FIH® 富智康™

FIH Mobile Limited
富智康集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2038)

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of FIH Mobile Limited (the "Company", "we" or "our") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 US$'000	2012 US$'000
Turnover	2	**4,996,949**	5,239,800
Cost of sales		**(4,773,061)**	(5,240,425)
Gross profit (loss)		**223,888**	(625)
Other income, gains and losses	3	**270,638**	192,523
Selling expenses		**(18,439)**	(21,068)
General and administrative expenses		**(191,282)**	(214,978)
Research and development expenses		**(155,747)**	(173,380)
Impairment loss recognised for property, plant and equipment	4	**(16,819)**	(102,246)
Impairment loss recognised for interest in an associate		**(4,130)**	–
Interest expense on bank borrowings		**(6,115)**	(11,442)
Share of (loss) profit of associates		**(681)**	1,228
Share of loss of joint ventures		**(369)**	(448)
Profit (loss) before tax	5	**100,944**	(330,436)
Income tax (expense) credit	6	**(23,660)**	14,369
Profit (loss) for the year		**77,284**	(316,067)

	NOTES	**2013** **US$'000**	2012 US$'000
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**326**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**46,313**	10,013
Share of translation reserve of associates		**(264)**	643
Share of translation reserve of joint ventures		**(73)**	(16)
Reserves released upon loss of control over a subsidiary		**–**	(86)
Reserves released upon partial disposal of interest in an associate		**–**	(737)
		45,976	9,817
Other comprehensive income for the year		**46,302**	9,817
Total comprehensive income (expense) for the year		**123,586**	(306,250)
Profit (loss) for the year attributable to:			
Owners of the Company		**77,714**	(316,423)
Non-controlling interests		**(430)**	356
		77,284	(316,067)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**124,255**	(306,266)
Non-controlling interests		**(669)**	16
		123,586	(306,250)
Earnings (loss) per share	7		
Basic		**US1.04 cents**	(US4.33 cents)
Diluted		**US1.04 cents**	(US4.33 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	**2013** **US$'000**	2012 *US$'000*
Non-current assets			
Property, plant and equipment		**987,286**	1,094,471
Investment properties		**2,795**	–
Prepaid lease payments		**48,492**	49,378
Available-for-sale investments		**1,188**	85
Interests in associates		**25,249**	31,940
Interests in joint ventures		**6,358**	3,741
Deferred tax assets		**61,790**	41,127
Deposit for acquisition of prepaid lease payments		**31,275**	30,340
Deposits for acquisition of property, plant and equipment		**–**	37
		1,164,433	1,251,119
Current assets			
Inventories		**225,919**	347,918
Trade and other receivables	*9*	**1,678,245**	1,132,308
Bank deposits		**393,089**	440,133
Bank balances and cash		**2,124,079**	1,916,998
		4,421,332	3,837,357
Current liabilities			
Trade and other payables	*10*	**1,585,167**	1,203,455
Bank borrowings		**137,780**	214,901
Provision		**31,503**	30,211
Tax payable		**90,140**	70,781
		1,844,590	1,519,348
Net current assets		**2,576,742**	2,318,009
Total assets less current liabilities		**3,741,175**	3,569,128

	NOTES	2013 US$'000	2012 US$'000
Capital and reserves			
Share capital		**302,963**	292,493
Reserves		**3,395,702**	3,223,304
Equity attributable to owners of the Company		**3,698,665**	3,515,797
Non-controlling interests		**9,824**	10,758
Total equity		**3,708,489**	3,526,555
Non-current liabilities			
Deferred tax liabilities		**15**	9,090
Deferred income		**32,671**	33,483
		32,686	42,573
		3,741,175	3,569,128

Notes:

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

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretation Committee (the "IFRIC") of the IASB for the first time in the current year:

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19 (as revised in 2011)	Employee benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to IAS 1	Presentation of items of other comprehensive income
IFRIC 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the above new and revised IFRSs 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 IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities"

The Group has applied the amendments to IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with IAS 32 "Financial instruments: Presentation"; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The amendments to IFRS 7 have been applied retrospectively. In addition, the amendments to IFRS 7 introduce more disclosures relating to the Group's offsetting arrangements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interests in other entities", IAS 27 (as revised in 2011) "Separate financial statements" and IAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

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

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and SIC – INT 12 "Consolidation – Special purpose entities". IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. The application of IFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, SIC – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The application of IFRS 11 has no material impact on the amounts reported in the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Other than the additional disclosures required by IFRS 12, the application of IFRS 12 has no any material impact on the amounts recognised in the consolidated financial statements.

IFRS 13 "Fair value measurement"

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, 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 (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

IAS 19 "Employee benefits" (as revised in 2011)

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

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011) and the Group has applied the relevant transitional provisions. The application of IAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years, and hence the Group does not restate the comparative amounts on a retrospective basis. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Amendments to IAS 1 "Presentation of items of other comprehensive income"

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

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:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[1]
Amendments to IAS 19	Defined benefit plans: Employee contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures[3]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle[2]
IFRS 9	Financial instruments[3]
IFRS 14	Regulatory deferral accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under 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 HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on the amounts reported in respect of the Group's available-for-sale investment which are currently carried at cost less impairment. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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.

2. 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:

	2013	2012
	US$'000	*US$'000*
Segment revenue (external sales)		
Asia	**2,911,934**	2,809,755
Europe	**1,322,450**	1,398,317
America	**762,565**	1,031,728
Total	**4,996,949**	5,239,800
Segment profit (loss)		
Asia	**227,593**	31,520
Europe	**35,065**	(9,215)
America	**83,302**	19,515
	345,960	41,820
Other income, gains and losses	**124,616**	123,537
General and administrative expenses	**(191,282)**	(214,978)
Research and development expenses	**(155,747)**	(173,380)
Impairment loss recognised for property, plant and equipment	**(11,308)**	(96,773)
Impairment loss recognised for interest in an associate	**(4,130)**	–
Interest expense on bank borrowings	**(6,115)**	(11,442)
Share of (loss) profit of associates	**(681)**	1,228
Share of loss of joint ventures	**(369)**	(448)
Profit (loss) before tax	**100,944**	(330,436)

Majority of the Group's sales to Asian customers is attributed to the People's Republic of China ("PRC").

Segment profit (loss) represents the gross profit (loss) earned/made 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. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2013	2012
	US$'000	*US$'000*
ASSETS		
Segment assets		
Allocated		
Asia	**786,330**	596,058
Europe	**602,032**	303,160
America	**502,203**	373,693
Total	**1,890,565**	1,272,911
Unallocated		
Property, plant and equipment	**946,658**	1,047,646
Inventories	**167,250**	306,980
Cash and bank deposits	**2,237,144**	2,125,106
Others	**207,632**	254,769
Corporate assets	**136,516**	81,064
Consolidated total assets	**5,585,765**	5,088,476
LIABILITIES		
Segment liabilities		
Allocated		
Europe	**637**	1,620
America	**104,775**	61,436
Total	**105,412**	63,056
Unallocated		
Trade and other payables	**1,479,935**	1,139,412
Others	**63,647**	63,116
Corporate liabilities	**228,282**	296,337
Consolidated total liabilities	**1,877,276**	1,561,921

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.

3. OTHER INCOME, GAINS AND LOSSES

	2013	2012
	US$'000	*US$'000*
An analysis of the Group's other income, gains and losses is as follows:		
Interest income from bank	**52,517**	57,802
Service income	**146,022**	68,986
Sales of materials and scraps	**45,894**	36,312
Repairs and modifications of moldings	**23,609**	34,802
Net foreign exchange loss	**(2,292)**	(3,410)
Gain on partial disposal of an associate	**–**	4,098
Gain on loss of control over a subsidiary	**–**	19
Government subsidies *(note)*	**5,650**	4,517
Rental income	**6,272**	5,913
Loss on disposal and write off of property, plant and equipment	**(6,820)**	(19,128)
Loss on disposal of prepaid lease payments	**(277)**	–
Loss on disposal of available-for-sale investments	**(27)**	–
Others	**90**	2,612
	270,638	192,523

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

4. IMPAIRMENT LOSS RECOGNISED FOR PROPERTY, PLANT AND EQUIPMENT

At 31 December 2013, 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 deteriorated market environment, and determined that a number of those assets were impaired. Impairment losses of US$13,658,000, US$3,074,000 and US$87,000 (2012: US$3,020,000, US$99,121,000 and US$105,000) have been recognised in respect of land and 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 in fair value less costs to sell was assessed based on valuation performed by professional appraisers carried out at the end of the reporting period. The fair value measurement of freehold land was arrived at with reference to market evidence of transaction prices for land nearby and the fair value measurement of buildings, plant and machinery and fixtures and equipment was arrived at with reference to the depreciated replacement cost of the relevant assets.

5. PROFIT (LOSS) BEFORE TAX

	2013 US$'000	2012 US$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**153,749**	214,551
Amortisation of prepaid lease payments (included in general and administrative expenses)	**1,093**	1,110
Total depreciation and amortisation	**154,842**	215,661
Staff costs		
Directors' remuneration	**1,937**	1,085
Retirement benefit scheme contributions (excluding directors)	**52,519**	42,876
Other staff costs	**332,638**	344,267
Equity-settled share-based payments	**47,716**	74,118
Total staff costs	**434,810**	462,346
Auditor's remuneration	**859**	834
Cost of inventories recognised as expense	**4,749,394**	5,209,659
Impairment loss recognised (reversed) in respect of trade receivables	**83**	(4,140)
Provision for warranty	**8,858**	7,012
Write down of inventories to net realisable value	**14,809**	23,754

6. INCOME TAX EXPENSE (CREDIT)

	2013 US$'000	2012 US$'000
Current tax		
– Hong Kong	**–**	–
– Other jurisdictions	**45,921**	22,598
– Withholding tax for distributed profit of investments in the PRC	**4,890**	–
	50,811	22,598
Under(over)provision in prior years		
– Hong Kong	**1,253**	–
– Other jurisdictions	**279**	(17,229)
	1,532	(17,229)
	52,343	5,369
Deferred tax		
– Current year	**(23,932)**	(19,735)
– Change in tax rates	**(4,751)**	(3)
	(28,683)	(19,738)
	23,660	(14,369)

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

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 certain PRC subsidiaries increased from 18% to 25% progressively over 5 years from 1 January 2008 onwards. The applicable tax rate for the current year was 25% (2012: 25%). Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries was exempted from PRC income tax for two years starting from 2009, which was its first profit-making year, followed by a 50% reduction for the next three years. In addition, one of the Company's subsidiaries was awarded with the Advanced – Technology Enterprise Certificate and entitled for a tax reduction from 25% to 15% for 2013 and 2014.

Except as described above, other PRC subsidiaries are subject to Enterprise Income Tax at 25% (2012: 25%).

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

According to a joint circular of the Ministry of Finance and State Administration of Taxation, 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.

7. EARNINGS (LOSS) PER SHARE

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

	2013	2012
	US$'000	*US$'000*
Earnings (loss) attributable to the owners of the Company		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**77,714**	(316,423)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,437,113,182**	7,300,984,884
Effect of dilutive potential ordinary shares relating to outstanding share options and share awards issued by the Company	**31,490,951**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,468,604,133**	7,300,984,884

The computation of diluted loss per share for the year ended 31 December 2012 did not assume the exercise of the Company's share options and share awards as the exercise of the outstanding share options and share awards would result in a decrease in the loss per share.

8. DIVIDEND

No dividend was paid, declared or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

9. TRADE AND OTHER RECEIVABLES

	2013	2012
	US$'000	*US$'000*
Trade receivables	**1,537,812**	932,847
Less: Allowance for doubtful debts	**(123)**	(48)
	1,537,689	932,799
Other taxes recoverables	**55,585**	120,346
Other receivables, deposits and prepayments	**84,971**	79,163
Total trade and other receivables	**1,678,245**	1,132,308

The Group normally allows an average credit period of 30 to 90 days to its trade customers.

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:

	2013	2012
	US$'000	*US$'000*
0–90 days	**1,434,496**	908,499
91–180 days	**98,491**	15,948
181–360 days	**342**	4,793
Over 360 days	**4,360**	3,559
	1,537,689	932,799

10. TRADE AND OTHER PAYABLES

	2013	2012
	US$'000	*US$'000*
Trade payables	**1,197,758**	870,617
Accruals and other payables	**387,409**	332,838
	1,585,167	1,203,455

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

	2013	2012
	US$'000	*US$'000*
0–90 days	**1,169,148**	841,797
91–180 days	**23,534**	24,630
181–360 days	**1,027**	503
Over 360 days	**4,049**	3,687
	1,197,758	870,617

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results and Operations

2013 continued to be a challenging year for the Group. Despite a more stable macro environment, we note some of our customers experienced lower demand driven by fierce competition in handset industry; while some faced strategic uncertainty due to leadership change or ongoing transition period after being merged by other entity. Meanwhile, some PRC brands have enjoyed market share gain by launching mid-to-low price-point smartphone devices that better suit the demand of end users, especially in emerging markets. In terms of geographic performance, the emerging markets, like China and South East Asia, became the main growth contributor of global handset industry. To cope with the fast changing environment, we continued to improve our operation efficiency, introduce automated manufacturing processes and reinforce our ODM (original design manufacturing) capability, which have helped the Group strengthen the leading position among our competitors. Our efforts have started to pay-off in 2013, reflecting in stable revenue size, lower SG&A (selling, general and administrative) expenses, and substantial earnings recovery.

After continuing optimising our organization structure, conducting site consolidation and divesting less-utilised assets, we successfully converted into a more nimble and flexible counterpart for our customers, and are capable in handling high mix orders with smaller volumes. We diversified our customer base and penetrated into several Chinese brands, who have experienced solid growth amid the tough market. As the handset industry market share continues to reshuffle, we expect a more diversified customer base could reduce the risks of over-reliance on specific accounts. However, these efforts were partially offset by weaker demand from some of our customers. As a result, our revenue slightly declined by US$243 million (or 4.6%) year-on-year to US$4,997 million in 2013.

Our gross margin expanded to 4.48% in 2013 from gross loss of 0.01% in 2012, driven by improving utilisation and more favourable revenue mix. We keep on managing our operating expense with better workforce management, site consolidation and cost optimisation. The implementation and development of automated manufacturing processes also mitigated the impact of rising labour cost and lifted the yield rate. We will continue to roll out automated facilities into more production lines and further improve the contribution of existing flexible production lines and industrial engineering methods. Our operating profit improved to US$129 million in 2013 from operating loss of US$218 million in 2012, increased by US$347 million year-on-year. Basic earnings per share for 2013 is US1.04 cents.

Regarding segment operation, Asia segment remained our major performance contributor. The revenue from our new customers were partially offset by weaker demand of others; however, thanks to better revenue mix and higher yield – we improved the earnings to US$228 million in 2013 from US$32 million in 2012. Our repair business in the States and Mexico has grown steadily. With less impairment loss, the earnings of America segment improved to US$83 million in 2013 from US$20 million in 2012. While for Europe, we downsized our operation and recognised US$5 million of impairment loss on buildings. To secure the business, we adopted a more aggressive pricing strategy and strived to improve the operation efficiency and recorded earnings of US$35 million in 2013, when compared with loss of US$9 million in 2012.

Our commitment to deploy meaningful resources in R&D (research and development), highly vertical integration production lines and solid ODM capability have been recognised by both our existing and new customers. Throughout 2013, we successfully obtained more ODM business from our customers. We believe the ODM business model is a win-win strategy for the Group and our customers. It could help enrich our customers' product portfolio, shorten time-to-market and improve product competitiveness, allowing our customers to have better resource allocation and be more focused on marketing and brand-building in the highly competitive environment.

The improving operations demonstrate our business is now on the right track. We will maintain our strategy in penetrating into new customers and new markets, improving efficiency and enhancing ODM partnerships. We expect a promising growth in 2014.

Liquidity and Financial Resources

As at 31 December 2013, the Group had a cash balance of US$2,124 million (2012: US$1,917 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$138 million (2012: US$215 million) over total assets of US$5,586 million (2012: US$5,088 million), was 2.47% (2012: 4.23%). 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 1.36% to 3.35% per annum with original maturity of three months.

As at 31 December 2013, 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 2013 was US$232 million.

Net cash used in investing activities for the year ended 31 December 2013 was US$13 million, of which, mainly, US$104 million represented purchase of property, plant and equipment from cash provided by customer, US$104 million represented cash transferred by customer for purchase of property, plant and equipment, US$77 million represented the expenditures on property, plant and equipment related to the facilities in the Group's major sites in the PRC, US$44 million represented net increase in bank deposits, US$3 million represented capital contribution to a joint venture, US$1 million represented investment in an available-for-sale investment, US$22 million represented proceeds from disposal of property, plant and equipment and US$2 million represented dividend from an associate.

Net cash used in financing activities for the year ended 31 December 2013 was US$55 million, primarily due to net decrease in bank borrowings of US$72 million and proceeds of US$17 million from the issue of shares to employees.

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 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 2013, the capital commitment of the Group was US$15.8 million (2012: US$27.2 million). Usually, the capital commitment will be funded by cash generated from operations.

Pledge of Assets

As at 31 December 2012, a subsidiary of the Company pledged its corporate assets of approximately US$0.3 million to secure general banking facilities granted to the Group. There was no pledge of the Group's assets as at 31 December 2013.

Outlook

2013 was an adjustment year for the Group. We have successfully turned-around amid a continuously challenging environment by improving our earnings to black from loss-making in 2012. We aim to carry on the healthy growth momentum in 2014.

We note the handset ecosystem has changed following the emergence of new OEM (original equipment manufacturing) brands, service, software and handset application. We have been urging ourselves to keep up with the environment, searching for future trends and expanding our service offerings, so we could weather through all the challenges, better serve our customers and continue to grow our business. To amplify our business, we define three key areas to pursue in 2014: 1) New Business Model: we recognise our customers are adjusting their business models to better position themselves in the ever-changing environment. In response, we strive to provide our customers with value-added/end-to-end solutions from design and manufacturing to repair services and logistics and distribution, and will actively explore appropriate business opportunities. By expanding our service portfolio and scope, our customers could receive better support from the Group, and optimise their resource allocation to their focus areas. An intertwined business could also imply a more stable long-term relationship; 2) New Market: the emerging markets have surpassed the developed markets in terms of growth contribution in the handset industry, mainly driven by the upgrade from feature phone to smartphone. We plan to raise our exposure in these fast-growing markets, including South East Asia, Russia, etc. by cooperating with current customers and building relationship with new customers, to capture the growth potential; and 3) New Product and New Technology: new product and technology arise every day, and some may become the next killer application despite relatively small market size at this point. We encourage our employees to bring up innovation at work and proactively reach out our customers for all the pioneer projects (e.g. wearable device). With advanced technology and relevant experience, we are the reliable counterpart when our customers plan to step in new business areas. In addition to revenue expansion, we will continue to improve our efficiency, which is one of the main factors helping the Group deliver sequential earnings improvement throughout 2012 to 2013.

The fast changing and highly competitive handset sector has created challenges to the Group. However, with our leading scale, global presence and outstanding talents, we have confidence to deliver a transformation story in 2014.

Employees

As at 31 December 2013, the Group had a total of 63,499 (2012: 70,051) employees. Total staff costs incurred during the year 2013 amounted to US$435 million (2012: US$462 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 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 May 2014 to Thursday, 29 May 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Company's forthcoming annual general meeting to be held on Thursday, 29 May 2014, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed and signed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 26 May 2014.

CORPORATE GOVERNANCE

The Company has applied and complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules during the period from 1 January 2013 to 31 December 2013, and in particular, the amendments to the CG Code regarding board diversity (the "Board Diversity Amendments", which have become effective from 1 September 2013) during the period from 1 September 2013 to 31 December 2013.

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.

As an enhancement of the Company's corporate governance practices and for the purpose of complying with the Board Diversity Amendments, on 12 August 2013, the Board adopted a board diversity policy, the revised terms of reference for the Company's nomination committee and the revised nomination procedures and process and criteria to select and recommend candidates for directorship.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2013.

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 2013.

AUDIT COMMITTEE

The Company has established and maintained an audit committee in accordance with the requirements of the Listing Rules, particularly 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 2013 and the annual report 2013 of the Company and recommended the same to the Board for approval.

DISCLOSURE OF INFORMATION ON WEBSITES

The annual report 2013 of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively in due course.

By Order of the Board
Tong Wen-hsin
Chairman

Hong Kong, 20 March 2014

As at the date of this announcement, the executive directors of the Company are Messrs. Tong Wen-hsin and Chih Yu Yang and Dr. Lee Jer Sheng, the non-executive director of the Company is Dr. Lee Kuo Yu and the independent non-executive directors of the Company are Messrs. Lau Siu Ki and Chen Fung Ming and Dr. Daniel Joseph Mehan.