to the framework equipment sale agreement dated 18 January 2005 (as amended by the respective supplemental agreements dated 12 January 2006, 24 October 2007, 19 November 2010 and 17 October 2013) between the Company and Hon Hai (the "Equipment Sale Agreement"), the Group has sold equipment to the Hon Hai Group from time to time for a term up to 31 December 2016 upon and subject to the terms and conditions set out therein at a price determined as follows:

(a) at the book value of the relevant equipment as recorded in the accounts of the relevant member of the Group; or

(b) if (a) above is not appropriate or applicable, at a price to be determined by reference to the average market price; or

(c) where (a) and (b) above are not appropriate or applicable, at a price to be agreed between the relevant parties on the basis of the principle of "cost plus"; or

(d) where none of the above pricing bases is appropriate or applicable, at a price to be agreed between the parties based upon reasonable commercial principles.

Hon Hai is the ultimate controlling shareholder of the Company. Therefore, the transactions contemplated under the Equipment Sale Agreement (the "Equipment Sale Transaction") constitute a continuing connected transaction for the Company, and the Company had set annual caps for the Equipment Sale Transaction for the three years ending 31 December 2016.

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

Annual Consideration

The total consideration of each continuing connected transaction not falling under rule 14A.76(1) of the Listing Rules as undertaken by the Group during the year is as follows:

Continuing connected transaction	Paying Group	Total consideration for the year ended 31 December 2014 (US$'000)
Purchase Transaction	Group	836,522
Product Sales Transaction	Hon Hai Group	325,262
Sub-contracting Income Transaction	Hon Hai Group	146,371
Non-real Property Lease Expense Transaction	Group	17,132
General Services Expense Transaction	Group	16,285
Consolidated Services and Sub-contracting Expense Transaction	Group	147,636
Equipment Purchase Transaction	Group	94,002
Equipment Sale Transaction	Hon Hai Group	23,751

Annual Review

Pursuant to rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company to report on the continuing connected transactions of the Group not falling under rule 14A.76(1) of the Listing Rules. The Company's auditors were engaged to report on such continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of such continuing connected transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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

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

2. on normal commercial terms or better; and

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

The related party transactions referred to in note 35(a) to the consolidated financial statements have also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

SHARE OPTION SCHEMES AND SHARE SCHEMES

Termination of Former Schemes and Adoption of Existing Schemes

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

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

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

For the avoidance of doubt, no further options will be granted under the Former Share Option Scheme after its termination, and no further shares will be granted under the Former Share Scheme after its termination, but in all other respects, the provisions of the Former Share Option Scheme and the Former Share Scheme respectively shall remain in full force and effect. Accordingly, all options granted prior to the termination of the Former Share Option Scheme and not then exercised shall remain valid and shall continue to be subject to the provisions of the Former Share Option Scheme and Chapter 17 of the Listing Rules, and all shares granted prior to the termination of the Former Share Scheme and not then vested shall remain valid and shall continue to be subject to the provisions of the Former Share Scheme. In relation to all options granted prior to the termination of the Former Share Option Scheme and not then exercised, such options were lapsed in their entirety as at 31 December 2014.

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

Movements of Share Options

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

Category of grantee	Outstanding at the beginning of the year	Date of grant during the year	Granted during the year	Vesting period	Exercise price	Exercised during the year	Lapsed/ Expired during the year	Cancelled during the year	Outstanding at the end of the year
Directors									
TONG Wen-hsin	1,126,063	–	–	each year on 1 January from 2012 to 2014	HK$3.62	(176,000)	(950,063)	–	–
LEE Jer Sheng	1,701,553	–	–	each year on 1 January from 2012 to 2014	HK$3.62	–	(1,701,553)	–	–
Employees	154,842,475	–	–	each year on 1 January from 2012 to 2014	HK$3.62	(76,846,839)	(77,995,636)	–	–
	157,670,091		–			(77,022,839)	(80,647,252)	–	–

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

Summary of Principal Terms of Existing Share Option Scheme

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

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

The total number of shares in respect of which options may be granted under the Existing Share Option Scheme shall be 757,380,227 shares, representing approximately 9.72% of the issued share capital of the Company as at the date of this report.

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

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

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

Information on Existing Share Scheme

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

At the Company's annual general meeting held on 29 May 2014, an ordinary resolution was passed to grant a general mandate to the Board (or its duly authorised officer(s) or delegate(s)) to allot, issue and deal with additional shares under the Existing Share Scheme not exceeding 2% of the issued share capital of the Company as at the date of such meeting, amounting to an aggregate of 154,453,182 shares.

Pursuant to the approval of the Company's officers/delegates (as duly authorised by the Board) on 8 May 2014, the Company awarded a total of 138,267,922 ordinary shares (including 10,052,535 ordinary shares which were purchased from the market by the trustee as per the Existing Share Scheme) to a total of 5,038 beneficiaries under the Existing Share Scheme, in respect of which some share awards are subject to the corresponding lock-up periods.

In addition, pursuant to the approval of the Company's officers/delegates (as duly authorised by the Board) on 3 July 2014, the Company awarded a total of 10,900,786 ordinary shares (including 730,089 ordinary shares which were purchased from the market by the trustee as per the Existing Share Scheme) to a total of 211 beneficiaries under the Existing Share Scheme, in respect of which some share awards are subject to the corresponding lock-up periods.

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

As at 19 March 2015, the issued share capital of the Company comprised 7,789,472,197 shares of US$0.04 each. Subject to the passing of an ordinary resolution approving the Scheme Mandate and on the basis that no shares will be issued, purchased or bought-back prior to the forthcoming annual general meeting, exercise in full of the Scheme Mandate will result in 155,789,443 shares being allotted and issued under the Scheme Mandate. On the basis of the closing price of HK$3.62 per share as at 19 March 2015 and the Scheme Mandate being exercised in full, the aggregate market value of the 155,789,443 shares to be allotted and issued pursuant thereto would be approximately HK$563,957,784. The Company expects that the costs attributable to the grant of any shares under the Existing Share Scheme will be accounted for by reference to the market value of such shares at the time of grant. The Company will give due consideration to any financial impact arising from the grant of shares under the Existing Share Scheme before exercising the Scheme Mandate.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 75.16% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 27.63%. Purchases from the Group's five largest suppliers accounted for approximately 34.17% of the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 14.55%.

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

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

PENSION SCHEMES

Details of the Group's pension scheme and the basis of calculation are set out in note 36 to the consolidated financial statements.

AUDIT COMMITTEE

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014 and this annual report and recommended the same to the Board for approval.

CORPORATE GOVERNANCE

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

AUDITORS

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

On behalf of the Board

Tong Wen-hsin
Chairman

Hong Kong, 19 March 2015

Deloitte.
德勤

TO THE SHAREHOLDERS OF FIH MOBILE LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of FIH Mobile Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 99, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
19 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014 US$'000**	2013 US$'000
Turnover	*6*	**6,829,890**	4,996,949
Cost of sales		**(6,406,769)**	(4,773,061)
Gross profit		**423,121**	223,888
Other income, gains and losses	*7*	**259,528**	270,638
Selling expenses		**(17,846)**	(18,439)
General and administrative expenses		**(195,450)**	(191,282)
Research and development expenses		**(142,921)**	(155,747)
Impairment loss recognised for property, plant and equipment	*14*	**(34,932)**	(16,819)
Impairment loss recognised for interest in an associate	*19*	**(4,750)**	(4,130)
Interest expense on bank borrowings	*26*	**(10,441)**	(6,115)
Share of loss of associates		**(6,693)**	(681)
Share of loss of joint ventures		**(1,466)**	(369)
Profit before tax	*8*	**268,150**	100,944
Income tax expense	*11*	**(98,843)**	(23,660)
Profit for the year		**169,307**	77,284
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**1,915**	326
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(55,866)**	46,313
Fair value loss on available-for-sale financial assets		**(749)**	–
Share of translation reserve of associates		**(45)**	(264)
Share of translation reserve of joint ventures		**(219)**	(73)
		(56,879)	45,976
Other comprehensive (expense) income for the year, net of income tax		**(54,964)**	46,302
Total comprehensive income for the year		**114,343**	123,586
Profit (loss) for the year attributable to:			
Owners of the Company		**169,437**	77,714
Non-controlling interests		**(130)**	(430)
		169,307	77,284
Total comprehensive income (expense) attributable to:			
Owners of the Company		**115,015**	124,255
Non-controlling interests		**(672)**	(669)
		114,343	123,586
Earnings per share	*13*		
Basic		**US2.24 cents**	US1.04 cents
Diluted		**US2.20 cents**	US1.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Non-current assets			
Property, plant and equipment	14	**907,718**	987,286
Investment properties	15	**2,271**	2,795
Prepaid lease payments	16	**47,084**	48,492
Available-for-sale investments	18	**25,217**	1,188
Interests in associates	19	**35,077**	25,249
Interests in joint ventures	20	**4,673**	6,358
Deferred tax assets	21	**61,280**	61,790
Deposit for acquisition of prepaid lease payments	17	**31,160**	31,275
		1,114,480	1,164,433
Current assets			
Inventories	22	**595,572**	225,919
Trade and other receivables	23	**2,445,104**	1,678,245
Short-term investments	24	**299,440**	–
Bank deposits	30	**523,734**	393,089
Bank balances and cash	30	**1,844,192**	2,124,079
		5,708,042	4,421,332
Current liabilities			
Trade and other payables	25	**2,494,056**	1,585,167
Bank borrowings	26	**178,730**	137,780
Provision	31	**27,985**	31,503
Tax payable		**160,916**	90,140
		2,861,687	1,844,590
Net current assets		**2,846,355**	2,576,742
Total assets less current liabilities		**3,960,835**	3,741,175
Capital and reserves			
Share capital	27	**311,579**	302,963
Reserves	28	**3,609,139**	3,395,702
Equity attributable to owners of the Company		**3,920,718**	3,698,665
Non-controlling interests		**9,152**	9,824
Total equity		**3,929,870**	3,708,489
Non-current liabilities			
Deferred tax liabilities	21	**249**	15
Deferred income	32	**30,716**	32,671
		30,965	32,686
		3,960,835	3,741,175

The consolidated financial statements on pages 30 to 99 were approved and authorised for issue by the board of directors on 19 March 2015 and are signed on its behalf by:

TONG WEN-HSIN	**CHIH YU YANG**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital US$'000	Share premium US$'000	Special reserve US$'000 *(note 28)*	Revaluation reserve US$'000	Other reserve US$'000 *(note a)*	Legal reserve US$'000 *(note 28)*	Translation reserve US$'000	Share compensation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2013	292,493	863,432	15,514	–	(3,159)	165,293	443,836	75,750	1,662,638	3,515,797	10,758	3,526,555
Other comprehensive income (expense) for the year	–	–	–	–	326	–	46,215	–	–	46,541	(239)	46,302
Profit (loss) for the year	–	–	–	–	–	–	–	–	77,714	77,714	(430)	77,284
Total comprehensive income (expense) for the year	–	–	–	–	326	–	46,215	–	77,714	124,255	(669)	123,586
Issue of ordinary shares under Option Schemes and Share Schemes	10,470	122,046	–	–	–	–	–	(115,689)	–	16,827	–	16,827
Purchase of additional interests in a subsidiary	–	–	–	–	(33)	–	–	–	–	(33)	(265)	(298)
Payment made for equity-settled share-based payments *(note 37)*	–	–	–	–	–	–	–	(5,897)	–	(5,897)	–	(5,897)
Recognition of equity-settled share-based payments *(note 37)*	–	–	–	–	–	–	–	47,716	–	47,716	–	47,716
Profit appropriations	–	–	–	–	–	947	–	–	(947)	–	–	–
Transfer *(note b)*	–	–	–	–	–	–	–	(584)	584	–	–	–
Balance at 31 December 2013	302,963	985,478	15,514	–	(2,866)	166,240	490,051	1,296	1,739,989	3,698,665	9,824	3,708,489
Other comprehensive (expense) income for the year	–	–	–	(749)	1,915	–	(55,588)	–	–	(54,422)	(542)	(54,964)
Profit (loss) for the year	–	–	–	–	–	–	–	–	169,437	169,437	(130)	169,307
Total comprehensive (expense) income for the year	–	–	–	(749)	1,915	–	(55,588)	–	169,437	115,015	(672)	114,343
Issue of ordinary shares under Option Schemes and Share Schemes	8,616	104,966	–	–	–	–	–	(77,627)	–	35,955	–	35,955
Payment made for equity-settled share-based payments *(note 37)*	–	–	–	–	–	–	–	(5,810)	–	(5,810)	–	(5,810)
Recognition of equity-settled share-based payments *(note 37)*	–	–	–	–	–	–	–	76,893	–	76,893	–	76,893
Profit appropriations	–	–	–	–	–	255	–	–	(255)	–	–	–
Transfer *(note b)*	–	–	–	–	–	–	–	(8,917)	8,917	–	–	–
Balance at 31 December 2014	311,579	1,090,444	15,514	(749)	(951)	166,495	434,463	(14,165)	1,918,088	3,920,718	9,152	3,929,870

Notes:

(a) The amount represents the remeasurement of defined benefit pension plans and the other reserves arising from the effects of changes in ownership in certain subsidiaries when there was no change in control.

(b) The amount represents aggregate of the amount previously recognised in share compensation reserve in respect of those share options forfeited after vesting date.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 US$'000	2013 US$'000
OPERATING ACTIVITIES		
Profit before tax	**268,150**	100,944
Adjustments for:		
Depreciation and amortisation	**143,948**	154,842
Share-based payment expenses	**76,893**	47,716
Impairment loss recognised for property, plant and equipment	**34,932**	16,819
Write down of inventories	**24,158**	14,809
Interest expense	**10,441**	6,115
Share of loss of associates	**6,693**	681
Impairment loss recognised for interest in an associate	**4,750**	4,130
Share of loss of joint ventures	**1,466**	369
(Reversal of) impairment loss recognised in respect of trade receivables	**(79)**	83
Gain from changes in fair value of financial assets classified as held-for-trading	**(971)**	–
Deferred income recognised to income	**(1,828)**	(1,816)
(Gain) loss on disposal of property, plant and equipment	**(3,179)**	6,820
Gain from changes in fair value of financial assets designated as fair value through profit or loss	**(14,894)**	–
Interest income	**(61,868)**	(52,517)
Loss of disposal of prepaid lease payments	**–**	277
Loss on disposal of available-for-sale investments	**–**	27
Operating cash flows before movements in working capital	**488,612**	299,299
(Increase) decrease in inventories	**(393,857)**	110,887
Increase in trade and other receivables	**(797,939)**	(514,055)
Increase in trade and other payables	**939,695**	328,271
(Decrease) increase in provision	**(2,727)**	1,358
Cash generated from operations	**233,784**	225,760
Income taxes paid	**(28,072)**	(32,020)
Interest paid	**(9,273)**	(5,970)
Interest received	**61,498**	50,436
Payments made for share-based payment expenses	**(5,810)**	(5,897)
NET CASH FROM OPERATING ACTIVITIES	**252,127**	232,309

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 **US$'000**	2013 US$'000
INVESTING ACTIVITIES		
Purchase of short-term investments	**(1,386,108)**	–
Purchase of property, plant and equipment	**(139,347)**	(77,041)
(Placement) withdrawal of bank deposits for investing purpose	**(137,717)**	44,577
Purchase of available-for-sale investments	**(34,555)**	(1,150)
Acquisition of investments in associates	**(11,577)**	–
Proceeds on settlements of short-term investments	**1,103,787**	–
Proceeds on disposal of property, plant and equipment	**35,390**	21,691
Cash transferred by customer for purchase of property, plant and equipment	**75**	103,924
Purchase of property, plant and equipment from cash provided by customer	**–**	(103,924)
Capital contribution to a joint venture	**–**	(3,060)
Dividend income from an associate	**–**	1,628
Proceeds on disposal of prepaid lease payments	**–**	246
Proceeds from disposal of available-for-sale investments	**–**	21
NET CASH USED IN INVESTING ACTIVITIES	**(570,052)**	(13,088)
FINANCING ACTIVITIES		
Bank borrowings repaid	**(3,371,736)**	(2,477,300)
Bank borrowings raised	**3,413,849**	2,405,524
Proceeds from issue of shares	**35,955**	16,827
Purchase of additional interests in a subsidiary	**–**	(298)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**78,068**	(55,247)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(239,857)**	163,974
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,124,079**	1,916,998
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(40,030)**	43,107
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH	**1,844,192**	2,124,079

1. GENERAL

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged as a vertically integrated manufacturing services provider for handset industry worldwide. The Group provides a full range of manufacturing services to its customers in connection with the production of handsets. The principal activities of its principal subsidiaries are set out in note 38.

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

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

In the current year, the Group has applied the following amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretation Committee (the "IFRIC") of the IASB for the first time:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC 21	Levies

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

Amendments to IAS 32 "Offsetting financial assets and financial liabilities"

The Group has applied the amendments to IAS 32 "Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IAS 32 have been applied retrospectively. Disclosures relating to the Group's offsetting arrangements are set out in note 5.

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

Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets"

The Group has applied the amendments to IAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 "Fair Value Measurements".

The amendments to IAS 36 have been applied retrospectively. Additional disclosures relating to the recoverable amount for non-financial assets are set out in the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IAS 1	Presentation of financial statements[3]
IAS 28 (2011)	Investments in associates and joint ventures[3]
IFRS 9	Financial instruments[6]
IFRS 10	Consolidated financial statements[3]
IFRS 12	Disclosure of interests in other entities[3]
IFRS 14	Regulatory deferral accounts[4]
IFRS 15	Revenue from contracts with customers[5]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to IAS 1	Disclosure initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[3]
Amendments to IAS 19	Defined benefit plans: Employee contributions[1]
Amendments to IAS 27	Equity method in separate financial statements[3]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Apply the consolidation exception[3]
Amendments to IFRSs	Annual improvements to IFRSs 2010–2012 cycle[2]
Amendments to IFRSs	Annual improvements to IFRSs 2011–2013 cycle[1]
Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle[3]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

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

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

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

IFRS 9 "Financial instruments" *(Continued)*

The directors of the Company do not anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial liabilities. Regarding the financial assets, the application may have impact on the amounts reported in respect of the Group's available-for-sale investments which are currently carried at cost less impairment. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 "Revenue from contracts with customers"

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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

Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation"

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment and prepaid lease payments, respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 19 "Defined benefit plans: Employee contributions"

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

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

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements, as all the contributions made to the defined benefit plans are dependent on the number of years of the service and are already attributed to the employees' periods of service using the projected unit credit method.

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

Amendments to IAS 27 "Equity method in separate financial statements"

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost; or
- In accordance with IFRS 9 "Financial instruments" (or IAS 39 "Financial instruments: Recognition and measurement" for entities that have not yet adopted IFRS 9); or
- Using the equity method as described in IAS 28 "Investments in associates and joint ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 "Consolidated financial statements" and to IFRS 1 "First-time adoption of international financial reporting standards".

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture" *(Continued)*

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

Service income is recognised when services are provided.

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

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

Property, plant and equipment

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

Prepaid lease payments

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land for own use

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

Retirement benefit costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs *(Continued)*

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

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

Inventories

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

Research and development expenditure

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

Impairment losses on tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are either held-for-trading or they are designated as at FVTPL.

A financial asset is classified as held-for-trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held-for-trading, including short-term investments, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain or loss from changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and are included in the 'other income, gains and losses' line item. Fair value is determined in the manner described in note 5.

Loans and receivables

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

AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Other than those changes relating to interest income calculated using the effective interest method and dividends on AFS equity investments, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

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

Effective interest method

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

Derivative financial instruments

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

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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

Provisions

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

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Significant influence over interests in associates

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

Classification of investments as joint ventures

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

Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

The impairment of certain property, plant and equipment used to provide manufacturing services to customers in connection with the production of handsets is based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value in use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses. An impairment loss of US$34,932,000 (2013: US$16,819,000), being the excess of the carrying amount over the recoverable amount of property, plant and equipment, was recognised in profit or loss in the current year. The carrying amount of the property, plant and equipment as at 31 December 2014 is US$907,718,000 (2013: US$987,286,000) (see note 14).

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

Key sources of estimation uncertainty *(Continued)*

Provision for warranty

Provision has been made for the costs to repair or replace defective goods, such as labour costs (whether incurred internal or external) and material costs, and costs that may not be recoverable from suppliers for the rework, in accordance with contractual terms or the Group's policy. In determining the amount of provisions, the management estimates the extent of repairs and replacements with reference to its past experience, technological needs and industrial averages for defective products. The estimation may be adversely affected by many factors, including additional variations to the manufacturing plans requested by the customers or because of technical needs, and unforeseen problems and circumstances. Any of these factors may affect the extent of repair or replacement required and therefore affect the ultimate repair and replacement costs to be incurred in the future periods. As at 31 December 2014, the provision is US$27,985,000 (2013: US$31,503,000).

Details of the movement on the provision are set out in note 31.

Income taxes

As at 31 December 2014, a deferred tax asset of US$8,224,000 (2013: US$11,315,000) in relation to unused tax losses of US$27,413,000 (2013: US$37,715,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of US$849,896,000 (2013: US$925,708,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future.

As at 31 December 2014, an income tax of US$3,000,000 (2013: US$4,890,000) has been recognised in respect of the withholding tax provided for distributed profits of certain subsidiaries in the People's Republic of China (the "PRC"). No deferred tax has been provided for the undistributed profits of US$1,009,903,000 (2013: US$803,983,000) in remaining subsidiaries in the PRC as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax assets were also recognised for other deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$214,864,000 (2013: US$206,448,000).

At 31 December 2014, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$175,596,000 (2013: US$144,570,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management of the Group has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurements and valuation processes (Continued)

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group's valuation team will perform the valuation. If the valuation involves complicated calculation, the Group engages third party qualified valuers to perform the valuation and the valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Where there is a material change in the fair value of the assets/liabilities, the causes of the fluctuations will be reported to the directors of the Company.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 5 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 **US$'000**	2013 US$'000
Financial assets		
Fair value through profit or loss		
Derivatives	**27**	1,907
Short-term investments	**299,440**	–
	299,467	1,907
Available-for-sale financial assets	**25,217**	1,188
Loans and receivables		
Trade and other receivables	**2,289,914**	1,559,576
Bank deposits	**523,734**	393,089
Bank balances and cash	**1,844,192**	2,124,079
	4,657,840	4,076,744
	4,982,524	4,079,839
Financial liabilities		
Fair value through profit or loss		
Derivatives	**6,777**	1,085
At amortised cost		
Trade and other payables	**2,191,648**	1,323,992
Bank borrowings	**178,730**	137,780
	2,370,378	1,461,772
	2,377,155	1,462,857

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

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

Market risk

Interest rate risk

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

Currency risk

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

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

As at 31 December 2014, total notional amount of outstanding forward foreign exchange contracts that the Group has committed is approximately US$84,765,000 (2013: US$162,932,000), and their fair values are estimated to be approximately US$27,000 assets and US$6,777,000 liabilities (2013: US$1,907,000 assets and US$1,085,000 liabilities), and are included as other receivables and other payables, respectively, at the end of the reporting period. The contracts mainly related to buying of US$ and Euro (2013: US$, Brazilian Real ("BRL") and Euro) with maturities in first quarter of the following year.

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

	2014 **US$'000**	2013 US$'000
Assets		
US$	**2,301,203**	803,651
Liabilities		
US$	**(1,449,519)**	(502,478)

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk (Continued)

The Group's bank borrowings of approximately US$46,730,000 (2013: US$137,780,000) at the end of the reporting period are denominated in US$ other than the functional currency of respective Group entities and are included in the monetary liabilities disclosed above.

Exchange rate sensitivity

At the end of the reporting period, in respect of monetary items (excluding derivatives) denominated in currency other than the functional currency of respective Group entities, if exchange rates of the functional currency against US$ had been appreciated/depreciated by 3% (2013: 3%) and all other variables were held constant, the Group's profit would decrease/increase by approximately US$25,354,000 (2013: the Group's profit would decrease/increase by approximately US$8,628,000) for the year. In the current year, global currency market was tremendously volatile. Exchange rates of US$ versus other currencies fluctuated over the year which affected the fair values of forward foreign exchange contracts of the Group. Especially Mexican Peso ("MXN"), the MXN/US$ exchange rate ranged between 12.87 and 14.77 in the current year. However, in the opinion of the directors of the Company, the effect of such fluctuation was immaterial to the overall result and financial position of the Group in the current year and hence no sensitivity analysis was presented.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. A major portion of the Group's trade debts are receivable from industry leaders or multinational customers with good financial background. Meanwhile, in order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

Liquidity risk

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

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The Group's objective is to balance the fund's continuity and flexibility through the use of bank borrowings. The maturity periods of the Group's bank borrowings are from one to three months (2013: three months) and the maturity periods of other financial liabilities are within three months. Out of the total bank borrowings, bank borrowing of US$53,000,000 (2013: Nil) contains a repayment on demand clause.

As at 31 December 2014, the Group has available unutilised banking facilities of approximately US$1,972,057,000 (2013: US$2,305,788,000). There was no pledge of assets in relation to the banking facilities as at 31 December 2014 and 2013.

(c) Fair value measurements of financial instruments

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets/ financial liabilities	Fair value as at 31.12.2014 US$'000	Fair value as at 31.12.2013 US$000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Held-for-trading non-derivative financial assets classified as short-term investments in the consolidated financial statements	**Listed equity securities in the United States - US$6,895**	Nil	Level 1	Quoted bid prices in an active market	N/A	N/A
Forward foreign exchange contracts classified as other receivables and other payables in the consolidated statement of financial position	**Assets - US$27 and liabilities - US$6,777**	Assets - US$1,907 and liabilities - US$1,085	Level 2	Fair value derived from observable forward exchange rates at the end of the reporting period	N/A	N/A
Private fund classified as AFS investment in the consolidated financial statements	**Investment in a private fund domiciled in the Cayman Islands - US$7,751**	Nil	Level 2	Fair value derived from observable market values of underlying assets quoted by relevant stock exchanges at the end of the reporting period	N/A	N/A
Short-term investments designated as financial assets at FVTPL	**Investment in interest bearing instruments - US$292,545**	Nil	Level 3	Income approach – discounted cash flow method was used to capture the present value of the expected return on a prudent basis, assumed to approximate the minimum return, based on the Group's experience with the deposits which have matured to date	Expected guaranteed interest rate, mainly taken into account different counterpart financial institution, which ranged from 4.50% to 4.90% per annum	The higher the expected guaranteed interest rate, the higher the fair value, and vice versa

5. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

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

There were no transfers between level 1 to 3 during the years ended 31 December 2014 and 2013.

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

(d) Financial assets and financial liabilities subject to offsetting

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

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

	As at 31 December 2014		
Financial assets/ liabilities subject to offsetting	**Gross amount of recognised financial assets/ liabilities US$'000**	**Gross amounts of recognised financial liabilities/ assets set off in the statement of financial position US$'000**	**Net amounts of financial assets/ liabilities presented in the statement of financial position US$'000**
Bank balances	**799,173**	**(799,173)**	**–**
Bank borrowings	**799,173**	**(799,173)**	**–**

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

6. SEGMENT INFORMATION

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

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

Segment revenue and results

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

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

	2014 US$'000	2013 US$'000
Segment revenue (external sales)		
Asia	**4,260,700**	2,911,934
Europe	**805,266**	1,322,450
America	**1,763,924**	762,565
Total	**6,829,890**	4,996,949
Segment profit		
Asia	**418,148**	227,593
Europe	**13,050**	35,065
America	**88,403**	83,302
	519,601	345,960
Other income, gains and losses	**145,202**	124,616
General and administrative expenses	**(195,450)**	(191,282)
Research and development expenses	**(142,921)**	(155,747)
Impairment loss recognised for property, plant and equipment	**(34,932)**	(11,308)
Impairment loss recognised for interest in an associate	**(4,750)**	(4,130)
Interest expense on bank borrowings	**(10,441)**	(6,115)
Share of loss of associates	**(6,693)**	(681)
Share of loss of joint ventures	**(1,466)**	(369)
Profit before tax	**268,150**	100,944

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

Segment profit represents the gross profit earned by each segment and the service income (included in other income) after deducting all selling expenses and certain impairment recognised for property, plant and equipment, of which nil (2013: US$5,511,000) impairment was deducted in segment profit. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2014 US$'000	2013 US$'000
ASSETS		
Segment assets		
Allocated		
Asia	**1,491,054**	786,330
Europe	**339,475**	602,032
America	**791,573**	502,203
Total	**2,622,102**	1,890,565
Unallocated		
Property, plant and equipment	**872,011**	946,658
Inventories	**552,569**	167,250
Cash and bank deposits	**2,086,433**	2,237,144
Others	**558,965**	207,632
Corporate assets	**130,442**	136,516
Consolidated total assets	**6,822,522**	5,585,765
LIABILITIES		
Segment liabilities		
Allocated		
Europe	**238**	637
America	**124,796**	104,775
Total	**125,034**	105,412
Unallocated		
Trade and other payables	**2,368,411**	1,479,935
Others	**58,175**	63,647
Corporate liabilities	**341,032**	228,282
Consolidated total liabilities	**2,892,652**	1,877,276

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

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Other information

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

	Year ended 31 December 2014				
	Asia US$'000	**Europe US$'000**	**America US$'000**	**Unallocated US$'000**	**Consolidated US$'000**
Capital additions	**–**	**–**	**6,783**	**132,564**	**139,347**
Depreciation and amortisation	**–**	**675**	**5,129**	**138,144**	**143,948**
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	**–**	**(51)**	**(3,859)**	**731**	**(3,179)**
Allowance (reversal of allowance) for doubtful debts, net	**15**	**–**	**(94)**	**–**	**(79)**
Provision for warranty	**8,771**	**–**	**50**	**–**	**8,821**
Impairment loss recognised for property, plant and equipment	**–**	**–**	**–**	**34,932**	**34,932**
Gain from changes in fair value of financial assets designated as FVTPL	**–**	**–**	**–**	**14,894**	**14,894**
Gain from changes in fair value of financial assets classified as held-for-trading	**–**	**–**	**–**	**971**	**971**

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

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
PRC (country of domicile)	**6,403,983**	4,433,941	**920,227**	959,795
USA	**1,055**	22,790	**685**	616
Mexico	**120,716**	219,428	**17,096**	20,107
Other countries	**304,136**	320,790	**89,975**	120,937
	6,829,890	4,996,949	**1,027,983**	1,101,455

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

Information about major customers

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

	2014	2013
	US$'000	US$'000
Customer A[1]	**1,887,437**	1,973,869
Customer B[1]	**1,146,023**	170,419[2]
Customer C[1]	**840,798**	332,965[2]
Customer D[1]	**829,115**	337,338[2]

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

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

7. OTHER INCOME, GAINS AND LOSSES

	2014 US$'000	2013 US$'000
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank deposits	**61,868**	52,517
Service income	**114,326**	146,022
Sales of materials and scraps	**13,717**	45,894
Repairs and modifications of mouldings	**28,252**	23,609
Net foreign exchange loss	**(315)**	(2,292)
Government subsidies *(note)*	**16,085**	5,650
Rental income	**6,396**	6,272
Gain (loss) on disposal of property, plant and equipment	**3,179**	(6,820)
Gain from changes in fair value of financial assets designated as FVTPL	**14,894**	–
Gain from changes in fair value of financial assets classified as held-for-trading	**971**	–
Loss on disposal of prepaid lease payments	**–**	(277)
Loss on disposal of available-for-sale investments	**–**	(27)
Others	**155**	90
	259,528	270,638

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

8. PROFIT BEFORE TAX

	2014 US$'000	2013 US$'000
Profit before tax has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments (included in general and administrative expenses)	1,098	1,093
Depreciation of property, plant and equipment	142,682	153,749
Depreciation of investment properties	168	–
Total depreciation and amortisation	143,948	154,842
Staff costs		
Directors' remuneration	3,681	1,937
Retirement benefit scheme contributions (excluding directors)	47,584	52,519
Other staff costs	300,504	332,638
Equity-settled share-based payments	76,893	47,716
Total staff costs	428,662	434,810
Auditor's remuneration	796	859
Cost of inventories recognised as expense	6,373,790	4,749,394
Impairment loss (reversed) recognised in respect of trade receivables	(79)	83
Provision for warranty	8,821	8,858
Write down of inventories to net realisable value	24,158	14,809

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

		Other emoluments			
2014	Fees US$'000	Basic salaries and allowances US$'000	Performance-based or discretionary bonus US$'000 *(Note)*	Retirement benefit scheme contributions US$'000	Total 2014 US$'000
Tong Wen-hsin	–	182	183	–	365
Chih Yu Yang (also acting as the chief executive)	–	94	2,729	–	2,823
Lee Jer Sheng	–	64	327	–	391
Lau Siu Ki	31	9	–	–	40
Daniel Joseph Mehan	31	–	–	–	31
Chen Fung Ming	31	–	–	–	31
Lee Kuo Yu	–	–	–	–	–
	93	349	3,239	–	3,681

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

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

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

The chief executive of the Company is also its director and therefore the emoluments of the chief executive have been disclosed above.

Neither the chief executive nor any of the directors waived any emoluments and were paid as compensation for loss of office and as incentive to join or upon joining the Group during the years ended 31 December 2014 and 2013.

10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (2013: three) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 US$'000	2013 US$'000
Salaries and other benefits	131	134
Performance-related incentive payments	474	513
	605	647

Their emoluments were within the following bands:

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

11. INCOME TAX EXPENSE

	2014 US$'000	2013 US$'000
Current tax		
– Hong Kong	–	–
– Other jurisdictions	89,558	45,921
– Withholding tax for distributed profit of investments in the PRC	3,000	4,890
	92,558	50,811
Underprovision in prior years		
– Hong Kong	–	1,253
– Other jurisdictions	7,359	279
	7,359	1,532
	99,917	52,343
Deferred tax *(note 21)*		
– Current year	(1,074)	(23,932)
– Change in tax rates	–	(4,751)
	(1,074)	(28,683)
	98,843	23,660

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

11. INCOME TAX EXPENSE *(Continued)*

Tax charge mainly consists of income tax in the PRC attributable to the assessable profits of the Company's subsidiaries established in the PRC. Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% (2013: 25%). Two of the Company's PRC subsidiaries were awarded with the Advanced – Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% during 2013 to 2016, respectively. Except these two subsidiaries, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2013: 25%).

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

During the current year, one of the Company's subsidiaries received a tax notice from the tax authority in Reynosa which required such subsidiary to pay the tax undercharged in 2009 of approximately US$18,614,000 (of which US$10,529,000 is the related potential tax penalty). The Group lodged objection to the tax authority and the negotiation on this tax assessment has not yet finalised up to the date of the report. In the opinion of the directors of the Company, it was considered the exposure should be less than US$18,614,000, and therefore, the Group has made a tax provision of US$17,888,000 (of which US$10,529,000 is the related potential tax penalty which has been charged to administrative expenses) during the year ended 31 December 2014.

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

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

	2014 **US$'000**	2013 US$'000
Profit before tax	**268,150**	100,944
Tax expense at the PRC income tax rate of 25% (2013: 25%) for the year *(note)*	**67,038**	25,236
Effect of different tax rates of subsidiaries	**3,753**	11,344
Effect of income taxed at concessionary tax rates	**(1,277)**	(652)
Tax effect of expenses not deductible for tax purpose	**48,266**	32,263
Tax effect of income not taxable for tax purpose	**(20,256)**	(42,546)
Tax effect of (utilisation of) tax losses/deductible temporary differences not recognised	**(11,079)**	(3,918)
Tax effect of share of loss of associates	**1,673**	170
Tax effect of share of loss of joint ventures	**366**	92
Tax effect of a change in tax rates	**–**	(4,751)
Withholding tax for distributed profit of investments in the PRC	**3,000**	4,890
Underprovision in prior years	**7,359**	1,532
Income tax expense for the year	**98,843**	23,660

Note: The domestic income tax rate of 25% (2013: 25%) represents the PRC Enterprise Income Tax rate on which the Group's operations are substantially based.

12. DIVIDENDS

Subsequent to the end of the reporting period, the board of directors of the Company has resolved to recommend the declaration and payment of a final dividend of US$0.00544 per ordinary share of the Company (which in aggregate amounts to approximately US$42,359,000), and a special dividend of US$0.01926 per ordinary share of the Company (which in aggregate amounts to approximately US$150,000,000), respectively, for the year ended 31 December 2014 (2013: nil), subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2014 **US$'000**	2013 US$'000
Earnings attributable to the owners of the Company		
Earnings for the purposes of basic and diluted earnings per share	**169,437**	77,714

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,554,107,224**	7,437,113,182
Effect of dilutive potential ordinary shares relating to outstanding share options and share awards issued by the Company	**134,537,511**	31,490,951
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,688,644,735**	7,468,604,133

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Plant and machinery US$'000	Fixtures and equipment US$'000	Construction in progress US$'000	Total US$'000
COST					
At 1 January 2013	781,010	1,076,643	123,171	19,510	2,000,334
Exchange adjustments	9,871	19,151	142	237	29,401
Additions	1,125	58,664	1,988	15,301	77,078
Disposals	(13,073)	(177,740)	(9,567)	–	(200,380)
Transfers	2,001	14,138	–	(16,139)	–
Transfer to investment properties	(4,310)	–	–	–	(4,310)
At 31 December 2013	776,624	990,856	115,734	18,909	1,902,123
Exchange adjustments	(15,165)	(16,072)	(3,206)	(149)	(34,592)
Additions	987	120,068	3,467	14,825	139,347
Disposals	(1,059)	(154,863)	(12,299)	(7,231)	(175,452)
Transfers	3,208	6,873	(78)	(10,003)	–
At 31 December 2014	764,595	946,862	103,618	16,351	1,831,426
DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	200,523	616,965	88,375	–	905,863
Exchange adjustments	2,404	9,285	101	–	11,790
Charge for the year	33,642	115,788	4,319	–	153,749
Eliminated on disposals	(10,827)	(152,590)	(8,452)	–	(171,869)
Transfer to investment properties	(1,515)	–	–	–	(1,515)
Impairment loss recognised in profit or loss	13,658	3,074	87	–	16,819
At 31 December 2013	237,885	592,522	84,430	–	914,837
Exchange adjustments	(10,380)	(12,260)	(2,862)	–	(25,502)
Charge for the year	31,735	108,454	2,493	–	142,682
Eliminated on disposals	(580)	(132,086)	(10,575)	–	(143,241)
Transfers	(93)	152	(59)	–	–
Impairment loss recognised in profit or loss	26,923	8,007	2	–	34,932
At 31 December 2014	285,490	564,789	73,429	–	923,708
CARRYING VALUES					
At 31 December 2014	479,105	382,073	30,189	16,351	907,718
At 31 December 2013	538,739	398,334	31,304	18,909	987,286

Included in the land and buildings are freehold land, located in Hungary, Brasil, Mexico and India (2013: Hungary, Brasil, Mexico and India), having an aggregate cost of approximately US$11,452,000 (2013: US$12,362,000). All buildings are situated outside Hong Kong.

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

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

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

At 31 December 2014, directors of the Company appointed professional appraisers to perform appraisals on the Group's principal manufacturing assets for the purpose of determining whether the assets have been impaired for those groups of assets that have impairment indications, such as changing market environment, particularly in India, and determined that a number of those assets were impaired. Impairment losses of US$26,923,000, US$8,007,000 and US$2,000 (2013: US$13,658,000, US$3,074,000 and US$87,000) have been recognised in respect of buildings, plant and machinery and fixtures and equipment, respectively, for the year.

The recoverable amounts, being the higher of fair value less costs to sell or value in use, of the relevant assets have been determined by the Group's management. The recoverable amount of certain building is determined based on its value in use and estimated by reference to the projected discounted cash flows that are expected to generate from it. The discount rate used in measuring value in use was 12% per annum. The recoverable amounts of the remaining assets are determined based on their fair value less costs to sell and assessed based on valuation performed by professional appraisers carried out at the end of the reporting period with reference to the depreciated replacement cost of the relevant assets and the recent sales prices for similar assets on the related market, which was classified as level 2 under IFRS 13.

15. INVESTMENT PROPERTIES

	US$'000
COST	
At 1 January 2013	–
Transfer from property, plant and equipment	2,795
At 31 December 2013	2,795
Exchange adjustment	(379)
At 31 December 2014	2,416
DEPRECIATION	
At 1 January 2013 and 31 December 2013	–
Provided for the year	168
Exchange adjustment	(23)
At 31 December 2014	145
CARRYING VALUES	
At 31 December 2014	2,271
At 31 December 2013	2,795

The fair value of the Group's investment properties at 31 December 2014 was US$5,435,000. The fair value has been arrived at based on a valuation carried out by an independent valuer not connected with the Group. The fair value was determined by reference to recent market prices for similar properties in the same locations and conditions.

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

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

16. PREPAID LEASE PAYMENTS

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

	2014 **US$'000**	2013 US$'000
Long leases	**42,474**	43,677
Medium-term leases	**4,610**	4,815
	47,084	48,492

17. DEPOSIT FOR ACQUISITION OF PREPAID LEASE PAYMENTS

In 2010, the Group disposed of certain prepaid lease payments amounted to RMB190,699,000 (equivalent to approximately US$31,160,000 and US$31,275,000 as at 31 December 2014 and 2013, respectively) in exchange for other land use rights in the PRC. A receivable of the equivalent amount had been recorded as deposit paid for acquisition of prepaid lease payments as at 31 December 2014 and 2013.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **US$'000**	2013 US$'000
Unlisted equity investments *(note a)*	**17,466**	1,188
Investment in private fund *(note b)*	**7,751**	–
Total of AFS investments analysed for reporting purposes as non-current assets	**25,217**	1,188

Notes:

(a) At 31 December 2014, included in the equity investments, they are investments in unlisted equity securities issued by certain private entities incorporated or operated in the PRC, the United States and the Cayman Islands (2013: Finland and the United States). They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

(b) The amount represents the investment in a private fund domiciled in the Cayman Islands. The investment is measured at fair value derived from observable market values of underlying assets at the end of the reporting period.

19. INTERESTS IN ASSOCIATES

	2014 US$'000	2013 US$'000
Cost of investments in associates, less impairment		
Listed outside Hong Kong	**20,432**	15,442
Unlisted	**18,511**	6,935
Share of post-acquisition (loss) profit and other comprehensive (expense) income, net of dividend received	**(3,866)**	2,872
	35,077	25,249
Fair value of listed investments	**44,336**	18,267

At 31 December 2014, the fair value of the Group's interests in associates, which are listed outside Hong Kong, was US$44,336,000 (2013: US$18,267,000) based on the market prices available on the respective stock exchanges, which is level 1 input in terms of IFRS 13.

At 31 December 2014 and 2013, the Group had interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration	Principal place of operation	Class of share/interest held	Proportion of nominal value of issued capital/ interest held by the Group 2014	2013	Proportion of voting power held by the Group 2014	2013	Principal activity
Ways Technical *(note a)*	Limited company	Taiwan	Taiwan	Ordinary	**13.04%**	13.04%	**28.57%**	28.57%	Providing special coating surface treatment services to branded handheld devices (such as handsets and GPS) manufacturers or original designing and manufacturing companies
MIG *(note b)*	Limited company	Australia	Singapore	Ordinary	**19.9%**	–	**28.57%**	–	Operating a multi-platform mobile and internet business focusing on social networking and entertainment in emerging markets
Diabell *(note c)*	Limited company	Republic of Korea ("Korea")	Korea	Ordinary	**19.998%**	19.998%	**20%**	20%	Designing, developing, manufacturing and selling hinges and window lens for handsets as well as connectors, switches, metal decoration, vibration motors and related products
CExchange, LLC ("CEx") *(note d)*	Limited liability company	USA	USA	Class A membership interest	**30%**	–	**30%**	–	Engaging in the business of consumer electronics, including electronic trade-in and buy-back (including purchasing and reselling), refurbish management, overstock and return goods management and purchasing and sales representation
Rooti Labs Limited ("Rooti") *(note e)*	Limited company	Cayman Islands	Taiwan	Ordinary	**32%**	–	**32%**	–	Research and development of wearable products

19. INTERESTS IN ASSOCIATES *(Continued)*

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

	2014 US$'000	2013 US$'000
Current assets	**50,837**	50,043
Non-current assets	**109,480**	124,098
Current liabilities	**(33,536)**	(29,877)
Non-current liabilities	**(2,777)**	(5,769)
Net assets	**124,004**	138,495
Group's share of net assets of associates	**34,377**	20,500
Total revenue	**101,748**	65,824
Total loss for the year	**(40,793)**	(3,917)
Total other comprehensive income (expense)	**1,987**	(1,936)
Group's share of loss and other comprehensive expense of associates for the year	**(6,738)**	(945)

As at 31 December 2014, included in the cost of investments in associates is goodwill of US$684,000 (2013: US$4,750,000) arising on the acquisition of associates. The movement of goodwill is set out as below:

	2014 US$'000	2013 US$'000
COST		
At 1 January	**14,794**	14,794
Arising on acquisition of associates	**684**	–
At 31 December	**15,478**	14,794
IMPAIRMENT		
At 1 January	**10,044**	5,914
Provided by the year *(note a)*	**4,750**	4,130
At 31 December	**14,794**	10,044
CARRYING VALUE		
At 31 December	**684**	4,750

Notes:

(a) Ways Technical's shares are traded on the Taiwan OTC Market. In the opinion of the directors of the Company, the Group is able to exercise significant influence over Ways Technical because it has the right to appoint two out of seven directors of Ways Technical.

During the year ended 31 December 2014, an impairment loss of US$4,750,000 (2013: US$4,130,000) was recognised in respect of listed investment in Taiwan based on the recoverable amount, being the higher of value in use and fair value less costs to sell, determined by the Group's management. The fair value is measured by reference to the share price of Ways Technical on the Taiwan OTC Market, which is level 1 input in terms of IFRS 13. The value in use calculation is determined by the Group's estimation of its share of the present value of the 5-year estimated future cash flows expected by the management to be generated by Ways Technical discounted by its discount rate of 7.9% (2013: 19.6%).

19. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(b) MIG's shares are traded on the Australian Securities Exchange. In the opinion of the directors of the Company, the Group is able to exercise significant influence over MIG because it has the right to appoint two out of seven directors of MIG. During the year ended 31 December 2014, the Group acquired 50,074,756 ordinary shares in MIG through (a) a private placement to subscribe for 40,000,000 ordinary shares in MIG at a cash consideration of AU$8,000,000 (equivalent to US$7,495,200) and (b) purchase of 3,168,406 shares of the Series 1 Preferred Stock of Project Goth, Inc. ("PGI") and convertible promissory notes convertible into 13,622,854 shares of the Series 1 Preferred Stock of PGI, which in aggregate were subsequently converted into 10,074,756 ordinary shares in MIG, at a cash consideration of US$2,243,907.

(c) Diabell is a private limited company established in Korea. In the opinion of the directors of the Company, the Group is able to exercise significant influence over Diabell because it has the right to appoint one out of five directors of Diabell.

(d) On 5 September 2014, the Group entered into a contribution and option agreement (the "Contribution Agreement") with CEx and two members of CEx. Pursuant to the Contribution Agreement, the parties had agreed (among other things) as follows, in each case upon and subject to the terms and conditions set out therein:

1. the Group had agreed to make an initial capital contribution of US$10,500,000 (the "Initial Capital Contribution") to CEx in exchange for a Class A membership interest representing 30% ownership of CEx on a fully-diluted basis (excluding any preferred membership interest in CEx);

2. only if the earnings before interest, taxes, depreciation and amortisation ("EBITDA") of CEx in the year of 2014 multiplied by nine, subject to the maximum of US$150,000,000 (the "2014 Valuation"), was greater than US$35,000,000 (representing the agreed minimum valuation of CEx), the Group would make to CEx a further capital contribution, equivalent to 80% of the difference between 30% of the 2014 Valuation minus the Initial Capital Contribution (the "Further Capital Contribution"); and

3. only if the 2015 first-half EBITDA was equal to or exceeded the 2014 first-half EBITDA, the Group would make to CEx a final capital contribution equivalent to 20% of the difference between 30% of the 2014 Valuation minus the Initial Capital Contribution (the "Final Capital Contribution").

Details of the Contribution Agreement are set out in the announcement of the Company dated 5 September 2014.

At 31 December 2014, in the opinion of the directors of the Company, the conditions set out in (2) and (3) could not be met. Therefore, no Further Capital Contribution or Final Capital Contribution would be made by the Group. Accordingly, the total consideration amounted to US$10,500,000 only as at 31 December 2014 and CEx is accounted as an associate.

(e) On 1 September 2014, the Group acquired 70,590 new ordinary shares in Rooti at a consideration of US$125,000 in cash and provision of services which cost approximately US$951,000.

20. INTERESTS IN JOINT VENTURES

	2014 **US$'000**	2013 US$'000
Cost of unlisted investments in joint ventures	**7,265**	7,265
Share of post-acquisition loss and other comprehensive expense	**(2,592)**	(907)
	4,673	6,358

20. INTERESTS IN JOINT VENTURES *(Continued)*

At 31 December 2014 and 2013, the Group had interests in the following joint ventures:

Name of joint venture	Form of entity	Place of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2014	2013	Proportion of voting power held by the Group 2014	2013	Principal activity
Ways Transworld	Limited company	Taiwan	Taiwan	Ordinary	**50%**	50%	**50%**	50%	Designing and manufacturing plastic molds for handheld devices
FIH RadioShack	Limited company	Hong Kong	PRC	Ordinary	**51%**	51%	**60% *(note)***	60% *(note)*	Sale of consumer electronics products and ancillary services

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

21. DEFERRED TAXATION

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

	Allowances for inventories and trade and other receivables US$'000	Warranty provision US$'000	Accelerated tax depreciation US$'000	Tax losses US$'000	Deferred income US$'000	Others US$'000 *(Note)*	Total US$'000
At 1 January 2013	(5,377)	(1,300)	2,484	(5,962)	(8,533)	(13,349)	(32,037)
Charge (credit) to profit or loss for the year	(6,627)	(1,457)	(135)	(5,465)	590	(10,838)	(23,932)
Effect of change in tax rates	(2,484)	–	–	–	–	(2,267)	(4,751)
Exchange adjustments	(212)	(56)	(206)	112	(255)	(438)	(1,055)
At 31 December 2013	(14,700)	(2,813)	2,143	(11,315)	(8,198)	(26,892)	(61,775)
Charge (credit) to profit or loss for the year	(415)	(234)	550	1,968	1,680	(4,623)	(1,074)
Exchange adjustments	196	29	(302)	1,123	37	735	1,818
At 31 December 2014	(14,919)	(3,018)	2,391	(8,224)	(6,481)	(30,780)	(61,031)

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

21. DEFERRED TAXATION *(Continued)*

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

	2014 **US$'000**	2013 US$'000
Deferred tax assets	**(61,280)**	(61,790)
Deferred tax liabilities	**249**	15
	(61,031)	(61,775)

At 31 December 2014, the Group has not recognised deductible temporary differences on allowances for inventories, trade and other receivables, warranty provision, deferred income and other accrued expenses of approximately US$175,596,000 (2013: US$144,570,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of the reporting period, the Group has unused tax losses of approximately US$877,309,000 (2013: US$963,423,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$27,413,000 (2013: US$37,715,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of US$849,896,000 (2013: US$925,708,000) either due to the unpredictability of future profit streams or because it is not probable that the unused tax losses will be available for utilisation before their expiry. The unrecognised tax losses will expire before 2018.

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred tax liability has been recognised in respect of temporary differences associated with undistributed earnings of subsidiaries from 1 January 2008 onwards of approximately US$1,009,903,000 (2013: US$803,983,000) as at the end of the reporting period because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. INVENTORIES

	2014 **US$'000**	2013 US$'000
Raw materials	**245,393**	75,454
Work-in-progress	**106,870**	32,644
Finished goods	**243,309**	117,821
	595,572	225,919

22. INVENTORIES *(Continued)*

Inventories carried at net realisable value were as follows:

	2014 US$'000	2013 US$'000
Raw materials	**196,223**	42,848
Work-in-progress	**162,945**	35,766
Finished goods	**26,808**	32,951
	385,976	111,565

23. TRADE AND OTHER RECEIVABLES

	2014 US$'000	2013 US$'000
Trade receivables	**2,255,916**	1,537,812
Less: Allowance for doubtful debts	**(44)**	(123)
	2,255,872	1,537,689
Other taxes recoverables	**85,093**	55,585
Other receivables, deposits and prepayments	**104,139**	84,971
Total trade and other receivables	**2,445,104**	1,678,245

The Group normally allows an average credit period of 30 to 90 days to its trade customers, except certain customers with a good track record which may be granted a longer credit period.

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

	2014 US$'000	2013 US$'000
0–90 days	**2,083,763**	1,434,496
91–180 days	**159,682**	98,491
181–360 days	**10,684**	342
Over 360 days	**1,743**	4,360
	2,255,872	1,537,689

As at the end of the reporting period, 92% (2013: 93%) of the Group's trade receivables are neither past due nor impaired, and they are mainly receivables from certain global handset manufacturers that the Group considers have good credit standing. The Group seeks to maintain strict control over the creditability of customers and their respective outstanding receivables. Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customers. The creditability of customers is reviewed regularly.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2014, trade receivables with the aggregate carrying amount of approximately US$172,109,000 (2013: US$103,193,000) that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past collection history, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2014 US$'000	2013 US$'000
91–180 days	**159,682**	98,491
181–360 days	**10,684**	342
Over 360 days	**1,743**	4,360
	172,109	103,193

Movement in the allowance for doubtful debts:

	2014 US$'000	2013 US$'000
Balance at beginning of the year	**123**	48
Impairment losses recognised on receivables	**24**	121
Amounts recovered during the year	**(103)**	(38)
Exchange adjustments	**–**	(8)
Balance at end of the year	**44**	123

24. SHORT-TERM INVESTMENTS

	2014 US$'000	2013 US$'000
Listed securities held-for-trading	**6,895**	–
Investments in interest bearing instruments designated as financial assets at FVTPL	**292,545**	–
	299,440	–

25. TRADE AND OTHER PAYABLES

	2014 US$'000	2013 US$'000
Trade payables	**1,969,509**	1,197,758
Accruals and other payables	**524,547**	387,409
	2,494,056	1,585,167

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

	2014 US$'000	2013 US$'000
0–90 days	**1,917,632**	1,169,148
91–180 days	**43,835**	23,534
181–360 days	**5,824**	1,027
Over 360 days	**2,218**	4,049
	1,969,509	1,197,758

26. BANK BORROWINGS

	2014 US$'000	2013 US$'000
Bank loans	**178,730**	137,780
Analysis of bank borrowings by currency:		
US$	**178,730**	137,780

The bank borrowings as at 31 December 2014 are unsecured, obtained with original maturity of one to three months (2013: three months) and carry interest at fixed interest rates ranging from 0.95% to 1.46% (2013: 1.36% to 3.35%) per annum. Out of the total bank borrowings, bank borrowing of US$53,000,000 (2013: Nil) contains a repayment on demand clause. The weighted average effective interest rate on the bank borrowings is 1.07% per annum (2013: 1.87% per annum).

During the year ended 31 December 2014, the interest expense of US$10,441,000 (2013: US$6,115,000) represented the interest on bank borrowings wholly repayable within five years.

27. SHARE CAPITAL

	Number of shares	Amount US$'000
Ordinary shares of US$0.04 each, authorised:		
Balance at 1 January 2013, 31 December 2013 and 31 December 2014	20,000,000,000	800,000
Ordinary shares of US$0.04 each, issued and fully paid:		
Balance at 1 January 2013	7,312,327,344	292,493
Exercise of share options *(note 37(a))*	36,055,551	1,442
Issue pursuant to the share scheme *(note 37(b))*	225,680,379	9,028
Balance at 31 December 2013	7,574,063,274	302,963
Exercise of share options *(note 37(a))*	77,022,839	3,081
Issue pursuant to the share scheme *(note 37(b))*	138,386,084	5,535
Balance at 31 December 2014	7,789,472,197	311,579

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

28. RESERVES

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

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

29. DERIVATIVES

Currency derivatives

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

During the current year, a loss from the forward foreign exchange contracts of US$6,750,000 (2013: gain of US$782,000) was recognised in profit or loss and included in other income, gains and losses.

29. DERIVATIVES *(Continued)*

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

	2014 US$	2013 US$
US$	**83,428,000**	101,372,000
BRL	**–**	49,388,000
Euro	**1,337,000**	6,875,000

As at 31 December 2014, the fair value of the Group's currency derivatives is estimated to be approximately US$27,000 assets and US$6,777,000 liabilities (2013: US$1,907,000 assets and US$1,085,000 liabilities), based on the difference between the market forward rate at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates, and is included as other receivables and other payables at the end of the reporting period. The contracts outstanding as at 31 December 2014 mainly related to buying of US$ and Euro (2013: US$, BRL and Euro) with maturities in the first quarter of 2015 (2013: first quarter of 2014).

30. BANK DEPOSITS AND BANK BALANCES AND CASH

Bank deposits carry interest at prevailing market rate of 2.54% (2013: 3.14%) per annum on average, with original maturity of over three months.

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The deposits carry interest at prevailing market rate of 1.98% (2013: 2.10%) per annum on average.

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

	2014 US$'000	2013 US$'000
US$	**1,062,129**	515,535
RMB	**975,531**	1,662,729
New Taiwan Dollar	**97,140**	100,991
Others	**233,126**	237,913
	2,367,926	2,517,168

31. PROVISION

	2014 US$'000	2013 US$'000
At 1 January	**31,503**	30,211
Exchange adjustments	**(773)**	(66)
Provision for the year	**8,821**	8,858
Utilisation of provision	**(11,566)**	(7,500)
At 31 December	**27,985**	31,503

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

32. DEFERRED INCOME

	2014 US$'000	2013 US$'000
Government subsidies	**30,716**	32,671

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

33. CAPITAL COMMITMENTS

	2014 US$'000	2013 US$'000
Commitments for the acquisition of property, plant and equipment contracted but not provided for	**54,555**	15,781

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2014 US$'000	2013 US$'000
Minimum lease payments under operating leases in respect of premises recognised for the year	**33,019**	15,380

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

	2014 US$'000	2013 US$'000
Within one year	**4,862**	5,093
In the second to fifth years inclusive	**3,591**	5,736
	8,453	10,829

Leases are negotiated, and rentals are fixed, for an average term of one to three years (2013: one to three years).

The Group as lessor

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

35. RELATED PARTY TRANSACTIONS

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

	2014 US$'000	2013 US$'000
Hon Hai		
Sales of goods	**119**	228
Purchase of goods	**128,435**	60,963
Purchase of property, plant and equipment	**7,905**	110
Sales of property, plant and equipment	**80**	120
Lease expense — real properties	**701**	753
Subcontracting income	**36,999**	35,345
Consolidated services and subcontracting expense	**5,787**	2,095
General service income	**219**	94
General service expense	**441**	367
Subsidiaries of Hon Hai		
Sales of goods	**311,908**	107,874
Purchase of goods	**310,790**	113,859
Purchase of property, plant and equipment	**84,511**	38,184
Sales of property, plant and equipment	**22,322**	18,130
Lease income	**1,793**	2,229
Lease expense — real properties	**2,061**	1,856
Lease expense — non-real properties	**17,100**	4,871
Subcontracting income	**102,408**	108,011
Consolidated services and subcontracting expense	**129,804**	37,682
General service income	**2,317**	2,128
General service expense	**15,642**	15,160
Associates of Hon Hai		
Sales of goods	**13,235**	2,743
Purchase of goods	**397,297**	125,871
Purchase of property, plant and equipment	**1,586**	2,126
Sales of property, plant and equipment	**1,349**	2,030
Lease income	**29**	–
Lease expense — real properties	**26**	53
Lease expense — non-real properties	**32**	21
Subcontracting income	**6,964**	996
Consolidated services and subcontracting expense	**12,045**	5,044
General service income	**42**	1,343
General service expense	**202**	94

35. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2014 US$'000	2013 US$'000
Trade receivables:		
Hon Hai	**3,616**	9,538
Subsidiaries of Hon Hai	**329,707**	123,746
Associates of Hon Hai	**18,800**	3,179
	352,123	136,463
Other receivables:		
Hon Hai	**179**	176
Subsidiaries of Hon Hai	**4,319**	284
Associates of Hon Hai	**43**	58
	4,541	518
	356,664	136,981
Trade payables:		
Hon Hai	**22,661**	30,353
Subsidiaries of Hon Hai	**314,285**	81,834
Associates of Hon Hai	**133,663**	52,911
	470,609	165,098
Other payables:		
Hon Hai	**1,262**	1,873
Subsidiaries of Hon Hai	**20,772**	5,191
Associates of Hon Hai	**1,606**	13
	23,640	7,077
	494,249	172,175

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

35. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Compensation of key management personnel

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

	2014 **US$'000**	2013 US$'000
Short-term benefits	**1,088**	2,303
Share-based payments	**4,816**	1,969
	5,904	4,272

(d) During the years ended 31 December 2014 and 2013, no service had been provided by the Group to the associates and the amount due to an associate was US$951,000 (2013: nil), which was included in other payables, as at 31 December 2014.

36. RETIREMENT BENEFITS PLANS

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

Certain subsidiaries of the Company operate defined benefit plans in Taiwan and Korea. Under the schemes, the employees are entitled to retirement benefits on attainment of a retirement age ranging from 55 to 60. The most recent actuarial valuations of plan assets and the present values of the defined benefit obligations were carried out at 31 December 2014 by independent valuers, Greatfine Wealth Management Consulting Inc. and Aon Hewitt Korea, respectively. The present values of the defined benefit obligations, the related current service cost and past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate	**2.25%–2.64%**	2.00%–3.87%
Expected rate of salary increases	**3.00%–5.00%**	3.00%–5.00%

The actuarial valuations showed that the market value of plan assets was US$6,138,000 (2013: US$6,242,000) and that the actuarial value of these assets represented 126% (2013: 87%) of the benefits that had accrued to members.

36. RETIREMENT BENEFITS PLANS *(Continued)*

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

	2014 US$'000	2013 US$'000
Service cost:		
Current service cost	**269**	226
Past service cost and (gain) loss from settlements	**–**	496
Net interest expense (income)	**27**	(5)
Components of defined benefit costs recognised in profit or loss	**296**	717
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	**(8)**	25
Actuarial gains and losses arising from changes in demographic assumptions	**135**	264
Actuarial gains and losses arising from changes in financial assumptions	**(1,233)**	1,244
Actuarial gains and losses arising from experience adjustments	**(1,245)**	(1,581)
Unrecognised actuarial gain from first-time adoption of IAS 19	**–**	(278)
Components of defined benefit costs recognised in other comprehensive income	**(2,351)**	(326)
Total	**(2,055)**	391

36. RETIREMENT BENEFITS PLANS *(Continued)*

Of the charge for the year, US$296,000 (2013: US$717,000) has been included in administrative expenses.

The actual return on plan assets was US$150,000 (2013: US$94,000) for the year ended 31 December 2014.

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

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

	2014 **US$'000**	2013 US$'000
Present value of funded defined benefit obligations	**4,875**	7,168
Fair value of plan assets	**(6,138)**	(6,242)
(Surplus) deficit	**(1,263)**	926
Net (asset) liability arising from defined benefit obligations (included in other receivables (2013: other payables))	**(1,263)**	926

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

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

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

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

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

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

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

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

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

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

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

As at 31 December 2014 and 2013, no options have been granted under the Existing Option Scheme. Details of specific categories of options granted under the Former Option Scheme are as follows:

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

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2014:

Option type	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled during the year	Outstanding at 31.12.2014
2011	157,670,091	–	(77,022,839)	(80,647,252)	–	–

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

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

All outstanding share options granted but not then exercised under the Former Share Option Scheme were lapsed in their entirety as at 31 December 2014 and therefore the Former Option Scheme was expired as at 31 December 2014. No share option is exercisable as at 31 December 2014, while 86,140,498 share options were exercisable as at 31 December 2013.

In respect of the share options exercised during the year ended 31 December 2014, the weighted average share price at the date of exercise was US$0.57 (2013: US$0.60) (equivalent to HK$4.42 (2013: HK$4.67)).

The Group recognised total expense of US$9,000 (2013: US$2,900,000) for the year ended 31 December 2014 in relation to the share options granted by the Company.

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

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

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

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

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

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

(b) Other share-based payment plan

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

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

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

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

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

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

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

Pursuant to the approval of the Company's officers/delegates (as duly authorised by the board of directors of the Company) on 8 May 2014, the Company offered 138,267,922 ordinary shares to certain beneficiaries pursuant to the Existing Share Scheme with lock-up periods ranging from one to three years from the grant date. No consideration was payable on the grant of the shares. 128,215,387 ordinary shares were subsequently issued on 16 May 2014 and 10,052,535 ordinary shares were purchased by the trustee of the Existing Share Scheme from the stock market in May 2014.

Pursuant to the approval of the Company's officers/delegates (as duly authorised by the board of directors of the Company) on 3 July 2014, the Company offered 10,900,786 ordinary shares to certain beneficiaries pursuant to the Existing Share Scheme, of which 187,891 ordinary shares were granted without lock-up periods, while the remaining shares were granted with lock-up periods within one year from the grant date. No consideration was payable on the grant of the shares. 10,170,697 ordinary shares were subsequently issued on 4 July 2014 and 730,089 ordinary shares were purchased by the trustee of the Existing Share Scheme from the stock market in July 2014.

The Group recognised total expense of US$76,884,000 (2013: US$44,816,000) for the year ended 31 December 2014 in relation to the ordinary shares awarded by the Company under the Share Schemes.

38. PRINCIPAL SUBSIDIARIES

The Company has the following principal subsidiaries as at 31 December 2014 and 2013:

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operation	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
				Directly		Indirectly		
				2014	2013	**2014**	2013	
Chiun Mai Communication Systems, Inc.	Limited company	Taiwan	NT$1,500,000,000	**–**	–	**86.173%**	86.173%	Design and manufacture of handsets
Extra Right Enterprises Limited	Limited company	British Virgin Islands/ PRC	US$1	**–**	–	**100%**	100%	Provision of services to group companies
FIH (Hong Kong) Limited	Limited company	Hong Kong/PRC	HK$155,146,001	**–**	–	**100%**	100%	Trading of handsets
FIH Co., Ltd.	Limited company	Taiwan	NT$1,000,000	**100%**	100%	**–**	–	Provision of services to group companies
FIH Mexico Industry SA de CV	Limited company	Mexico	MXN2,007,283,685	**–**	–	**100%**	100%	Manufacture of handsets
富智康精密組件(北京)有限公司 (FIH Precision Component (BeiJing) Co., Ltd.*) (formerly known as 富士康精密組件(北京)有限公司 (Foxconn Pecision Component (BeiJing) Co., Ltd.*))	Wholly foreign owned enterprise	PRC	US$68,800,000	**–**	–	**100%**	100%	Manufacture of handsets
宏訊電子工業(杭州)有限公司 (Honxun Electrical Industry (Hangzhou) Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$126,800,000	**–**	–	**100%**	100%	Manufacture of handsets
深圳富泰宏精密工業有限公司 (Shenzhen Futaihong Precision Industrial Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$178,520,000	**–**	–	**100%**	100%	Manufacture of handsets
S&B Industry, Inc.	Corporation	USA	US$31,594,767	**–**	–	**100%**	100%	Repair services
Success World Holdings Limited	Limited company	Hong Kong	HK$1,049,044,500	**100%**	100%	**–**	–	Investment holding
Sutech Industry Inc.	Corporation	USA	US$10,000	**–**	–	**100%**	100%	Provision of logistics services to group companies
富智康(天津)精密工業有限公司 (FIH (Tian Jin) Precision Industry Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$52,800,000	**–**	–	**100%**	100%	Manufacture of handsets
FIH do Brasil Indústria e Comércio de Eletrônicos Ltda.	Limited company	Brasil	BRL550,532,590	**–**	–	**100%**	100%	Manufacture of handsets
FIH India Private Limited	Limited company	India	INR2,349,681,000	**–**	–	**100%**	100%	Manufacturing, import, export, distribution and assembly

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operation	Issued and paid-up share capital/ registered capital	Attributable equity interest held by the Company Directly 2014	Directly 2013	Indirectly 2014	Indirectly 2013	Principal activities
富泰京精密電子(北京)有限公司 (Futaijing Precision Electronics (Beijing) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$75,000,000	–	–	100%	100%	Manufacture of handsets
富泰京精密電子(煙台)有限公司 (Futaijing Precision Electronics (Yantai) Co., Ltd.*)	Wholly foreign owned enterprise	PRC	US$20,000,000	–	–	100%	100%	Manufacture of handsets
富智康精密電子(廊坊)有限公司 (FIH Precision Electronics (Lang Fang) Co., Ltd.)	Sino-foreign jointly owned enterprise	PRC	US$475,500,000	–	–	100%	100%	Manufacture of handsets
富智康(成都)通訊科技有限公司 (FIH (Chengdu) Communication Technology Co., Ltd.)	Wholly foreign owned enterprise	PRC	US$7,600,000	–	–	100%	100%	Research and development; sales
南寧富泰宏精密工業有限公司 (Nanning Futaihong Precision Industrial Co., Ltd.*)	Sino-foreign jointly owned enterprise	PRC	US$50,000,000	–	–	100%	100%	Manufacture of handsets and communication products
衡陽富泰宏精密工業有限公司 (Hengyang Futaihong Precision Industrial Co., Ltd*)	Limited company	PRC	RMB50,000,000	–	–	100%	100%	Manufacture of handsets
FIH Technology Korea Ltd.	Limited company	Korea	KRW1,100,000,000	–	–	100%	100%	Research and development; project management
KSB International Limited	Limited company	Korea	KRW50,000,000	–	–	100%	100%	Provision of logistics services to group companies; sales

* *for identification purposes only*

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

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 US$'000	2013 US$'000
ASSETS		
Investments in subsidiaries	**1,482,697**	1,473,697
Other receivables	**46**	46
Prepayments	**82**	82
Amounts due from subsidiaries	**1,785,194**	1,552,419
Bank balances and cash	**4,149**	41,885
	3,272,168	3,068,129
LIABILITIES		
Bank borrowings	**132,000**	–
Other payables	**1,594**	852
Amounts due to subsidiaries	**870,371**	906,050
	1,003,965	906,902
NET ASSETS	**2,268,203**	2,161,227
CAPITAL AND RESERVES		
Share capital	**311,579**	302,963
Share premium	**1,090,444**	985,478
Reserves	**866,180**	872,786
TOTAL EQUITY	**2,268,203**	2,161,227

Under the Companies Law (Revised) Chapter 25 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. At the end of the reporting period, the Company's reserve available for distribution amounted to approximately US$1,970,789,000 (2013: US$1,856,968,000), consisted of share premium of approximately US$1,090,444,000 (2013: US$985,478,000) and retained profits of approximately US$880,345,000 (2013: US$871,490,000).

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

Movement in reserves

	Share premium US$'000	Share compensation reserve US$'000	Retained profits US$'000	Total US$'000
Balance at 1 January 2013	863,432	75,750	829,751	1,768,933
Profit for the year	–	–	41,155	41,155
Issue of ordinary shares under Option Schemes and Share Schemes	122,046	(115,689)	–	6,357
Payment made for equity-settled share-based payments	–	(5,897)	–	(5,897)
Recognition of equity-settled share-based payments	–	47,716	–	47,716
Transfer	–	(584)	584	–
Balance at 31 December 2013	985,478	1,296	871,490	1,858,264
Loss for the year	–	–	(62)	(62)
Issue of ordinary shares under Option Schemes and Share Schemes	104,966	(77,627)	–	27,339
Payment made for equity-settled share-based payments	–	(5,810)	–	(5,810)
Recognition of equity-settled share-based payments	–	76,893	–	76,893
Transfer	–	(8,917)	8,917	–
Balance at 31 December 2014	1,090,444	(14,165)	880,345	1,956,624

FINANCIAL SUMMARY

	For the year ended 31 December				
	2010 (US$'million)	2011 (US$'million)	2012 (US$'million)	2013 (US$'million)	**2014 (US$'million)**
Results					
Turnover	6,626.00	6,354.42	5,239.80	4,996.95	**6,829.89**
Profit (loss) from operations	(169.46)	68.23	(318.99)	107.06	**278.59**
Interest expenses	(6.67)	(11.53)	(11.44)	(6.12)	**(10.44)**
Gain on disposals of subsidiaries	–	73.30	–	–	**–**
Profit (loss) before tax	(176.13)	130.00	(330.43)	100.94	**268.15**
Income tax (expense) credit	(43.64)	(54.87)	14.37	(23.66)	**(98.84)**
Profit (loss) after tax and before non-controlling interests	(219.77)	75.13	(316.06)	77.28	**169.31**
Non-controlling interests	1.45	(2.29)	(0.36)	0.43	**0.13**
Net profit (loss) for the year	(218.32)	72.84	(316.42)	77.71	**169.44**

	As at 31 December				
	2010 (US$'million)	2011 (US$'million)	2012 (US$'million)	2013 (US$'million)	**2014 (US$'million)**
Assets and liabilities					
Total assets	6,017.35	5,611.62	5,088.48	5,585.77	**6,822.52**
Total liabilities	(2,424.32)	(1,852.93)	(1,561.92)	(1,877.28)	**(2,892.65)**
Non-controlling interests	(46.00)	(18.68)	(10.76)	(9.82)	**(9.15)**
Capital and reserves	3,547.03	3,740.01	3,515.80	3,698.67	**3,920.72**

The Company has applied and complied with all the code provisions set out in the CG Code during the period from 1 January 2014 to 31 December 2014.

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

THE BOARD

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

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

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

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

Executive Directors

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

Non-executive Director

LEE Kuo Yu *(member of the remuneration committee, audit committee and nomination committee respectively)*

Independent Non-executive Directors

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

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

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

Name of director	Number of Board meetings attended/held in 2014
TONG Wen-hsin	7/7
CHIH Yu Yang	5/7
LEE Jer Sheng	7/7
LEE Kuo Yu	7/7
LAU Siu Ki	6/7
Daniel Joseph MEHAN	7/7
CHEN Fung Ming	7/7
TONG Wen-hsin as proxy for CHIH Yu Yang	2/7
CHEN Fung Ming as proxy for LAU Siu Ki	1/7

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

CHAIRMAN

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

APPOINTMENT, RE-ELECTION AND RETIREMENT OF DIRECTORS

The Company entered into a letter of appointment with each of the non-executive directors for a term of three years commencing from 30 May 2013, 24 July 2013, 1 December 2013 and 1 November 2014 respectively subject to re-election at each annual general meeting of the Company in accordance with article 112 of the Articles. All the directors of the Company are subject to retirement by rotation at least once every three years in accordance with article 112.

DIRECTORS' AND COMPANY SECRETARY'S CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

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

A: Attending briefings and/or training sessions

B: Reading articles, journals, newspapers and/or other materials

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

REMUNERATION COMMITTEE

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

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

LAU Siu Ki *(chairman)*
LEE Kuo Yu
Daniel Joseph MEHAN

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

The remuneration committee shall meet at least once a year if necessary. During the year, four remuneration committee meetings were held, in particular, to review the annual expenses allowances to two executive directors, the renewal of the term of appointment of an independent non-executive director, the updated 2014 share grant proposal and the 2015 share grant proposal both under the Existing Share Scheme as well as to make recommendations to the Board on the relevant matters. The attendance of each member of the remuneration committee is shown below:

Name of committee member	Number of remuneration committee meetings attended/held in 2014
LAU Siu Ki	4/4
LEE Kuo Yu	3/4
Daniel Joseph MEHAN	4/4
LAU Siu Ki as proxy for LEE Kuo Yu	1/4

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

AUDIT COMMITTEE

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

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

LAU Siu Ki *(chairman)*
LEE Kuo Yu
Daniel Joseph MEHAN

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

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

Name of committee member	Number of audit committee meetings attended/held in 2014
LAU Siu Ki	3/3
LEE Kuo Yu	3/3
Daniel Joseph MEHAN	3/3

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

NOMINATION COMMITTEE

The Company has established and maintained a nomination committee with written terms of reference together with the nomination procedures and process and criteria to select and recommend candidates for directorship (the "Nomination Procedures") as well as the board diversity policy by reference to the code provisions of the CG Code. The terms of reference for the nomination committee are accessible on the websites of the Stock Exchange and the Company respectively.

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

LAU Siu Ki *(chairman)*
LEE Kuo Yu
Daniel Joseph MEHAN

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

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

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

Name of committee member	Number of nomination committee meetings attended/held in 2014
LAU Siu Ki	2/2
LEE Kuo Yu	1/2
Daniel Joseph MEHAN	2/2
LAU Siu Ki as proxy for LEE Kuo Yu	1/2

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

CORPORATE GOVERNANCE COMMITTEE

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

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

CHIH Yu Yang *(chairman)*
LEE Jer Sheng

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

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

Name of committee member	Number of corporate governance committee meeting attended/held in 2014
CHIH Yu Yang	1/1
LEE Jer Sheng	1/1

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

INDEPENDENT BOARD COMMITTEE

During the year, pursuant to the resolution passed at the Board meeting held on 12 September 2014, an independent Board committee comprising the independent non-executive directors of the Company was established in connection with the proposed annual caps applicable to the Purchase Transaction as more particularly described in "Report of the Directors" above. The attendance of each member of the independent Board committee is shown below:

Name of committee member	Number of independent Board committee meeting attended/held in 2014
LAU Siu Ki	1/1
Daniel Joseph MEHAN	1/1
CHEN Fung Ming	1/1

AUDITOR'S REMUNERATION

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

During the year, the auditor's remuneration incurred by the Company was US$796,000, and US$1,271,000 was paid to the Company's auditor, Deloitte Touche Tohmatsu for audit services and US$175,000 for non-audit services. The Company considers the non-audit services to be insignificant and has therefore not provided itemised details regarding the nature of each non-audit service and the fee paid therefor.

DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of consolidated financial statements for each financial period, which give a true and fair view of the financial position and operating results of the Group. In preparing the consolidated financial statements for the year ended 31 December 2014, the directors have selected suitable accounting policies and have applied them in a consistent manner, have made reasonable judgments and estimates, and have prepared the consolidated financial statements on a going-concern basis.

The Board has overall responsibility for maintaining a sound and effective internal control system within the Group and establishing appropriate policies and procedures so that objectives of the Group can be achieved and risks associated can be identified, managed and mitigated in an acceptable level. The internal control system, which includes defined management structure with specific limits of authority and control responsibilities, is designed to provide reasonable, but not absolute, assurance on the effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations, and the Board regularly reviews the design and operational adequacy and effectiveness of the internal control mechanism. The audit committee in discharging its responsibility of evaluating the effectiveness of the Group's system of internal controls, as delegated by the Board, reviews the internal audit function. Pursuant to a risk-based approach, the Group's internal audit function independently reviews the risks associated with and internal controls of the Group over various operations and activities, and evaluates their adequacy, effectiveness and compliance. The Group's internal audit function has unrestricted access to all information, books, people and physical properties that allows it to review all aspects of the internal controls and governance processes within the Group. This includes audits of financial and operational controls of all legal entities and functional units. The audit committee reviews and approves the internal audit plan which is prepared by the Group's internal audit function every year based on an assessment of the risk in each operating unit as well as its materiality in a Group context. During its review, the audit committee also considers the adequacy of resources, qualifications and experiences of the audit staff, and their training programs and budget. Deficiencies identified are communicated to the management after each internal audit. The management is responsible for rectifying the deficiencies identified by these internal audits with corrective actions. Corrective actions are closely monitored by the management and the Group's internal audit function. A summary of major findings is reported semi-annually to the executive directors and the audit committee. Being a learning organisation, lessons learned and best practices are disseminated and promoted within the Group.

The Code of Conduct guiding individual behaviour within the Group is made available to employees by way of rules and principles. To supplement the above, a whistleblowing policy is in place to allow employees to report, without the fear of recrimination, any ethical misconduct, impropriety, or fraud cases within the Group to the chief internal auditor who will carry out independent investigation into each reported case or refer to other relevant parties for further actions, as appropriate.

Risk management is a central part of the Group's strategic management, and is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives. The Group's risk management function marshals the understanding of the potential upside and downside of all those factors which can affect the organisation by establishing an enterprise risk management system to proactively identify, analyse, control and manage all types of risks associated with its business and operations. Risk assessments and reports will be reported to the senior management on a regular basis. Senior management will then review the risk reports and assess the adequacy of action plans and devise appropriate business process or control systems to manage these risks.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry made by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code in respect of the Company's securities throughout the year ended 31 December 2014.

SHAREHOLDER RELATIONS

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

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

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

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

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

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

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

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

During the year, an annual general meeting (the "2014 AGM") and an extraordinary general meeting (the "2014 EGM") of the Company were held on 29 May 2014 and 24 October 2014 respectively. The attendance of each director is shown below *(Note)*:

Name of director	Number of general meetings attended/held in 2014
TONG Wen-hsin	2/2
CHIH Yu Yang	2/2
LEE Jer Sheng	2/2
LEE Kuo Yu	2/2
LAU Siu Ki	2/2
Daniel Joseph MEHAN	2/2
CHEN Fung Ming	2/2

Note: The directors participated in the 2014 AGM and the 2014 EGM by means of telephone conference facility, except that Messrs. TONG Wen-hsin and LAU Siu Ki attended the 2014 AGM and the 2014 EGM in person.

At the 2014 AGM, the Company obtained its shareholders' approval of the agenda items set forth in the 2014 AGM notice attached to the Company's circular dated 16 April 2014.

SHAREHOLDERS' RIGHTS

Shareholders' Right to convene Extraordinary General Meeting

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

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

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

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

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

Procedures for Shareholders' Enquiries

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

Shareholders' Right to put forward Proposals at General Meetings

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

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

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

  The Company Secretary of FIH Mobile Limited
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  Mailbox 201
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