中國全通
ALL ACCESS

ANNUAL REPORT 2014

INTELLIGENT SOLUTIONS
ACCESS FOR ALL

STOCK CODE : 633

CHINA ALL ACCESS (HOLDINGS) LIMITED (Incorporated in the Cayman Islands with limited liability)

CONTENTS

Intelligent Solutions Access for All


CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung
Mr. Xiu Zhi Bao

Non-Executive Director

Mr. Xu Qiang

Independent Non-Executive Directors

Mr. Pun Yan Chak
Mr. Wong Che Man Eddy (FCPA)
Mr. Lam Kin Hung Patrick

AUTHORISED REPRESENTATIVES

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung

AUDIT COMMITTEE

Mr. Wong Che Man Eddy (Chairman) (FCPA)
Mr. Pun Yan Chak
Mr. Lam Kin Hung Patrick

REMUNERATION COMMITTEE

Mr. Pun Yan Chak (Chairman)
Mr. Wong Che Man Eddy (FCPA)
Mr. Shao Kwok Keung

NOMINATION COMMITTEE

Mr. Lam Kin Hung Patrick (Chairman)
Mr. Wong Che Man Eddy (FCPA)
Mr. Shao Kwok Keung

COMPANY SECRETARY

Mr. Au Ki Lun

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CORPORATE INFORMATION

PRINCIPAL BANKERS

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China Construction Bank Corporation
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SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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(Cayman) Limited
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COMPANY WEBSITE

www.chinaallaccess.com

FINANCIAL SUMMARY

A five year financial summary of the results and of the assets and liabilities of China All Access (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
Revenue	**7,038,440**	4,693,637	606,926	624,073	500,935
Cost of sales	**(6,220,612)**	(4,045,059)	(370,701)	(368,663)	(290,036)
Gross profit	**817,828**	648,578	236,225	255,410	210,899
Other revenue	**9,199**	14,523	1,757	934	1,483
Other net (loss)/income	**(563)**	1,402	(1,203)	7,312	2,665
Distribution costs	**(42,715)**	(34,179)	(8,444)	(7,990)	(6,321)
Administrative expenses	**(353,358)**	(253,599)	(44,055)	(42,954)	(34,393)
Research and development expenses	**(63,022)**	(80,366)	(997)	—	—
Profit from operations	**367,369**	296,359	183,283	212,712	174,333
Finance income	**88,898**	34,575	23,258	23,152	2,146
Finance costs	**(181,081)**	(132,685)	(766)	(608)	(390)
(Loss)/gain on disposal of associates	**(1,834)**	240,944	—	—	—
Gain on disposal of subsidiaries	**2**	1,588	—	—	—
Share of profits less losses of associates	**(47)**	16,208	(1,484)	(1,929)	(467)
Profit before taxation	**273,307**	456,989	204,291	233,327	175,622
Income tax	**(79,332)**	(118,575)	(34,164)	(28,306)	(22,646)
Profit for the year	**193,975**	338,414	170,127	205,021	152,976
Earnings per share					
Basic (RMB)	**0.146**	0.168	0.140	0.171	0.148
Diluted (RMB)	**0.146**	0.168	0.140	0.170	0.147
Assets and liabilities					
Total assets	**9,788,787**	7,699,636	6,001,049	1,598,317	1,043,634
Total liabilities	**(6,563,250)**	(5,079,848)	(3,794,496)	(230,951)	(187,247)
Total equity	**3,225,537**	2,619,788	2,206,553	1,367,366	856,387

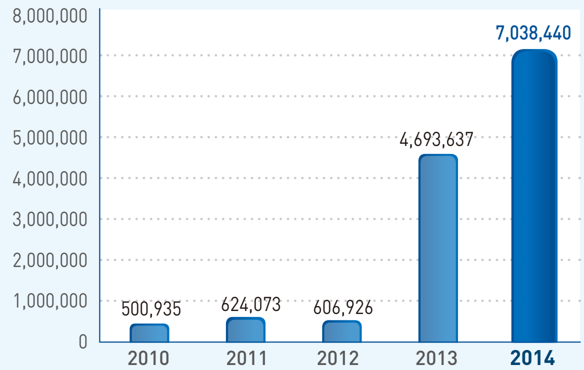
FINANCIAL HIGHLIGHTS

RESULTS

	2014 RMB'000	2013 RMB'000	% Change
Revenue	**7,038,440**	4,693,637	49.96%
Gross Profit	**817,828**	648,578	26.10%
Profit for the year	**193,975**	338,414	-42.68%
Profit Attributable to Equity Shareholders of the Company	**207,716**	222,801	-6.77%
Basic Earnings Per Share (RMB)	**0.146**	0.168	-13.10%

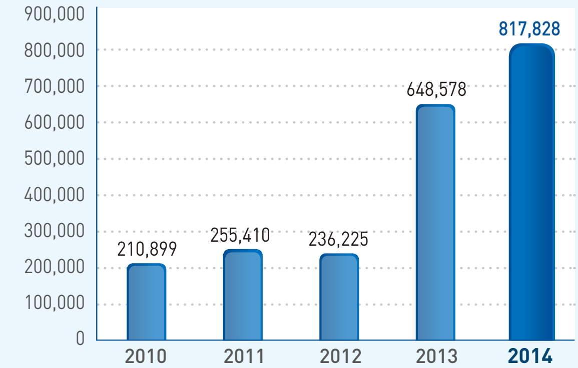
REVENUE

RMB'000



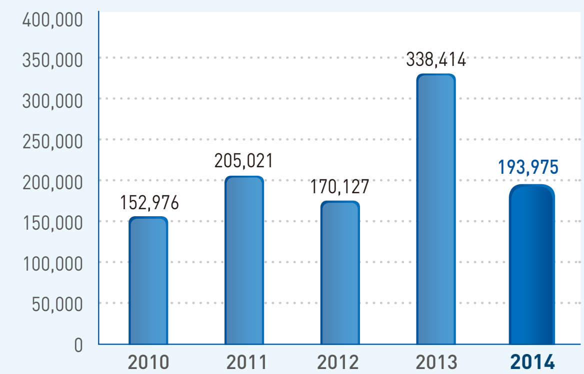
GROSS PROFIT

RMB'000



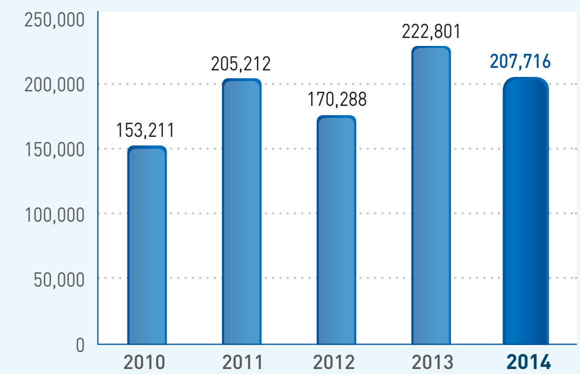
PROFIT FOR THE YEAR

RMB'000



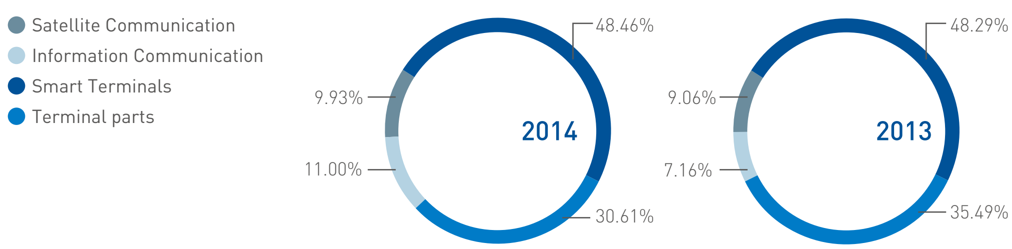
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

RMB'000



REVENUE CONTRIBUTION BY PRODUCT CATEGORY

	2014	2013
Satellite Communication	**9.93%**	9.06%
Information Communication	**11.00%**	7.16%
Smart Terminals	**48.46%**	48.29%
Terminal parts	**30.61%**	35.49%



THE STORY OF CHINA ALL ACCESS

This modern city, with sun, sea and the brilliant first rays of the morning sun, is full of vitality. Flow of automobiles runs endlessly on the viaduct; aircrafts take off from and land on the busy airport runway; white-collar workers are working in highrise buildings; people are doing morning exercise in the city park - all these are features of a city with harmony, everything seems so harmonious, life with happiness, work with hope and ordinariness with fortune.

The city, the largest city in China, which is known as a first-tier city internationally, is like a huge machine operating at high speed which would not stop running for a second. Functional authorities such as the government, public security, traffic police and fire services are the heart of this machine. Public utilities such as water, electricity, heating and gas as well as the network systems are the blood vessels of this machine that reach every corner of the city and penetrate into every detail of people's life. To ensure the seamless, safe and smooth operation of this machine, apart from the dutiful watch by tens of thousands of workers, technological solutions which are more intelligent than the brain and terminal facilities which are sharper than the eyes are required at the frontline for support.

All access, wisdom and life – this is the story behind this beautiful city seen and happy life enjoyed by people.

China All Access – a leading manufacturer and provider of integrated information communication system solution and innovative 4G terminal devices using new generation information communication technology.

CHINA ALL ACCESS DEVELOPMENT STRATEGY IN 2014

The Group has proactively formulated effective strategies to restructure and optimize its business chain to better concentrate our efforts on our core businesses. In terms of business development, the Group has gradually disposed of assets which were not aligned with our development goals. After our acquisition of the Changfei Group in late 2012, we have disposed of our entire equity interests in a few associates to better integrate resources and focus on business areas in which we are highly competitive in order to further develop our core competence. Our long-standing business, i.e., our satellite communications solutions and services business as well as our wireless data communications solutions and services business, have continued to grow steadily. In terms of shareholding structure, the Company's two share placements gained support from major fund investors. Among them, a major fund subscribed for new shares of the Company representing more than 5% of the then enlarged issued share capital of the Company. We believe that their shareholding interests in the Company reflect their confidence in the Group's business development and prospects. In 2014, the Group's revenue surged by almost 50% compared with 2013. Revenue from satellite communications solutions and other services soared by about 64.39% compared with 2013, and revenue from wireless data communications application solutions and services rose by about 48.52% compared with 2013.

CHAIRMAN'S STATEMENT

FUTURE DEVELOPMENT POTENTIAL

In recent years, the government has promulgated policy directives to support the construction and development of smart cities, public safety and the emergency communications industry. In smart city construction, in August 2014, after approval of the State Council, the National Development and Reform Commission, Ministry of Industry and Information Technology ("MIIT"), Ministry of Science and Technology and eight other ministries jointly issued the "Guiding Opinions on Promoting the Healthy Development of Smart Cities." According to this directive, by 2020, China is to build a number of smart cities with distinctive features, making remarkable achievements in the improvement of public services, innovative management of society, maintaining network security, etc. As for emergency services, on 24 December 2014, the General Office of the State Council issued the "Guidance on Accelerating Emergency Industry Development," which proposes that leading up to 2020, the emergency services industry will expand its scale significantly and the industry system will be basically formed. Emergency service is set to become an important driving force for economic and social development, and will gain greater support from financial and tax policies. The Guidance advocates the promotion of systematic development of emergency services products including standardization, modularization, and serialization, which would enable enterprises to provide integrated and comprehensive solutions. In January 2015, MIIT characterized the emergency industry as an emerging industry with bright prospects. As emergency services products meets the growing demand for public safety for the whole society, the emergency industry is expected to become a new driver of economic growth.

The government is actively promoting the smart city and development of the emergency services industry. It has issued relevant supportive policies, and invested substantially in research and development, indicating that the government regards the smart city and emergency services industry as a crucial direction of future development strategy. The Group is principally engaged in two businesses, satellite communications services and wireless data communication services, and we have been directing our efforts in public safety, emergency communication and integrated city management market for many years. Under the leadership of the management team with more than 20 years of industry experience, the Group is committed to developing solutions for the smart city and the public safety industry. This involves helping the government and public authorities in dealing with emergencies, anti-terrorism measures and maintenance of stability, disaster relief, high-tech M2M construction, and so on, which further contributes to the prosperity and stability of society. Through a keen sense of the market, the Group has realized the organic combination of its innovation capacity for R&D, solutions and manufacturing capabilities of terminal products, achieving a steady growth year after year. All of us at the Group are proud of this achievement. Thanks to the favorable policies, we believe that the Group will further optimize its competitive advantages, seize market opportunities and continue to maintain good growth momentum.

Recently, China's telecommunications industry has experienced rapid growth. The driving trend is that mobile e-commerce is becoming the mainstream in today's Internet Era, and the mobile phone market demand will continue to grow as it offers immense development potential. Our mobile terminals and key parts business will likely benefit from this trend. After the acquisition of the new business, the Group has successfully evolved from a comprehensive communication solutions and application services provider to a large-scale integrated information and communications technology enterprise group by integrating the functions of an "application communication solutions service provider" and a "mobile terminal designer and manufacturer," thereby maximizing synergies. The Group has also embarked on a number of initiatives including enlargement of assets, increase in research and development and production capacity, diversification of income sources, and extension from the industry and enterprise sectors to the consumer market. In 2014, the Group garnered the "Hong Kong Outstanding Enterprises" award presented by Economic Digest and the "Outstanding Wireless Communications Application Solutions Enterprise" award by Quamnet, reflecting capital market recognition of its business performance.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the shareholders, clients, suppliers and partners for their strong support of the Group. The Group resolves to unceasingly seize market opportunities and achieve further progress so as to create greater value for our shareholders and investors.

Mr. Chan Yuen Ming
Chairman

31 March 2015

Technology Paves the Way to Smart Living

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2014, the Group has proactively formulated and implemented strategies to restructure and optimize its business chain. In this connection, the Group has gradually disposed of non-core businesses which were not aligned with its development goals by disposing of its entire equity interests in two associated companies and focusing on key businesses in order to develop its core competence. At the same time, the Group has actively expanded its customer base and market share, which fuelled business growth. To strengthen its capital base, the Company has placed new shares twice to investors that include major investment funds. The Company believes that their holdings reflect confidence in the Company's future business development. For the year ended 31 December 2014, the Group's business growth can be reflected as follows:

(i) Revenue grew by about 49.96% to approximately RMB7,038,440,000 as compared to 2013. Revenue from satellite communications application solutions and other services grew by about 64.39%, while revenue from wireless data communications application solutions and services grew by about 48.52%, indicating strong growth in the Group's overall business.

(ii) Gross profit increased by about 26.10% to approximately RMB817,828,000 as compared to 2013.

(iii) Profit from operations for the year reached RMB367,369,000, representing a year-on-year growth of about 23.96%.

Satellite Communications Application Solutions and Other Services

During the year under review, satellite communications application solutions and other services accounted for about 9.93% of the Group's total revenue (2013: about 9.06%). The increase in percentage of contribution from this segment to the Group's total revenue was mainly attributable to orders from newly developed customers. Revenue generated from this segment increased from approximately RMB425,211,000 in 2013 to approximately RMB699,015,000 in 2014, representing an increase of approximately RMB273,804,000 or 64.39%.

The strong sales performance of this segment was also attributable to the market's favourable response to our new products. One notable new product is our microwave satellite communication systems which incorporate ultra high frequency converter modules to achieve frequency modulation bidirectional transmission, in line with a new trend in the next generation of satellite communications. The microwave satellite communication system is applied within an antenna system, with a 12G broadcast receiving frequency, a 20G downlink data communications frequency, a 30G uplink data communications frequency, and the maximum bandwidth reaching 2G and offering a series of benefits including a wide frequency band, large transmission capacity, good resilience, etc. This system enables the Group to open up new markets and has brought in substantial new orders.

MANAGEMENT DISCUSSION AND ANALYSIS

Wireless Data Communications Application Solutions and Services

During the year under review, wireless data communications application solutions and services accounted for about 90.07% of the Group's total revenue (2013: around 90.94%). Revenue generated from this segment increased by about 48.52% to approximately RMB6,339,425,000 as compared to 2013 (2013: approximately RMB4,268,426,000). The provision of information communications solutions and services accounted for about 12.21% of revenue attributable to this segment, while smart terminals and parts accounted for about 87.79% of revenue attributable to this segment.

- ### Information Communications Solutions and Services

Revenue from provision of information communications solutions and services mainly represented revenue from the provision of intelligent information terminals for law enforcement use (警務通) ("Jingwutong"), data communication stations and intelligent surveillance systems. During the reporting year, information communications solutions and services generated revenue of approximately RMB774,324,000, representing an increase of about 130.33% compared with 2013.

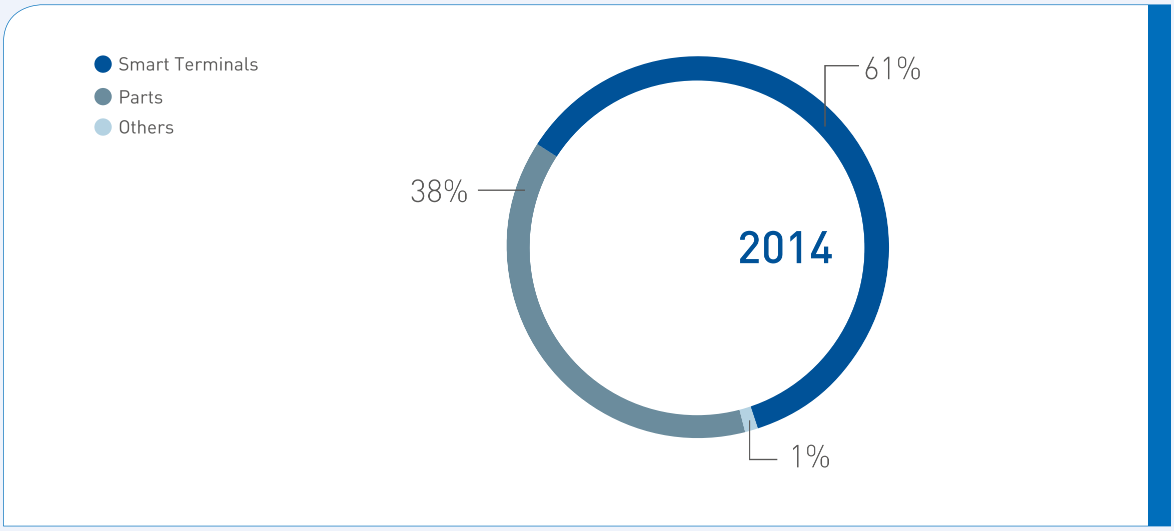
In 2014, in response to users' experience and feedback, the Group launched a new generation of Jingwutong intelligent information terminals, which can support a variety of standard communication networks. In addition, the new Jingwutong also adopts advanced security encryption technology to enhance the security of users' data. To complement the Jingwutong intelligent information terminals, the Group has also launched a new line of product, the law enforcement recorders, which are equipped with high resolution camera and 120 wide angle lens to record full details during law enforcement operations with capability to transmit live feed of audio and/or video information to the command centre. The device is designed to provide an enhanced level of protection to meet the complex operational environment and changing needs of law enforcement. Up to now, the law enforcement recorders have been applied in the police system in one province in China, and it is expected that there will be strong growth in demand in the next one to two years as the potential threat of terrorist violence in mainland China becomes more frequent.

In terms of geographical distribution, revenue generated from this sector was mainly derived from Beijing, Shanghai, Guangdong and other regions. By industry sector, sales were mainly concentrated in the public security, traffic police and city management sectors.

For the business of provision of intelligent surveillance systems, the most notable new product offering developed by the Group is a series of urban broadband wireless mobile data communication systems. These systems deploy the latest communications technology, with the use of a wireless mobile data communications platform, a new generation of broadband communication networks, a supporting platform and related applications and security software. With this robust functionality, the system is able to achieve real-time multi-industry intelligent monitoring and smart city management.

- **Smart Terminals and Parts**

The smart terminals and parts business managed under the wireless data communications segment includes the research and development, manufacturing and sale of mobile terminals, display modules, batteries, chargers, power adapters, casings, keyboards and other types of new generation of mobile terminal products as well as parts. The comprehensive strength of the Group's mobile terminals sector is well-regarded in the market with its established design and development expertise, advanced production capacity and supply chain management capabilities and a stable production capacity. At the same time, the Group has been actively expanding its customer base with significant results, a highlight of which is the establishment of stable cooperative relationship with a number of famous domestic mobile phone manufacturers. During the reporting year, this business achieved a revenue of approximately RMB5,565,101,000, representing an increase of approximately 41.52% as compared with 2013. The chart below sets out the percentage of contribution of each product category to the revenue of the smart terminals and parts business for the year ended 31 December 2014:



(a) **Mobile Terminals**

The Group is a leading mobile terminal solutions provider in China, and its business integrates the design, development, production and sales of mobile terminals. Its product lines cover mobile phones of all major telecommunications modes, fixed stations, data cards and other terminal products, and its end users are based in more than 30 countries and regions.

The mobile terminal business contributed around 61.29% of the consolidated revenue of the smart terminals and parts business for the year ended 31 December 2014. During the reporting year, revenue from the mobile terminal business increased by around 50.50% as compared with the corresponding period of 2013.

(b) **Parts**

The parts business accounted for approximately 38% of the consolidated revenue of the smart terminals and parts business during the year under review. This business mainly comprises three operation business, namely the display modules business, the mobile power sources business and the precision moldings business.

The key product offering of the display modules business includes small and medium size LCD modules and multi-point capacitive touch screens, which are widely used in mobile phones, tablet computers, digital cameras, etc. The display modules business accounted for approximately 23.46% of the consolidated revenue of the smart terminals and parts business for the year ended 31 December 2014, as compared with approximately 21.00% for last year. The sales performance largely reflects the Group's continued investment in new technologies to address the latest trends, which enabled it to seize market opportunities. The Group has become one of the largest suppliers to a few large scale brand vendors of mobile handsets mainly due to its reliable supply chain management, fine workmanship and advanced manufacturing capability.

The mobile power sources business, which includes development and production of power supplies, battery chargers and power adapters for mobile terminals, accounted for approximately 11.91% of the consolidated revenue of the smart terminals and parts business during the year. The mobile power sources business has relocated to the "China All Access Information Technology Science Park" in Huizhou, Guangdong Province, the PRC. The Group has invested in new plant and automatic equipment to maximize economies of scale and improve productivity to meet the increasing market demand, thereby consolidating its leading position in the mobile power sources industry.

The precision moldings business mainly involves plastic injection molding for the plastic shell of high-end electronic products including mobile phone casings and keyboards, spraying, and printing and assembly services for plastic shells used in high-end electronic products. The precision moldings business accounted for approximately 2.85% of consolidated revenue of the smart terminals and parts business for the year ended 31 December 2014. The Group has invested in new equipment and adjusted the management team to enhance the competitiveness of this business.

FINANCIAL REVIEW

Revenue

Revenue increased significantly from approximately RMB4,693,637,000 for the year ended 31 December 2013 to approximately RMB7,038,440,000 for the year ended 31 December 2014, representing an increase of approximately 49.96%. The increase in revenue during the year as compared with last year was mainly attributable to the following factors:

- Provision of satellite communication application solutions and other services exhibited an increase in revenue from approximately RMB425,211,000 for the year ended 31 December 2013 to approximately RMB699,015,000 for the year ended 31 December 2014 representing an increase of approximately 64.39%. The increase was mainly due to the continued development of different applications solutions and services, which expanded the Group's business to more industry sectors, domestic and international markets.

- Provision of wireless data communication application solutions and services exhibited an increase in revenue from approximately RMB4,268,426,000 for the year ended 31 December 2013 to approximately RMB6,339,425,000 for the year ended 31 December 2014, representing an increase of approximately 48.52%. The increase were mainly due to (i) strong contribution of the smart terminals and parts business; and (ii) the new growth contributed by developed new brand customers for mobile terminals.

Gross profit

Gross profit increased from approximately RMB648,578,000 for the year ended 31 December 2013 to approximately RMB817,828,000 for the year ended 31 December 2014, representing an increase of approximately 26.10%. Meanwhile, gross profit margin decreased from approximately 13.82% for the year ended 31 December 2013 to approximately 11.62% for the year ended 31 December 2014. The changes were mainly due to the following factors:

- Gross profit generated from provision of satellite communication application solutions and other services increased from approximately RMB180,441,000 for the year ended 31 December 2013 to approximately RMB290,284,000 for the year ended 31 December 2014, representing a year-on-year increase of approximately 60.87%. Meanwhile, the gross profit margin for the years ended 31 December 2013 and 31 December 2014 were approximately 42.44% and 41.53% respectively.

- Gross profit generated from provision of wireless data communications application solutions and services increased from approximately RMB471,269,000 for the year ended 31 December 2013 to approximately RMB531,088,000 for the year ended 31 December 2014, representing an increase of approximately 12.69%. Meanwhile, the gross profit margin for the years ended 31 December 2013 and 2014 were approximately 11.04% and 8.38% respectively. The decrease in the gross profit margin was mainly attributed to the growth in the production volume of competitive products which carried lower gross margins attributed to the smart terminals and parts business.

Other revenue

Other revenue decreased from approximately RMB14,523,000 for the year ended 31 December 2013 to approximately RMB9,199,000 for the year ended 31 December 2014, representing a decrease of approximately 36.66%. It was mainly attributed to the other revenue from write-off of the long-term aged accounts payable recognized by a subsidiary engaged in the smart terminals and parts business for the year end 31 December 2013. There is no such kind of revenue recognised for the year ended 31 December 2014.

Other net (loss)/income

The Group recorded other net loss of approximately RMB563,000 for the year ended 31 December 2014 as compared with other net income of approximately RMB1,402,000 for the year ended 31 December 2013. It was mainly due to the loss on disposal of outdated equipment.

Distribution costs, administrative expenses and R&D expenses

Distribution costs, administrative expenses and R&D expenses increased from approximately RMB368,144,000 for the year ended 31 December 2013 to approximately RMB459,095,000 for the year ended 31 December 2014, representing a growth of approximately 24.71%. The increase was mainly due to (i) the increase in the Group's revenue which drove the cost increase in absolute term; and (ii) the Group's business expansion in new territory and new business area that led to the increase in distribution costs and administrative expenses related to enhanced operation management and sales effort. The percentage of distribution costs, administrative expenses and R&D expenses to the revenue decreased from approximately 7.84% for the year ended 31 December 2013 to approximately 6.52% for the year ended 31 December 2014, representing a decline of approximately 1.32 percentage points. The decline of the percentage of distribution costs, administrative expenses and R&D expenses to the revenue reflects the Group's continuous efforts to maintain cost efficiency.

Profit from operations

Profit from operations increased from approximately RMB296,359,000 for the year ended 31 December 2013 to approximately RMB367,369,000 for the year ended 31 December 2014, representing an increase of approximately 23.96%. The increase in profit from operations was mainly attributable to (i) strong operating results from provision of satellite communication application solutions and other services; (ii) newly developed customers from different industry sectors and locations; and (iii) increasing cost efficiency of the Group.

Finance income and finance costs

Finance income increased from approximately RMB34,575,000 for the year ended 31 December 2013 to approximately RMB88,898,000 for the year ended 31 December 2014, representing a growth of approximately 157.12%. The increase was mainly attributable to interest income recognized from entrusted loans and debt factoring receivables.

Finance costs increased from approximately RMB132,685,000 for the year ended 31 December 2013 to approximately RMB181,081,000 for the year ended 31 December 2014, representing a growth of approximately 36.47%. The increase was attributable to the increase in interest-bearing borrowings as a result of (i) issuance of HK$230 million convertible notes due 2016 to Asia Equity Value Ltd in June 2014; and (ii) increase in interest-bearing borrowings due to the financing needs from the continuous expansion of the Group.

Income tax

Income tax decreased from approximately RMB118,575,000 for the year ended 31 December 2013 to approximately RMB79,332,000 for the year ended 31 December 2014, representing a decrease of approximately 33.10%. The effective tax rate in 2014 was approximately 29.03%, as compared with approximately 25.95% in 2013. The decrease in income tax was mainly due to the one-time gain from the disposals (the "Jufei Disposal") of shares of 深圳市聚飛光電有限公司 (Shenzhen Jufei Optoelectronics Co., Ltd.) ("Jufei") in the year ended 31 December 2013, which were subject to higher income tax rate. The effective tax rate remained high for the year ended 31 December 2014 mainly due to the tax paid for transfer of shareholding interests in a subsidiary from one intermediate holding company to another subsidiary for Group restructuring purpose which is subject to higher income tax rate.

Profit for the year

Profit for the year decreased from approximately RMB338,414,000 for the year ended 31 December 2013 to approximately RMB193,975,000 for the year ended 31 December 2014, representing a decrease of approximately 42.68%. The decrease in profit for the year was mainly attributable to one-time gain recognised from the Jufei Disposal for the year ended 31 December 2013.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2014, the Group had unrestricted cash and cash equivalents of approximately RMB461,783,000 (as at 31 December 2013: approximately RMB671,145,000), restricted cash of approximately RMB675,692,000 (as at 31 December 2013: approximately 336,080,000), bank deposits with original maturities over three months of approximately RMB303,000,000 (as at 31 December 2013 : approximately RMB600,000,000) and borrowings of approximately RMB2,739,220,000 (as at 31 December 2013: approximately RMB1,936,509,000). The gearing ratio (calculated by dividing borrowings by total assets) as at 31 December 2014 was approximately 27.98% (as at 31 December 2013: approximately 25.15%). As at 31 December 2014, the Group had current assets of approximately RMB7,209,073,000 (as at 31 December 2013: approximately RMB5,868,807,000) and current liabilities of approximately RMB6,028,176,000 (as at 31 December 2013: approximately RMB4,558,369,000). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.20 as at 31 December 2014, which was a decrease as compared with the current ratio of approximately 1.29 as at 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

The Group's sales and purchases were mainly denominated in RMB. Therefore the Group is not exposed to significant foreign currency exchange risks. The Group does not employ any financial instruments for hedging purposes. While the Board currently does not expect currency fluctuations to materially impact the Group's operations, the Board will review the foreign exchange exposure of the Group from time to time as appropriate.

Capital expenditure

During the year under review, the Group's total capital expenditure amounted to approximately RMB179,149,000 (2013: approximately RMB148,600,000), which was mainly used for the construction of the industrial park in Huizhou, Guangdong Province, the PRC for the Group's use and equipment upgrade attributable to the smart terminals and parts business.

Capital commitment

As at 31 December 2014, the Group had capital commitment amounted to approximately RMB43,978,000 (as at 31 December 2013: approximately RMB19,516,000), The increase was attributable to the increase of amount contracted related to the renovation of the industrial park in Huizhou, Guangdong Province, the PRC for the Group's use, which mainly represented the amounts contracted but not provided for in the financial statements in respect of such construction-in-progress.

Charge on assets

As at 31 December 2014, the assets of the Group with the following carrying amounts were pledged, which included: (i) Hong Kong office property of approximately HK$16,755,000 as security for the outstanding balance of a mortgage loan of approximately HK$10,572,000; (ii) Guangzhou office property of approximately RMB8,837,000 for the outstanding balance of a mortgage loan of approximately RMB2,695,000; (iii) two pieces of land in Huizhou, the PRC of approximately RMB139,781,000, as security for the outstanding balance of a mortgage loan of approximately RMB250,000,000; and (iv) bank deposits of HK$150,000,000 (approximately RMB118,906,000), as security for outstanding loans of approximately RMB116,000,000.

Contingent liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2014, the Group had approximately 4,896 employees (as at 31 December 2013: approximately 5,670 employees). The decrease in the number of employees was mainly attributable to the (i) centralization of the production facilities and (ii) the semi-automation of production lines. The Group offered to its employees competitive salary package, as well as contribution to defined contribution retirement plan.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

As a leading manufacturer and provider of integrated information communications system solutions, the Group has experienced steady business growth. The Group has proactively formulated effective strategies to restructure and optimize its business chain and has focused on businesses where it is highly competitive in order to both develop its core competence and maximize its value. Up to now, the Group has been mainly engaged in public security, emergency communications, urban area management and the new generation solutions in the communications market through two business segments, namely satellite communications services and wireless data communications services.

"Public safety" comprehensive management and maintenance of stability is a high priority of the PRC Government

At the end of 2014, the Chinese government issued "the State Council Directive on Accelerating the Development of the Emergency Response Industry"《國務院辦公廳關於加快應急產業發展的意見》. It proposes to increase the financial and tax policy support for the investment and research of emergency response products and services which are included in the industrial restructuring catalog. To meet the increasing demand for public security services, the Group has seized opportunities, actively responded to challenges, and developed and produced related products and solutions. To this end, the Group has been engaged to provide Jingwutong intelligent information terminals to law enforcement authorities in the PRC for a number of years. After two generations of technology development and updates, Jingwutong intelligent information terminals have become essential equipment for many law enforcement personnel. At the same time, the Group introduced the law enforcement recorders in 2014 to complement the Jingwutong product offering. When deployed together with the Jingwutong intelligent information terminals during law enforcement operations, command centers can get real-time information of the situation through video and audio feeds, while the frontline law enforcement officers can make decisions at the scene. The device also offers an advanced level of data protection to meet the complex and changing needs of law enforcement in the current situation. The Company believes that this business will continue to benefit from the opportunities of industry and technology development and has bright growth prospects.

"Smart cities" springing up

Following industrialization, electrification and information technology, smart city construction is a major trend in urban development in the world today. Through utilization of technologies including M2M (machine-to-machine) communication and cloud computing, the "smart city" concept is centred on improvements to the intelligent level of city planning, construction, management and services, enabling cities to be run more efficiently, conveniently and in a more environmentally-friendly manner. In terms of industrial scale, M2M development has maintained a high growth rate. In 2013, China's overall M2M industry scale has reached RMB500 billion, an increase of 36.9% as compared to the corresponding period last year. The overall scale of the M2M industry is expected to exceed RMB700 billion by 2015. The Group has actively participated in smart city construction, and researched and developed remote monitoring satellite data collection systems, urban automatic fire alarm systems, remote wireless urban utilities meter reading and pipe network monitoring system solutions which have played important roles in several cities of China. It is expected that the Group's city comprehensive management and public safety services will be driven by the national smart city development opportunities and further benefit from relevant national policies. Under the leadership of its management team with more than 20 years of experience, and with a market leading strategy, the Group will fully leverage its core competitive advantages and endeavour to achieve a larger market share in smart city technologies.

Increasing demand of smart terminals driven by a new generation of communications

Strategy Analytics Wireless Smartphone Strategy (WSS) released a research report, showing that in 2014 global smart phone shipments have reached an average growth rate of 30% to 1.3 billion units. Android smart phones accounted for 81% of the total market share, and the global mobile phone market has reached one trillion US dollars for the first time. According to the China Academy of Information and Communications Technology under the Ministry of Industry and Information Technology of the People's Republic of China, China's mobile phone shipments reached 452 million units in 2014, and smart phones are expected to still be mainstream products in communications development during the future, as reflected by the increasing demand year-after-year. Besides, since 2014, mobile E-commerce has become the main trend in the Internet Age. Traditional internet companies and PC-side E-commerce companies have stepped up mobile internet layouts, and mobile shopping and mobile payment is expected gradually become the mainstream payment method replacing online payment through computers in the future.

The Group's smart terminals and parts division, currently organized under Shenzhen City Changfei Investment Company Limited (深圳市長飛投資有限公司) ("Changfei Investment", together with its subsidiaries, the "Changfei Group"), is a domestic first-tier manufacturer of mobile terminals and components. The Group aims to collaborate closely with its customers to forge stable partnerships and to shorten production lead time so as to enable the Group, as well as its customers, to seize market opportunities and to create a win-win situation. With the strategy of "Grow together with our clients", the Group's smart terminals and parts division as organized under the Changfei Group will continue to enhance its research and development capabilities, supply chain management, stringent quality control and efficient manufacturing capability. We believe that this strategy will contribute to our comprehensive competitiveness in the wireless data communications industry. In addition, the Group's "China All Access Information Technology Science Park" in Huizhou has commenced operation in 2014. The new science park will provide a favourable environment for the Group to continue to advance its technology level and improve its production capability of smart terminals.

Looking ahead, through the provision of leading-edge satellite communications solutions and services, wireless data communications solutions and services as well as the competitive advantages of smart terminals research and development, the Group will continually optimize its broad-based, cross-platform and professional products in order to expand market share. The Group will endeavour to continue its growth trajectory to become a domestic first-class integrated information and communication technology enterprise.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The current members of the Board and the Group's senior management are listed below.

EXECUTIVE DIRECTORS

- CHAN Yuen Ming, Chairman
- SHAO Kwok Keung, Chief Executive Officer
- XIU Zhi Bao, Head of Planning and Finance Department

NON-EXECUTIVE DIRECTOR

- XU Qiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

- PUN Yan Chak
- WONG Che Man Eddy
- LAM Kin Hung Patrick

SENIOR MANAGEMENT

- WANG Jian Hua, Vice-President
- FENG Rui Ju, Vice-President
- AU Ki Lun, Company Secretary and Head of Corporate Affairs Department

EXECUTIVE DIRECTORS

CHAN Yuen Ming, aged 59, is the Chairman and an executive Director of the Company. Mr. Chan has been with the Group since its establishment in 2006 and is the founder of the Group. Mr. Chan was appointed as an executive Director on 4 December 2007. He is responsible for the Group's overall business development and strategic planning. Since 1990s, he was a key member of the management teams of several communication corporations in the PRC, including Sky Communication Group Co., Ltd ("SkyComm") and its subsidiaries (collectively "SkyComm Group"). These corporations are principally engaged in mobile communication, satellite communication, internet, wireless data and call center businesses. Mr. Chan was the founder of SkyComm Group responsible for establishing the business of SkyComm Group in December 2000. During his time in SkyComm Group up to his resignation from all his positions in the SkyComm Group in December 2008, Mr.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Chan was responsible for the overall business development, strategic planning and corporate management and supervision of daily operation of the SkyComm Group. Mr. Chan is currently a director of China All Access Group Limited ("CAA BVI"), All Access Global Limited ("CAA HK"), and other principal operating subsidiaries of the Company (including Shenzhen City Changfei Investment Company Limited ("Changfei Investment") and its subsidiaries (collectively the "Changfei Group")). He is also the director and shareholder of Creative Sector Limited, the controlling shareholder (as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) of the Company.

SHAO Kwok Keung, aged 53, is the Chief Executive Officer and an executive Director of the Company and has joined the Group since December 2007. Mr. Shao was appointed as an executive Director on 4 December 2007. Mr. Shao is a member of the Remuneration Committee and Nomination Committee of the Board. He is responsible for the corporate management of the Company. Mr. Shao graduated with an honours diploma from Hong Kong Baptist College in 1984 and a master degree in business administration from Warwick University, U.K., in 1994. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Possessing more than 20 years of working experience in organizations across different industries, he has taken up finance and management positions in a CPA firm, a financial institution, a television station, satellite communication, telecommunications and consumer electronics product distribution and manufacturing companies. Prior to joining the Group, Mr. Shao was the group financial controller of IDT International Limited (Stock code: 167), a company listed on the Main Board of the Stock Exchange. Mr. Shao is currently a director of CAA BVI, CAA HK and other principal operating subsidiaries of the Company (including Changfei Investment).

XIU Zhi Bao, aged 45, is the Head of the Planning and Finance Department and an executive Director of the Company. Mr. Xiu has been with the Group since 30 August 2006 and was appointed as an executive Director on 24 August 2011. He is also a director of Changfei Investment and several members of Changfei Group. He is responsible for corporate planning and finance aspects of the Group. Mr. Xiu graduated from 杭州電子工業學院 (Hangzhou Electronics Industrial College) in 1992 with a bachelor's degree in economics. He has more than 20 years of experience relating to finance and planning management in the manufacturing and communication industries. Mr. Xiu joined the SkyComm Group in July 1996 and was appointed as the General Manager of the Planning and Finance Department of SkyComm in January 2006. Before joining the Group, Mr. Xiu was responsible for devising financial plan and annual budget of SkyComm and supervising the finance management of SkyComm. He is also the director and shareholder of Abundant Plus Investments Limited and Novel Ray Investments Limited which have interest in such number of shares of the Company as disclosed under "Interests and short position of the Directors in the shares, underlying shares and debentures of the Company and its associated corporation" in "Report of the Directors" of this annual report.

NON-EXECUTIVE DIRECTOR

XU Qiang, aged 43, is a non-executive Director of the Company. He joined the Group on 8 July 2013 when he was appointed as a non-executive Director. Mr. Xu had over 20 years of experience in finance and investment fields. He is a qualified accountant in the People's Republic of China. Mr. Xu graduated from 中央財政金融學院 (Central Institute of Finance and Economics) (currently known as 中央財經大學 (Central University of Finance and Economics)) with a bachelor's degree in economics (majoring in management of international corporations) in 1993. He is currently the head of the investment department of ZTE Corporation, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 763) and the Shenzhen Stock Exchange (stock code: 000063).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

PUN Yan Chak, aged 57, is an independent non-executive Director of the Company. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Pun is the chairman of the Remuneration Committee and a member of the Audit Committee of the Board. Mr. Pun graduated from the Chinese University of Hong Kong with a bachelor's degree in science (major in electronics, minor in general business management) in 1981. Upon graduation, he joined Hong Kong Telephone Company Limited (currently known as PCCW) as a Trainee Engineer and was promoted to Project Engineer and Engineer in September 1983 and September 1984 respectively. As an Engineer in the Datacom Engineering, Network Development Department of Hong Kong Telephone Company Limited, Mr. Pun was responsible for packet network capacity planning and development. Mr. Pun became a Chartered Engineer in October 1986. In 1989, Mr. Pun joined the Hong Kong Post Office as a Telecommunications Engineer. In 1993, Mr. Pun joined the Office of the Telecommunications Authority (currently known as the Office of Communications Authority) ("OFCA") as a Telecommunications Engineer. In 2004, Mr. Pun left OFCA and started his consulting career.

WONG Che Man Eddy, aged 55, is an independent non-executive Director of the Company. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Wong is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Board. Mr. Wong graduated with an honours diploma in accounting from Hong Kong Baptist College in 1984. Mr. Wong has over 20 years of experience in the auditing and accounting profession. He is the sole proprietor of Eddy Wong & Co., Certified Public Accountants, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an independent non-executive director of Sun Hing Vision Group Holdings Limited (Stock code: 125), which is listed on the Main Board of the Stock Exchange.

LAM Kin Hung Patrick, aged 57, is an independent non-executive Director. He joined the Group on 19 August 2009 when he was appointed as an independent non-executive Director. Mr. Lam is the Chairman of the Nomination Committee and a member of the Audit Committee of the Board. Mr. Lam graduated from the University of London with an honoured Bachelor of Laws degree in 1988, from the University of Hong Kong with the Postgraduate Certificate in Laws in 1989, from the University of London with a Master of Laws degree in 1991 and from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) with a Postgraduate Diploma in Language and Law in 1991. He was admitted as a solicitor of the Supreme Court of Hong Kong and the Supreme Court of England and Wales in 1991, and was subsequently admitted as an Associate of the Chartered Institute of Arbitrators in 1993, and as a practitioner of the Supreme Court of Tasmania, Australia in 1994. He has been appointed as a China Appointed Attesting Officer since 2003. From 1996 to 2000, Mr. Lam had taken up part-time teaching positions in various tertiary institutions in China and Hong Kong, including the 西江大學 (University of Xijiang), the Open University of Hong Kong, Vocational Training Council and Sun Life of Canada (International) Limited, on subjects of law and building management. Mr. Lam is a practising solicitor and is currently the principal of Patrick K.H.Lam & Co., a solicitor's firm in Hong Kong.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

WANG Jian Hua, aged 54, is the Vice President of the Group. Ms. Wang holds a university degree and her career began in the armed forces, followed by the Shijiazhuang Watch Factory, and positions within the Hebei Province Provincial Party Bureau. In 1998, Ms. Wang co-founded Hebei Hongda Communications Co., Ltd., one of the shareholding companies of SkyComm, and had been one of the core management team members of the Skycomm Group. Since joining the Group in 2010, Ms. Wang has been responsible for sales and marketing of the Group.

FENG Rui Ju, aged 54, in the Vice President of the Group. Ms. Feng joined the Group since 1 October 2008. She is responsible for the daily operations of satellite communication business, wireless data communication business and call centre business and is a supervisor of several members of the Changfei Group. Ms. Feng graduated from 河北廣播電視大學 (Hebei Broadcasting Television University) in July 1982 majoring in electronics technology. She has more than 15 years of experience relating to marketing, business development and administration in the communications industry. Ms. Feng joined the SkyComm Group in January 1998 and was appointed as General Manager of the Satellite Communication Business Department of Hebei SkyComm, a principal subsidiary of SkyComm, in July 2006. Before joining the Group, Ms. Feng was responsible for supervising and coordinating the operation of Hebei SkyComm.

AU Ki Lun, aged 33, is the Company Secretary and the Head of the Corporate Affairs Department. Mr. Au joined the Group in February 2013. He is responsible for internal audit, risk control and investors relations of the Group. Mr. Au graduated from the Florida International University in April 2005 with a bachelor's degree of arts in economics, in December 2006 with a bachelor's degree in accounting, and in December 2007 with a master degree in accounting. He is a member of the American Institute of Certified Public Accountants and is a certified public accountant in the State of Florida, the United States of America. He has over seven years of working experience in accounting and investment related positions prior to joining the Group. Before joining the Group, he was a senior investment manager in ZTE Corporation.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of China All Access (Holdings) Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. It has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111,Cayman Islands and principal place of business at Room 805, 8/F, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are the provision of satellite communication application solutions and other services, and wireless data communication application solutions and services. On 26 December 2012, the Group completed the acquisition of 51% equity interest in Changfei Investment which is principally engaged in investment holding and is the holding company of a group of companies which is principally engaged in research and development and production of a wide spectrum of products and parts in the supply chain of various types of mobile terminals. Other particulars of the subsidiaries of the Company are set out in note 16 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	39%	
Five largest customers in aggregate	74%	
The largest supplier		7%
Five largest suppliers in aggregate		24%

Save for (i) ZTE Corporation ("ZTE") and its subsidiaries (the "ZTE Group") and (ii) Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited ("ZX") and its subsidiaries (the"ZX Group"), being counterparties to the continuing connected transactions of the Company as more particularly described under "Significant connected transactions of the Group during the year" in the "Corporate Governance Report" of this annual report (pages 55 to 61), none of the Directors, their close associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 67 to 166.

TRANSFER TO RESERVES

Profit attributable to shareholders of the Company (the "Shareholders") before dividend of RMB207,716,000 (2013: RMB222,801,000) have been transferred to reserves. Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 31(a) to the financial statements respectively.

The Company's reserves available for distribution to Shareholders as at 31 December 2014 were RMB1,149,330,000 (2013: RMB702,927,000).Interim dividend of HK2.5 cents per share of the Company ("Share(s)") was declared and paid during the year ended 31 December 2014 (2013: HK2.5 cents). The Directors have recommended the payment of a final dividend of HK5.5 cents per Share (2013: HK5.5 cents) in respect of the year ended 31 December 2014, subject to the approval by Shareholders at the forthcoming annual general meeting of the Company. The Directors also declared the payment of a special dividend of nil cents per Share in respect of the year ended 31 December 2014 (2013: HK3.5 cents per Share).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's total capital expenditures on property, plant and equipment amounted to approximately RMB179,149,000 (2013 RMB136,460,000), which was used for the acquisition of property, plant and equipment. Details of these acquisitions and other movements in property, plant and equipment are set out in note 13 to the financial statements.

INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group during the year are set out in note 28 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31(c) to the financial statements.

DIRECTORS

The Directors of the Company during the year under review were as follows:

Executive Directors

Mr. Chan Yuen Ming, Chairman
Mr. Shao Kwok Keung, Chief Executive Officer
Mr. Xiu Zhi Bao, Head of Planning and Finance Department

Non-executive Director

Mr. Xu Qiang

Independent non-executive Directors

Mr. Pun Yan Chak
Mr. Wong Che Man Eddy
Mr. Lam Kin Hung Patrick

In accordance with article 105(A) of the Company's articles of association, Mr. Chan Yuen Ming, Mr. Shao Kwok Keung and Mr. Wong Che Man Eddy will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Chan Yuen Ming, Mr. Shao Kwok Keung and Mr. Wong Che Man Eddy, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of senior management
Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	–
HK$2,500,001 to HK$3,000,000	–
HK$3,000,001 to HK$3,500,000	–
HK$3,500,001 to HK$4,000,000	–
HK$4,000,001 to HK$4,500,000	–
HK$4,500,001 to HK$5,000,000	–
	3

Further details of the Directors' remuneration and the five highest paid employees for the year are set out in notes 9 and 10 to the financial statements respectively.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in any of 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 had been 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 in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Entity in which interest are held	Capacity/ Nature of interest	Number and class of securities Held (Note 1)	Approximate percentage of shareholding (Note 5)
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation (Note 2)	516,996,000 ordinary Shares (L)	32.68%
		Beneficial owner	1,000,000 ordinary Shares (L)	0.06%
Mr. Xiu Zhi Bao ("Mr. Xiu")	The Company	Interest of controlled corporations (Note 3)	195,954,990 ordinary Shares (L)	12.39%
		Interest of a controlled corporation (Note 4)	95,000,000 ordinary Shares (S)	6.00%

Notes:

(1) The letter "L" denotes a long position in the shares or underlying shares of the Company or any of its associated corporations and the letter "S" denotes a short position in the shares or underlying shares of the Company or any of its associated corporations.

(2) These Shares were held by Creative Sector Limited, the entire issued share capital of which was owned by Mr. Chan, an executive Director. Mr. Chan was deemed to be interested in all the Shares in which Creative Sector Limited was interested by virtue of the SFO.

(3) These 195,954,990 Shares were held as to 67,100,000 Shares by Novel Ray Investments Limited and as to 128,854,990 Shares by Abundant Plus Investments Limited, the entire issued share capital of both of which was owned by Mr. Xiu, an executive Director. Mr. Xiu was deemed to be interested in all these Shares by virtue of the SFO.

(4) The short position in these 95,000,000 Shares, in the form of derivative interests, was held by Abundant Plus Investments Limited, the entire issued share capital of which was owned by Mr. Xiu. Mr. Xiu was deemed to be interested in all these Shares by virtue of the SFO.

(5) Calculated on the basis of 1,582,156,000 Shares in issue as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the interests and short positions of each person other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding (Note 9)
Creative Sector Limited	Beneficial owner	516,996,000 ordinary Shares (L)	32.68%
ZTE (H.K.) Limited ("ZTE HK")	Beneficial owner (Note 2)	298,534,493 ordinary Shares (L)	18.87%
ZTE Corporation ("ZTE")	Interest of a controlled corporation (Note 2)	298,534,493 ordinary Shares (L)	18.87%
Asia Equity Value Ltd	Beneficial owner (Note 3)	327,254,250 ordinary Shares (L)	20.68%
		44,646,000 ordinary Shares (S)	2.82%
	Security interest in Shares	101,871,906 ordinary Shares (L)	6.44%

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding
Chance Talent Management Limited	Beneficial Owner (Note 4 and 5)	84,892,666 ordinary Shares (L)	5.37%
		18,226,000 ordinary Shares (S)	1.15%
Prosper Talent Limited	Security interest in Shares (Note 4)	61,538,462 ordinary Shares (L)	3.89%
CCBI Investments Limited	Interest of a controlled corporation (Note 4)	146,431,128 ordinary Shares (L)	9.26%
		18,226,000 ordinary Shares (S)	1.15%
CCBI International (Holdings) Limited	Interest of a controlled corporation (Note 4)	146,431,128 ordinary Shares (L)	9.26%
		18,226,000 ordinary Shares (S)	1.15%
CCB Financial Holdings Limited	Interest of a controlled corporation (Note 4)	146,431,128 ordinary Shares (L)	9.26%
		18,226,000 ordinary Shares (S)	1.15%

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding
CCB International Group Holdings Limited	Interest of a controlled corporation (Note 4)	146,431,128 ordinary Shares (L)	9.26%
		18,226,000 ordinary Shares (S)	1.15%
China Construction Bank Corporation ("CCB")	Interest of a controlled corporation (Note 4)	146,431,128 ordinary Shares (L)	9.26%
		18,226,000 ordinary Shares (S)	1.15%
Central Huijin Investment Ltd.	Interest of a controlled corporation (Note 4)	146,431,128 ordinary Shares (L)	9.26%
		18,226,000 ordinary Shares (S)	1.15%
Abundant Plus Investments Limited	Beneficial owner (Note 6)	128,246,990 ordinary Shares (L)	8.11%
		95,000,000 ordinary Shares (S)	6.00%
Quantum China Asset Management Limited	Investment manager (Note 7)	162,730,000 ordinary Shares (L)	10.29%
Taiping Quantum China Opportunities Fund	Beneficial owner (Note 8)	117,460,000 ordinary Shares (L)	7.42%

Notes:

(1) The letter "L" denotes a person's long position in the Shares or underlying Shares and the letter "S" denotes a person's short position in the Shares or underlying Shares.

(2) Based on the disclosure of interest notice ("DI Notice") filed by each of ZTE HK and ZTE, respectively, under Part XV of the SFO in respect of their interests in Shares and underlying Shares as of 31 December 2014, which is the last DI Notice filed by them in respect of their interests in Shares and underlying Shares by 31 December 2014, ZTE HK had long position in 298,534,493 Shares. Among these Shares, 201,552,493 Shares comprised derivative interests.

As at 31 December 2014, ZTE HK was interested in convertible bonds in the principal amount of HK$201,500,000 which might be converted into up to 92,177,493 Shares at the conversion price of HK$2.186 per Share. On 14 January 2015, ZTE HK exercised the conversion rights attached to the above convertible bonds in full and 92,177,493 Shares were allotted and issued to ZTE HK on 16 January 2015. Please refer to the announcement of the Company dated 14 January 2015 and the next day disclosure return of the Company dated 16 January 2015 for further information.

As disclosed in the Company's announcement dated 23 December 2014, the Company (as issuer) entered into a subscription agreement dated 23 December 2014 with ZTE HK (as subscriber) for the conditional issue of convertible bonds in the principal amount of HK$350,000,000 which might be converted into up to 109,375,000 Shares at the initial conversion price of HK$3.20 per Share (subject to adjustment). As at 31 December 2014, the issue of the HK$350,000,000 convertible bonds had not yet been taken place. The issue of the HK$350,000,000 convertible bonds was completed on 26 February 2015. Please refer to the Company's announcements dated 23 December 2014 and 26 February 2015 and the Company's circular dated 19 January 2015 for further information.

As ZTE HK was a wholly-owned subsidiary of ZTE, ZTE was deemed to be interested in all the Shares in which ZTE HK was interested by virtue of the SFO.

(3) Based on the DI Notice filed by Asia Equity Value Ltd under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 16 December 2014, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2014, Asia Equity Value Ltd had long position in 429,126,156 Shares and short position in 44,646,000 Shares. The long position in 429,126,156 Shares comprised (i) beneficial interest in 327,254,250 Shares, of which 323,649,902 Shares were in the form of derivative interests; and (ii) security interest in 101,871,906 Shares. The short position in 44,646,000 Shares comprised derivative interests.

As at 31 December 2014, Asia Equity Value Ltd was interested in convertible notes in the principal amount of HK$230,000,000 (the "AEV Initial Notes") which (together with interest accrued thereon) might be converted into up to 86,369,789 Shares at the adjusted conversion price of HK$3.00 per Share (subject to further adjustment). No conversion of the AEV Initial Notes had been made as at 31 December 2014. Asia Equity Value Ltd also had a right to subscribe for additional convertible notes in the principal amount of HK$170,000,000 (the "AEV Additional Notes") on or before 15 January 2015 (which was subsequently extended to 15 July 2015 pursuant to the ordinary resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 18 February 2015). The AEV Additional Notes has not yet been issued as at 31 December 2014. Please refer to the circular of the Company dated 2 February 2015 for further information on the AEV Initial Notes and AEV Additional Notes.

(4) Based on the DI Notice filed by each of Central Huijin Investment Ltd. and China Construction Bank Corporation, respectively, under Part XV of the SFO in respect of their interests in Shares and underlying Shares as of 3 December 2014, which is the last DI Notice filed by them in respect of their interests in Shares and underlying Shares by 31 December 2014, Chance Talent Management Limited had long position in 84,892,666 Shares and short position in 18,226,000 Shares, while Prosper Talent Limited had long position in 61,538,462 Shares.

As at 31 December 2014, Central Huijin Investment Ltd. held approximately 57.26% equity interest in China Construction Bank Corporation, which in turn held directly or indirectly the entire issued share capital in the direct and indirect holding companies of each of Chance Talent Management Limited and Prosper Talent Limited, namely CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCBI International (Holdings) Limited and CCBI Investments Limited (collectively, the "CCB Subsidiaries"). Therefore, each of Central Huijin Investment Ltd., China Construction Bank Corporation and the CCB Subsidiaries was deemed to be interested in all the Shares in which Chance Talent Management Limited and Prosper Talent Limited were interested by virtue of the SFO.

(5) As at 31 December 2014, Chance Talent Management Limited was interested in convertible notes in the principal amount of HK$200,000,000 which might be converted into up to 70,200,070 Shares at the adjusted conversion price of HK$2.849 per Share (subject to further adjustment). No conversion of such convertible notes had been made as of that date.

(6) As at 31 December 2014, the entire issued share capital in Abundant Plus Investments Limited was owned by Mr. Xiu, an executive Director. Mr. Xiu was deemed to be interested in all the Shares in which Abundant Plus Investments Limited was interested by virtue of the SFO.

(7) Based on the DI Notice filed by Quantum China Asset Management Limited under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 26 November 2014, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2014, Quantum China Asset Management Limited had long position in 162,730,000 Shares in the capacity of investment manager.

(8) Based on the DI Notice filed by Taiping Quantum China Opportunities Fund under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 26 November 2014, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2014, Taiping Quantum China Opportunities Fund had long position in 117,460,000 Shares in the capacity of beneficial owner.

(9) Calculated on the basis of 1,582,156,000 Shares in issue as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

ISSUE OF SECURITIES

During the year ended 31 December 2014, the Company had completed the following fund raising activities through issue of equity or convertible securities:

(i) Top-up placing of 120,000,000 Shares under general mandate

On 22 April 2014, pursuant to a placing and subscription agreement dated 14 April 2014 entered into between the Company, Creative Sector Limited (a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chan), and a placing agent, a total of 120,000,000 ordinary Shares of HK$0.01 each in the share capital of Company at HK$3.20 per Share were placed by Creative Sector Limited to not less than six independent placees. On 28 April 2014, the Company allotted and issued, and Creative Sector Limited subscribed for, 120,000,000 Shares at HK$3.20 per Share. Details of the placing and the subscription were set out in the announcements of the Company dated 14 April 2014 and 28 April 2014. As at the latest practicable date prior to the issue of this report, the net proceeds of approximately HK$373 million from the subscription had been fully utilized for the business development purposes of the Group, including as to RMB204 million (equivalent to approximately HK$261 million) for settling the final installment of the consideration for acquisition of 51% equity interest of Changfei Investment and approximately HK$112 million as prepayment for procurements by the Group for the provision of wireless data communications application solutions and services.

(ii) Issue of convertible notes to Asia Equity Value Ltd

On 27 June 2014, pursuant to a subscription agreement ("AEV Subscription Agreement") dated 23 June 2014 and entered into between the Company, China All Access Group Limited (a wholly-owned subsidiary of the Company) and Asia Equity Value LTD, the Company issued, and Asia Equity Value LTD subscribed for, the convertible notes in the principal amount of HK$230,000,000 at 100% of the face value of such principal amount. With an initial conversion price of HK$3.35 per Share, which is subject to adjustment pursuant to the terms and conditions of the convertible notes. As set out in the Company's announcement dated 16 December 2014, the conversion price was adjusted from HK$3.35 to HK$3.00 per Share (subject to further adjustments) with effect from 16 December 2014. As at the latest practicable date prior to the issue of this report, no conversion of such convertible notes had been made by Asia Equity Value Ltd, and the total outstanding principal amount under such convertible notes amounted to HK$217,090,000 after the repayments made by the Company on 26 February 2015 and 27 March 2015 by way of the issue of repayment Shares and interest Shares pursuant to the specific mandate granted by the shareholders of the Company on 18 February 2015. Pursuant to the AEV Subscription Agreement (as supplemented by two letter agreements dated 8 January 2015 and 27 January 2015), Asia Equity Value LTD has the right to subscribe for the additional convertible notes in the principal amount of HK$170,000,000 at 100% of the face value of such principal amount on or before 15 July 2015. As at the latest practicable date prior to the issue of this report, the subscription of such additional convertible notes had not yet taken place. Please refer to the Company's announcements dated 23 June 2014, 24 June 2014, 27 June 2014, 8 January 2015, 27 January 2015 and 18 February 2015 and the Company's circular dated 2 February 2015 for further information. As at the latest practicable date prior to the issue of this report, the net proceeds of approximately HK$229 million from the issue of the HK$230,000,000 convertible notes completed on 27 June 2014 had been fully utilized in financing procurements by the Group for the purpose of developing the business of provision of communication solutions and services to customers outside Mainland China.

(iii) Extension of HK$200,000,000 convertible notes subscribed by Chance Talent Management Limited

On 4 September 2013, pursuant to a subscription agreement (the "CTM Subscription Agreement") dated 25 July 2013 entered into between the Company, Mr. Chan Yuen Ming and Chance Talent Management Limited, the Company issued, and Chance Talent Management Limited subscribed for, the convertible notes in the principal amount of HK$200,000,000 at 100% of the face value of such principal amount with an initial conversion price of HK$3.00 per Share, subject to adjustment pursuant to the terms and conditions of the convertible notes. As disclosed in the Company's announcements dated 16 May 2014 and 16 December 2014, the conversion price was adjusted from HK$3.00 to HK$2.872 per Share with effect from 28 April 2014, and was further adjusted from HK$2.872 to HK$2.849 per Share with effect from 16 December 2014 (subject to further adjustments). On the basis of the conversion price of HK$2,849 per Share, the convertible notes may be converted into up to 70,200,700 Shares. By a supplemental deed dated 10 September 2014 entered into by the same parties, the maturity date for the HK$200,000,000 convertible notes was extended from 4 September 2014 to 4 September 2016 and certain amendments were made to the terms and conditions of the CTM Subscription Agreement and the convertible notes in relation to the Company's warranties and undertakings thereunder and the grant under of an early redemption right to Chance Talent Management Limited. The maturity date extension and other amendments to the CTM Subscription Agreement and the convertible notes were approved by the shareholders of the Company at the extraordinary general meeting held on 31 October 2014. As at the latest practicable date prior to the issue of this report, no conversion of such convertible notes had been made by Chance Talent Management Limited and the entire principal amount of such convertible notes remained outstanding. The estimated net proceeds of approximately HK$198 million from the issue of the convertible notes which was completed on 4 September 2013 had been fully utilized by the Group as intended, with (i) approximately HK$39.6 million used for repaying bank loans and (ii) approximately HK$158.4 million utilized for general working capital purposes of the Group. Please refer to the Company's announcements dated 31 October 2014 and 11 November 2014 and the Company's circular dated 15 October 2014 for further information.

(iv) Placing of 133,332,000 Shares under general mandate

On 3 December 2014, pursuant to a placing agreement dated 21 November 2014 and entered into between the Company and a placing agent, a total of 133,332,000 Shares at HK$3.00 per Share were placed to not fewer than six independent placees. Please refer to the Company's announcements dated 21 November 2014 and 3 December 2014 for details of the placing. As at the latest practicable date prior to the issue of this report, the net proceeds of approximately HK$386 million had been fully utilized as to (i) approximately HK$152 million as pledged bank deposit for securing banking facilities in the PRC; (ii) approximately HK$70 million as additional paid up capital of a wholly-owned subsidiary in the PRC; and (iii) the balance of approximately HK$164 million as general working capital of the Group.

(v) Issue of HK$350,000,000 convertible bonds to ZTE (H.K.) Limited

On 23 December 2014, the Company entered into a subscription agreement with ZTE (H.K.) Limited pursuant to which the Company has conditionally agreed to issue, and ZTE (H.K.) Limited has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$350,000,000 at 100% of the face value of such principal amount with an initial conversion price of HK$3.20 per Share, subject to adjustments pursuant to the terms and conditions of the convertible bonds. On the basis of the conversion price of HK$3.20 per Share, the convertible bonds may be converted into up to 109,375,000 Shares. The issue of the convertible bonds was approved by the shareholders of the Company at the extraordinary general meeting held on 5 February 2015 and the issue and subscription was completed on 26 February 2015. Please refer to the Company's announcements dated 23 December 2014 and 26 February 2015 and the Company's circular dated 19 January 2015 for further information. As at the latest practicable date prior to the issue of this report, no conversion of such convertible bonds had been made by ZTE (H.K.) Limited and the entire principal amount of such convertible bonds remained outstanding. As disclosed in the Company's announcement dated 2 April 2015, the estimated net proceeds of approximately HK$349 million had been utilized as to (i) HK$102.5 million for redemption (including payment for outstanding principal and interest) of the HK$100 million 10% guaranteed notes issued by the Company upon maturity in February 2015; and (ii) the balance for repayment of revolving credit facilities utilized by the Group, while the remaining balance of approximately HK$125 million was then unutilized and had been reallocated for repayment of revolving credit facilities utilized by the Group. As at the latest practicable date prior to the issue of this report, the remaining balance of approximately HK$125 million had been utilized in full as intended.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2014 and up to the latest practicable date prior to the issue of this report,the Group had undertaken the following material acquisitions and disposals of subsidiaries or associated companies:

(i) Disposal of interest in 深圳市富德康電子有限公司(Shenzhen FDC Electronic Company Limited) ("FDC")

On 7 February 2014, Changfei Investment and Mr. Zhu Weimin ("Mr. Zhu") entered into an equity transfer agreement pursuant to which Changfei Investment disposed 30% equity interest in FDC to Mr. Zhu, representing the Group's entire equity interest in FDC, for a consideration of approximately RMB3.48 million. Upon completion of this disposal, the Group ceased to have any equity interest in FDC. Please refer to the announcement of the Company dated 7 February 2014 for further details of this disposal.

(ii) Acquisition and change in equity interest in 深圳市睿德電子實業有限公司 (Ruide Electronical Industrial Co., Ltd.) ("Ruide")

On 14 March 2014, 深圳市興飛科技有限公司 (Shenzhen Xing Fei Technology Co. Ltd.) ("Xing Fei"), an indirect non-wholly owned subsidiary of the Company, and Mr. Feng Xizhang ("Mr. Feng") entered into an equity transfer agreement pursuant to which Xing Fei acquired approximately 19.54% equity interest in Ruide from Mr. Feng for a consideration of approximately RMB25.11 million. Upon completion of the acquisition, Ruide was held as to approximately 57.47% by Changfei Investment, approximately 19.54% by Xing Fei and approximately 22.99% by 深圳市中興新地通信器材有限公司 (for identification only, Shenzhen Zhongxing Xindi Communications Equipment Company Limited) ("ZXX"). Please refer to the announcement of the Company dated 14 March 2014 for further details of this acquisition. On 18 March 2014, Changfei Investment transferred approximately 57.47% equity interest of Ruide to Xing Fei for group restructuring purpose, which was completed on 20 March 2014. As a result of this intra-group equity transfer, Ruide was owned as to approximately 77.01% by Xing Fei and approximately 22.99% by ZXX. On 20 March 2014, the then shareholders of Xing Fei resolved to reduce the registered capital of Ruide from RMB8.7 million to RMB6.7 million by way of ZXX withdrawing its capital contribution in Ruide, which was completed on 23 May 2014. Following the above capital reduction, Ruide became wholly-owned by Xing Fei.

(iii) Disposal of interest in 深圳市德倉科技有限公司 (Shenzhen Decang Technology Company Limited) ("Decang")

On 29 May 2014, 深圳市立德通訊器材有限公司 (Lead Communications Co., Ltd.) ("Lead Communications"), an indirect non-wholly owned subsidiary of the Company, and Mr. Zhu entered into an equity transfer agreement pursuant to which Lead Communications disposed approximately 25.53% equity interest in Decang to Mr. Zhu, representing the Group's entire equity interest in Decang, for a consideration of approximately RMB23.23 million. Upon completion of this disposal, the Group ceased to have any equity interest in Decang. Please refer to the announcement of the Company dated 30 May 2014 for further details of this disposal.

(iv) Acquisition of further equity interest in Changfei Investment

On 1 December 2014, All Access Communication Technology (Shenzhen) Limited (全通通信技術(深圳)有限公司) ("All Access Communication"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Zhu and Ms. Liu Wei Li in relation to the acquisition of in aggregate about 9.10% equity interest in Changfei Investment by All Access Communication for an aggregate consideration of about RMB58.05 million (equivalent to about HK$73.48 million). Upon completion of the above equity transfers, the Group's equity interest in Changfei Investment will be increased to about 60.10%. The acquisition has not yet been completed as at the latest practicable date prior to the issue of this report.

(v) *Disposal of 26% equity interest in Xing Fei to its core management*

On 13 April 2015, Changfei Investment and 深圳市騰興旺達有限公司 (Shenzhen City Teng Xing Wang Da Co., Ltd.) ("Management Holdco"), a company owned and controlled by the core management of Xing Fei, entered into an equity transfer agreement pursuant to which Changfei Investment has agreed to transfer, and Management Holdco has agreed to accept the transfer of, 26% equity interest in Xing Fei at a total consideration of RMB234 million (equivalent to approximately HK$295 million). Upon completion of the disposal, Changfei Investment's equity interest in Xing Fei will decrease from 80% to 54%, while the Management Holdco's equity interest in Xing Fei will increase from 7.1% to 33.1%. The completion of the disposal is subject to fulfillment of certain conditions precedent which have not yet been fulfilled as at the latest practicable date prior to the issue of this report. Please refer to the Company's announcement dated 13 April 2015 for further details of this disposal.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 28 August 2009. Eligible participants of the Share Option Scheme include: (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above. Subject to the earlier termination of the Share Option Scheme in accordance with its rules, the Share Option Scheme shall remain in force for a period of ten years commencing on 28 August 2009.

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time. The maximum number of Shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates (as defined under the Listing Rules), in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The total number of Shares which may be issued upon the exercise of all options (excluding for this purpose options which have lapsed) which may be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 121,682,400 Shares, representing 10% of the Shares in issue as at 28 June 2012 (i.e. the date that the 10% general scheme limit of the Share Option Scheme was refreshed by an ordinary resolution passed by the Shareholders at an extraordinary general meeting of the Company) and approximately 7.23% of the Shares in issue as at the latest practicable date prior to the issue of this report.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings of the Company.

During the year ended 31 December 2014, there was no outstanding share option under the Share Option Scheme and no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

CONTRACTS OF SIGNIFICANCE

Except as disclosed in note 35(a) & (d) to the financial statements and under "Disclosure pursuant to Rule 13.21 of the Listing Rules" below, no Director had a material interest, whether directly or indirectly, in any contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year.

Except as disclosed in note 35(a) & (d) to the financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters in relation to the annual report of the Group for the year ended 31 December 2014.

The audit committee of the Board has reviewed the annual report of the Group for the year ended 31 December 2014.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK5.5 cents per Share for the year ended 31 December 2014 (2013: HK5.5 cents per Share). The proposed final dividend will be paid to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 19 August 2015, if the proposal is approved by the Shareholders at the forthcoming annual general meeting (the "Annual General Meeting") of the Company to be held on 12 June 2015. It is expected that the final dividend will be paid on or about 26 August 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the forthcoming Annual General Meeting, the register of members of the Company will be closed from 10 June 2015 to 12 June 2015 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Annual General Meeting or any adjournment thereof, all share transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office (the "Branch Share Registrar") of the Company, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place,33 Lockhart Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 9 June 2015.

For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2014 which is subject to approval by the Shareholders at the forthcoming Annual General Meeting, the register of members of the Company will be closed from 17 August 2015 to 19 August 2015 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at the above address by no later than 4:00 p.m. on 14 August 2015.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As disclosed in the Company's announcements dated 25 July 2013 and 4 September 2013, the Company and Mr. Chan Yuen Ming ("Mr. Chan") (a controlling shareholder of the Company by virtue of his indirect controlling interests in the Shares through Creative Sector Limited ("Creative Sector"), a company wholly-owned by Mr. Chan) entered into a subscription agreement (the "CTM Subscription Agreement") with Chance Talent Management Limited ("CTM"), pursuant to which the Company has issued, and CTM has subscribed from the Company, HK$200,000,000 convertible notes (the "CTM Convertible Notes"). Please refer to "Issue of Securities - (iii) Extension of HK$200,000,000 convertible notes subscribed by Chance Talent Management Limited" in the "Report of the Directors" of this annual report for further details of the CTM Convertible Notes.

Pursuant to the CTM Subscription Agreement, Mr. Chan undertakes that during the term of the CTM Subscription Agreement and the CTM Convertible Notes:

(a) he shall remain as the chairman of the Company and an executive Director of the Board;

(b) he shall legally and beneficially own the entire issued share capital of Creative Sector and shall not, without the prior written consent of the Investor, transfer or permit the transfer of any such shares;

(c) he shall procure that Creative Sector be the single largest shareholder of the Company and that the total number of Shares held by any person or company and its affiliates be not more than the total number of Shares held by himself and Creative Sector; and

(d) he shall procure that the Shares held by himself and Creative Sector be free and clear of any encumbrances.

Any breach of the above specific performance obligations or undertakings may constitute a breach under the CTM Subscription Agreement and also an event of default under the CTM Convertible Notes, pursuant to which CTM may require the CTM Convertible Notes to be repaid immediately pursuant to the terms and conditions of the CTM Convertible Notes.

As at the date of this annual report, the above specific performance obligations continue to subsist.

AUDITOR

The Company has appointed KPMG as auditor of the Company for the year ended 31 December 2014. KPMG will retire as the Company's auditor at the end of the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting of the Company to re-appoint KPMG as the Company's auditor for the year ending 31 December 2015.

By Order of the Board
China All Access (Holdings) Limited
Mr. Chan Yuen Ming
Chairman

Hong Kong, 31 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to enhancing corporate governance and transparency of the Group by applying the principles and complying with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The audit committee of the Board is delegated by the Board with the corporate governance functions set out in code provision D.3.1 of the CG Code and is responsible for reviewing the Company's compliance with the CG Code and making recommendations to the Board.

Save as disclosed below, during the year ended 31 December 2014, the Company was in due compliance with the code provisions of the Corporate Governance Code (the "CG code") as set out in Appendix 14 to the Listing Rules.

Pursuant to E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chan Yuen Ming, an executive Director and the chairman of the Board, did not attend the annual general meeting of the Company held on 27 June 2014 due to other business engagements and instead, Mr. Shao Kwok Keung, an executive Director and the chief executive officer of the Company, took the chair at the annual general meeting. The Board considers that the arrangement is appropriate as Mr. Chan, as chairman of the Board, is responsible for the Group's overall business development and strategy whereas Mr. Shao, as chief executive officer, is responsible for the corporate management of the Company. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiry with all the Directors and all of them confirmed that they had fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2014.

BOARD OF DIRECTORS

(A) Composition of the Board

During the year ended 31 December 2014, the composition of the Board was as follows:

Name of Directors	**Other positions in the Company**
Executive Directors:	
Mr. Chan Yuen Ming	Chairman of the Board ("Chairman")
Mr. Shao Kwok Keung	Chief Executive Officer ("CEO") Member of the Remuneration Committee Member of the Nomination Committee
Mr. Xiu Zhi Bao	Head of Planning and Finance Department
Non-Executive Director:	
Mr. Xu Qiang	

Name of Directors	**Other positions in the Company**
Independent Non-Executive Directors:	
Mr. Pun Yan Chak	Chairman of the Remuneration Committee Member of the Audit Committee
Mr. Wong Che Man Eddy	Chairman of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Mr. Lam Kin Hung Patrick	Chairman of the Nomination Committee Member of the Audit Committee

There are no relationship, including financial, business, family or other material relationships, between members of the Board and between the Chairman and the CEO.

(B) Responsibility of the Board

The Board is responsible for leading the Company by setting the overall strategies and objectives, designing the business development plans, monitoring and controlling its operating and financial performance and making key decisions. The tasks of day-to-day management and operations of the Group are entrusted to the Executive Directors and the senior management who are closely supervised by the Board to ensure compliance with the Company's policy and objectives.

(C) Directors' Attendance at Board and General Meetings

During the year ended 31 December 2014, the Company held nine Board meetings (excluding Board committee meetings) and two general meetings. The attendance of each Director at these meetings, by name, is set out below:

Name of Directors	Attendance/Number of board meetings held	Attendance/Number of general meetings held
Executive Directors		
Mr. Chan Yuen Ming	6/9	0/2
Mr. Shao Kwok Keung	9/9	2/2
Mr. Xiu Zhi Bao	8/9	0/2
Non-executive Director		
Mr. Xu Qiang	7/9	1/2
Independent Non-executive Directors		
Mr. Pun Yan Chak	6/9	1/2
Mr. Wong Che Man Eddy	9/9	1/2
Mr. Lam Kin Hung Patrick	7/9	1/2

The individual attendance record of the Directors at meetings of the remuneration committee, nomination committee and audit committee of the Board are set out under "Board Committees" of this corporate governance report.

(D) Independence of the Independent Non-executive Directors

The Company has received written confirmation from each of the Independent Non-executive Directors regarding his independence with reference to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the Independent Non-executive Directors to be independent.

(E) Terms of Appointment of the Independent Non-executive Directors

Each of the Independent Non-executive Directors is appointed for an initial term of two years renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by not less than three months' notice in writing served by either the Company or the relevant Independent Non-executive Director expiring at the end of the initial term or at any time thereafter. In accordance with the articles of association of the Company (the "Articles of Association"), at each annual general meeting of the Company, at least one third of all the Directors (including the Independent Non-executive Directors) shall retire from office by rotation at least once every three years and each of the retiring Director shall be eligible for re-election at the annual general meeting of the Company at which he retires.

(F) Continuous Professional Development of Directors

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, the Company shall arrange and fund suitable training for Directors to develop and refresh their knowledge and skills. During the year under review, the Directors participated in the kinds of training as follows:

Name of Directors	Kind of Training
Executive Directors	
Mr. Chan Yuen Ming	A, B
Mr. Shao Kwok Keung	A, B
Mr. Xiu Zhi Bao	A, B
Non-executive Director	
Mr. Xu Qiang	A, B
Independent Non-executive Directors	
Mr. Pun Yan Chak	A, B
Mr. Wong Che Man Eddy	A, B
Mr. Lam Kin Hun Patrick	A, B

A: Reading materials on legal and regulatory updates

B: Attending seminar, training and/or conferences relevant to the Group's business or Directors' duties

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and CEO of the Company are separate and performed by different individuals. The Chairman of the Board, Mr. Chan Yuen Ming, is responsible for the Group's overall business development and strategic planning. Mr. Shao Kwok Keung, the CEO, is responsible for the corporate management of the Company.

BOARD COMMITTEES

In compliance with the Listing Rules and principles of good corporate governance, the Company has established the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the audit committee (the "Audit Committee") of the Board to assist the Board in the overall supervision of the management of the Company.

(A) Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Remuneration Committee currently comprises three members, namely, Mr. Pun Yan Chak (chairman of the Remuneration Committee and an Independent Non-executive Director), Mr. Wong Che Man Eddy (Independent Non-executive Director) and Mr. Shao Kwok Keung (Executive Director).

The role and function of the Remuneration Committee are set out in its written terms of reference. The written terms of reference are published on the websites of the Stock Exchange and the Company. The principal duties of the Remuneration Committee include (1) making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and the senior management,(2) making recommendations to the Board on the remuneration packages of each Executive Director and member of the senior management, (3) making recommendations to the Board on the remuneration packages of non-executive Directors, (4) ensuring that no Director or any of his associate is involved in deciding his own remuneration and (5) reviewing and approving compensation arrangements relating to dismissal or removal of Directors.

During the year ended 31 December 2014, the Remuneration Committee had held two meetings to review and make recommendations to the Board regarding the remuneration of the Directors and the senior management. The attendance record of each member of the Remuneration Committee at its meeting is set out below:

Name of Directors	Attendance/ Number of meetings held
Executive Director:	
Mr. Shao Kwok Keung	2/2
Independent Non-executive Directors:	
Mr. Pun Yan Chak (Chairman of the Remuneration Committee)	1/2
Mr. Wong Che Man Eddy	2/2

(B) Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of all Directors passed on 28 August 2009.

The Nomination Committee currently comprises three members, namely, Mr. Lam Kin Hung Patrick (chairman of the Nomination Committee and an Independent Non-executive Director), Mr. Wong Che Man Eddy (Independent Non-executive Director) and Mr. Shao Kwok Keung (Executive Director). The role and function of the Nomination Committee are set out in its written terms of reference. The written terms of reference are published on the websites of the Stock Exchange and the Company. The principal duties of the Nomination Committee include (1) reviewing the structure, size and composition of the Board on a regular basis, (2) identifying suitably qualified candidates for directorship, (3) making recommendations to the Board on the selection of nominated individuals for directorship and matters related to appointment or re-appointment of Directors, (4) assessing the independence of the Independent Non-executive Directors (5) succession planning for Directors, and (6) reviewing the Board's diversity policy.

The Nomination Committee follows a set of procedures when recommending candidates for directorship.

The following criteria are considered in selecting a candidate:

- Integrity, objectivity, and intelligence of the person, with reputations for sound judgment and open mind, and a demonstrated capacity for thoughtful group decision-making;
- Qualification and career experience; and
- Understanding of the Company and its corporate mission.

When a candidate is proposed for directorship of the Company, he or she shall be evaluated on the basis of the criteria set out in the procedures mentioned above. Selection of the suitable candidate is based on a majority vote. Each committee member will be asked to express his or her view before voting. After voting, the chairman of the Nomination Committee will report its recommendations to the Board.

To ensure that the Board has a balance of skills and experience appropriate for the requirements of the business of the Group, the Company has adopted a board diversity policy as set out below.

(i) Policy statement: In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors will be taken into account. All Board appointments will be based on merit while taking into account Diversity.

(ii) Measurable objectives: The Nomination Committee shall develop measurable objectives for implementing this policy and make recommendations to the Board. The Nomination Committee shall also review the progress of achieving these objectives as may be adopted by the Board from time to time.

Based on the business needs of the Group, the following measurable objectives have been set for implementing the policy:

(a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors;

(b) a prescribed proportion of Board members shall have attained bachelor's degree or above;

(c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications;

(d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialized in; and

(e) a prescribed proportion of Board members shall have China-related work experience.

(iii) Implementation and monitoring: The Nomination Committee shall review the Board's composition including the skills, knowledge, experience and diversity of perspectives and the effectiveness of the board diversity policy and its measurable objectives at least annually. Based on its review, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the board diversity policy of the Company.

During the year ended 31 December 2014, the Nomination Committee had held two meetings to review the structure, size and composition of the Board and the board committees. The attendance record of each member of the Nomination Committee at its meeting is set out below:

Name of Directors	Attendance/ Number of meetings held
Executive Director:	
Mr. Shao Kwok Keung	2/2
Independent Non-executive Directors:	
Mr. Lam Kin Hung Patrick (Chairman of the Nomination Committee)	2/2
Mr. Wong Che Man Eddy	2/2

(C) Audit Committee

The Company established the Audit Committee pursuant to a resolution of all Directors passed on 28 August 2009. The Audit Committee currently comprises three members, all being independent no-executive Directors, namely, Mr. Wong Che Man Eddy (chairman of the Audit Committee), Mr. Pun Yan Chak and Mr. Lam Kin Hung Patrick. The role and function of the Audit Committee are set out in its written terms of reference. The Audit Committee is delegated with the corporate governance functions under code provision D.3.1 of the CG Code. Please refer to the written terms of reference of the Audit Committee published on the websites of the Company and the Stock Exchange for further details.

The principal duties of the Audit Committee include:

On external audit:

- Making recommendations to the Board on appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditor's independence as well as the objectives and effectiveness of the audit process in accordance with applicable standards;
- Discussing with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and ensuring co-ordination where more than one audit firm is involved; and
- Developing and implementing policy on the engagement of the external auditor to provide non audit services.

On financial information of the Company:

- Monitoring integrity of the interim and annual financial statements and interim and annual reports and accounts, and reviewing significant financial reporting judgments contained therein before submission to the Board, with a focus on the fairness and reasonableness of any connected transaction;
- Reviewing the Group's financial and accounting policies and practices;
- Reviewing the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or system of control and management response;
- Considering any significant or unusual items that are, or may need to be, reflected in the interim and annual reports and accounts and giving due consideration to any matters that have been raised by the Board; and
- Meeting with the external auditor of the Company at least once a year, and to discuss any problems or reservations arising from the interim and final audits, and any matters the auditors my wish to discuss (in the absence of the management where necessary).

On internal control and risk management:

- Reviewing the Group's financial controls and its internal control and risk management system;
- Discussing with the Group's management the system of internal control and ensuring that the management has discharged its duty to have an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programs and budget;

- Considering any findings of major investigation of internal control matters as delegated by the Board or on its own initiative and management's responses thereto;
- Ensuring co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- Reporting to the Board on the matters raised in the CG Code.

On corporate governance functions:

- reviewing the effectiveness of the Group's corporate governance policies and practices and to make recommendations to the Board;
- ensuring that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies;
- reviewing and monitoring the Group's communication policy with its shareholders;
- reviewing and monitoring the training and continuous professional development of directors and senior management of the Group;
- reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; and
- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance Report.

During the year ended 31 December 2014, the Audit Committee held two meetings to review the annual and interim results of the Company, the internal control and risk management of the Company and the corporate governance of the Company. The attendance record of each member of the Audit Committee at its meeting is set out below:

Name of Directors	Attendance/ Number of meetings held
Independent Non-executive Directors:	
Mr. Wong Che Man Eddy (Chairman of the Audit Committee)	2/2
Mr. Pun Yan Chak	1/2
Mr. Lam Kin Hung Patrick	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the fees for services rendered by KPMG is set out below:

	Fees (RMB'000)
Audit services	4,059
Interim review	2,412
Audit-related services	2,364
	8,835

COMPANY SECRETARY

The Company Secretary (Mr. Au Ki Lun) is responsible for facilitating the procedures of the Board of Directors of the Company and communications among Directors, between Directors and shareholders and among the management. A brief biography of the Company Secretary is set out in the section headed "Biography of Directors and Senior Management" of this annual report (page 25).

In 2014, the Company Secretary received more than 15 hours of training to upgrade his professional skills and expertise.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective internal control system for the Company to safeguard the investments of the shareholders and assets of the Company at all times.

The Board has conducted a review on the internal control system of the Group for the financial year ended 31 December 2014, details of which are set forth below:

(A) Internal Control System

The principal functions of the internal control system are to help achieve the Group's business objectives, safeguard assets and maintain proper accounting records for the provision of reliable financial information. The system is designed to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The following key processes have been adopted by the Board in reviewing the adequacy and integrity of the internal control system for the Group:

(1) Monitoring mechanisms and corporate culture

There are periodic meetings of the Board attended by the Directors. The Board committees and the management of the Company represent the main platform by which the Company's performance and behavior are monitored. The day-to-day business operations are entrusted to the CEO and the management team. Under the supervision of the CEO, the heads of all departments are empowered with the responsibilities to manage their respective operations.

The Board is responsible for setting the business direction and for overseeing the Group's operations with the aid of the various Board committees.

(2) Enterprise risk management framework

The Board recognizes that an effective risk management framework will allow the Group to identify, evaluate and manage the risks that affect the achievement of the Group's objectives within defined risk parameters in a timely and effective manner.

The management of the Group is responsible for identifying the risks affecting the Group and evaluating the effectiveness of the existing controls to determine whether mitigation action shave to be formulated accordingly. Regular internal meetings are conducted by the Group's management to facilitate the exchange of views between the management team members on any issues which may give rise to external risks and internal risks. Upon identification of any risk, the management of the Group formulates action plan and assigns responsible person to execute the plan. In addition, the management is obliged to report to the Board on the progress and the result of all matters relating to the risks identified by the management.

(B) Internal Audit

The Group has established a Risk Control Department which is responsible for, among others, conducting independent reviews of the adequacy and effectiveness of the Group's internal audit. The Risk Control Department regularly reports its review results to the Board through the Audit Committee.

(C) Weaknesses in the Internal Control System that Result in Material Losses

During the financial year under review, no weaknesses in internal control that resulted in material losses were identified. The management will continue to take adequate measures to strengthen the control environment in which the Company operates.

The improvement of internal control system is an on-going process and the Board maintains an on-going commitment to strengthen the Group's control environment and processes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Each of the Directors understands and acknowledges his responsibility for the preparation of the consolidated financial statements of the Company which give a true and fair view of the state of affairs of the Company and the Group in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements pursuant to the Hong Kong Companies Ordinance.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as an on-going concern.

The auditor's statement about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report set out in pages 65 to 66 of this annual report.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

None of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

To protect the Group from potential competition, Mr. Chan Yuen Ming and Creative Sector Limited, being controlling shareholders of the Company (the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Company on 28 August 2009 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with the Company on a joint and several basis that each of the Controlling Shareholders shall, and shall procure that their respective associates (other than the Group) shall, among other matters, not to, directly or indirectly, invest in, be engaged in or participate in any business or activity which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the sub-paragraph headed "Non-Compete Undertaking" of the paragraph headed "Continuing Connected Transactions" under the section headed "Our relationship with SkyComm Group and our Controlling Shareholders" of the prospectus of the Company dated 4 September 2009 in respect of its initial public offering.

The Company has received the annual confirmations from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking.

In order to properly manage any potential or actual conflict of interests between the Company and the Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking, the Company has adopted the following corporate governance measures:

a) the Independent Non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by the Controlling Shareholders;

b) the Company will disclose any decisions on matters reviewed by the Independent Non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking either through annual report or by way of announcement;

c) the Company will disclose in the corporate governance report of its annual report on how the terms of the Non-compete Undertaking have been complied with and enforced; and

d) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders of the Company, in particular, the minority shareholders.

SIGNIFICANT CONNECTED TRANSACTIONS OF THE GROUP DURING THE YEAR

The following sets out a summary of the connected transactions of the Company subject to the reporting requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2014.

Save as disclosed below, none of the related party transactions referred to in note 35(a) to the financial statements constituted a connected transaction or a continuing connected transaction subject to the disclosure requirements under Chapter 14A of the Listing Rules.

(A) Continuing Connected Transactions

(i) Sale of products to the ZTE Group

- Connected persons: As ZTE Corporation ("ZTE") and its controlling shareholders hold over 10% equity interest in the certain subsidiaries of the Company, ZTE and its subsidiaries (the "ZTE Group") are connected persons of the Company under the Listing Rules.

- Subject transactions: The ongoing sales of products by the Group to the ZTE Group as governed under a framework agreement (the "ZTE Sales Framework Agreement") dated 28 December 2012 entered into between 深圳市長飛投資有限公司 (Shenzhen City Changfei Investment Company Limited) ("Changfei Investment") (for itself and its subsidiaries) and ZTE (for itself and its subsidiaries) for a term of three years constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

  Pursuant to the ZTE Sales Framework Agreement, Changfei Investment and its subsidiaries (the "Changfei Group") shall supply products, including mobile phone handsets, mobile terminals and parts, display panels, keyboards, casings, high precision plastic injection mold, structural parts, batteries, chargers, power adaptors and power plates and other products, manufactured by the Changfei Group to the ZTE Group from time to time on such terms and conditions and at such prices to be determined by the parties on a case-by-case basis after tendering processes of the ZTE Group (or in any other manner as may be agreed between the parties to the ZTE Sales Framework Agreement). The Changfei Group shall offer competitive bids in such tendering processes. Each sales and purchase transaction under the ZTE Sales Framework Agreement shall be reduced into separate contract, as agreed upon between the relevant member of the Changfei Group and that of the ZTE Group, provided that such sales shall be on normal commercial terms. Please refer to the announcements of the Company dated 14 December 2012 and 3 January 2013 for further details.

- Purpose: The Changfei Group has been supplying a range of products and parts of various types of mobile terminals to the ZTE Group. The ZTE Group has been the key customer of the Changfei Group. As the Changfei Group has an established track record of experience in carrying out design and/or production orders with the ZTE Group and possesses good knowledge about the technological requirement and product development trend of the ZTE Group, the ongoing sales orders from the ZTE Group can continue to contribute to the income stream of the Changfei Group.

- Sales in 2014: The Group sold products to the ZTE Group amounting to approximately RMB2,722,885,000, which did not exceed the aggregate annual cap of RMB6,750,000,000 for the year ended 31 December 2014.

(ii) Purchase of production materials from the ZTE Group

- Connected persons: As ZTE and its controlling shareholders hold over 10% equity interest in the certain subsidiaries of the Company, ZTE and its subsidiaries are connected persons of the Company under the Listing Rules.

- Subject transactions: The ongoing purchases of production materials by the Group from the ZTE Group as governed under a framework agreement (the "ZTE Procurement Framework Agreement") dated 28 December 2012 entered into between Changfei Investment (for itself and its subsidiaries) and ZTE (for itself and its subsidiaries) for a term of three years constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

  Pursuant to the ZTE Procurement Framework Agreement, the Changfei Group shall purchase production materials, including but not limited to electronic parts, units and devices, from the ZTE Group from time to time on such terms and conditions and at such prices to be determined by the parties on a case-by-case basis after tendering processes of the Changfei Group (or in any other manner as may be agreed between the parties to the ZTE Procurement Framework Agreement). Each sales and purchase transaction under the ZTE Procurement Framework Agreement shall be reduced into separate contract, as agreed upon between the relevant member of the Changfei Group and that of the ZTE Group, provided that such sales shall be on normal commercial terms. Please refer to the announcements of the Company dated 14 January 2013 and 11 July 2013 for further details.

- Purpose: The Changfei Group has purchased production materials from the ZTE Group for production use in the ordinary and usual course of business from time to time. While there are alternative suppliers of similar materials available to the Changfei Group, as the ZTE Group has a proven track record as the Changfei Group's supplier, the ongoing purchases of production materials from the ZTE Group can secure a reliable supply of production materials with consistent quality for the Changfei Group.

- Purchases in 2014: The Group purchased production materials from the ZTE Group amounting to approximately RMB48,437,000, which did not exceed the aggregate annual cap of RMB101,000,000 for the year ended 31 December 2014.

(iii) Purchase of production materials from the ZX Group

- Connected persons: As 深圳市中興新通訊設備有限公司 (Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited) ("ZX"), being the controlling shareholder of ZTE, directly or indirectly holds over 10% equity interest in 深圳市立德通訊器材有限公司 (Lead Communications Co. Ltd.) ("Lead") and 深圳市睿德電子實業有限公司 (Ruide Electronical Industrial Co. Ltd.) ("Ruide"), both being subsidiaries of the Company, ZX and its subsidiaries (the "ZX Group") are connected persons of the Company under the Listing Rules.

- Subject transactions: The ongoing purchases of production materials by the Group from the ZX Group as governed under a framework agreement (the "ZX Procurement Framework Agreement") dated 11 January 2013 entered into between Changfei Investment (for itself and its subsidiaries) and ZX (for itself and its subsidiaries) for a term of three years constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

  Pursuant to the ZX Procurement Framework Agreement, the Changfei Group shall purchase production materials, including but not limited to electronic parts, units and devices, from the ZX Group from time to time on such terms and conditions and at such prices to be determined by the parties on a case-by-case basis after tendering processes of the Changfei Group (or in any other manner as may be agreed between the parties to the ZX Procurement Framework Agreement). Each sales and purchase transaction under the ZX Procurement Framework Agreement shall be reduced into separate contract, as agreed upon between the relevant member of the Changfei Group and that of the ZX Group, provided that such sales shall be on normal commercial terms. Please refer to the announcements of the Company dated 14 January 2013 and 30 October 2013 for further details.

- Purpose: The Changfei Group has purchased production materials from the ZX Group for production use in the ordinary and usual course of business from time to time. While there are alternative suppliers of similar materials available to the Changfei Group, as the ZX Group has a proven track record as the Changfei Group's supplier, the ongoing purchases of production materials from the ZX Group can secure a reliable supply of production materials with consistent quality for the Changfei Group.

- Purchases in 2014: The Group purchased production materials from the ZX Group amounting to approximately RMB24,446,000, which did not exceed the aggregate annual cap of RMB44,000,000 for the year ended 31 December 2014.

  The transactions under (i), (ii) and (iii) above are collectively referred to as the "Continuing Connected Transactions".

(B) Connected Transactions

(iv) Disposal of equity interest in Xinyu and FDC to Mr. Zhu

- Connected person: As Mr. Zhu Wei Min ("Mr. Zhu") holds over 10% equity interest in each of Changfei Investment (before completion of the transfer of his equity interest therein as described under (viii) below) and Lead, Mr. Zhu is a connected person of the Company under the Listing Rules.

- Subject transactions: The disposals of 15% equity interest in 深圳市中興新宇軟電路有限公司 (Shenzhen Zhongxing Xinyu FPC Company Limited) ("Xinyu") and 30% equity interest in 深圳市富德康電子有限公司 (Shenzhen FDC Electronic Company Limited) ("FDC") by Changfei Investment to Mr. Zhu pursuant to the equity transfer agreements dated 23 December 2013 and 7 February 2014, respectively, constituted a single series of connected transactions of the Company under Chapter 14A of the Listing Rules. Please refer to the announcements of the Company dated 23 December 2013 and 7 February 2014 for further details.

- Purpose: The disposals were effected as the principal businesses of Xinyu and FDC were not in line with the principal businesses of the Group and it was expected that the Group's continued investment in Xinyu and FDC would not create significant strategic value to the Group. These disposals would facilitate the Group to better focus its resources on its businesses in providing integrated information communication solutions and production and research and development of smart devices.

- Total consideration: The total consideration was approximately RMB15.07 million, which was determined with reference to the net asset value attributable to shareholders of Xinyu and FDC as at 31 December 2012.

(v) Acquisition of equity interest in Ruide from Mr. Feng

- Connected person: As Mr. Feng Xizhang ("Mr. Feng") held over 10% equity interest in Ruide immediately before the transaction, Mr. Feng was a connected person of the Company under the Listing Rules.

- Subject transaction: The acquisition of approximately 19.54% equity interest in Ruide by Xing Fei from Mr. Feng pursuant to the equity transfer agreement dated 14 March 2014 constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 14 March 2014 for further details.

- Purpose: The acquisition of further equity interest in Ruide by Xing Fei can facilitate the vertical integration between Ruide and Xing Fei in terms of production, quality control and overall compatibility of the batteries and chargers to be used in the mobile handsets of Xing Fei. Such vertical integration can enhance the competitiveness of Xing Fei as an integrated handset manufacturer and differentiate itself from other original design manufacturers in the market. In addition, the Group's acquisition of further equity interest in Ruide can further enhance and strengthen the overall business performance of the Group and reinforce the Group's adoption of an "integrated information communication solutions and smart devices R&D and production" development strategy.

- Total consideration: The total consideration was approximately RMB25.11 million, which was determined with reference to the net asset value of Ruide as at 31 December 2012.

(vi) Disposal of equity interest in Decang to Mr. Zhu

- Connected person: As Mr. Zhu holds over 10% equity interest in each of Changfei Investment (before completion of the transfer of his equity interest therein as described under (viii) below) and Lead, Mr. Zhu is a connected person of the Company under the Listing Rules.

- Subject transaction: The disposal of approximately 25.53% equity interest in 深圳市德倉科技有限公司 (Shenzhen Decang Technology Company Limited) ("Decang") by Lead to Mr. Zhu pursuant to the equity transfer agreement dated 29 May 2014. Please refer to the Company's announcement dated 30 May 2014 for further details.

- Purpose: The disposal was effected to streamline the structure of the Group, with an aim to rationalize all its indirectly held businesses.

- Total consideration: The total consideration was approximately RMB23.23 million, which was determined with reference to the net asset value of Decang as at 31 December 2013.

(vii) Extension of HK$200,000,000 convertible notes subscribed by CTM

- Connected person: As 建銀國際(深圳)投資有限公司 (CCBI Investment Shenzhen Ltd) ("CCBI Shenzhen") holds 30% equity interest in Changfei Investment, and Chance Talent Management Limited ("CTM") is an associate of CCBI Shenzhen by virtue of their being fellow subsidiaries under the control of CCB International (Holdings) Limited, CTM is a connected person of the Company under the Listing Rules.

- Subject transaction: Pursuant to the terms and conditions of the subscription agreement (the "CTM Subscription Agreement") dated 25 July 2013 entered into between the Company, Mr. Chan Yuen Ming (being an executive Director and the controlling shareholder of the Company) and CTM, the Company has issued, and CTM has subscribed for, the HK$200,000,000 convertible notes ("CTM Convertible Notes") due 2014 on 4 September 2013.

On 10 September 2014, the Company, Mr. Chan and CTM entered into a supplemental deed ("Supplemental Deed") to extend the maturity date of the CTM Convertible Notes from 4 September 2014 to 4 September 2016 and for certain amendments to the terms and conditions of the CTM Subscription Agreement and the CTM Convertible Notes in relation to the Company's warranties and undertakings thereunder and the grant of an early redemption right to CTM. The maturity date extension and other amendments to the CTM Subscription Agreement and the convertible notes were approved by the shareholders of the Company at the extraordinary general meeting held on 31 October 2014. Please refer to the "Issue of Securities - (iii) Extension of HK$200,000,000 convertible notes subscribed by Chance Talent Management Limited" in the "Report of the Directors" of this annual report for further details of the CTM Convertible Notes. Pursuant to the CTM Subscription Agreement as amended and supplemented by the Supplemental Deed, Mr. Chan has undertaken certain specific performance obligations to CTM as more particularly described under "Disclosure pursuant to Rule 13.21 of the Listing Rules" in the Directors' Report of this annual report. The Company has also provided certain undertakings to CTM. Please refer to the announcements of the Company dated 25 July 2013, 4 September 2013 and the circulars of the Company dated 8 August 2013, 31 October 2014,11 November and 15 October 2014 for further details.

- Purpose: The Board considered that the maturity date extension of the CTM Convertible Notes and other proposed amendments pursuant to the Supplemental Deed indicated CTM's interest in continuing its investment in the Company as a strategic investor in the form of the CTM Convertible Notes with the potential of conversion into Shares. By extending the maturity date of the CTM Convertible Notes, the Company would benefit from the continuing utilization of the proceeds raised from the issue of the CTM Convertible Notes completed in September 2013, and could save transaction costs such as underwriting expenses which might be incurred for other forms of equity financing such as open offer, rights issue or share placement. If the conversion rights attaching to the CTM Convertible Notes are exercised, the financial position of the Group would be strengthened with the conversion of debt into further equity capital.

- Total consideration: The Group had received a total consideration of HK$200,000,000 from CTM, representing the total principal amount of the CTM Convertible Notes in September 2013.

(viii) Acquisition of equity interest in Changfei Investment from Mr. Zhu

- Connected person: As Mr. Zhu holds over 10% equity interest in each of Changfei Investment (before completion of the transfer of this equity interest therein as described below) and Lead, Mr. Zhu is a connected person of the Company under the Listing Rules.

- Subject transaction: The acquisition of approximately 7.49% equity interest in Changfei Investment by 全通通信技術(深圳)有限公司 (All Access Communication Technology (Shenzhen) Limited) ("All Access Communication"), a wholly-owned subsidiary of the Company, from Mr. Zhu pursuant to the equity transfer agreement dated 1 December 2014. Please refer to the Company's announcement dated 1 December 2014 for further details.

- Purpose: The acquisition was effected to enhance and strengthen the overall business performance of the Group and reinforce the Group's adoption of an "integrated information communication solutions and smart devices R&D and production" development strategy.

- Total consideration: The total consideration was approximately RMB47.76 million, which was determined with reference to the net asset value of Changfei Investment as at 30 June 2014.

(ix) Issue of HK$350,000,000 convertible bonds to ZTE HK

- Connected person: As ZTE and its controlling shareholders hold over 10% equity interest in the certain subsidiaries of the Company, ZTE and its subsidiaries (including ZTE (H.K.) Limited (中興通訊(香港)有限公司) ("ZTE HK"), a wholly-owned subsidiary of ZTE) are connected persons of the Company under the Listing Rules.

- Subject transaction: On 23 December 2014, the Company and ZTE HK entered into a subscription agreement ("ZTE Subscription Agreement") pursuant to which the Company conditionally agreed to issue, and ZTE HK conditionally agreed to subscribe for, the convertible bonds (the "ZTE Convertible Bonds") in the principal amount of HK$350,000,000 at 100% of the face value of such principal amount, which may be converted into 109,375,000 Shares at the initial conversion price of HK$3.20 per Share which is subject to adjustment pursuant to the terms and conditions of the ZTE Convertible Bonds. The issue of the ZTE Convertible Bonds was approved by the shareholders of the Company at the extraordinary general meeting held on 5 February 2015 and was completed on 26 February 2015. Please refer to the "Issue of Securities - (v) Issue of HK$350,000,000 convertible bonds to ZTE (H.K.) Limited" in the "Report of the Directors" of this annual report for further details of the ZTE Convertible Bonds.

- Purpose: The issue and subscription of the ZTE Convertible Bonds was effected to raise additional funds for the Company to enhance the financial flexibility of the Group.

- Total consideration: The Group had received a total consideration of HK$350,000,000 from ZTE HK, representing the total principal amount of the ZTE Convertible Bonds.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions. The auditor of the Company has confirmed that nothing has come to its attention that: (a) the Continuing Connected Transactions have not been approved by the Company's board of directors; (b) the Continuing Connected Transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) the Continuing Connected Transactions have exceeded their respective annual caps.

The independent non-executive Directors of the Company have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the Continuing Connected Transactions and the auditor's report on the Continuing Connected Transactions. The independent non-executive Directors have confirmed that all the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SHAREHOLDERS' RIGHTS

1. *Procedures for shareholders to convene an extraordinary general meeting*

The following procedures for shareholders ("Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company and deposited at the Company's head office and principal place of business in Hong Kong at Room 805, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong.

(3) The EGM shall be held within two months after the deposit of such requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. *Procedures for raising enquiries*

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, Union Registrars Limited, with contact details as follows:

Address:	A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
Email:	enquiry@unionregistrars.com
Tel:	(852) 2849 3399
Fax:	(852) 2849 3319

Shareholders may raise enquiry in respect of the Company at the following designated contact, correspondence address, email address and enquiry hotlines of the Company:

Attention: Mr. Au Ki Lun (Company Secretary)
Address: Room 805, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong
Email: oujilun@chinaallaccess.com
Tel: (852) 3579 2368
Fax: (852) 3579 2328

3. *Procedures for putting forward proposals at Shareholders' meetings*

(i) Proposal for election of a person other than a Director as a Director:

Pursuant to Article 110 of the Articles of Association, a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting (the "Election Proposal") should lodge, at least seven clear days before the date of the general meeting, (i) a written notice setting out the Election Proposal; and (ii) a written notice signed by the person to be proposed of his willingness to be elected, at either (a) the head office and principal place of business of the Company in Hong Kong at Room 805, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong, or (b) the branch share registrar and transfer office of the Company in Hong Kong, i.e. Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Shareholders should follow the detailed procedures published on the Company's website in relation to making such Election Proposal.

(ii) Other Proposals:

If a Shareholder wishes to make other proposal (the "Proposal") at a general meeting, he may lodge a written request, duly signed, at the Company's the head office and principal place of business in Hong Kong at Room 805, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong marked for the attention of the Company Secretary. The identity of the Shareholder and his request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting of the Company;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of the Company;

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of the Company.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China All Access (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 67 to 166, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Revenue	4	**7,038,440**	4,693,637
Cost of sales		**(6,220,612)**	(4,045,059)
Gross profit		**817,828**	648,578
Other revenue	6	**9,199**	14,523
Other net (loss)/income	6	**(563)**	1,402
Distribution costs		**(42,715)**	(34,179)
Administrative expenses		**(353,358)**	(253,599)
Research and development expenses		**(63,022)**	(80,366)
Profit from operations		**367,369**	296,359
Finance income	7(a)	**88,898**	34,575
Finance costs	7(b)	**(181,081)**	(132,685)
(Loss)/gain on disposal of associates		**(1,834)**	240,944
Gain on disposal of subsidiaries		**2**	1,588
Share of profits less losses of associates		**(47)**	16,208
Profit before taxation	7	**273,307**	456,989
Income tax	8(a)	**(79,332)**	(118,575)
Profit for the year		**193,975**	338,414
Attributable to:			
Equity shareholders of the Company	11	**207,716**	222,801
Non-controlling interests		**(13,741)**	115,613
Profit for the year		**193,975**	338,414
Earnings per share	12		
Basic (RMB)		**0.146**	0.168
Diluted (RMB)		**0.146**	0.168

The notes on pages 77 to 166 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 31(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014
(Expressed in Renminbi)

	2014 RMB'000	2013 RMB'000
Profit for the year	**193,975**	338,414
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(2,249)**	69
Total comprehensive income for the year	**191,726**	338,483
Attributable to:		
Equity shareholders of the Company	**205,467**	222,870
Non-controlling interests	**(13,741)**	115,613
Total comprehensive income for the year	**191,726**	338,483

The notes on pages 77 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	**539,803**	424,873
Intangible assets	14	**200,830**	298,788
Goodwill	15	**332,082**	332,082
Interest in associates	17	**28,234**	54,575
Prepayment for land leases	18	**137,823**	139,031
Available-for-sale financial assets	19	**986,714**	503,714
Trade and other receivables	21	**96,842**	64,332
Prepayments	22	**227,989**	—
Deferred tax assets	29(b)	**29,397**	13,434
		2,579,714	1,830,829
Current assets			
Inventories	20	**579,925**	420,996
Trade and other receivables	21	**2,812,065**	1,759,798
Factored trade receivables		**—**	248,000
Prepayments	22	**698,983**	313,808
Discounted bills receivable	23	**768,246**	173,069
Bills receivable	24	**909,379**	1,345,911
Restricted cash	25	**675,692**	336,080
Bank deposits with original maturities over three months		**303,000**	600,000
Cash and cash equivalents	26	**461,783**	671,145
		7,209,073	5,868,807

The notes on pages 77 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Current liabilities			
Trade and other payables	27	3,551,960	2,577,112
Deferred consideration payable		—	200,041
Deferred income		60,800	60,000
Interest-bearing borrowings	28	1,239,792	938,261
Convertible bonds	30	275,657	154,352
Bank advances on factored trade receivables		—	248,000
Bank advances on discounted bills receivable	23	768,246	173,069
Income tax payable	29(a)	131,721	207,534
		6,028,176	4,558,369
Net current assets		1,180,897	1,310,438
Total assets less current liabilities		3,760,611	3,141,267
Non-current liabilities			
Trade and other payables	27	—	10,000
Interest-bearing borrowings	28	230,934	267,579
Convertible bonds	30	224,591	155,248
Deferred consideration payable		10,024	—
Deferred income		30,505	28,105
Deferred tax liabilities	29(b)	39,020	60,547
		535,074	521,479
NET ASSETS		3,225,537	2,619,788

The notes on pages 77 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES	31		
Share capital		13,571	11,562
Reserves		2,450,375	1,796,164
Total equity attributable to equity shareholders of the Company		2,463,946	1,807,726
Non-controlling interests		761,591	812,062
TOTAL EQUITY		3,225,537	2,619,788

Approved and authorised for issue by the board of directors on 31 March 2015.

Mr. Chan Yuen Ming
Chairman and Director

Mr. Shao Kwok Keung
Chief Executive Officer and Director

The notes on pages 77 to 166 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Interests in subsidiaries	16	1,604,490	937,619
Current assets			
Amount due from subsidiaries	16	118,110	125,473
Other receivables		218	1,191
Cash and cash equivalents	26	476	7,748
		118,804	134,412
Current liabilities			
Other payables and accruals	27	29,396	20,029
Income tax payable	29(a)	2,568	51
Interest-bearing borrowings	28	78,890	—
Convertible bonds	30	275,657	154,352
		386,511	174,432
Net current liabilities		(267,707)	(40,020)
Total assets less current liabilities		1,336,783	897,599
Non-current liabilities			
Interest-bearing borrowings	28	—	78,620
Convertible bonds	30	224,591	155,248
		224,591	233,868
NET ASSETS		1,112,192	663,731

STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES	31		
Share capital		**13,571**	11,562
Reserves		**1,098,621**	652,169
TOTAL EQUITY		**1,112,192**	663,731

Approved and authorised for issue by the board of directors on 31 March 2015.

Mr. Chan Yuen Ming
Chairman and Director

Mr. Shao Kwok Keung
Chief Executive Officer and Director

The notes on pages 77 to 166 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000 31(c)	Share premium RMB'000 31(d)(i)	Capital redemption reserve RMB'000 31(d)(ii)	Contributed surplus RMB'000 31(d)(iii)	Capital reserve RMB'000 31(d)(iv)	Statutory general reserve RMB'000 31(d)(v)	Translation reserve RMB'000 31(d)(vi)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		10,657	585,517	95	164,155	115,585	66,363	(16,106)	539,879	1,466,145	740,408	2,206,553
Changes in equity for 2013:												
Profit for the year		–	–	–	–	–	–	–	222,801	222,801	115,613	338,414
Other comprehensive income		–	–	–	–	–	–	69	–	69	–	69
Total comprehensive income		–	–	–	–	–	–	69	222,801	222,870	115,613	338,483
Issuance of shares		905	162,027	–	–	–	–	–	–	162,932	–	162,932
Issuance of convertible bonds		–	–	–	–	9,880	–	–	–	9,880	–	9,880
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(1,429)	(1,429)
Acquisition of non-controlling interests		–	–	–	–	27,210	–	–	–	27,210	(42,530)	(15,320)
Appropriation of reserve		–	–	–	–	–	4,282	–	(4,282)	–	–	–
Dividends approved and paid in respect of the previous year	31(b)	–	(55,030)	–	–	–	–	–	–	(55,030)	–	(55,030)
Dividend declared and paid in respect of the current year	31(b)	–	(26,281)	–	–	–	–	–	–	(26,281)	–	(26,281)
Balance at 31 December 2013		11,562	666,233	95	164,155	152,675	70,645	(16,037)	758,398	1,807,726	812,062	2,619,788
Balance at 1 January 2014		**11,562**	**666,233**	**95**	**164,155**	**152,675**	**70,645**	**(16,037)**	**758,398**	**1,807,726**	**812,062**	**2,619,788**
Changes in equity for 2014:												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**207,716**	**207,716**	**(13,741)**	**193,975**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(2,249)**	**–**	**(2,249)**	**–**	**(2,249)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(2,249)**	**207,716**	**205,467**	**(13,741)**	**191,726**
Issuance of shares		**2,009**	**599,650**	**–**	**–**	**–**	**–**	**–**	**–**	**601,659**	**–**	**601,659**
Disposal of non-controlling interests		**–**	**–**	**–**	**–**	**(26,465)**	**–**	**–**	**–**	**(26,465)**	**38,505**	**12,040**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**10,506**	**–**	**–**	**–**	**10,506**	**(75,235)**	**(64,729)**
Appropriation of reserve		**–**	**–**	**–**	**–**	**–**	**7,550**	**–**	**(7,550)**	**–**	**–**	**–**
Dividends approved and paid in respect of the previous year	31(b)	**–**	**(103,676)**	**–**	**–**	**–**	**–**	**–**	**–**	**(103,676)**	**–**	**(103,676)**
Dividend declared and paid in respect of the current year	31(b)	**–**	**(31,271)**	**–**	**–**	**–**	**–**	**–**	**–**	**(31,271)**	**–**	**(31,271)**
Balance at 31 December 2014		**13,571**	**1,130,936**	**95**	**164,155**	**136,716**	**78,195**	**(18,286)**	**958,564**	**2,463,946**	**761,591**	**3,225,537**

The notes on pages 77 to 166 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Cash generated from/(used in) operations	26(b)	167,923	(453,417)
Tax paid:			
— Hong Kong profits tax paid		—	(1,225)
— PRC income tax paid		(192,599)	(41,460)
Net cash used in operating activities		(24,676)	(496,102)
Investing activities			
Payment for the purchase of property, plant and equipment		(162,155)	(127,697)
Proceeds from disposal of property, plant and equipment		10,766	1,430
Proceeds from disposal of intangible assets		24,616	—
Net cash outflow in respect of the acquisition of subsidiaries		(204,000)	(204,000)
Investment in directional asset management		(530,500)	(499,500)
Withdrawal of directional asset management		47,500	—
Interest received from directional asset management		19,878	10,223
Payment for potential equity investment		(227,432)	—
Investment in structured deposits		(560,000)	—
Withdrawal of bank deposits with original maturities over three months		600,000	642,000
Addition of bank deposits with original maturities over three months		(303,000)	(600,000)
Investment in debt factoring receivables		(511,000)	—
Proceeds from repayment of debt factoring receivables		511,000	—
Investment in entrusted loans		(140,000)	—
Collection of entrusted loans		120,000	—
Interest received from entrusted loans		9,729	—
Interest received from debt factoring receivables		24,195	—
Proceed from disposal of associates		8,247	531,267
Investment in an associate		(2,255)	—
Interest received from bank deposits		21,581	22,266
Net cash inflow in respect of the disposal of subsidiaries		—	18,640
Payment for purchase of intangible assets		—	(7,780)
Payment for land lease		—	(4,360)
Dividend received from associates		—	3,282
Proceeds from disposal of other financial assets		—	2,000
Net cash used in investing activities		(1,242,830)	(212,229)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from interest-bearing borrowings		1,539,350	1,182,499
Repayment of interest-bearing borrowings		(1,274,464)	(448,696)
Interest paid		(162,906)	(70,729)
(Decrease)/increase in bank advances on factored trade receivables		(248,000)	96,790
Increase/(decrease) in bank advances on discounted bills receivable		595,177	(111,588)
Net proceeds from issuance of new shares		601,659	162,932
Proceeds from issuance of convertible bonds		182,574	315,337
Payment for acquisition of non-controlling interests		(36,905)	—
Dividends paid to equity shareholders of the Company	31(b)	(134,947)	(81,311)
Net cash generated from financing activities		1,061,538	1,045,234
Net (decrease)/increase in cash and cash equivalents		(205,968)	336,903
Cash and cash equivalents at 1 January	26(a)	671,145	333,415
Effect of foreign exchange rate changes		(3,394)	827
Cash and cash equivalents at 31 December	26(a)	461,783	671,145

The notes on pages 77 to 166 form part of these financial statements.

1 GENERAL INFORMATION

China All Access (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("Cayman Companies Law"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 September 2009.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group's major subsidiaries. The financial statements presented in RMB have been rounded to the nearest thousand except for per share data. The measurement basis used in the preparation of the financial statements is the historical cost basis, except for otherwise stated.

The preparation of financial statements in conformity with all applicable Hong Kong Financial Reporting Standards (collectively as "HKFRSs" and each as "HKFRS") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by the management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are disclosed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (collectively as "HKASs" and each as "HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

— Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

— Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

— Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

— HK (IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

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

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have any material impact on the Group's financial report as no impairment of non-financial assets based on fair value less costs of disposal has been recognised as of the end of the reporting period.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's financial report as the Group has not novated any of its derivatives.

HK (IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's financial report as the guidance is consistent with the Group's existing accounting policies.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parities) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(n)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the statement of profit or loss if (i) they arise within 12 months of the acquisition date and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and if applicable, prior period amounts are restated.

All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investments in equity securities

Investments in securities which do not fall into categories of investments in securities held for trading and held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(n)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(x)(v).

When the investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(j) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 2(n)). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when all of the activities necessary to prepare the assets for their intended use are substantially complete. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposals of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment (Continued)

Depreciation is recognised in profit or loss on a straight-line basis after taking into account their estimated residual values over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of property, plant and equipment are as follows:

— Buildings held for own use carried at cost situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

— Leasehold improvement is depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 10 years

—	Electronic equipment	3-5 years
—	Office equipment	5 years
—	Computer software	5 years
—	Motor vehicles	5-10 years
—	Machinery equipment	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major component) of property, plant and equipment.

Depreciation methods, useful lives of assets and residual values, if any, are reviewed annually.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified above.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(n)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(n)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Multimedia satellite transmission network technology	5 years
—	Technology know-how	3-5 years
—	Customer relationship	9 years
—	Backlog	1-2 years
—	License agreement	3 years
—	Trade mark	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets that allocate the amortisation using unit of production method are on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. The method is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the amortisation charge constitutes part of the cost of the other asset and is included in its carrying amount.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Intangible assets (other than goodwill) *(Continued)*

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(l) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

— the rights to receive cash flows from the asset have expired; or

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets

(i) Impairment of investment in equity securities and other receivables

Investment in equity securities, trade and other receivables and other financial assets that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

(i) Impairment of investment in equity securities and other receivables *(Continued)*

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment;

— Intangible assets;

— Goodwill;

— Prepayment; and

— Investments in subsidiaries, and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculations of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) *Impairment of assets* *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(n)(i) and 2(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(q) Convertible Bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Convertible Bonds *(Continued)*

(i) Convertible bonds that contain an equity component *(Continued)*

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

(ii) Other convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 2(i)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(i). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand which are not restricted as to use, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(u) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution retirement plan for its employees administered by the local government authorities. The Group makes contributions to the retirement scheme at the applicable rate based on the employees' salaries. The contributions are charged to profit or loss on an accrual basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Employee benefits *(Continued)*

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the share option is exercised (in which case it is transferred to the share premium) or the share option expires (in which case it is released directly to retained profits).

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combination, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) Financial guarantees issued *(Continued)*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Company or the Group under the guarantee, and (ii) the amount of that claim on the Company or the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value added tax or other sales taxes, returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition *(Continued)*

(ii) Integrated system revenue

Integrated system revenue in respect of a turnkey project is recognised upon completion of each of the separately specified stages of the project provided that the customer has issued an inspection certificate to indicate its acceptance of the services and works provided.

(iii) Applications service income

Revenue from system operation management, application upgrade and system maintenance services is recognised once the relevant service has been rendered to customers.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(y) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Leases

(i) Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(ii) Leased payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

— the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and

— the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the date of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(bb) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(cc) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Key sources of estimation uncertainty are as follows:

(i) Impairment of property, plant and equipment

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

(ii) Impairment of trade receivables

Impairment losses for bad and doubtful debts are assessed and provided for based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the impairment loss would affect the Group's results in future years.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(iii) Impairment on inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy as set out in note 2(o). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's results in future years.

(iv) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets have been impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Any change in the estimates would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

(v) Income tax

The Group is subject to Hong Kong Profits Tax and PRC CIT. Judgement is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilisation may be different.

4 REVENUE

The principal activities of the Group are the provision of satellite communication application solutions and other services and wireless data communication application solutions and services. These solutions consist of project design, sourcing terminals from external suppliers, development and distribution of terminals and equipment, designing applications pursuant to customer specifications, installation and testing, and application service provision including system operations management, application upgrade and system maintenance.

4 REVENUE *(Continued)*

Revenue represents the sales value of goods sold or services rendered to customers and excludes value added tax, other sales taxes and surcharges, and allowances for goods returned. The amount of each significant category of revenue recognised during the year is as follows:

	2014 RMB'000	2013 RMB'000
Provision of satellite communication application solutions and other services	**699,015**	425,211
Provision of wireless data communication application solutions and services	**6,339,425**	4,268,426
	7,038,440	4,693,637

5 SEGMENT REPORTING

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

— Provision of satellite communication application solutions and other services: including system design, installation, testing, software development, provision of application services for satellite communication, as well as distribution of satellite receivers and equipment.

— Provision of wireless data communication application solutions and services: including system design, installation, testing, software development, provision of application services for wireless data communication, as well as research and development, manufacture and distribution of wireless terminals and equipment, including mobile phones, display modules, batteries, chargers, power adapters, casings, keyboards and other types of new generation mobile terminal products and parts.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Segment assets include all tangible, intangible assets and current assets attributable to the segments' activities with the exception of goodwill, other corporate assets and certain communication equipment which is jointly used by all reportable segments. Segment liabilities include trade creditors and accruals, borrowings, deferred income, income tax payable and deferred tax liabilities attributable to the activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "segment operating profit". Segment operating profit includes the gross profit generated by the segment and certain distribution costs and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated other revenue, other net income, finance income, finance costs, depreciation of certain communication equipment, amortisation of certain intangible assets, other corporate administrative expenses and share of profit less losses of associates, are excluded from segment operating profit.

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities (Continued)

In addition to receiving segment information concerning segment operating profit, management is provided with segment information concerning revenue, assets and liabilities used by the segments in their operations.

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from customers (Note)	**699,015**	425,211	**6,339,425**	4,268,426	**7,038,440**	4,693,637
Segment operating profit	**244,833**	175,815	**184,920**	185,352	**429,753**	361,167
Depreciation and amortisation for the year	**356**	1,042	**91,073**	97,745	**91,429**	98,787
Impairment of						
– property, plant and equipment	**–**	–	**6,198**	–	**6,198**	–
– intangible assets	**–**	–	**25,966**	–	**25,966**	–
Reportable segment assets	**478,895**	473,274	**7,717,952**	5,945,596	**8,196,847**	6,418,870
Reportable segment liabilities	**96,025**	39,203	**5,465,849**	4,014,821	**5,561,874**	4,054,024

Note: Revenue from customers (including related parties) amounting to 10 percent or more of the Group's revenue is set out below. Further details of concentration of credit risk arising from these customers are set out in note 36(a).

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Customer A	**–**	–	**2,722,885**	3,066,980	**2,722,885**	3,066,980
Customer B	**–**	–	**899,426**	16,317	**899,426**	16,317
Customer C	**–**	–	**785,130**	241,593	**785,130**	241,593

5 SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment operating profit, assets and liabilities

	2014 RMB'000	2013 RMB'000
Profit		
Reportable segment profit derived from the Group's customers	429,753	361,167
Other revenue	9,199	14,523
Other net (loss)/income	(563)	1,402
Unallocated depreciation and amortisation	(3,721)	(13,927)
(Loss)/gain on disposal of associates	(1,834)	240,944
Gain on disposal of subsidiaries	2	1,588
Share of profits less losses of associates	(47)	16,208
Finance income	88,898	34,575
Finance costs	(181,081)	(132,685)
Unallocated head office and corporate expenses	(67,299)	(66,806)
Consolidated profit before taxation	273,307	456,989
Assets		
Reportable segment assets	8,196,847	6,418,870
Unallocated head office and corporate assets	1,591,940	1,280,766
Consolidated total assets	9,788,787	7,699,636
Liabilities		
Reportable segment liabilities	5,561,874	4,054,024
Unallocated head office and corporate liabilities	1,001,376	1,025,824
Consolidated total liabilities	6,563,250	5,079,848

5 SEGMENT REPORTING *(Continued)*

(c) Geographical segments

Substantially all of the Group's activities are based in the PRC and all of the Group's revenue and operational assets are derived from and located in the PRC for both the current and prior year.

6 OTHER REVENUE AND NET INCOME/(LOSS)

	2014 RMB'000	2013 RMB'000
Other revenue		
Subsidy income	**5,325**	4,501
Others	**3,874**	10,022
	9,199	14,523
Other net (loss)/income		
(Loss)/gain on disposal of property, plant and equipment	**(14,812)**	131
Gain on disposal of intangible assets	**15,621**	—
Exchange differences	**(1,069)**	1,479
Others	**(303)**	(208)
	(563)	1,402

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after:

(a) Finance income

	2014 RMB'000	2013 RMB'000
Interest income from bank deposits	**16,796**	24,352
Interest income from structured deposits	**12,809**	—
Interest income from entrusted loans	**10,597**	—
Interest income from debt factoring receivables	**24,195**	—
Interest income from directional asset management	**19,878**	10,223
Change in fair value of derivative component of convertible bond	**4,623**	—
	88,898	34,575

7 PROFIT BEFORE TAXATION *(Continued)*

(b) Finance costs

	2014 RMB'000	2013 RMB'000
Interest expenses:		
— Interest-bearing borrowings	**92,852**	63,605
— Discounted bills receivable	**23,780**	24,903
— Convertible bonds	**49,238**	23,744
— Bank advances on factored trade receivable	**11,951**	3,708
— Discount of deferred consideration payable	**3,959**	11,590
— Guaranteed notes	**7,924**	6,711
Less: interest expenses capitalised into property, plant and equipment	**(16,994)**	(8,763)
Bank charges	**8,371**	7,187
	181,081	132,685

The borrowing costs have been capitalised at a rate of 6.616%-7.533% per annum (2013: 6.616%-7.533%).

(c) Staff costs

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	**354,026**	288,390
Contributions to defined contribution retirement plans	**25,515**	26,030
	379,541	314,420

As stipulated by the regulations in the PRC, the Group is required to participate in employee pension schemes organized by the PRC government whereby the Group is required to pay annual contributions at a rate of 12% to 21% (2013: 10% to 22%) of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to these retirement schemes vest immediately.

7 PROFIT BEFORE TAXATION *(Continued)*

(c) Staff costs *(Continued)*

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2013: HK$25,000). Contributions to the scheme vest immediately.

(d) Other items

	2014 RMB'000	2013 RMB'000
Cost of inventories (note 20(b))	**6,166,939**	4,003,270
Depreciation of property, plant and equipment	**30,801**	37,441
Amortisation of intangible assets	**63,141**	73,944
Amortisation of land lease prepayments	**1,208**	1,329
Write-down of inventories (note 20(b))	**26,341**	17,557
Reversal of write-down of inventories (note 20(b))	**(236)**	(536)
Impairment loss on trade receivables (note 21(b))	**89,151**	7,986
Reversal of impairment loss on trade receivables	**(9,965)**	(2,230)
Impairment loss on property, plant and equipment	**6,198**	—
Impairment loss on intangible assets (note 14)	**25,966**	—
Auditor's remuneration	**8,835**	6,066
Operating lease charges	**32,359**	26,995

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) *Taxation in the consolidated statement of profit or loss represents:*

	2014 RMB'000	2013 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	8,399	—
Under-provision in respect of prior year	—	1,240
Current tax — PRC Corporate Income Tax		
Provision for the year	106,889	197,359
Under-provision/(over) in respect of prior year	1,534	(1,900)
	116,822	196,699
Deferred tax		
Origination and reversal of temporary differences	(37,490)	(78,124)
	79,332	118,575

The Company and China All Access Group Limited ("CAA BVI") are incorporated in the Cayman Islands and the British Virgin Islands ("BVI") respectively. They are not subject to tax on income or capital gains under the current laws of the respective jurisdictions in the Cayman Islands and the BVI. In addition, upon any payment of dividend by the Company or CAA BVI, no Cayman Islands and BVI withholding tax is imposed.

The Company, All Access Global Limited ("CAA HK"), CAA BVI and Xing Fei (Hong Kong) Co., Ltd. are recognised as Hong Kong tax resident enterprises, hence they are subject to Hong Kong Profits Tax with the standard Hong Kong Profits Tax rate of 16.5%.

Hebei Noter Communication Technology Co., Ltd. ("Hebei Noter"), Beijing All Access Noter Communication Technology Co., Ltd. ("Beijing All Access"), Shenzhen Xing Fei Technology Co., Ltd. ("Shenzhen Xing Fei"), Ruide Electronical Industrial Co., Ltd. ("Ruide Electronic"), Lead Communications Co., Ltd. ("Lead Communications"), and Shenzhen Control Electromechanical Co., Ltd. ("Shenzhen Control") are qualified High and New Technology Enterprises ("HNTEs") and entitled to the preferential tax rate of 15% from 2012 to 2014, 2012 to 2014, 2014 to 2016, 2012 to 2014, 2014 to 2016 and 2012 to 2014 respectively.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

(a) Taxation in the consolidated statement of profit or loss represents:

(Continued)

Management is of the view that the above qualified HNTEs will continue their status upon renewal for 3 years from their respective years of approval.

Other PRC subsidiaries of the Group are subject to standard PRC Corporate Income Tax rate of 25% (2013: 25%).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**273,307**	456,989
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**65,876**	120,653
Tax effect of tax concession	**(28,824)**	(35,246)
Tax effect of non-taxable income	**(7,008)**	(3,533)
Tax effect of non-deductible expenses	**36,789**	32,699
Under/(over)-provision in respect of prior year	**1,534**	(660)
Tax effect of unused tax losses not recognised	**10,965**	4,662
Actual tax expense	**79,332**	118,575

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014			
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
CHAN Yuen Ming	95	2,146	13	2,254
SHAO Kwok Keung	95	1,532	13	1,640
XIU Zhi Bao	95	436	26	557
Non-executive director				
XU Qiang	190	—	—	190
Independent non-executive directors				
PUN Yan Chak	190	—	—	190
WONG Che Man, Eddy	190	—	—	190
LAM Kin Hung, Patrick	190	—	—	190
	1,045	4,114	52	5,211

9 DIRECTORS' REMUNERATION *(Continued)*

	2013			
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
CHAN Yuen Ming	96	2,128	12	2,236
SHAO Kwok Keung	96	1,544	12	1,652
XIU Zhi Bao	96	416	24	536
ZHAO Qing An*	43	389	32	464
Non-executive director				
XU Qiang*	92	—	—	92
Independent non-executive directors				
PUN Yan Chak	180	—	—	180
WONG Che Man, Eddy	180	—	—	180
LAM Kin Hung, Patrick	180	—	—	180
	963	4,477	80	5,520

* Mr ZHAO Qing An retired as executive director on 11 June 2013. Mr. XU Qiang was appointed as non-executive director on 8 July 2013.

No emoluments have been paid to any of the directors or any of the highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

10 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	1,885	1,500
Discretionary bonuses	3,650	6,268
Retirement scheme contributions	38	74
	5,573	7,842

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$3,000,000	1	—
HK$3,000,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$5,000,000	—	1
	3	3

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB18,299,000 (2013: loss of RMB43,149,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 31(b).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB207,716,000 (2013: RMB222,801,000) and the weighted average of 1,420,952,000 ordinary shares in issue during the year ended 31 December 2014 (2013: 1,324,528,000), calculated as follows:

Weighted average number of ordinary shares

	2014 '000	2013 '000
Issued ordinary shares at 1 January	**1,328,824**	1,216,824
Effect of issuance of shares (note 31(c))	**92,128**	107,704
Weighted average number of ordinary shares at 31 December	**1,420,952**	1,324,528

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB207,716,000 (2013: RMB222,801,000) and the weighted average of 1,420,952,000 ordinary shares (2013: 1,324,528,000). No adjustment has been made to the basic earnings per share amount presented for the reporting period in respect of a dilution as the impact of the conversion of the convertible bonds issued on 15 January 2013, 4 September 2013 and 27 June 2014 would have had an anti-dilutive effect on the basic earnings per share.

After the reporting period, the Group issued additional shares (see note 37), impact of which are not adjusted as these transactions do not affect the amount of capital used to produce profit or loss for the reporting period.

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings held for own use RMB'000	Electronic Equipment RMB'000	Office Equipment RMB'000	Computer software RMB'000	Motor Vehicles RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2013	27,492	73,004	7,565	6,521	18,782	101,932	738	148,229	384,263
Additions	–	1,695	642	575	1,151	11,119	212	121,066	136,460
Transferred from construction in progress	–	–	–	–	507	–	–	(507)	–
Disposals	–	(682)	–	–	(252)	(5,265)	–	–	(6,199)
Disposal of subsidiaries	–	–	(1,799)	–	–	–	–	–	(1,799)
Exchange adjustments	(470)	–	(34)	–	(64)	–	–	–	(568)
At 31 December 2013	27,022	74,017	6,374	7,096	20,124	107,786	950	268,788	512,157
At 1 January 2014	27,022	74,017	6,374	7,096	20,124	107,786	950	268,788	512,157
Additions	–	4,127	385	1,125	7,903	49,870	47,520	68,219	179,149
Transferred from construction in progress	92,906	–	336	–	–	–	–	(93,242)	–
Disposals	–	(670)	–	–	(339)	(74,022)	–	–	(75,031)
Exchange adjustments	52	–	4	–	7	–	–	–	63
At 31 December 2014	119,980	77,474	7,099	8,221	27,695	83,634	48,470	243,765	616,338
Accumulated depreciation:									
At 1 January 2013	1,788	42,745	3,047	5,488	2,495	–	–	–	55,563
Charge for the year	844	15,846	1,121	394	2,379	16,289	568	–	37,441
Written back on disposals	–	(469)	–	–	(237)	(4,194)	–	–	(4,900)
Disposal of subsidiaries	–	–	(747)	–	–	–	–	–	(747)
Exchange adjustments	(38)	–	(18)	–	(17)	–	–	–	(73)
At 31 December 2013	2,594	58,122	3,403	5,882	4,620	12,095	568	–	87,284
At 1 January 2014	2,594	58,122	3,403	5,882	4,620	12,095	568	–	87,284
Charge for the year	842	4,612	996	713	2,945	19,367	1,326	–	30,801
Written back on disposals	–	(498)	–	–	(291)	(46,965)	–	–	(47,754)
Impairment loss	–	122	–	–	322	5,754	–	–	6,198
Exchange adjustments	3	–	2	–	1	–	–	–	6
At 31 December 2014	3,439	62,358	4,401	6,595	7,597	(9,749)	1,894	–	76,535
Net book value:									
At 31 December 2014	116,541	15,116	2,698	1,626	20,098	93,383	46,576	243,765	539,803
At 31 December 2013	24,428	15,895	2,971	1,214	15,504	95,691	382	268,788	424,873

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The analysis of net book value of properties is as follows:

As at 31 December 2014, buildings held for own use with net book value of approximately RMB22,055,000 (2013: RMB22,606,000) are pledged as securities for the Group's interest-bearing borrowings (note 28 (a) (ii)).

14 INTANGIBLE ASSETS

	Multimedia satellite transmission network RMB'000	Technology know-how RMB'000	Customer relationship RMB'000	Backlog RMB'000	License agreement RMB'000	Trade mark RMB'000	Total RMB'000
Cost:							
At 1 January 2013	2,070	228,542	126,850	7,245	6,087	–	370,794
Additions	–	7,735	–	–	–	45	7,780
Disposal of subsidiaries	(2,070)	–	–	–	–	–	(2,070)
Exchange adjustments	–	(844)	–	–	–	–	(844)
At 31 December 2013	–	235,433	126,850	7,245	6,087	45	375,660
At 1 January 2014	**–**	**235,433**	**126,850**	**7,245**	**6,087**	**45**	**375,660**
Disposal	**–**	**(26,887)**	**–**	**–**	**–**	**–**	**(26,887)**
Exchange adjustments	**–**	**268**	**–**	**–**	**–**	**–**	**268**
At 31 December 2014	**–**	**208,814**	**126,850**	**7,245**	**6,087**	**45**	**349,041**
Accumulated amortisation:							
At 1 January 2013	–	3,204	–	–	–	–	3,204
Charge for the year	–	53,942	14,094	3,878	2,029	1	73,944
Exchange adjustments	–	(276)	–	–	–	–	(276)
At 31 December 2013	–	56,870	14,094	3,878	2,029	1	76,872
At 1 January 2014	**–**	**56,870**	**14,094**	**3,878**	**2,029**	**1**	**76,872**
Charge for the year	**–**	**43,651**	**14,094**	**3,367**	**2,029**	**–**	**63,141**
Written back on disposal	**–**	**(17,884)**	**–**	**–**	**–**	**–**	**(17,884)**
Impairment loss	**–**	**8,400**	**17,158**	**–**	**408**	**–**	**25,966**
Exchange adjustments	**–**	**116**	**–**	**–**	**–**	**–**	**116**
At 31 December 2014	**–**	**91,153**	**45,346**	**7,245**	**4,466**	**1**	**148,211**
Net book value:							
At 31 December 2014	**–**	**117,661**	**81,504**	**–**	**1,621**	**44**	**200,830**
At 31 December 2013	–	178,563	112,756	3,367	4,058	44	298,788

The amortisation and impairment loss charge for the year are included in administrative expenses in the consolidated statement of profit or loss.

14 INTANGIBLE ASSETS *(Continued)*

Impairment test of the cash-generating unit (the "CGU") — the business operation of casings and keyboards

At 31 December 2014, the Group performed an impairment test on the business operation of casings and keyboards, which is identified as a CGU, in light of operating losses as the highlighted indicator of impairment.

The recoverable amount of the CGU is determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and growth rates. The Group prepares cash flow forecasts derived from the five-year financial budgets and extrapolates cash flows for the following five years based on estimated annual growth rates in sales of 3% and a discount rate of 22.82%. The growth rates are determined by management based on the performance of the CGU and its estimated future developments in the market. The discount rates used are pre-tax and reflect specific risks relating to the business operation.

The impairment losses of RMB25,966,000 of the CGU, allocating to intangible assets, are recognised in the consolidated statement of profit or loss during the reporting period.

15 GOODWILL

	The Group RMB'000
Cost:	
At 1 January 2013	332,449
Disposal of subsidiaries	(367)
At 31 December 2013, 1 January 2014 and 31 December 2014	332,082
Carrying amount:	
At 31 December 2014	332,082
At 31 December 2013	332,082

15 GOODWILL *(Continued)*

Impairment tests for group of CGUs containing goodwill

Goodwill acquired through business combination has been allocated to group of CGUs for impairment testing. The group of CGUs' recoverable amount is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2013: 3%), which do not exceed the long-term average growth rates for the business in which the group of units operates. The cash flows are discounted using a discount rate of 21.66% (2013: 21.51%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operations.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. Based on management's assessment results, there was no impairment of goodwill as at 31 December 2014.

16 INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	RMB'000	RMB'000
Non-current		
Unlisted shares, at cost	**90,303**	90,303
Amounts due from subsidiaries	**1,514,187**	847,316
	1,604,490	937,619
Current		
Amounts due from subsidiaries	**118,110**	125,473

The non-current amounts due from subsidiaries are unsecured, bear interest of 5% per annum and are not expected to be repayable within one year from the end of the reporting period.

Amounts due from subsidiaries under current assets are unsecured, interest free and repayable on demand which arose in the ordinary course of business.

(Expressed in Renminbi unless otherwise indicated)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries as at 31 December 2014 are as follows:

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
CAA BVI 中國全通集團有限公司	15 June 2006/ (note (a))	US$10,000	100%	100%	–	Investment holding
CAA HK 全通環球有限公司	Hong Kong/ 18 June 2008	HK$10,000	100%	–	100%	Investment holding
Hebei Noter (note (b)) 河北諾特通信技術有限公司	The PRC/ 21 August 2006	US$22,500,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Beijing All Access (note (b)) 北京全通諾特通信技術有限公司	The PRC/ 21 October 2009	US$30,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Shanghai All Access Noter Communication Technology Co., Ltd. (note (b)) 上海全通諾特通信技術有限公司	The PRC/ 23 December 2009	US$15,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Guangdong All Access Noter Communication Technology Co., Ltd. ("Guangdong Noter") (note (b)) 廣東全通諾特通信技術有限公司	The PRC/ 20 April 2010	US$70,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance

(Expressed in Renminbi unless otherwise indicated)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Tianjin Hailantong Technology Co., Ltd. (note (b)) 天津海藍通科技有限公司	The PRC/ 6 May 2011	US$10,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Shenzhen City Changfei Investment Company Limited ("Changfei Investment") (note (c)) 深圳市長飛投資有限公司	The PRC/ 6 February 2004	RMB27,750,000	51%	–	51%	Investment holding
Huizhou Changfei Investment Co., Ltd. ("Huizhou Changfei") (note (c)) 惠州市長飛投資有限公司	The PRC/ 23 April 2010	RMB60,000,000	51%	–	100%	Investment holding
Huizhou All Access Real Estate Co., Ltd. ("Huizhou All Access") (note (c)) 惠州全通房地產開發有限公司	The PRC/ 29 November 2011	RMB1,000,000	51%	–	100%	Real estate development
Shenzhen Xing Fei (note (c)) 深圳市興飛科技有限公司	The PRC/ 19 July 2005	RMB348,210,000	40.80%	–	80%	Design and manufacturing of handset
Nanchang Xing Fei Technology Co., Ltd. (note (c)) 南昌興飛科技有限公司	The PRC/ 1 July 2008	RMB15,000,000	40.80%	–	100%	Design and manufacturing of handset
Ruide Electronic (note (c)) 深圳市睿德電子實業有限公司	The PRC/ 27 April 2004	RMB6,700,000	40.80%	–	100%	Manufacturing of handset battery
Lead Communications (note (c)) 深圳市立德通訊器材有限公司	The PRC/ 17 June 2003	RMB10,000,000	32.90%	–	64.50%	Manufacturing of handset screen
Shenzhen Control (note (c)) 深圳市康銓機電有限公司	The PRC/ 2 June 2003	RMB16,000,000	29.33%	–	57.50%	Manufacturing of handset shell
Shenzhen Wanyu Technologies Co., Ltd. (note (c)) 深圳萬譽電子技術有限公司	The PRC/ 30 April 2007	RMB8,000,000	29.33%	–	100%	Manufacturing of handset shell

(Expressed in Renminbi unless otherwise indicated)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Hebei Haoguang Communication Technology Limited (note (c)) 河北浩廣通信科技有限公司	The PRC/ 2 April 2013	RMB20,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
All Access Communication Technology (Shenzhen) Limited ("All Access Shenzhen") (note (b)) 全通通信技術(深圳)有限公司	The PRC/ 28 June 2013	RMB60,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
China All Access Yihe Property Management (Shenzhen) Co., Ltd. (note (c)) 全通頤和物業管理(深圳)有限公司	The PRC/ 11 February 2014	RMB500,000	100%	–	100%	Property management and maintenance
China All Access Ruichang Supply Chain Management (Shenzhen) Co., Ltd. (note (c)) 全通瑞暢供應鏈管理(深圳)有限公司	The PRC/ 11 February 2014	RMB5,000,000	100%	–	100%	Supply chain management and cargo agency
Xing Fei (Hong Kong) Co., Ltd. 興飛(香港)有限公司	Hong Kong/ 14 January 2013	HK10,000,000 (note (d))	40.80%	–	100%	Provision of electronic equipment, imports and exports of goods and technology
Huizhou Xing Fei Technology Co., Ltd. (note (c)) 惠州市興飛技術有限公司	The PRC/ 24 April 2014	RMB10,000,000	40.80%	–	100%	Design and manufacturing of handset
Huizhou Ruixingyuan Technology Co., Ltd. (note (c)) 惠州市睿興元技術有限公司	The PRC/ 7 May 2014	RMB10,000,000 (note (e))	40.80%	–	100%	Manufacturing of handset parts and other electronic products

(Expressed in Renminbi unless otherwise indicated)

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
All Access Kaihong (Shenzhen) Co., Ltd. (note (c)) 全通凱弘(深圳)有限公司	The PRC/ 14 August 2014	RMB10,000 (note (d))	100%	–	100%	Investment holding
All Access Kaiyang (Shenzhen) Co., Ltd. (note (c)) 全通凱揚(深圳)有限公司	The PRC/ 14 August 2014	RMB10,000 (note (d))	100%	–	100%	Investment holding
China All Access Investment Limited 中國全通投資有限公司	28 August 2014/ (note (a))	USD1	100%	–	100%	Investment holding
Huizhou All Access Communication Technology Co., Ltd. (note (c)) 惠州市全通通信技術有限公司	The PRC/ 22 September 2014	RMB10,000,000 (note (d))	100%	–	100%	Development and provision of communication equipment, application services system operation management, application upgrade and system maintenance
Huizhou Lead Communications Co., Ltd. (note (c)) 惠州市立德通訊技術有限公司	The PRC/ 10 July 2014	RMB10,000,000 (note (d))	32.90%	–	100%	Manufacturing of handset screen
Zhengzhou Xing Fei Technology Co., Ltd. (note (c)) 鄭州興飛科技有限公司	The PRC/ 15 September 2014	RMB5,000,000	40.80%	–	100%	Technology research on communication equipment, imports and exports of goods and technology
Shenzhen Ruiheng Bangde Trade Co., Ltd. (note (c)) 深圳市瑞恒邦德貿易有限公司	The PRC/ 26 December 2014	RMB5,000,000 (note (d))	40.80%	–	100%	Research and development of electronic, communication products and accessories; domestic, imports and exports trade

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) This entity is a limited enterprises established in the BVI.

(b) This entity is a wholly foreign owned limited enterprises established in the PRC.

(c) This entity is a limited liability company established in the PRC.

(d) None of the registered capital has been paid by the end of reporting period.

(e) RMB2,200,500 of the registered capital has been paid by the end of reporting period.

The English translation of the company names for entities established in the PRC is for reference only. The official names of the companies established in the PRC are in Chinese.

The following table lists out the information relating to Changfei Investment, a subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the consolidated financial statements of Changfei Investment and its subsidiaries before any intra-group elimination with other subsidiaries of the Group.

	2014 RMB'000	2013 RMB'000
NCI percentage (note (ii))	49%	45.68%
Current assets	5,020,626	4,013,527
Non-current assets	1,700,774	1,365,196
Current liabilities	(5,104,807)	(3,674,938)
Non-current liabilities	(261,239)	(273,890)
Net assets	1,355,354	1,429,895
Carrying amount of NCI	566,823	518,131
Revenue	6,012,575	3,970,786
(Loss)/profit for the year (note (i))	(9,285)	226,053
Total comprehensive income (note (i))	(9,285)	226,053
Profit allocated to NCI (note (ii))	2,460	106,046
Dividend paid to NCI	—	—
Cash flows used in operating activities	(257,216)	(345,833)
Cash flows used in investing activities	(422,468)	(100,920)
Cash flows from financing activities	569,506	680,457

16 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) In 2013, the Group disposed 16.09% equity interest in an associate, Shenzhen Jufei Optoelectronics Co., Ltd. ("Jufei") and the total 22.73% equity interest in another associate, Shenzhen Zhongxing Xinyu FPC Company Limited ("Xinyu"). The net proceeds of the disposals are RMB531,267,000 and RMB15,565,000, respectively. Gain on disposal before tax of RMB243,992,000 and loss on disposal before tax of RMB3,048,000 have been recognised in the consolidated statement of profit or loss for 2013.

(ii) On 22 December 2014, the Group disposed its 100% subsidiary, All Access Zhisheng (Shenzhen) Investment Consulting Limited ("All Access Zhisheng"), to a third party at RMB1.00 as consideration. Following this disposal, the Group also ceases to hold 3.3243% interest of equity in Changfei Investment as All Access Zhisheng holds a total of 3.3243% interest in Changfei Investment. As the disposal completed on 22 December 2014, which was very close to 31 December 2014, the income, expenses and profits from the disposal date to the end of reporting period were considered immaterial. The NCI percentage for assets and liabilities allocated to NCI is 49% and profit allocated to NCI is 45.6757%. As the Group retains control on Changfei Investment, this disposal was treated as an equity transaction and effect in changes of non-controlling interests amounted to RMB38,505,000.

17 INTEREST IN ASSOCIATES

	The Group	
	2014 RMB'000	2013 RMB'000
Share of net assets	**28,234**	54,575

Summarised aggregate financial information of associates that are individually immaterial:

	The Group	
	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**28,234**	54,575
Aggregate amounts of the Group's share of associates'		
(Loss)/profit from continuing operations	**(3)**	7,767
Total comprehensive income	**(3)**	7,767

18 PREPAYMENT FOR LAND LEASES

The prepayment represents prepaid lease payment for the land owned by the Group. The land is used for the industrial building construction.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2014 RMB'000	2013 RMB'000
Available-for-sale		
— Directional asset management plan (note)	**982,500**	499,500
— Unlisted equity securities	**4,214**	4,214
	986,714	503,714

Note: On 29 May 2013, a subsidiary of the Company entered into a contract of non-principal guarantee directional asset management plan with a 3 year maturity period with a securities company listed in Shanghai Stock Exchange. The fair value of the financial asset as at 31 December 2014 is RMB782,500,000 (31 December 2013: RMB499,500,000).

On 29 December 2014, another subsidiary of the Company entered into a contract of non-principal guarantee directional asset management plan with a 5 year maturity period with the same securities company. During the reporting period, a net amount of RMB200,000,000 has been invested into the plan. The fair value of the financial asset as at 31 December 2014 is RMB200,000,000.

20 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group	
	2014 RMB'000	2013 RMB'000
Raw materials	**236,893**	145,006
Work in progress	**53,345**	49,505
Consigned manufacturing material	**92,767**	73,934
Finished goods	**203,258**	132,047
Goods in transit	**28,951**	34,430
Low-value consumables	**89**	75
	615,303	434,997
Less: Inventory provision	**(35,378)**	(14,001)
	579,925	420,996

All inventories are expected to be recovered within one year.

20 INVENTORIES *(Continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	**6,166,939**	4,003,270
Operating costs included in cost of sales	**27,568**	24,768
Write-down of inventories	**26,341**	17,557
Reversal of write-down of inventories	**(236)**	(536)
	6,220,612	4,045,059

21 TRADE AND OTHER RECEIVABLES

		The Group	
	Note	**2014 RMB'000**	2013 RMB'000
Non-current			
Trade receivables		**54,234**	62,402
Entrusted loans	(iii)	**10,000**	—
Rental deposits		**3,008**	1,930
Other receivables from disposal of associates	(ii)	**29,600**	—
		96,842	64,332
Current			
Trade receivables due from related parties (note 35(b))		**505,306**	558,575
Other trade receivables		**1,709,001**	1,123,257
Less: Allowance for doubtful debts	21(b)	**(91,878)**	(11,652)
		2,122,429	1,670,180
Other receivables and deposits	(i)	**623,674**	29,306
Other receivables from disposal of associates	(ii)	**6,429**	17,565
Performance guarantee deposit		**30,000**	30,000
Interest receivables		**19,533**	11,397
Entrusted loans	(iii)	**10,000**	—
Dividend receivables		**—**	1,350
		2,812,065	1,759,798

21 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) As at 31 December 2014, RMB560,000,000 of other receivables and deposits were structured deposits in a commercial bank, with maturity periods of 12 months. The deposits could be withdrawn prior to maturity.

(ii) As at 31 December 2014, the other receivables from disposal of associates represents the remaining balance of consideration for the disposal of associates to Mr. Zhu Wei Min, a substantial shareholder of each of Changfei Investment and Lead Communications by virtue of holding over 10% equity interest in each of these companies and a director of a non-wholly-owned subsidiary of the Company. A total amount of RMB36,029,000 will be payable by instalment till 2019.

(iii) As at 31 December 2014, RMB20,000,000 of entrusted loans were provided by a non-wholly owned subsidiary of the Group to a third party through a commercial bank. RMB10,000,000 is due on 3 July 2015 and RMB10,000,000 is due on 15 July 2016. The Group did not obtain collateral from the third party.

For certain contracts, retention money representing 5% to 10% of the contract amount is not due until the warranty period expired, which varies from one year to three years. Included in trade receivables as at 31 December 2014 are retention money of RMB9,040,000 (2013: RMB20,446,000).

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Within 1 month	**1,324,179**	991,943
1 to 2 months	**312,984**	204,998
2 to 3 months	**91,487**	168,409
3 to 6 months	**47,009**	42,293
Over 6 months	**401,004**	324,939
Trade receivables, net of allowance for doubtful debts	**2,176,663**	1,732,582
Representing:		
Non-current trade receivables	**54,234**	62,402
Current trade receivables	**2,122,429**	1,670,180
	2,176,663	1,732,582

The Group's credit policy is set out in note 36(a).

21 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**11,652**	8,066
Impairment loss recognised	**89,151**	7,986
Reversal of impairment loss	**(9,965)**	(2,230)
Uncollectible amounts written off	**1,040**	(2,170)
At 31 December	**91,878**	11,652

(c) Receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**1,554,174**	1,188,867
Less than 1 month past due	**66,658**	136,967
1 to 3 months past due	**47,072**	130,630
3 to 12 months past due	**8,384**	211,295
More than 12 months past due	**450**	48,509
	122,564	527,401
	1,676,738	1,716,268

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

21 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Receivables that are not impaired *(Continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group or with sound financial background. For any significant amounts past due, the Group would actively seek repayment from the debtors and the Group would enforce its legal right to the contractually due amount when considered necessary. There have been no disputes over the balances due from these customers, therefore the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

22 PREPAYMENTS

		The Group	
	Note	**2014 RMB'000**	2013 RMB'000
Non-current			
Prepayment for potential equity investment	(iii)	**227,432**	—
Others		**557**	—
		227,989	—
Current			
Prepayment for Hebei Guangdian	(i)	**213,163**	227,162
Prepayment for material purchases	(ii)	**237,459**	—
Other prepayments		**248,361**	86,646
		698,983	313,808

Notes:

(i) On 16 January 2013, the Group entered into a cooperation framework agreement for a term of 15 years with Hebei Guangdian Network Investment Co., Ltd. ("Hebei Guangdian"), pursuant to which the Group agreed to cooperate with Hebei Guangdian for the joint development of a digital multimedia network covering the households in Hebei Province. Subsequently, the parties entered into a formal cooperation agreement dated 18 April 2013 to vary and supplement the terms and conditions of the parties' joint investment in this project and to facilitate the implementation of this project. To commence this project, the Group has signed a contract of RMB330,000,000 with an independent third party for the equipment purchases and network construction. Pursuant to the contract, the Group is required to pay 90% of the contract amounting to RMB297,000,000 for the initial construction upon the effective date of the contract. During 2014, the Group paid an additional RMB5,500,000. In addition, the Group has paid RMB10,000,000 to Hebei Guangdian as initial funds of the project.

22 PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

As at 31 December 2014, prepayment for purchases of digital multimedia network amounts to RMB213,163,000 (31 December 2013: RMB227,162,000).

Subsequent to year end, the Group entered into a transfer agreement regarding the project. Please see note 37(e).

(ii) During 2014, the Group entered into several agreements with a third party pursuant to which the Group agreed to entrust the third party to quote pricing and/or purchase equipment and raw materials on behalf of the Group based on pre-defined terms. The third party will refund the prepayment without interest if the pre-defined terms are not satisfied. As at 31 December 2014, prepayment for purchases of raw materials amounted to RMB237,459,000. The Group does not hold any collateral over this balance.

(iii) On 29 August 2014, the Group entered into an investment memorandum and a supplemental memorandum with a nationwide mobile broadband network integrated service provider based in Shenzhen in relation to a potential equity investment. As at 31 December 2014, prepayment for this potential investment equity amounted to USD37,168,000 (equivalent to approximately RMB227,432,000).

23 DISCOUNTED BILLS RECEIVABLE

At 31 December 2014, the Group has discounted its bills receivable of RMB193,903,000 (2013: RMB173,069,000) to banks and RMB 574,343,000 (2013: nil) to a subsidiary of ZTE Corporation with recourse. Accordingly, the advances from banks of RMB193,903,000 (2013: RMB173,069,000) and a subsidiary of ZTE Corporation of RMB 574,343,000 (2013: nil) received by the Group as consideration for the discounted bills receivable at financial year end were recognised as liabilities.

By the end of reporting period, bills receivable amounted to RMB218,171,000 were derecognised as the Group determined that it has transferred substantially all risks and rewards relating to these bills.

24 BILLS RECEIVABLE

At 31 December 2014, bills receivable amounted to RMB909,379,000 (2013: RMB1,345,911,000) included bank acceptance bills of RMB215,287,000 (2013: RMB284,741,000) were pledged as security to issue bills payable for operating use and bills receivable of RMB446,839,000 (2013: RMB328,426,000) had been endorsed to other parties but not yet due.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of bills receivable based on the bills received date is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**270,335**	387,695
1 to 2 months	**201,327**	254,761
2 to 3 months	**159,795**	281,989
3 to 6 months	**277,922**	421,466
Bills receivable	**909,379**	1,345,911

(b) Bills receivable that are not impaired

The ageing analysis of bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**909,379**	1,345,911

25 RESTRICTED CASH

		The Group	
	Note	**2014 RMB'000**	2013 RMB'000
Guarantee deposits for bills payable	(i)	**556,786**	336,080
Guarantee deposits for mortgage loans	(ii)	**118,906**	—
		675,692	336,080

Notes:

(i) The amount represents cash deposits in certain banks as guarantee deposits for the issuance of bills payable of equivalent amounts, as requested by the banks.

(ii) The amount represents cash deposits pledged as collateral for the interest-bearing borrowings of RMB116,000,000. Such guarantee deposits will be used for repayment of the relevant borrowings.

26 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement comprise:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash at bank and in hand	**461,783**	671,145	**476**	7,748

26 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	2014 RMB'000	2013 RMB'000
Profit before taxation		**273,307**	456,989
Adjustments for:			
Depreciation of property, plant and equipment	7(d)	**30,801**	37,441
Impairment loss on property, plant and equipment	7(d)	**6,198**	—
Amortisation of intangible assets	7(d)	**63,141**	73,944
Impairment loss on intangible assets	7(d)	**25,966**	—
Amortisation of land lease prepayment	7(d)	**1,208**	1,329
Impairment loss on trade receivables	7(d)	**89,151**	7,986
Reversal of impairment loss on trade receivables	7(d)	**(9,965)**	(2,230)
Write down of inventories	20(b)	**26,341**	17,557
Reversal of write down of inventories	20(b)	**(236)**	(536)
Interest income from bank deposits	7(a)	**(16,796)**	(24,352)
Interest income from structured deposits	7(a)	**(12,809)**	—
Interest income from entrusted loans	7(a)	**(10,597)**	—
Interest income from debt factoring receivables	7(a)	**(24,195)**	—
Interest income from investment in directional asset management	7(a)	**(19,878)**	(10,223)
Unwind interest from non-current trade and other receivables		**(2,191)**	(3,973)
Change in fair value of derivative component of convertible bond	7(a)	**(4,623)**	—
Loss/(gain) on disposal of property, plant and equipment	6	**14,812**	(131)
Finance costs	7(b)	**181,081**	132,685
Gain on disposal of intangible assets	6	**(15,621)**	—
Gain on disposal of subsidiaries		**(2)**	(1,588)
Loss/(gain) on disposal of associates		**1,834**	(240,944)
Share of profits less losses of associates		**47**	(16,208)

26 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit before taxation to cash used in operations: *(Continued)*

	2014 RMB'000	2013 RMB'000
Changes in working capital:		
Increase in inventories	**(185,034)**	(121,130)
Increase in trade and other receivables	**(552,714)**	(29,265)
Increase in prepayments	**(385,732)**	(260,878)
Decrease/(increase) in bills receivable	**436,532**	(542,000)
Decrease/(increase) in factored trade receivables	**248,000**	(96,790)
(Increase)/decrease in discount bills receivables	**(595,177)**	111,588
Increase in restricted cash	**(339,612)**	(236,840)
Increase in trade and other payables	**944,686**	294,152
Cash generated from/(used in) operations	**167,923**	(453,417)

27 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables due to related parties (note 35(b))	**42,658**	52,042	**—**	—
Bills payable due to related parties (note 35(b))	**20,294**	46,909	**—**	—
Other trade and bills payable	**3,123,435**	2,169,080	**—**	—
	3,186,387	2,268,031	**—**	—
Other payables and accruals	**349,298**	299,197	**29,396**	20,029
Financial liabilities measured at amortised cost	**3,535,685**	2,567,228	**29,396**	20,029
Receipts in advance	**16,275**	19,884	**—**	—
	3,551,960	2,587,112	**29,396**	20,029

All of the trade payables, bills payable and other payables are expected to be settled within one year. Bills payable of RMB556,786,000 (2013: RMB336,080,000) was supported by guarantee deposits of equivalent amount as requested by banks, presented as restricted cash (see note 25) .

27 TRADE AND OTHER PAYABLES *(Continued)*

As of the end of reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables) based on the invoice date is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 1 month	**987,338**	768,987
1 to 3 months	**1,166,017**	826,539
3 to 6 months	**890,062**	481,092
Over 6 months but within 1 year	**83,576**	164,507
Over 1 year	**59,394**	26,906
	3,186,387	2,268,031

28 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Credit loans	(i)	**892,500**	761,056	**—**	—
Mortgage loans	(ii)	**261,036**	218,234	**—**	—
Guaranteed loans	(iii)	**118,000**	147,930	**—**	—
Guaranteed note	(iv)	**78,890**	78,620	**78,890**	78,620
Pledged loans	(v)	**120,300**	—	**—**	—
Total interest-bearing borrowings		**1,470,726**	1,205,840	**78,890**	78,620

All of the interest-bearing borrowings are carried at amortised cost.

28 INTEREST-BEARING BORROWINGS *(Continued)*

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows: *(Continued)*

Notes:

(i) At 31 December 2014, RMB892,500,000 (at 31 December 2013: RMB591,056,000) of credit loans were provided by commercial banks and nil (at 31 December 2013: RMB170,000,000) of credit loans were provided by related party of the Group. The annual interest rate of the above loans ranged from approximately 6.16%-7.50%. The principals are repayable within one year.

(ii) At 31 December 2014, RMB250,000,000 (at 31 December 2013: RMB177,950,000) of the loans were secured by two pieces of land of the Group with carrying value of approximately RMB139,781,000 (at 31 December 2013: approximately RMB141,184,000).

At 31 December 2014, RMB11,036,000 (at 31 December 2013: RMB11,784,000) of the loans were secured by the Group's buildings with carrying value of approximately RMB22,055,000 (at 31 December 2013: approximately RMB22,606,000), of which HK$10,572,000 (approximately RMB8,340,000) (at 31 December 2013: HK$11,032,000, approximately RMB8,673,000) of the loans were guaranteed by the Company (see note (34)).

(iii) At 31 December 2014, RMB70,000,000 and RMB48,000,000 of the loans was guaranteed by a subsidiary of the Company. The principal is repayable in one year and the interest rate will be charged at 7.8% and 7.5%.

(iv) At 31 December 2014, the guaranteed note amounting to HK$100,000,000 (approximately RMB78,890,000) (at 31 December 2013: HK$100,000,000, approximately RMB78,620,000) which was issued to Chance Talent Management Limited ("CTM", a subsidiary of a substantial shareholder of Changfei Investment) was guaranteed by Mr. Chan Yuen Ming, an executive director of the Company (see note 35(d)). The principal is due in 2015 with the interest rate charged at 10%.

(v) At 31 December 2014, RMB116,000,000 (at 31 December 2013: nil) of the loans were pledged by bank deposits of the Group with carrying value of HK$150,000,000 (approximately RMB118,906,000) (see note (25)). The Group has obtained banking facilities amounted to a total of RMB250,000,000, which was utilized to the extent of RMB116,000,000. The principal is due in 2015 with the interest rate charged at 5.43%.

28 INTEREST-BEARING BORROWINGS *(Continued)*

(b) At 31 December, the interest-bearing borrowings were repayable as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Current portion		
Within 1 year	**1,239,792**	938,261
Non-current portion		
After 1 year but within 2 years	**43,645**	129,431
After 2 years but within 5 years	**180,718**	130,621
After 5 years	**6,571**	7,527
	230,934	267,579
Total interest-bearing borrowings	**1,470,726**	1,205,840

29 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Hong Kong Profits Tax				
Provision for the year	**8,399**	—	**2,528**	—
Balance of Profits Tax provision relating to prior years	**73**	110	**40**	51
	8,472	110	**2,568**	51
PRC Corporate Income Tax				
Provision for the year	**106,889**	197,359	**—**	—
Income tax paid	**(25,784)**	(9,886)	**—**	—
Balance of Corporate Income Tax provision relating to prior years	**42,144**	19,951	**—**	—
	123,249	207,424	**—**	—
	131,721	207,534	**2,568**	51

29 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities in the consolidated statement of financial position represent:

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Revenue recognition RMB'000	Provisions RMB'000	Intangible assets RMB'000	Tax losses carry forward RMB'000	Unrealised intra-group profits RMB'000	Interest in associates RMB'000	Property, plant and equipment RMB'000	Accrued liabilities RMB'000	Total RMB'000
At 1 January 2013	5,019	(2,480)	67,852	(659)	(868)	53,384	2,989	–	125,237
Charged/(credited) to profit or loss	(1,002)	(2,805)	(12,568)	(5,863)	(592)	(53,384)	(438)	(1,472)	(78,124)
At 31 December 2013	4,017	(5,285)	55,284	(6,522)	(1,460)	–	2,551	(1,472)	47,113
At 1 January 2014	**4,017**	**(5,285)**	**55,284**	**(6,522)**	**(1,460)**	**–**	**2,551**	**(1,472)**	**47,113**
Charged/(credited) to profit or loss	**(2,236)**	**(12,453)**	**(17,830)**	**4,243**	**(1,000)**	**–**	**(985)**	**(7,229)**	**(37,490)**
At 31 December 2014	**1,781**	**(17,738)**	**37,454**	**(2,279)**	**(2,460)**	**–**	**1,566**	**(8,701)**	**9,623**

(ii) Reconciliation to the consolidated statement of financial position

	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(29,397)**	(13,434)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**39,020**	60,547
	9,623	47,113

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of unused tax losses and other temporary differences of certain entities in the Group. The Group determined that it was not probable that these tax losses and other temporary differences could be utilised in foreseeable future. As of 31 December 2014, unused tax losses of RMB89,283,000 will expire within five years, if unused.

29 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(d) Deferred tax liabilities not recognised

The PRC CIT law also imposes a withholding tax rate of 10% or 5%, unless reduced by a tax treaty or agreement, on dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. As at 31 December 2014, temporary differences relating to the post-2007 undistributed profits of the Group's foreign-invested enterprises amounted to RMB1,136,901,000 (2013: RMB926,898,000). Deferred tax liabilities of RMB109,005,000 (2013: RMB91,445,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits since these earnings are not intended to be distributed in the foreseeable future.

30 CONVERTIBLE BONDS

(a) Convertible bonds that contain an equity component

The movement of the liability component and equity component of the convertible bonds recognised in the consolidated statement of financial position is set out below:

	The Group and the Company	
	ZTE Convertible Bond RMB'000 (note (i))	CTM Convertible Bond RMB'000 (note (ii))
Face value of convertible bond at issue date	158,419	157,240
Less: equity component	(5,415)	(4,475)
Liability component on initial recognition	153,004	152,765
Less: direct issue costs attributable to liability component	(311)	—
Liability component on initial recognition, net of direct issue costs	152,693	152,765
Add: imputed finance cost	2,555	1,587
Carrying amount at 31 December 2013 and 1 January 2014	155,248	154,352
Add: imputed finance cost	2,759	2,880
Translation reserve	553	545
Carrying amount at 31 December 2014	158,560	157,777

30 CONVERTIBLE BONDS *(Continued)*

(a) Convertible bonds that contain an equity component *(Continued)*

Notes:

(i) On 15 January 2013, the Company issued a tranche of convertible bond to ZTE (H.K.) Limited, being a wholly-owned subsidiary of ZTE Corporation, for the principal amount of HK$201,500,000 (approximately RMB158,419,000) with a maturity of two years and interest rate of 10%. The convertible bond, at the option of the bond holders, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$2.20 per share. Following the completion of the placing and subscription as mentioned in note 31(c), the conversion price of the convertible bond is adjusted to HK$2.186 per share.

(ii) On 4 September 2013, the Company issued a tranche of convertible bond to CTM for the principal amount of HK$200,000,000 (approximately RMB157,240,000) with a maturity of one year and interest rate of 8%. The convertible bond, at the option of the bond holders, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$3.00 per share. Following the completion of the placing and subscription as mentioned in note 31(c), the conversion price of the convertible bond is adjusted to HK$2.849 per share.

On 10 September 2014, the Company, Mr. Chan and CTM entered into the Supplemental Deed pursuant to which the parties agreed to extend the maturity date of convertible bonds from 4 September 2014 to 4 September 2016.

(b) Convertible bond which do not contain an equity component

The movement of the liability component and embedded financial derivative of the convertible bond recognised in the consolidated statement of financial position is set out below:

	The Group and the Company		
		AEV Convertible Bond embedded	
	Liability component	financial derivatives	Total
	RMB'000	RMB'000	RMB'000
For the period from inception to 31 December 2014:			
Convertible bond issued on 27 June 2014 net of direct transaction costs	161,571	20,223	181,794
Fair value gains on embedded financial derivatives	—	(4,623)	(4,623)
Add: imputed finance cost	7,968	—	7,968
Translation reserve	(1,228)	—	(1,228)
Carrying amount at 31 December 2014	168,311	15,600	183,911

30 CONVERTIBLE BONDS *(Continued)*

(b) Convertible bond which do not contain an equity component (Continued)

On 27 June 2014, the Company issued a tranche of convertible bond to Asia Equity Value LTD ("AEV") for the principal amount of HK$230,000,000 (approximately RMB182,574,000) with a maturity of 27 months and interest rate of 7.5% per annum. The Company will redeem, in eight equal installments, the principal amount of such convertible bond at 100% of such principal amount together with any accrued but unpaid interest thereto. The convertible bond, at the option of the bond holders, will be partly or fully converted into ordinary shares with a par value of HK$0.01 each of the Company. The initial conversion price of the convertible bond is HK$3.35 per share. Following the completion of the placing and subscription as mentioned in note 31(c), the conversion price of the convertible bond is adjusted to HK$3.00 per share.

At 31 December 2014, RMB117,097,000 of the convertible bond was classified as current liabilities which is due to be settled within twelve months after the reporting period.

The convertible bond was recognised as liability component and embedded financial derivatives as follows:

- Liability component initially recognised at its fair value, which is the residual amount after deducting the fair value of the derivative component from the net proceeds at the initial recognition, and is subsequently carried at amortised cost.

- Embedded financial derivatives, comprise the fair value of the bonds holders' option to convert the convertible bonds into ordinary shares of the Company at the conversion price; the fair value of the option of the Company to settle the interest or principal in shares if certain conditions are met; the fair value of the bonds holders' option to defer the first four quarterly installments; the fair value of the bonds holders' option to require the Company to redeem the convertible bonds.

  These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative was recognised.

As at 31 December 2014, no conversion or redemption rights under the above three convertible bonds have been exercised.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share Capital RMB'000 31(c)	Share premium RMB'000 31(d)(i)	Capital redemption reserve RMB'000 31(d)(ii)	Contributed surplus RMB'000 31(d)(iii)	Capital reserve RMB'000 31(d)(iv)	Translation reserve RMB'000 31(d)(vi)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2013		10,657	585,517	95	90,303	–	(41,143)	(10,461)	634,968
Changes in equity for 2013:									
Loss for the year		–	–	–	–	–	–	(43,149)	(43,149)
Other comprehensive income		–	–	–	–	–	(19,589)	–	(19,589)
Total comprehensive loss		–	–	–	–	–	(19,589)	(43,149)	(62,738)
Issuance of shares		905	162,027	–	–	–	–	–	162,932
Issuance of convertible bonds		–	–	–	–	9,880	–	–	9,880
Dividends approved and paid in respect of the previous year	31(b)	–	(55,030)	–	–	–	–	–	(55,030)
Dividends declared and paid in respect of the current year	31(b)	–	(26,281)	–	–	–	–	–	(26,281)
Balance at 31 December 2013		11,562	666,233	95	90,303	9,880	(60,732)	(53,610)	663,731
Balance at 1 January 2014		**11,562**	**666,233**	**95**	**90,303**	**9,880**	**(60,732)**	**(53,610)**	**663,731**
Changes in equity for 2014:									
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(18,299)**	**(18,299)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**48**	**–**	**48**
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**48**	**(18,299)**	**(18,251)**
Issuance of shares		**2,009**	**599,650**	**–**	**–**	**–**	**–**	**–**	**601,659**
Dividends approved and paid in respect of the previous year	31(b)	**–**	**(103,676)**	**–**	**–**	**–**	**–**	**–**	**(103,676)**
Dividends declared and paid in respect of the current year	31(b)	**–**	**(31,271)**	**–**	**–**	**–**	**–**	**–**	**(31,271)**
Balance at 31 December 2014		**13,571**	**1,130,936**	**95**	**90,303**	**9,880**	**(60,684)**	**(71,909)**	**1,112,192**

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2014		2013	
	HK$'000	**Equivalent to RMB'000**	HK$'000	Equivalent to RMB'000
Interim dividend declared and paid of HK2.5 cents per ordinary share (2013: HK2.5 cents per ordinary share)	**39,554**	**31,271**	33,221	26,281
Final dividend proposed after the end of the reporting period of HK5.5 cents per ordinary share (2013: HK5.5 cents per ordinary share)	**92,616**	**73,360**	73,085	57,891
Special dividend declared after the end of the reporting period of nil per ordinary share (2013: HK3.5 cents per ordinary share)	**—**	**—**	46,509	36,840
	132,170	**104,631**	152,815	121,012

The final dividend proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2014		2013	
		Equivalent to	Equivalent to	
	HK$'000	**RMB'000**	HK$'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.5 cents per ordinary share (2013: HK5.2 cents per ordinary share)	**79,685**	**63,358**	69,099	55,030
Special dividend in respect of the previous financial year, declared and paid during the year, of HK3.5 cents per ordinary share (2013: nil per ordinary share)	**50,709**	**40,318**	—	—
	130,394	**103,676**	69,099	55,030

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	2014		2013	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorised:	100,000,000	1,000,000	100,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	1,328,824	13,288	1,216,824	12,168
Issuance of new shares (note)	253,332	2,533	112,000	1,120
At 31 December	1,582,156	15,821	1,328,824	13,288
		RMB'000		RMB'000
Equivalent to		13,571		11,562

Note: On 16 November 2012, the Company entered into a subscription agreement with ZTE (H.K.) Limited (being a wholly-owned subsidiary of ZTE Corporation) whereby 112,000,000 subscription shares for a total consideration of HK$201,500,000 (equivalent to approximately RMB162,932,000) at the subscription price of approximately HK$1.80 per subscription share was agreed. The agreement has been completed and 112,000,000 new shares of HK$0.01 each in the Company were duly issued and allotted to ZTE (H.K.) Limited on 15 January 2013.

On 22 April 2014, in accordance with the terms of the placing and subscription agreement entered into between Creative Sector Limited (a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chan), the Company and the placing agent, a total of 120,000,000 placing shares at the placing price of HK$3.20 per placing share were placed to not less than six independent placees by Creative Sector Limited. On 28 April 2014, 120,000,000 subscription shares, representing the same number of placing shares, were allotted and issued to Creative Sector Limited at the subscription price of HK$3.20 per subscription share, which was equivalent to the placing price per placing share.

On 21 November 2014, the Company and the placing agent entered into the Placing Agreement, pursuant to which the placing agent has agreed to place, on a best effort basis, up to 133,332,000 placing shares to not fewer than six independent professional, institutional or other investors who (and, where relevant, whose ultimate beneficial owners) are independent of and not connected or acting in concert with any directors, chief executive or substantial shareholders of the Company or its subsidiaries and their respective associates, at HK$3.00 per placing share. The agreement has been completed and 133,332,000 new shares of HK$0.01 each in the Company were duly issued and placed to not fewer than six independent placees on 3 December 2014.

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company which is governed by the Cayman Companies Law.

(ii) Capital redemption reserve

Pursuant to the provision of Cayman Companies Law, shares of a company are repurchased wholly out of the Company's profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares repurchased shall be transferred to the capital redemption reserve.

(iii) Contributed surplus

The contribution surplus comprises the difference between the consolidated net assets of CAA BVI over the nominal value of the shares issued by the Company in exchange as at the date of reorganisation on 28 August 2009. The contributed surplus is distributable to the shareholders of the Company.

(iv) Capital reserve

Capital reserve comprised the following:

— the liabilities waived by the Controlling shareholders

— the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognized in accordance with the accounting policy adopted for convertible bonds in note 2(q).

— the difference between the considerations of acquisition or disposal of equity interest from/to non-controlling equity owners and the carrying amount of the proportionate net assets.

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve *(Continued)*

(v) Statutory general reserve

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory general reserve can be used to cover previous years' losses, if any, and may be converted into paid-up capital to shareholders in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital of the PRC subsidiaries.

(vi) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of entities outside the PRC.

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB1,149,330,000 (2013: RMB702,927,000). After the end of the reporting period, the directors proposed a final dividend of HK5.5 cents per ordinary share (2013: HK5.5 cents per share), amounting to HK$92,616,000 (2013: HK$73,085,000) and a special dividend of Nil cents per ordinary share (2013: HK3.5 cents per share), amounting to Nil (2013: HK$46,509,000) (note 31(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subjected to externally imposed capital requirements.

32 ACQUISITION OF NON-CONTROLLING INTERESTS

Pursuant to the respective equity transfer agreements entered into in March 2014 between Shenzhen Xing Fei (a 80% owned subsidiary of the Group), Changfei Investment, and Mr. Feng Xizhang ("Mr. Feng"), an individual non-controlling shareholder of Ruide Electronic, Shenzhen Xing Fei acquired approximately 19.54% equity interest in Ruide Electronic from Mr. Feng for a consideration of approximately RMB25,110,000 and 57.47% equity interests in Ruide Electronic from Changfei Investment. Upon the completion of the acquisitions, Shenzhen Xing Fei's equity interest in Ruide Electronic was approximately 77.01%.

On 23 May 2014, Shenzhen Zhongxing Xindi Communication Equipment Limited ("Zhongxing Xindi"), a non-controlling shareholder of Ruide Electronic, entered into an equity withdrawal agreement with Shenzhen Xing Fei and Ruide Electronic, pursuant to which Zhongxing Xindi agreed to withdraw its 22.99% equity interest in Ruide Electronic at a consideration of RMB39,620,000. The consideration was determined based on the carrying amount of the identifiable assets and liabilities of Ruide Electronic as at 31 December 2013. As a result of the equity withdrawal, Ruide Electronic became a wholly owned subsidiary of the Shenzhen Xing Fei.

33 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Contracted for	**43,978**	19,516

33 COMMITMENTS *(Continued)*

(b) At 31 December, the total future minimum lease payments under non-cancellable operating leases were as follows:

	The Group	
	2014 **RMB'000**	2013 RMB'000
Within 1 year	**21,701**	17,435
After 1 year but within 5 years	**25,349**	21,404
After 5 years	**5,472**	—
	52,522	38,839

The Group is the lessee in respect of a number of properties. The leases typically run for an initial period of one to eight years, with an option to renew the leases when all the terms are renegotiated. Leasing arrangements with related parties are set out in note 35(a). None of the leases include contingent rentals.

34 CONTINGENT LIABILITIES

Financial guarantee issued

As at the end of the reporting period, the Company has issued a single guarantee, which was made by the Company, to a bank in respect of a mortgage loan granted to CAA HK that expires upon full repayment of the mortgage loan on 25 February 2035.

As at 31 December 2014, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company as at 31 December 2014 under the guarantee was the total outstanding amount of the loan of approximately HK$10,572,000 (equivalent to approximately RMB8,340,000) (2013: approximately HK$11,032,000, equivalent to approximately RMB8,673,000).

35 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
Chan Yuen Ming 陳元明	Controlling Shareholder
ZTE Corporation	Substantial Shareholder
Subsidiaries of ZTE Corporation 中興通訊股份有限公司及其子公司 (Together referred to as the "ZTE Group")	Subsidiaries of Substantial Shareholder
Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (note (i))	Substantial Shareholder
Subsidiaries of Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited 深圳市中興新通訊設備有限公司及其子公司 (Together referred to as the "ZX Group")	Subsidiaries of Substantial Shareholder
Associates of the Group 本集團聯營公司	Significant influence
Chance Talent Management Limited ("CTM")	Note (ii)

Notes:

(i) Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited (深圳市中興新通訊設備有限公司), being a limited company established in the PRC, is the controlling shareholder of ZTE Corporation.

(ii) In 2013, the Company entered into two subscription agreements with CTM in respect of a guaranteed note and a convertible bond. The details of the transactions and relationship are disclosed in note 28 (a) (iv) and 30(a) (ii).

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) *Material related party transactions*

	The Group	
	2014	2013
	RMB'000	RMB'000
Sales of goods and rendering of services		
ZTE Group	**2,722,885**	3,066,980
Purchases of goods and services		
ZTE Group	**48,437**	68,592
ZX Group	**24,446**	16,976
Associates of the Group	**53,034**	71,128
	125,917	156,696
Finance cost		
ZTE Group	**26,950**	26,926
CTM	**23,482**	12,483
	50,432	39,409
Professional expense		
ZTE Group	**2,267**	8,674
Rental expenses		
Mr. Chan Yuen Ming	**182**	182
ZX Group	**1,390**	1,990
	1,572	2,172
Acquisition of non-controlling interests		
ZX Group	**39,621**	—
Capital injection received by a subsidiary of the Company		
ZTE Group	**41,185**	—

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Material related party balances

	The Group	
	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Cash and cash equivalents		
ZTE Group	—	616
Trade receivables		
ZTE Group	504,904	558,088
ZX Group	402	470
Associates of the Group	—	17
Less: Allowance for doubtful debts	(11,254)	—
	494,052	558,575
Other receivables		
ZTE Group	125	—
ZX Group	4,500	—
	4,625	—
Factored trade receivables		
ZTE Group	—	248,000
Discounted bills receivable		
ZTE Group	627,311	76,427
Bills receivable		
ZTE Group	759,885	1,237,322
Trade payables		
ZTE Group	9,262	12,125
ZX Group	6,944	5,131
Associates of the Group	26,452	34,786
	42,658	52,042

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Material related party balances (Continued)

	The Group	
	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Bills payable		
ZTE Group	**3,940**	19,954
ZX Group	**16,354**	5,209
Associates of the Group	**—**	21,746
	20,294	46,909
Other payables		
ZTE Group	**7,921**	8,724
ZX Group	**11,887**	—
	19,808	8,724
Deferred consideration payable		
ZTE Group	**—**	200,041
ZX Group	**7,923**	—
	7,923	200,041
Interest-bearing borrowings		
ZTE Group	**389,870**	170,000
CTM	**78,890**	78,620
	468,760	248,620
Bank advances on discounted bills receivables		
ZTE Group	**574,343**	—
Convertible bonds		
ZTE Group	**158,560**	155,248
CTM	**157,777**	154,352
	316,337	309,600

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts payable to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**9,432**	10,459
Post-employment benefits	**211**	432
Discretionary bonus	**3,650**	6,468
	13,293	17,359

Total remuneration is included in "staff costs" (see note 7(c)).

(d) Guarantee by related party of the Company

As at 31 December 2014, Mr. Chan Yuen Ming has provided a guarantee in respect of the guaranteed note of HK$100,000,000 (approximately RMB78,890,000) (at 31 December 2013: HK$100,000,000, approximately RMB78,620,000) and convertible bond of HK$200,000,000 (approximately RMB157,785,000) (at 31 December 2013: HK$200,000,000, approximately RMB157,240,000).

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group is exposed to credit risk, which is the risk of loss arising from a customer or counterparty that will be unable to or unwilling to meet its contractual obligations. The Group's credit risk is primarily attributable to deposits with financial institutions (including restricted cash), trade and other receivables, directional asset management, structured deposits and prepayments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect to deposits with financial institutions, the Group only places deposits with financial institutions, which management believes are of high credit rating.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

The directional asset management is placed with a securities company listed in Shanghai Exchange and management believes the credit risk is low.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Contract sums for the provision of application solutions (other than for sales of terminal equipment) are generally due and payable by instalments at different stages which comprised (i) down payment payable upon signing of contract; and (ii) remaining balance within three months after acceptance of project, subject to 5%-10% retention money, if any, to be withheld by customers in our projects until expiry of the warranty period. For sales of terminal equipment, contract sums are normally payable upon delivery of the relevant terminal equipment. The Group may grant credit up to 18 months to its customers according to the negotiation and relationship with these customers. The Group may also allow payments by instalments to certain customers with sound financial background and with no history of default. Credit terms could be extended for certain well-established customers on a case-by-case basis. The Group does not obtain collateral from customers.

In respect of prepayments, the maximum exposure to credit risk at the reporting date is the carrying value of prepayments. The Group does not hold any collateral against the prepayments.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to lesser extent. As at 31 December 2014, the Group has a certain concentration of credit risk as 18.52% and 47.44% (2013: 30.74% and 45.15%) of the total trade and other receivables was due from the Group's largest debtor and the five largest debtors respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting impairment allowance, if any.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and prepayments are set out in note 21 and 22.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) *Liquidity risk* *(Continued)*

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

The Group

	2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Interest-bearing borrowings	**1,292,301**	**58,882**	**204,204**	**7,199**	**1,562,586**	**1,470,726**
Bank advances on discounted bills receivables	**768,246**	**—**	**—**	**—**	**768,246**	**768,246**
Trade and other payables	**3,535,685**	**—**	**—**	**—**	**3,535,685**	**3,535,685**
Deferred consideration payable	**—**	**8,624**	**1,400**	**—**	**10,024**	**10,024**
Convertible bonds	**352,723**	**255,960**	**—**	**—**	**608,683**	**500,248**
	5,948,955	**323,466**	**205,604**	**7,199**	**6,485,224**	**6,284,929**

	2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Interest-bearing borrowings	982,542	142,481	143,604	8,255	1,276,882	1,205,840
Bank advances on factored trade receivables	248,000	—	—	—	248,000	248,000
Bank advances on discounted bills receivables	173,069	—	—	—	173,069	173,069
Trade and other payables	2,557,228	10,000	—	—	2,567,228	2,567,228
Deferred consideration payable	204,000	—	—	—	204,000	200,041
Convertible bonds	185,661	174,261	—	—	359,922	309,600
	4,350,500	326,742	143,604	8,255	4,829,101	4,703,778

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Interest-bearing borrowings	80,161	—	—	—	80,161	78,890
Trade and other payables	29,396	—	—	—	29,396	29,396
Convertible bonds	352,723	255,960	—	—	608,683	500,248
	462,280	255,960	—	—	718,240	608,534

	2013 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Interest-bearing borrowings	7,862	79,869	—	—	87,731	78,620
Trade and other payables	20,029	—	—	—	20,029	20,029
Convertible bonds	185,661	174,261	—	—	359,922	309,600
	213,552	254,130	—	—	467,682	408,249

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings at both variable rates and fixed rates that expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group constantly monitors its borrowing portfolio to minimise its interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) *Interest rate risk* *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial instruments at the end of the reporting period:

	2014 Effective interest rate %	2014 RMB'000	2013 Effective interest rate %	2013 RMB'000
Variable rate deposits				
Cash at banks and in hand	**0.001-0.35**	**461,783**	0.001-3.6	671,145
Restricted cash	**0.35-3.30**	**675,692**	0.35	336,080
Structured deposits	**3.35-3.70**	**560,000**	—	—
Variable rate directional asset management	**4.50-7.50**	**982,500**	4.50-5.00	499,500
Fixed rate deposits				
Bank deposits with original maturities over three months	**3.30**	**303,000**	3.25-3.30	600,000
Entrusted loans	**9.00**	**20,000**	—	—
Fixed rate borrowings				
Interest-bearing borrowings	**5.43-10.00**	**417,890**	6.00-10.00	506,077
Bank advances on factored trade receivables	**—**	**—**	5.88	248,000
Bank advances on discounted bills receivable	**4.14-7.80**	**768,246**	6.30-7.30	173,069
Convertible bonds	**11.35-18.14**	**500,248**	11.35-12.08	309,600
Variable rate borrowings				
Interest-bearing borrowings	**1.22-7.50**	**1,052,836**	1.22-7.86	699,763
Total borrowings		**2,739,220**		1,936,509
Fixed rate borrowings as a percentage of total borrowings		**61.56%**		63.86%

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB3,332,157 (2013: RMB1,561,328).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax for the year (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period.

(d) Currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other institutions authorised to conduct foreign exchange business. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

During the year, sales and purchases made by the Group's PRC subsidiaries were mainly denominated in Renminbi, which is their functional currency. These PRC subsidiaries did not have any significant financial assets or liabilities that are denominated in a currency other than their functional currency as at 31 December 2014.

The functional currency of the Company and the Group's non-PRC subsidiaries is HK$. Management does not expect that there will be any significant currency risk associated with financial assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate at 31 December 2014 (2013: nil).

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) *Fair values*

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

As at 31 December 2014, the fair value of embedded financial derivatives related to the convertible bonds of the Group and the Company categorised into Level 2 of fair value hierarchy amounts to RMB15,600,000, which is determined using binomial tree option pricing model and Monte Carlo simulation. The directional asset management plans are also categorised into Level 2 of fair value hierarchy. The unobservable input used in the fair value measurement is expected to be insignificant.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2014.

37 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENT

(a) On 23 December 2014, the Company entered into the Subscription Agreement with ZTE (H.K.) Limited ("the subscriber") pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$350,000,000 at 100% of the face value of such principal amount due 2017, which may be converted into 109,375,000 conversion shares at the conversion price of HK$3.20 per conversion share (subject to adjustment). The Subscription Agreement has been fulfilled and the completion took place on 26 February 2015.

37 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENT *(Continued)*

(b) In respect of the AEV Convertible Bonds (comprising the Initial Notes (issued on 27 June 2014) and the Additional Notes (yet to be issued)):

Pursuant to the Deferral Letter dated 8 January 2015 entered into between the Company, CAA BVI and AEV, the parties have agreed to defer payment of the relevant part of the first quarterly installment (that is, HK$2,910,000 out of HK$28,750,000) and interest (in total HK$8,625,000) for the Initial Notes due on 27 December 2014 to 16 February 2015. Such deferred quarterly installment (that is, HK$2,910,000 out of HK$28,750,000) shall continue to accrue interest at the rate of 7.5% per annum for the period from 27 December 2014 to 16 February 2015 (both days inclusive).

Pursuant to the Extension Letter dated on 8 January 2015, the Company, CAA BVI and AEV have (among other matters) conditionally agreed to extend the date up to which AEV or (as the case may be) the Company may issue the Additional Notes Exercise Notice for the issue of the Additional Notes, from 15 January 2015 to 15 July 2015, which is approved by shareholders on 18 February 2015. The Subscriber has also undertaken not to exercise (i) the conversion rights attached to the AEV Convertible Notes and (ii) the right to subscribe for the Additional Notes under the AEV Subscription Agreement, from the date of the Extension Letter up to and including the earlier of (i) the date of the grant of the Specific Mandate and (ii) 16 February 2015.

The Company, CAA BVI and AEV entered into the supplemental letter agreement on 27 January 2015, pursuant to which the parties have agreed to amend the Deferral Letter and the Extension Letter to the effect that all references therein to 16 February 2015 shall be replaced by 26 February 2015, and without prejudice to the foregoing. No additional interest shall accrue for the period from 17 February 2015 to (and including) 26 February 2015.

The Company has allotted and issued in aggregate 4,951,423 Shares to AEV (as holder of the Initial Notes) on 26 February 2015 to repay in aggregate approximately HK$11,566,525 (comprising repayment of quarterly installment of HK$2,910,000 and interests of approximately HK$8,656,525) due under the Initial Notes. The issue price for such shares was HK$2.336 per Share, which was based on the calculation mechanism of the agreement.

On 27 March 2015, AEV elected to defer part of the quarterly installment on due in the aggregate amount of HK$44,590,000 to the next succeeding payment date (that is, 27 June 2015) and the Company elected to repay in aggregate HK$14,257,937.5 (comprising repayment of quarterly installment of HK$10,000,000 and interests of HK$4,257,937.5) due on 27 March 2015 under the Initial Notes in repayment shares and interest Shares. The conditions precedent to the issue of such shares have been fulfilled and a total of 5,772,444 Shares (comprising 4,048,583 repayment shares and 1,723,861 interest shares) were allotted and issued to AEV on 27 March 2015, subject to the amortization mechanisms.

37 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENT *(Continued)*

(c) On 14 January 2015, the Company received notice from ZTE (H.K.) Limited (as the Bondholder) for the exercise of the conversion rights attached to the convertible bonds in respect of the principal amount of HK$201,500,000 of the convertible bonds at the conversion price of HK$2.186 per conversion share. On 16 January 2015, a total of 92,177,493 conversion shares were allotted and issued by the Company to ZTE (H.K.) Limited. After the conversion, all the convertible bonds issued by the Company in accordance with the subscription agreement have been converted.

(d) On 30 January 2015, a non-wholly owned subsidiary of the Company determined to dispose its interest in each of two associates at a total consideration of RMB18,000,000 and RMB4,000,000. The two disposals were completed on 10 February 2015 and 13 February 2015, respectively. Upon the completion of the two disposals, the Company ceased to own any interest in these two associates.

(e) On 9 February 2015, the Group and another independent third party entered into a letter of intent for the transfer of ownership of Hebei Guangdian project. According to this letter, the Group has received RMB10,000,000 as deposit on 10 February 2015.

On 20 March 2015, the two parties entered into the Equipment Transfer Agreement in relation to the transfer of title to 550,000 sets of household terminal and ancillary equipment for the development of a digital multimedia network for households in the PRC. The total consideration is RMB302,500,000 and shall be payable in cash in five instalments. No material gain or loss is expected.

(f) On 1 December 2014, a wholly owned subsidiary of the Company entered into an agreement with Mr. Zhu Wei Min and Ms. Liu Wei Li (two of the existing shareholders of Changfei Investment) in relation to the acquisition of in aggregate about 9.10% equity interest in Changfei Investment for an aggregate consideration of about RMB58.05 million (equivalent to about HK$73.48 million). Upon completion of this acquisition, the Group's equity interest in Changfei Investment will increase from 51.0% to about 60.1%. The acquisition has not been completed and nil of consideration has been paid by the end of March 2015.

(g) After the end of the reporting period, the directors proposed a final dividend for the year ended 31 December 2014. Further details are disclosed in note 31(b).

38 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed.

(Expressed in Renminbi unless otherwise indicated)

39 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2014, the directors consider the immediate parent and ultimate holding company of the Company to be Creative Sector Limited which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, Defined benefit plans: *Employee contributions*	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.