TECHNOLOGY PAVES THE WAY TO SMART LIVING

All Access

Intelligent Solutions Access for All

ANNUAL REPORT 2013

SOLUTIONS

SMART DEVICE R&D AND PRODUCTION

中國全通(控股)有限公司
CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

中國全通
ALL ACCESS

STOCK CODE : 633

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Xu Qiang (appointed with effect from 8 July 2013)

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Au Ki Lun

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

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Hong Kong

HONG KONG LEGAL ADVISER

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Hong Kong

PRINCIPAL BANKERS

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Kowloon
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
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Hong Kong

China Construction Bank Corporation
Shenzhen Branch
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Shenzhen
People's Republic of China

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
18th Floor
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(Cayman) Limited
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Cayman Islands

COMPANY WEBSITE

www.chinaallaccess.com

FINANCIAL SUMMARY

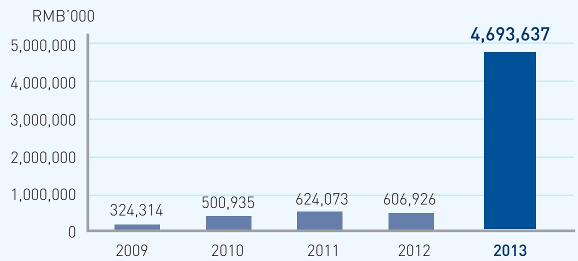
A five year financial summary of the results and of the assets and liabilities of China All Access (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") is set out below. This summary does not form part of the audited financial statements.

	Years ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Results					
Revenue	**4,693,637**	606,926	624,073	500,935	324,314
Cost of sales	**(4,045,059)**	(370,701)	(368,663)	(290,036)	(180,381)
Gross profit	**648,578**	236,225	255,410	210,899	143,933
Other revenue	**49,098**	25,015	24,086	3,629	2,035
Other net income/(loss)	**1,402**	(1,203)	7,312	2,665	154
Distribution costs	**(34,179)**	(8,444)	(7,990)	(6,321)	(1,729)
Administrative expenses	**(253,599)**	(44,055)	(42,954)	(34,393)	(29,016)
Research and development expenses	**(80,366)**	(997)	—	—	—
Profit from operations	**330,934**	206,541	235,864	176,479	115,377
Finance costs	**(132,685)**	(766)	(608)	(390)	(4,674)
Gain on disposal of associates	**240,944**	—	—	—	—
Gain on disposal of subsidiaries	**1,588**	—	—	—	—
Share of profits less losses of associates	**16,208**	(1,484)	(1,929)	(467)	—
Profit before taxation	**456,989**	204,291	233,327	175,622	110,703
Income tax	**(118,575)**	(34,164)	(28,306)	(22,646)	(12,779)
Profit for the year	**338,414**	170,127	205,021	152,976	97,924
Earnings per share					
Basic (RMB)	**0.168**	0.140	0.171	0.148	0.117
Diluted (RMB)	**0.168**	0.140	0.170	0.147	0.116
Assets and liabilities					
Total assets	**7,699,636**	6,001,049	1,598,317	1,043,634	774,701
Total liabilities	**(5,079,848)**	(3,794,496)	(230,951)	(187,247)	(56,234)
Total equity	**2,619,788**	2,206,553	1,367,366	856,387	718,467

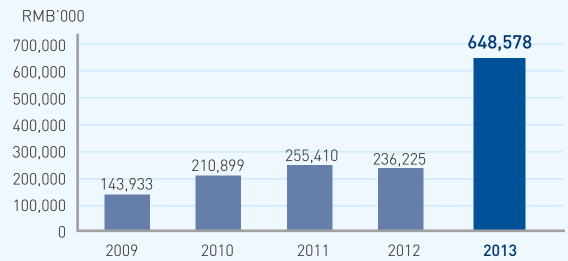
RESULTS

	2013 RMB'000	2012 RMB'000	% Change
Revenue	**4,693,637**	606,926	673.30%
Gross Profit	**648,578**	236,225	174.60%
Profit for the year	**338,414**	170,127	98.90%
Profit Attributable to Equity Shareholders of the Company	**222,801**	170,288	30.80%
Basic Earnings Per Share (RMB)	**0.168**	0.140	20%

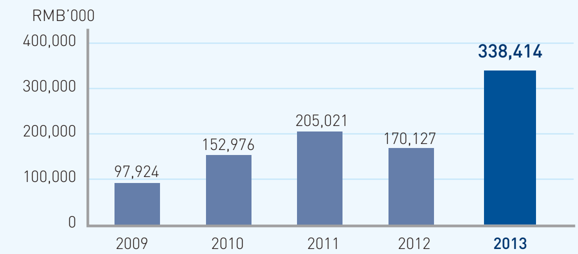
Revenue



Gross Profit



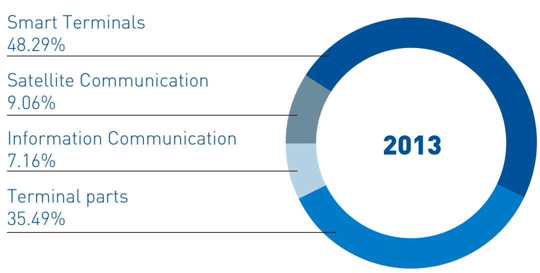
Profit for the year

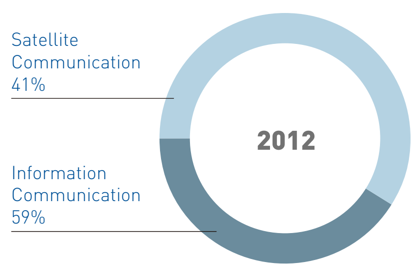


Profit Attributable to Equity Shareholders of the Company

REVENUE CONTRIBUTION BY PRODUCT CATEGORY

	2013	2012
Satellite Communication	**9.06%**	59%
Information Communication	**7.16%**	41%
Smart Terminals	**48.29%**	—
Terminal parts	**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.

BUSINESS PERFORMANCE OF CHINA ALL ACCESS IN 2013

The primary focus of the business of the Group is on public security, urban emergency communication systems and urban integrated management businesses, with two major business segments, namely satellite communication application solutions and other services segment and wireless data communication application solutions and services segment. By the end of 2012, through the acquisition of 深圳市長飛投資有限公司 (Shenzhen City Changfei Investment Company Limited) ("Changfei Investment" and together with its subsidiaries, the "Changfei Group"), the Group's business expanded into the design and manufacturing of mobile terminals. 2013 marked a milestone of the Group's strategic development of its business. During the year, the Group, in addition to the development of its existing business segments, engaged in further development in the mobile terminal business so as to actively integrate and expand the Group's products and business segments and maximise the Group's brand value. In 2013, the Company achieved stable operating results with an increase in operating income of approximately 673.3% compared to that of 2012. During the year, revenue from satellite communication application solutions and other services grew approximately 19.1% from that of 2012, while revenue from wireless data communication application solutions and services revenue grew approximately 1,607.6% from that of 2012.

BUSINESS HIGHLIGHTS

Prospect of the 4G Business

The issuance of 4G licenses and 4G related services marked the commencement of commercial use of 4G in China. According to market data, (i) global TD-LTE handset shipments in 2017 will increase by 103% as compared to 2013; and (ii) in 2017, volume of global TD-LTE handsets shipment will be more than 220 million units, of which China's TD-LTE handset shipments will reach more than 180 million units, accounting for approximately 46.6% of the overall 4G handset shipments in China. With the continuous expansion of China's mobile terminal market, the Group can provide customized and diversified mobile terminal solutions with high quality for its customers with the benefit of the R&D and production capabilities for mobile terminals and parts of the Changfei Group. At the same time, thanks to the wide range of domestic and foreign developments in 4G services, the Group can also be benefited from the growth in the mobile terminals market. Taking advantage of the opportunities of technological innovation amid the era of 4G, the Group focuses on product development, with the Changfei Group's R&D and manufacturing capability of 4G smart mobile terminals as the driving force. Such development can strengthen the integrity of the value chain of the Group's terminal services and related production and development capability.

The Emerging Trend of Establishment of "Smart City"

The recent Central Economic Work Conference noted that urbanisation is a keystone of China's modernization. In order to regulate and promote the development of smart city, the smart city project is piloted in 90 cities, including 37 "middle tier" cities, 50 districts, and three towns. The pilot cities will go through a 3 to 5 year settlement period, where three major operators have reached a "Smart City Strategic Cooperation Agreement" with more than three hundred cities. It is expected that investment in "smart city" development will reach RMB500 billion in China during the "Twelve-Five planning" period. The development of smart city, as a highly regarded new industry, is expected to reach its peak through the development of smart security system, smart grid, QR code and implementation of other smart city application. "Intelligent Transportation", "Safe City" and "Intelligent Medical" are three most popular industry applications in the smart city investment structure, having accounted for approximately 26.9%, 20.2% and 15.2% respectively of the total investment amount in development of smart city. This provides a favourable environment for business development of the Group. Under the leadership of its professional team with more than 20 years of experience, and with market leading acumen, the Group achieved organic integration between innovative capabilities for its application solutions and R&D and production capabilities for its terminal products. The services and solutions in this regard provided by the Group include but not limited to command center solutions, emergency communication solutions, mobile office solutions, broadband and M2M solutions, and mobile internet solutions.

M2M as the Foundation of Public Security

"As the economic loss of China as a result of public security issue reach RMB900 billion a year, equivalent to approximately 3.5% of the GDP, applying latest M2M technology in public security has important and strategic significance." M2M has become China's strategic emerging industry. On 21 August 2013, the Ministry of Public Security Science And Technology Information Bureau and The First Research Institute of the Ministry of Public Security proposed the "Construction and Application of the Public M2M Strategic Planning" project. The aim of this project is to conduct an in-depth research on the construction and application of M2M so as to serve the construction and use of M2M in public security in the future. On the same basis, there will be research on the business, technology and standard structure of M2M for the purpose of guiding and facilitating the construction and application of M2M in public security across the country. Since then, there are more and more constructions of M2M among the local public security bureaus, for example, the commencement of construction and/or application of M2M equipment for police. At the same time, such popularity exposes some problems and deficiencies in M2M application in public security, such as low usage, comparatively small-scale applications and safety issues. In response to such problems, the Group makes good use of its years of experience in this industry with leading communications technology to launch the "Jing Wu Tong" product and supporting information centre solution (which is based on the use of information technology in M2M to link people, vehicle,

object and cases). Currently, the latest generation of "Jing Wu Tong" is reinforced by high-speed 4G networks which can integrate smart mobile terminals, VPN, database synchronization, authentication of identity, other mobile terminal communications, information processing and other latest cutting-edge computer networks technology to create an "efficient law enforcement, safe law enforcement" environment. Meanwhile, in line with the pace of development of M2M era, the Group is actively exploring the development and use of multi-information application solutions using 4G technology and satellite communication technology with transport information as the core which can be used in urban public transportation, taxi, highways, railway, coach and air transport. By providing real-time traffic information to travelers and Transportation Supervision Authorities by integrating people, vehicles, roads, environment and transportation systems, the road network will become less congested, urban transportation (bus, taxi, rail, etc.) can be more convenient, operational vehicles can be safer, traffic accidents can be reduced and higher efficiency in incident handling can be achieved. At the same time, a wide variety of travel services by offering traffic operation, traffic events, travel information can be provided. The Group's integrated information communication solutions can be utilised to effectively ease traffic congestion by enabling the authorities and stakeholders to rapidly respond to unexpected situations, and providing scientific decision-making for the healthy functioning of the city.

Finally, I would like to take this opportunity to express my sincere gratitude to the Company's Board of Directors, management team, all staff and customers, suppliers, business partners and shareholders for their strong support of the Group. I am also confident that the Company, with experienced R&D, production and development capabilities, as well as logistic capabilities of the industry chain, can promote the Group's business development and integration further so as to create greater value for our shareholders and the society.

Intelligent Solutions Access for All

MANAGEMENT DISCUSSION AND ANALYSIS

TECHNOLOGY PAVES THE WAY TO SMART LIVING

BUSINESS REVIEW

In 2013, with the goal of becoming "domestic first-class integrated information and communication technology enterprise group", the Group had maintained steady growth. During the year under review, the Company endeavoured to consolidate the businesses of "provision of integrated information communication solutions" and "smart devices R&D and production" by leveraging synergies between different business segments, for the purpose of achieving optimization and reorganization of the Group's operation flow, business and structure. The Group placed emphasis on product innovation and management innovation so as to enhance its overall market competitiveness, while at the same time pursued economies of scale by production capacity expansion with the construction of the "China All Access Information Technology Science Park" in Huizhou, the PRC. For the year ended 31 December 2013, (i) the Group's revenue increased by approximately 673% (with year-on-year growth in revenue from the wireless data communication application solutions and services segment of approximately 1608% and year-on-year growth in revenue from the satellite communication application solutions and other services segment of approximately 19%) and (ii) the Group's gross profit increased by approximately 175%, as compared to that of the corresponding period in 2012.

Satellite Communication Application Solutions and Other Services

Satellite communication application solutions and other services accounted for approximately 9% of the Group's total revenue (2012: approximately 59%) for the year ended 31 December 2013. The significant decrease of percentage of contribution from this segment to the Group's total revenue was mainly attributable to the increase in percentage of contribution of wireless data communication application solutions and services segment following the acquisition of the Changfei Investment and its subsidiaries (collectively, the "Changfei Group"). Meanwhile, revenue generated from this segment increased from approximately RMB356,956,000 for the year ended 31 December 2012 to approximately RMB425,211,000 for the year ended 31 December 2013, representing an increase of approximately RMB68,255,000 or 19%.

The revenue generated from this segment was mainly derived from the distribution of dynamic satellite communication system and provision of related solutions and services. One of the most notable developments for this segment in 2013 was the launch of the "4G mobile broadband specialized communication system". The system integrates satellite communication, broadband trunk radio communication and "All Access" visual command and dispatch system into a single integrated application system, enabling the Group to meet clients' demand for integrating communication, motion visual capture and intelligent command and control. The Board believes that this system further strengthened the Group's leading position in the satellite communication application solutions and services industry. In terms of sales by industry sectors, this segment's sales were mainly attributed to the fire services, civil defense, public security, traffic control, reserve and marine affairs sectors. In terms of sales by geographical distribution, sales regions with historically strong sales performance, such as Hebei, Beijing, Shanghai, Guangdong and Shanxi, continued to contribute a significant portion of revenue generated from this business segment. With the growth and further strengthening of the Group's national marketing network, revenue contribution from Guizhou, Ningxia, Yunnan and other western provinces had also increased, representing a source of revenue growth. For instance, with reference to Guizhou province, the Group's provision of satellite communication application solutions and other services, involving the fire services, civil defense and other sectors, achieved a breakthrough in 2013 with the first ever sales recorded, while revenue contribution of Guizhou province reached over RMB10 million for 2013.

Wireless Data Communication Application Solutions and Services

Wireless data communication application solutions and services accounted for approximately 91% (2012: approximately 41%) of the Group's total revenue for the year ended 31 December 2013. Revenue generated from this segment increased from approximately RMB249,970,000 for the year ended 31 December 2012 to approximately RMB4,268,426,000 for the year ended 31 December 2013, representing an increase of approximately RMB4,018,456,000 or 16 times. In 2013, the provision of information communication solutions and services accounted for approximately 8% of revenue attributable to this segment, while Changfei Group's business accounted for approximately 92% of revenue attributable to this segment.

(1) Information Communication Solutions and Services

Revenue from provision of information communication solutions and services mainly represented revenue from the provision of intelligent information terminals (i.e. "Jingwutong", literally, mobile police affairs terminal), intelligent surveillance systems and Hebei Guangdian multimedia digital services. For the year ended 31 December 2013, provision of information communication solutions and services generated revenue of approximately RMB336,183,000, representing an increase of approximately 34% compared with that for the year ended 31 December 2012.

The Group launched a new generation of Jingwutong in 2013. The latest generation of the mobile police affairs terminal, which is based on Windows Phone 7.5 operating system, integrates the latest second-generation ID card reader chip and is adapted for use on communication networks of various standards such as TD-LTE (4G), GSM, TD-CDMA, WCDMA, etc. In addition, the latest generation of Jingwutong applies cutting-edge technology in security encryption transmission to secure client's data. Revenue generated from provision of "Jingwutong" was mainly derived from Hebei, Beijing, Zhejiang, Jiangxi, Sichuan and other regions. By industry sector, sales mainly concentrated in the traffic police and public security sectors.

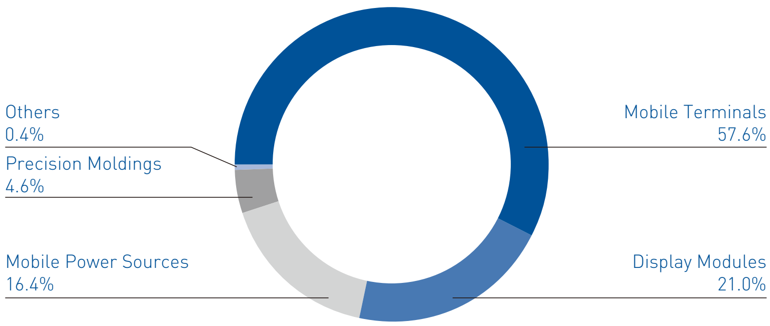
For the business of provision of intelligent surveillance systems, one of the most notable systems developed by the Group was the metropolitan broadband wireless mobile data communication system. This system mainly adopts the latest available TD-LTE technology with the utilization of a wireless mobile data communications platform, new generation of broadband communications base stations, a network management support platform and related applications and security software to achieve real-time intelligent multi-industry monitoring and metropolitan intelligent management.

For the Hebei Guangdian multimedia digital services project, the number of subscriber household had reached 100,000 by the end of 2013. The number of subscriber household was growing slower than expected mainly because of the following factors: (1) there was heavier than normal rainfall in Hebei province in 2013, which hindered the engineering and construction progress; (2) the project partner underwent an internal restructuring in 2013, which resulted in changes in the project management team and financial arrangements, causing a delay in the progress of the project.

(2) Business of the Changfei Group

The principal business of the Changfei Group, managed under the wireless 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 and parts. During the year, the Changfei Group achieved revenue of approximately RMB3,932,243,000 (Note: based on its consolidated financial statements before non-controlling interests), which increased by approximately 10% as compared with that of 2012 (unaudited).

The chart below sets out the approximate percentage of contribution of each product category to the revenue of the Changfei Group for the year ended 31 December 2013:



(a) Mobile Terminals

Mobile terminals business accounted for approximately 57.6% of the Changfei Group's consolidated revenue. During the year under review, revenue from the mobile terminals business increased by approximately 34% as compared with that of 2012 (unaudited). Among the revenue of mobile terminals business, approximately 68% were contributed by smartphones, the sales performance of which was mainly driven by increasing demand on the mid to high-end smartphones produced by the Group. In addition, with the three major mobile operators in the PRC being awarded 4G licenses near the end of 2013, it is expected that 4G mobile phone shipments will become a growth driver in the coming year. Meanwhile, the Group has developed and sold a variety of 4G terminals and therefore well-positioned to meet market demand. It is expected that 4G mobile phones will become the key new products of the Group. Besides smartphones, another key development milestone of the mobile terminals business is that the Group has launched a series of "MiFi" products, which are wireless router devices for providing mobile WiFi hotspots. These products are compact and portable and can act as WiFi hotspots through wireless internet chips (SIM cards) provided by mobile operators to make up a movable WiFi receiving and transmitting signal source. They are adapted for connection to 2.5G, 3G or 4G network and offer a mobile network solution to business people on-the-go . MiFi developed by the Group's R&D team is the first product series jointly developed by the Company and Changfei Group after the acquisition of the Changfei Group in late 2012. This product series is not only available for sale in the consumer market but also in the government and enterprise market.

(b) **Display Modules**

Display modules business accounted for approximately 21.0% of the Changfei Group's consolidated revenue. The key products of the display modules business of the Changfei Group are small and medium size LCD modules and multi-point capacitive touch screen, which are widely used in mobile phones, MP3/4 players, tablet computers, digital cameras and other consumer electronics. With keen market demand for large screen smartphones in 2013, there were new market-driven requirements to display modules in terms of screen size, product quality standard and technology standard. In light of the market conditions, the Group had increased investment in research and development for display modules, and was granted six patents during the year. The Group will continue to develop new customers to diversify the source of revenue for its display modules business.

(c) **Mobile Power Sources**

Mobile power sources business includes development and production of mobile power supply, battery chargers and power adapters, which accounted for approximately 16.4% of Changfei Groups's consolidated revenue in 2013. In light of the substantial demand for new mobile power supply products, the Group had adjusted its strategy and strengthened the research and development and production of popular products, and were granted four patents in 2013. Revenue from this business stream increased by approximately 4% compared to the same period in 2012 (unaudited). The increase was primarily caused by new customer orders as a result of the Group's efforts in developing more new customers.

(d) **Precision Moldings**

Precision moldings business accounted for approximately 4.6% of the Changfei Group's consolidated revenue in 2013. Precision moldings business mainly involves plastic injection molding for plastic shell of high-end electronic products, spraying, printing and assembly services for plastic shells used in high-end electronic products. During the year, with the increasing popularity of large-screen smart terminals, the Group's precision moldings business faced new challenges and opportunities. Due to the popularity of touch screen terminals, the demand for keyboards declined compared to last year. In light of the above, the Group had adjusted its strategy and re-allocated resources to adapt to the new market situation. As a result, the Group successfully obtained orders for plastic shells of a variety of high-end smart terminals in 2013.

FINANCIAL REVIEW

Revenue

Revenue increased significantly from approximately RMB606,926,000 for the year ended 31 December 2012 to approximately RMB4,693,637,000 for the year ended 31 December 2013, representing an increase of approximately 673%. 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 RMB356,956,000 for the year ended 31 December 2012 to approximately RMB425,211,000 for the year ended 31 December 2013, representing an increase of approximately 19%. 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 and fields.

- Provision of wireless data communication application solutions and services exhibited an increase in revenue from approximately RMB249,970,000 for the year ended 31 December 2012 to approximately RMB4,268,426,000 for the year ended 31 December 2013, representing an increase of approximately 1608%. The increase was mainly due to (i) the strong contribution of the Changfei Group as Changfei Investment's results were consolidated into that of the Group for the year ended 31 December 2013 after the Changfei Group was acquired by the Group in late 2012; and (ii) the growth contributed from terminal solutions and intelligent monitoring system solutions to clients in the traffic police industry, gas industry and power supply industry.

Gross profit

Gross profit increased from approximately RMB236,225,000 for the year ended 31 December 2012 to approximately RMB648,578,000 for the year ended 31 December 2013, representing an increase of approximately 175%. Meanwhile, gross profit margin decreased from approximately 39% for the year ended 31 December 2012 to approximately 14% for the year ended 31 December 2013. The changes were mainly due to the following factors:

- Revenue from provision of satellite communication application solutions and other services generated gross profit of approximately RMB148,042,000 and RMB180,441,000 for the years ended 31 December 2012 and 31 December 2013 respectively, representing a year-on-year increase of approximately 22% for 2013. Meanwhile, the gross profit margins for the years ended 31 December 2012 and 31 December 2013 were approximately 41% and 42% respectively.

- Revenue from provision of wireless data communication application solutions and services generated gross profit of approximately RMB91,754,000 and RMB471,269,000 for the years ended 31 December 2012 and 31 December 2013 respectively, representing a year-on-year increase of approximately 414% for 2013. Meanwhile, the gross profit margins for the years ended 31 December 2012 and 31 December 2013 were approximately 37% and 11% respectively. The decrease in gross profit margin in 2013 was mainly attributed to the significant increase in production volume of products with lower gross margins as a result of the acquisition of the Changfei Group which produced mobile terminal products and parts with relatively lower gross margins.

Other revenue

Other revenue increased from approximately RMB25,015,000 for the year ended 31 December 2012 to approximately RMB49,098,000 for the year ended 31 December 2013, representing a growth of approximately 96%. The increase was mainly attributed to the interest income from financial assets and government grant received by Changfei Group.

Other net income/loss

The Group recorded other net income of approximately RMB1,402,000 for the year ended 31 December 2013 as compared with other net loss of approximately RMB1,203,000 for the year ended 31 December 2012. It was mainly due to the fluctuation in exchange rates of RMB to HK$ and RMB to US$ during 2012 and 2013.

Distribution costs, administrative expenses and R&D expenses

Distribution costs, administrative expenses and R&D expenses increased from approximately RMB53,496,000 for the year ended 31 December 2012 to approximately RMB368,144,000 for the year ended 31 December 2013, representing a growth of approximately 588%. The increase was mainly due to (i) the increase of the Group's number of employees attributable to the acquisition of Changfei Group; and (ii) the Group's business expansion in new territory and new business area that led to the increase of distribution costs, administrative expenses and R&D expenses.

Finance costs

Finance costs increased from approximately RMB766,000 for the year ended 31 December 2012 to approximately RMB132,685,000 for the year ended 31 December 2013, representing a growth of approximately 172 times. The increase was attributable to the increase in interest-bearing borrowings as a result of (i) issuance of HK$201.5 million convertible bonds due 2015 to ZTE (H.K.) Limited in January 2013; (ii) issuance of HK$100 million guaranteed notes due 2015 to Chance Talent Management Limited in February 2013; (iii) issuance of convertible bonds of HK$200 million due 2014 to Chance Talent Management Limited in September 2013; (iv) first year of consolidating Changfei Group's finance costs; and (v) increased borrowings by the Group to fund its operations.

Income tax

Income tax increased from approximately RMB34,164,000 for the year ended 31 December 2012 to approximately RMB118,575,000 for the year ended 31 December 2013, representing an increase of approximately 247%. The effective tax rate in 2013 was approximately 26%, as compared with approximately 17% in 2012. The increase in income tax was mainly due to significant increase in profit before taxation, primarily as a result of (i) first year of consolidation of the results of operations of the Changfei Group; and (ii) the one-time gains 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") (please refer to the announcements of the Company dated 24 May 2013, 27 May 2013, 3 June 2013, 5 June 2013, 14 June 2013, 21 June 2013 and 5 July 2013 for details of the Jufei Disposal) which were subject to higher income tax rate.

Profit for the year

Profit for the year increased from approximately RMB170,127,000 for the year ended 31 December 2012 to approximately RMB338,414,000 for the year ended 31 December 2013, representing an increase of approximately 99%. The substantial increase in profit for the year was mainly attributable to (i) gain recognised from the Jufei Disposal; (ii) stronger operating results of the Group as compared to the corresponding year; and (iii) profit contribution of the Changfei Group which was consolidated in the Group's results this year.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2013, the Group had unrestricted cash and cash equivalents of approximately RMB671,145,000 (as at 31 December 2012: approximately RMB333,415,000), restricted cash of approximately RMB336,080,000 (as at 31 December 2012: approximately 99,240,000), bank deposits with original maturities over three months of approximately RMB600,000,000 (as at 31 December 2012: approximately RMB642,000,000) and borrowings of approximately RMB1,936,509,000 (as at 31 December 2012: approximately RMB907,904,000). The gearing ratio (calculated by dividing borrowings by total assets) as at 31 December 2013 was approximately 25% (as at 31 December 2012: approximately 15%).

As at 31 December 2013, the Group had current assets of approximately RMB5,868,807,000 (as at 31 December 2012: approximately RMB4,428,185,000) and current liabilities of approximately RMB4,558,369,000 (as at 31 December 2012: approximately RMB3,351,368,000). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.29 as at 31 December 2013, which was a decrease as compared with the current ratio of approximately 1.32 as at 31 December 2012.

The Board's approach to managing liquidity is to ensure, as far as possible, that it 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 does not expect future 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 RMB148,600,000 (2012: approximately RMB2,713,000), which was mainly used for (i) construction of the industrial park in Huizhou, the PRC for the Group's use and (ii) equipment upgrade attributable to the Changfei Group. The increase was mainly attributable to the expansion of the business scale of the Group as a result of the acquisition of the Changfei Group.

Capital commitment

As at 31 December 2013, the Group had capital commitment amounted to approximately RMB19,516,000 (as at 31 December 2012: approximately RMB125,005,000), which mainly represented the amounts contracted but not provided for in the financial statements in respect of construction-in-progress. The decrease was attributable to the increase in construction-in-progress related to the construction of the industrial park in Huizhou, the PRC for the Group's use.

Charge on assets

As at 31 December 2013, the assets of the Group with the following carrying amounts were pledged, which included: (i) Hong Kong office property of approximately HK$17,236,000 as security for the outstanding balance of a mortgage loan of approximately HK$11,032,000; (ii) Guangzhou office property of approximately RMB9,056,000 for the outstanding balance of a mortgage loan of approximately RMB3,111,000; (iii) two pieces of land in Huizhou, the PRC of approximately RMB141,184,000, as security for the outstanding balance of a mortgage loan of approximately RMB177,950,000; and (iv) bank acceptance bills of RMB29,390,000, as security for outstanding loans of approximately RMB28,500,000.

Contingent liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2013, the Group had approximately 5,670 employees (as at 31 December 2012: approximately 5,010 employees). The increase was mainly attributed to increase in the number of regional branches. The Group offered to its employees competitive salary package, as well as contribution to defined contribution retirement plan.

PROSPECTS

In light of the rapid development of new generation of information technology, IoT (internet of things) technology and smart applications, the Group is facing new opportunities and challenges. Whilst ensuring the deepening development of existing businesses, the Group has devoted significant manpower and resources to research and explore development opportunities and development directions. Changfei Group, as a domestic first-tier manufacturer of mobile terminals and parts, not only has strong production capacity, but also has outstanding research and development capabilities. After acquisition of Changfei Group in 2012, the Group has accelerated its strategy of tapping into the mobile broadband market. Going forward, leveraging the Group's capabilities in satellite communication application solutions, wireless data application solutions and research and development and manufacturing of mobile terminals, the Group will continue its endeavour to develop its core competitiveness characterized by the Group's broad-band, cross-platforms and professional products. The Group will strive to become the leading service-oriented integrated information communication solutions and operational service provider in China. The management believes that the Group has a positive future outlook and will continue to deliver encouraging results to its shareholders.

Eight goals of disaster prevention and mitigation during the Twelfth Five-year Plan advances the development of the disaster prevention and safety industry

In light of the frequent occurrence of natural and man-made disasters in China in recent years, government authorities at various levels have become more alerted and have begun to put more emphasis on strengthening measures for emergency disaster relief. To this end, the PRC State Council General Office has drawn plans requiring improvement in disaster prevention and mitigation capabilities, in order to safeguard human lives and properties to the highest possible extent. In 2013, the entire disaster prevention and safety market had entered into a new era with a focus on system integration. In addition to upgrading of disaster prevention and safety technologies for various sectors, there is a growing trend to upgrade the product compatibility of overall systems.

In light of the above, the Group will endeavour to grasp the opportunity of science and technology innovation and enhance product research and development, so as to provide the most advanced, customized and one-stop integrated information communication solution for its clients, with the goal of providing maximum protection for the construction of "smart city" and "safety city". In view of growing market demand for the satellite communication business, the Group expects the satellite communication business will maintain a rapid pace of development going forward.

"Smart city" contributes to the prosperity of the data business industry

According to informal statistics, currently, more than 230 of above prefectural-level cities in China are proposing or constructing "smart city" with a total investment of over RMB300 billion. Currently, the construction of domestic "smart city" is at a critical point, and it urgently needs systematic, overall, and scientific-driven construction and development. This brings a positive development for the future of the Group's wireless data business segment, while in return the new generation of public security system will accelerate the construction of "smart city". Meanwhile, to achieve higher gross profit margin and net profit margin as compared with similar products, the Group will endeavour to strengthen its R&D and production capacity and enhance the market competitiveness of its products.

Unveiling and popularization of 4G era accelerates the integration of the wireless data business

According to market data, global shipment of smart phone was approximately 258.4 million units in the third quarter of 2013, representing an increase of approximately 38.8% compared to the same period last year. It is estimated that PRC's smart phone shipment will reach 420 million units in 2014, representing a year-on-year increase of approximately 19.8%. The Ministry of Industry and Information Technology issued three 4G licenses based on TD-LTE specifications to three telecom operators in December 2013, and it is expected that these telecom operators will increase their investment in 4G network construction in 2014. Based on publicly available information, China Mobile has built 200,000 TD-LTE standard 4G base stations with TD-LTE system in 16 cities in 2013, and plans to cover 340 cities in 2014. In light of growing popularity and demand for mobile internet and 4G communications, it is expected that the Group will benefit from the trend of strong market growth.

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 (Note 1)
- XIU Zhi Bao, Head of Planning and Finance Department

NON-EXECUTIVE DIRECTOR

- XU Qiang (Note 2)

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
- CHEN Chu Shan, Vice-President and Head of Investment Development Department
- CHEN Feng, Product and Operations Director
- WANG Yong Zhong, Product and Operations Director
- XIONG Jing Quan, Product and Operations Director
- AU Ki Lun, Company Secretary and Head of Risk Control Department (Note 1)

Notes:

1. Mr. Shao Kwok Keung resigned as Company Secretary with effect from 18 February 2013 and Mr. Au Ki Lun was appointed as Company Secretary with effect from 18 February 2013. Please refer to the announcement of the Company dated 18 February 2013 for further information.

2. Mr. Xu Qiang was appointed as non-executive director with effect from 8 July 2013. Please refer to the announcement of the Company dated 8 July 2013 for further information.

EXECUTIVE DIRECTORS

CHAN Yuen Ming, aged 58, 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. 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 52, 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 44, 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 an interest in such number of shares of the Company as requiring disclosure under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

NON-EXECUTIVE DIRECTOR

XU Qiang, aged 42, 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).

INDEPENDENT NON-EXECUTIVE DIRECTORS

PUN Yan Chak, aged 56, 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 54, 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 56, 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.

SENIOR MANAGEMENT

WANG Jian Hua, aged 53, 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 53, 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.

CHEN Chu Shan, aged 32, is the Vice President and the Head of the Investment Development Department of the Group. Mr. Chen is currently also a director of All Access Communication Technology (Shenzhen) Limited and other principal operating subsidiaries of the Company (including Changfei Investment). Mr. Chen joined the Group in February 2013. He is responsible for investment and finance of the Group. Mr. Chen graduated from the Thunderbird School of Global Management with an MBA degree in 2007, and in the same year he received his Certificate of Financial Engineering from the University of California, Berkeley. Mr. Chen has over seven years of investment experience prior to joining the Group. Before joining the Group, he was an Investment Director in ZTE Corporation.

CHEN Feng, aged 39, is the Product and Operations Director of the Group. Mr. Chen joined the Group upon the Group's acquisition of Changfei Group in December 2012. Mr. Chen graduated from Zhejiang University in 1994, that same year he joined the sales division of ZTE Corporation and its subsidiaries (the "ZTE Group"), holding managements positions for Northeast China Region and East China Region as assistant to general manager, and manager of the Anhui and Jiangxi province sales departments. In 2002, he was transferred to ZTE Corporation's mobile phone division to be its head of customer services, overseeing the management of ZTE Corporation's mobile phone after-sales customer services. Since 2005 he has held the position of general manager of Shenzhen Xing Fei Technology Co., Ltd., one of the principal operating subsidiaries of Changfei Investment. He is also a director of several members of Changfei Group.

WANG Yong Zhong, aged 45, is the Product and Operations Director of the Group. Mr. Wang joined the Group upon the Group's acquisition of Changfei Group in December 2012. Mr. Wang graduated from Xi'an Jiaotong University with a master degree in engineering in 1994, and that same year joined the ZTE Group. Over the following 17 years he held various technical management positions in the ZTE Group in the areas of development and testing, including as director of communications engineering division, vice general manager of the No. 2 sales division, vice general manager of the mobile phone divisions and general manager of the GSM & UMTS products division. Since 2011 he has been the general manager of Lead Communications Co. Ltd., one of the principal operating subsidiaries of Changfei Investment. He is also a director of several members of Changfei Group.

XIONG Jing Quan, aged 42, is the Product and Operations Director of the Group. Mr. Xiong joined the Group upon the Group's acquisition of Changfei Group in December 2012. Mr. Xiong graduated from Nanchang University with a degree in computer applications in 1994. In the same year he joined the Shenzhen University Communication Technology Institute as a professor. In 1998, he joined the ZTE Group holding positions of technical manager and business section director. In 2002, he began a progression of managerial positions in the Nanning, Chongqing and Guangzhou offices of the ZTE Group , and was promoted to the position of executive vice-president and Director of ZTE (Shanghai) Co., Ltd.. Currently, he is the general manager of Ruide Electronical Industrial Co., Ltd., one of the principal operating subsidiaries of Changfei Investment. He is also a director of several members of Changfei Group.

AU Ki Lun, aged 32, is the Company Secretary and the Head of the Risk Control Department. Mr. Au joined the Group in February 2013. He is responsible for internal audit and risk control 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 six 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.

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 2013.

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 33 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 17 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	62%	
Five largest customers in aggregate	76%	
The largest supplier		10%
Five largest suppliers in aggregate		31%

Save for (i) ZTE Corporation ("ZTE") and its subsidiaries (the "ZTE Group") and (ii) 深圳市中興新通訊設備有限公司 (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 52 to 55), none of the Directors, their 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 2013 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 63 to 156.

TRANSFER TO RESERVES

Profit attributable to shareholders of the Company (the "Shareholders") before dividend of RMB222,801,000 (2012: RMB170,288,000) 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 2013 were RMB702,927,000 (2012: RMB665,359,000).

Interim dividend of HK2.50 cents per share of the Company ("Share(s)") was declared and paid during the year ended 31 December 2013 (2012: HK2.0 cents). The Directors have recommended the payment of a final dividend of HK5.5 cents per Share (2012: HK5.2 cents) in respect of the year ended 31 December 2013, 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 HK3.5 cents per Share in respect of the year ended 31 December 2013 (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's total capital expenditures on property, plant and equipment amounted to approximately RMB136,460,000 (2012: RMB2,107,000), 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 14 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. Zhao Qing An, Chief Technology Officer (resigned with effect from 11 June 2013)
Mr. Xiu Zhi Bao, Head of Planning and Finance Department

Non-executive Director

Mr. Xu Qiang (appointed with effective from 8 July 2013)

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. Xiu Zhi Bao and Mr. Pun Yan Chak will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Xiu Zhi Bao and Mr. Pun Yan Chak, being eligible, will offer themselves for re-election.

In accordance with article 109 of the Company's articles of association, Mr. Xu Qiang, who was appointed by the Board as a non-executive Director with effect from 8 July 2013, will hold office until the forthcoming annual general meeting of the Company and, being eligible, will offer himself 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 2013 is set out below:

Remuneration bands	Number of senior management (Note)
Nil to HK$1,000,000	5
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	1
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	1
	7

Further details of the Directors' remuneration and the five highest paid employees for the year are set out in notes 10 and 11 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 2013, 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
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation (Note 2)	458,406,000 ordinary Shares (L)	34.50%
		Beneficial owner	1,000,000 ordinary Shares (L)	0.08%
Mr. Xiu Zhi Bao ("Mr. Xiu")	The Company	Interest of controlled corporations (note 3)	103,460,000 ordinary Shares (L)	7.79%

Notes:

(1) The letter "L" denotes a long 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 103,460,000 Shares were held as to 57,100,000 Shares by Novel Way Investments Limited and as to 46,360,000 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 the Shares in which Novel Way Investments Limited and Abundant Plus Investments Limited were interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2013, 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 2013, 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 of securities held (Note 1)	Approximate percentage of shareholding
Creative Sector Limited	Beneficial owner	458,406,000 ordinary Shares (L)	34.50%
ZTE (H.K.) Limited ("ZTE HK")	Beneficial owner (Note 2)	203,590,909 ordinary Shares (L)	15.32%
ZTE Corporation ("ZTE")	Interest of a controlled corporation (Note 2)	203,590,909 ordinary Shares (L)	15.32%
Asia Equity Value Ltd	Beneficial owner	96,591,870 ordinary Shares (L) 29,646,000 ordinary Shares (S)	7.27% 2.23%
	Security Interest in Shares	74,690,000 ordinary Shares (L)	5.62%
Chengwei CAA Holdings Limited ("Chengwei")	Beneficial owner	104,742,000 ordinary Shares (L)	7.88%
Chengwei Ventures Evergreen Fund, L.P.	Interest of a controlled corporation (Note 3)	104,742,000 ordinary Shares (L)	7.88%
Chengwei Ventures Evergreen Management, LLC	Investment manager (Note 4)	104,742,000 ordinary Shares (L)	7.88%
EXL Holdings, LLC	Interest of a controlled corporation (Note 5)	104,742,000 ordinary Shares (L)	7.88%

Name of Shareholder	Capacity/ Nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding
Mr. Li Eric Xun	Interest of a controlled corporation (Note 5)	104,742,000 ordinary Shares (L)	7.88%
Ms. Li Yijing Zhu	Interest of spouse (Note 6)	104,742,000 ordinary Shares (L)	7.88%
Chance Talent Management Limited	Beneficial Owner	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%
CCBI Investments Limited	Interest of a controlled corporation (Note 7)	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%
CCB International (Holdings) Limited	Interest of a controlled corporation (Note 7)	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%
CCB Financial Holdings Limited	Interest of a controlled corporation (Note 7)	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%
CCB International Group Holdings Limited	Interest of a controlled corporation (Note 7)	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%
China Construction Bank Corporation ("CCB")	Interest of a controlled corporation (Note 7)	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%
Central Huijin Investment Ltd.	Interest of a controlled corporation (Note 7)	108,842,666 ordinary Shares (L) 42,176,000 ordinary Shares (S)	8.19% 3.17%

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) These Shares represented ZTE HK's interests in (i) 112,000,000 Shares allotted and issued by the Company to ZTE HK pursuant to the subscription agreement (the "Subscription Agreement") dated 16 November 2012 entered into between the Company and ZTE HK; and (ii) 91,590,909 Shares to be issued by the Company upon the exercise in full of the conversion rights attaching to the convertible bonds issued by the Company for subscription by ZTE HK pursuant to the Subscription Agreement. Details of the Subscription Agreement and the transactions contemplated thereunder are contained in the announcement of the Company dated 16 November 2012. ZTE HK was a wholly-owned subsidiary of ZTE, and therefore, ZTE was deemed to be interested in all the Shares in which ZTE HK was interested by virtue of the SFO.

(3) Chengwei Ventures Evergreen Fund, L.P. held approximately 89.28% of the issued share capital in Chengwei and therefore Chengwei Ventures Evergreen Fund, L.P. was deemed to be interested in all the Shares in which Chengwei was interested by virtue of the SFO.

(4) Chengwei Ventures Evergreen Fund, L.P. was an investment fund managed by Chengwei Ventures Evergreen Management, LLC and therefore Chengwei Ventures Evergreen Management, LLC was deemed to be interested in all the Shares in which Chengwei Ventures Evergreen Fund, L.P. was interested by virtue of the SFO.

(5) EXL Holdings, LLC, which was owned as to 50% by Mr. Li Eric Xun, held approximately 37% of the issued share capital in Chengwei Ventures Evergreen Management, LLC. Therefore, EXL Holdings, LLC was deemed to be interested in all the Shares in which Chengwei Ventures Evergreen Management, LLC was interested by virtue of the SFO, and Mr. Li Eric Xun was deemed to be interested in all the Shares in which EXL Holdings, LLC was interested by virtue of the SFO.

(6) Ms. Li Yijing Zhu was the wife of Mr. Li Eric Xun, and therefore Ms. Li Yijing Zhu was deemed to be interested in all the Shares in which Mr. Li Eric Xun was interested by virtue of the SFO.

(7) Central Huijin Investment Ltd. held approximately 57.23% equity interest in CCB, which in turn held directly or indirectly the entire issued share capital in each of the direct and indirect holding companies of Chance Talent Management Limited, namely CCB International Holdings Limited, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited (collectively, the "CCB Subsidiaries"). Therefore, each of Central Huijin Investment Ltd., CCB and the CCB Subsidiaries was deemed to be interested in all the Shares in which Chance Talent Management Limited was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2013, 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 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2013 and up to the latest practicable date prior to the issue of this report, the Group had undertaken the following acquisitions and disposals of subsidiaries or associated companies:

(i) Disposal of 北京全通治平通信科技有限公司 (Beijing All Access Zhiping Network Technology Company Limited) ("Beijing All Access Zhiping")

On 24 May 2013, the Group entered into an equity transfer agreement with an individual, being one of the then minority shareholders of Beijing All Access Zhiping, pursuant to which the Group disposed 92% equity interest in Beijing All Access Zhiping, representing the Group's then entire equity interest in this company, for a consideration of RMB18,880,000. Upon completion of this disposal, Beijing All Access Zhiping and 北京高升時代投資有限公司 (Beijing Gao Sheng Times Investment Co., Ltd.) ("Beijing Gaosheng Times"), which was 100% owned by Beijing All Access Zhiping, ceased to be subsidiaries of the Company, and the Group also ceased to be interested in 46% equity interests in 中衛星空移動多媒體網絡有限公司 (China Satellite Mobile Multimedia Network Co., Ltd.) held by Beijing Gaosheng Times. Please refer to the announcement of the Company dated 27 May 2013 for further details of this disposal.

(ii) Disposals of listed shares of Jufei

On 24 May 2013, 3 June 2013, 5 June 2013, 14 June 2013, 21 June 2013 and 5 July 2013, Changfei Investment, then being a 51%-owned subsidiary of the Company, disposed in aggregate 35,006,400 listed shares of Jufei (representing about 16.09% of the total issued shares of Jufei) by way of block trade or in the open market through the ChiNext of the Shenzhen Stock Exchange for an aggregate consideration of approximately RMB531,959,000. Following the above disposals, Changfei Investment ceased to be interested in any shares of Jufei. Please refer to the announcements of the Company dated 24 May 2013, 27 May 2013, 3 June 2013, 5 June 2013, 14 June 2013, 21 June 2013 and 5 July 2013 for further details of these disposals.

(iii) Acquisition of equity interest in Changfei Investment

On 23 December 2013, 全通智盛(深圳)投資諮詢有限公司 (All Access Zhisheng (Shenzhen) Investment Consultancy Company Limited) ("All Access Zhisheng"), being a wholly-owned subsidiary of the Company, and Mr. Zhu Wei Min ("Mr. Zhu"), being a substantial shareholder of each of Changfei Investment and 深圳市立德通訊器材有限公司 (Lead Communications Co., Ltd.) ("Lead Communications") which were non-wholly owned subsidiaries of the Company, entered into an equity transfer agreement pursuant to which All Access Zhisheng acquired approximately 3.32% equity interest in Changfei Investment from Mr. Zhu for a consideration of RMB12.04 million. Upon completion of this acquisition, the Group's equity interest in Changfei Investment has increased from 51% to approximately 54.32%. Please refer to the announcement of the Company dated 23 December 2013 for further details of this acquisition.

(iv) Acquisition of equity interest in Lead Communications

On 23 December 2013, Changfei Investment and Mr. Zhu entered into an equity transfer agreement pursuant to which Changfei Investment acquired 2% equity interest in Lead Communications from Mr. Zhu for a consideration of RMB3.28 million. Upon completion of this acquisition, Changfei Investment's equity interest in Lead Communications has increased from 62.5% to 64.5%. Please refer to the announcement of the Company dated 23 December 2013 for further details of this acquisition.

(v) Disposal of equity interest in 深圳市中興新宇軟電路有限公司 (Shenzhen Zhongxing Xinyu FPC Company Limited) ("Xinyu")

On 23 December 2013, Changfei Investment and Mr. Zhu entered into an equity transfer agreement pursuant to which Changfei Investment disposed 15% equity interest in Xinyu to Mr. Zhu for a consideration of approximately RMB11.59 million. Please refer to the announcement of the Company dated 23 December 2013 for further details of this disposal.

Subsequently, Changfei Investment further completed the disposal of its remaining equity interest in Xinyu of approximately 7.73% to an individual, being an independent third party, for a consideration of approximately RMB5.97 million in late December 2013.

Upon completion of the above disposals, Changfei Investment ceased to have any equity interest in Xinyu.

(vi) Disposal of equity 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 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 ceases 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.

(vii) Acquisition of 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") 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 this acquisition, the Group's equity interest in Ruide increased from approximately 57.47% to approximately 77.01%. Please refer to the announcement of the Company dated 14 March 2014 for further details of this acquisition.

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 9.16% of the Shares in issue as at the date 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 2013, 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 36(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 36(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 2013.

The audit committee of the Board has reviewed the annual report of the Group for the year ended 31 December 2013.

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 2013 (2012: HK5.2 cents per Share). The proposed final dividend will be paid to the shareholders of the Company (the "Shareholders") whose name appear on the register of members of the Company on 9 July 2014, 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 27 June 2014. It is expected that the final dividend will be paid on or about 16 July 2014.

SPECIAL DIVIDEND

To commemorate the first year of consolidation of the Changfei Group into the Group, the Board has resolved to declare the payment of a special dividend of HK3.5 cents per Share for the year ended 31 December 2013 (2012: Nil). The special dividend will be paid to the Shareholders whose name appear on the register of members of the Company on 9 July 2014. It is expected that the special dividend will be paid on or about 16 July 2014.

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 25 June 2014 to 27 June 2014 (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 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by no later than 4:00 p.m. on 24 June 2014.

For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2013 which is subject to approval by the Shareholders at the forthcoming Annual General Meeting, as well as the special dividend declared by the Board, the register of members of the Company will be closed from 7 July 2014 to 9 July 2014 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for the proposed final dividend and special 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 4 July 2014.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1) As disclosed in the announcement of the Company dated 7 February 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 note purchase agreement (the "Note Purchase Agreement") with Chance Talent Management Limited (the "Investor"), pursuant to which the Company has agreed to issue, and the Investor has agreed to purchase from the Company, HK$100,000,000 guaranteed note (the "Guaranteed Note") due 2015.

   Pursuant to the Note Purchase Agreement, the following specific performance obligations are imposed on Mr. Chan:

   1. Mr. Chan undertakes that during the term of the Note Purchase Agreement and the Guaranteed Note:

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

      (b) he shall legally and beneficially own the entire issued share capital of Creative Sector;

      (c) he shall procure that Creative Sector shall not, without the prior written consent of the Investor, transfer or agree to transfer any Shares held by Creative Sector; and

      (d) he shall procure that the Company shall perform its obligations under, among others, the Note Purchase Agreement and the Guaranteed Note in accordance with the terms therein.

   2. Mr. Chan shall provide a personal guarantee in favour of the Investor to secure, among others, the due and punctual observance and performance by each of the Company and Mr. Chan under the Note Purchase Agreement, the Guaranteed Note and/or the personal guarantee.

   Any breach of the specific performance obligations may constitute a breach under the Note Purchase Agreement and also an event of default under the Guaranteed Note, pursuant to which the Investor may require the Guaranteed Note to be repaid immediately pursuant to the terms and conditions of the Guaranteed Note.

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

2) As disclosed in the announcement of the Company dated 25 July 2013, the Company and Mr. Chan entered into a convertible note subscription agreement (the "Convertible Note Subscription Agreement") with the Investor, pursuant to which the Company has agreed to issue, and the Investor has agreed to subscribe from the Company, HK$200,000,000 convertible note (the "Convertible Note") which may be converted into 66,666,666 Shares at the Conversion Price of HK$3.00 per Share.

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

(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 Convertible Note Subscription Agreement and also an event of default under the Convertible Note, pursuant to which the Investor may require the Convertible Note to be repaid immediately pursuant to the terms and conditions of the Convertible Note.

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 2013. 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 2014.

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

Hong Kong, 31 March 2014

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.

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, at any time during the year ended 31 December 2013, in due compliance with the code provisions of the CG Code.

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 2013.

BOARD OF DIRECTORS

(A) Composition of the Board

During the year ended 31 December 2013, 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") Company Secretary (Note a) Member of the Remuneration Committee Member of the Nomination Committee
Mr. Zhao Qing An (Note b)	Chief Technology Officer
Mr. Xiu Zhi Bao	Head of Planning and Finance Department
Non-Executive Director:	
Mr. Xu Qiang (Note c)	
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

Notes:

a. Mr. Shao Kwok Keung has resigned as Company Secretary with effect from 18 February 2013. Please refer to the announcement of the Company dated 18 February 2013 for details.

b. Mr. Zhao Qing An had resigned as Executive Director with effect from 11 June 2013. Please refer to the announcement of the Company dated 28 March 2013 and 11 June 2013 for details.

c. Mr. Xu Qiang has been appointed as Non-executive Director with effect from 8 July 2013. Please refer to the announcement dated 8 July 2013.

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 2013, the Company held ten Board meetings (excluding Board committee meetings) and three 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	10/10	3/3
Mr. Shao Kwok Keung	10/10	3/3
Mr. Zhao Qing An (Note a)	3/6	0/2
Mr. Xiu Zhi Bao	8/10	1/3
Non-executive Director		
Mr. Xu Qiang (Note b)	3/3	1/1
Independent Non-executive Directors		
Mr. Pun Yan Chak	8/10	2/3
Mr. Wong Che Man Eddy	8/10	1/3
Mr. Lam Kin Hung Patrick	8/10	2/3

Note:

a. Mr. Zhao Qing An had resigned as Executive Director with effect from 11 June 2013. Please refer to the announcement of the Company dated 28 March 2013 and 11 June 2013 for details.

b. Mr. Xu Qiang has been appointed as Non-executive Director with effect from 8 July 2013. Please refer to the announcement of the Company dated 8 July 2013.

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 exercised 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 2013, 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)	2/2
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 and (5) succession planning for Directors.

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 2013, 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 non-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 2013, 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	2/2
Mr. Lam Kin Hung Patrick	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the fees for audit services rendered by KPMG is set out below:

	Fees (HK$'000)
Audit services	7,500

Auditors' remuneration charged to the consolidated financial statement of the Company for the year under review was approximately RMB6,066,000 (equivalent to approximately HK$7,500,000), which represented the fees charged by KPMG for its engagement by the Group. No non-audit services were provided by KPMG during the year under review.

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 2013, 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 2013, 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 actions have 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 61 to 62 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.

(A) Continuing Connected Transactions

(i) Sale of products to the ZTE Group

- **Connected persons:** As ZTE Corporation ("ZTE") holds 12% equity interest in 深圳市興飛科技有限公司 (Shenzhen Xing Fei Technology Co. Ltd.) ("Xing Fei"), being an indirect non-wholly owned subsidiary 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 the supply arm of the ZTE Group for a range of products and parts of various types of mobile terminals. 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 2013:** The Group sold products to the ZTE Group amounting to approximately RMB3,066,980,000, which did not exceed the aggregate annual cap of RMB4,500,000,000 for the year ended 31 December 2013.

(ii) Purchase of production materials from the ZTE Group

- **Connected persons:** As ZTE holds 12% equity interest in Xing Fei, being an indirect non-wholly owned subsidiary 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 2013:** The Group purchased production materials from the ZTE Group amounting to approximately RMB68,592,000, which did not exceed the aggregate annual cap of RMB109,000,000 for the year ended 31 December 2013.

(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 non-wholly owned 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 2013:** The Group purchased production materials from the ZX Group amounting to approximately RMB16,976,000, which did not exceed the aggregate annual cap of RMB36,000,000 for the year ended 31 December 2013.

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

(B) Connected Transactions

(iv) Issue of convertible notes to the Investor

- **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 (the "Investor") is an associate of CCBI Shenzhen by virtue of their being fellow subsidiaries under the control of CCB International (Holdings) Limited, the Investor is a connected person of the Company under the Listing Rules.

- **Subject transaction:** The issue of the convertible notes in the principal amount of HK$200,000,000 due 2014 by the Company for subscription by the Investor pursuant to the terms and conditions of the subscription agreement (the "CN 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) ("Mr. Chan") and the Investor constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The issue of the convertible notes to the Investor was completed on 4 September 2013. The convertible notes shall carry interest at the rate of 8% per annum from the date of issue and will mature on the date being one year from the date of issue. The holder of the convertible notes may serve a notice on the Company to convert the convertible notes into shares of the Company at the initial conversion price of HK$3.00 per share of the Company for the period commencing from the date falling on six months after the issue date up to the maturity date. The convertible notes remained outstanding as at the latest practicable date prior to the printing of this report. Pursuant to the CN Subscription Agreement, Mr. Chan has undertaken certain specific performance obligations to the Investor 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 the Investor. Please refer to the announcements of the Company dated 25 July 2013 and 4 September 2013 and the circular of the Company dated 8 August 2013 for further details.

- **Purpose:** The issue of the convertible notes was effected to raise additional funds for the Company to enhance the financial flexibility of the Group and it also represented an opportunity to potentially enlarge and diversify the shareholder base of the Company.

- **Total consideration:** The Group had received a total consideration of HK$200,000,000 from the Investor, representing the total principal amount of the convertible notes.

(v) 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 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.

(vi) Acquisition of equity interest in Changfei Investment and Lead from Mr. Zhu

- **Connected person:** As Mr. Zhu holds over 10% equity interest in each of Changfei Investment and Lead, Mr. Zhu is a connected person of the Company under the Listing Rules.

- **Subject transactions:** The acquisitions from Mr. Zhu of approximately 3.32% equity interest in Changfei Investment by 全通智盛(深圳)投資諮詢有限公司 (All Access Zhisheng (Shenzhen) Investment Consultancy Company Limited) and 2% equity interest in Lead by Changfei Investment pursuant to the equity transfer agreements dated 23 December 2013 constituted a single series of connected transactions of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 23 December 2013 for further details.

- **Purpose:** In light of the strong performance of the Changfei Group, the Group's acquisitions of further equity interest in Changfei Investment and Lead 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 RMB15.32 million, which was determined with reference to the net asset value attributable to shareholders of Changfei Investment (at company level) and Lead as at 31 December 2012.

(vii) 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.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 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.37 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:	8th Floor, Fook Lee Commercial Centre, 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 18th Floor, Fook Lee Commercial Centre, 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.

KPMG

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 63 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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.

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 2013 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 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Revenue	4	**4,693,637**	606,926
Cost of sales		**(4,045,059)**	(370,701)
Gross profit		**648,578**	236,225
Other revenue	6	**49,098**	25,015
Other net income/(loss)	6	**1,402**	(1,203)
Distribution costs		**(34,179)**	(8,444)
Administrative expenses		**(253,599)**	(44,055)
Research and development expenses		**(80,366)**	(997)
Profit from operations		**330,934**	206,541
Finance costs	7(a)	**(132,685)**	(766)
Gain on disposal of associates	8	**240,944**	—
Gain on disposal of subsidiaries		**1,588**	—
Share of profits less losses of associates		**16,208**	(1,484)
Profit before taxation	7	**456,989**	204,291
Income tax	9(a)	**(118,575)**	(34,164)
Profit for the year		**338,414**	170,127
Attributable to:			
Equity shareholders of the Company	12	**222,801**	170,288
Non-controlling interests		**115,613**	(161)
Profit for the year		**338,414**	170,127
Earnings per share	13		
Basic (RMB)		**0.168**	0.140
Diluted (RMB)		**0.168**	0.140

The notes on pages 74 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013
(Expressed in Renminbi)

	2013 RMB'000	2012 RMB'000
Profit for the year	**338,414**	170,127
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside The People's Republic of China (the "PRC"), net of nil tax	**69**	697
Total comprehensive income for the year	**338,483**	170,824
Attributable to:		
Equity shareholders of the Company	**222,870**	170,985
Non-controlling interests	**115,613**	(161)
Total comprehensive income for the year	**338,483**	170,824

The notes on pages 74 to 156 form part of these financial statements.

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	14	**424,873**	328,700
Intangible assets	15	**298,788**	367,590
Goodwill	16	**332,082**	332,449
Interest in associates	18	**54,575**	366,022
Prepayment for land leases	19	**139,031**	136,000
Available-for-sale financial assets	20	**503,714**	6,214
Trade and other receivables	22	**64,332**	33,169
Deferred tax assets	29(b)	**13,434**	2,720
		1,830,829	1,572,864
Current assets			
Inventories	21	**420,996**	316,887
Trade and other receivables	22	**2,073,606**	1,796,865
Factored trade receivables	23	**248,000**	151,210
Discounted bills receivable	24	**173,069**	284,657
Bills receivable	25	**1,345,911**	803,911
Restricted cash	27	**336,080**	99,240
Bank deposits with original maturities over three months		**600,000**	642,000
Cash and cash equivalents	26	**671,145**	333,415
		5,868,807	4,428,185

The notes on pages 74 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Current liabilities			
Trade and other payables	27	**2,577,112**	2,224,541
Deferred consideration payable	32	**200,041**	204,000
Deferred income		**60,000**	40,000
Interest-bearing borrowings	28	**938,261**	393,422
Convertible bonds	30	**154,352**	—
Bank advances on factored trade receivables	23	**248,000**	151,210
Bank advances on discounted bills receivable	24	**173,069**	284,657
Income tax payable	29(a)	**207,534**	53,538
		4,558,369	3,351,368
Net current assets		**1,310,438**	1,076,817
Total assets less current liabilities		**3,141,267**	2,649,681
Non-current liabilities			
Trade and other payables	27	**10,000**	—
Interest-bearing borrowings	28	**267,579**	78,615
Convertible bonds	30	**155,248**	—
Deferred consideration payable	32	**—**	188,451
Deferred income		**28,105**	48,105
Deferred tax liabilities	29(b)	**60,547**	127,957
		521,479	443,128
NET ASSETS		**2,619,788**	2,206,553

The notes on pages 74 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES	31		
Share capital		**11,562**	10,657
Reserves		**1,796,164**	1,455,488
Total equity attributable to equity shareholders of the Company		**1,807,726**	1,466,145
Non-controlling interests		**812,062**	740,408
TOTAL EQUITY		**2,619,788**	2,206,553

Approved and authorised for issue by the board of directors on 31 March 2014.

Mr. Chan Yuen Ming
Chairman and Director

Mr. Shao Kwok Keung
Chief Executive Officer and Director

The notes on pages 74 to 156 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Interests in subsidiaries	17	**937,619**	625,477
Current assets			
Amount due from subsidiaries	17	**125,473**	7,142
Prepayments		**—**	983
Other receivables		**1,191**	1,228
Cash and cash equivalents	26	**7,748**	190
		134,412	9,543
Current liabilities			
Other payables and accruals	27	**20,029**	—
Income tax payable	29(a)	**51**	52
Convertible bonds	30	**154,352**	—
		174,432	52
Net current (liabilities)/assets		**(40,020)**	9,491
Total assets less current liabilities		**897,599**	634,968
Non-current liabilities			
Interest-bearing borrowings	28	**78,620**	—
Convertible bonds	30	**155,248**	—
		233,868	—
NET ASSETS		**663,731**	634,968

The notes on pages 74 to 156 form part of these financial statements.

At 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES	31		
Share capital		**11,562**	10,657
Reserves		**652,169**	624,311
TOTAL EQUITY		**663,731**	634,968

Approved and authorised for issue by the board of directors on 31 March 2014.

Mr. Chan Yuen Ming
Chairman and Director

Mr. Shao Kwok Keung
Chief Executive Officer and Director

The notes on pages 74 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(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 2012		10,664	656,058	88	164,155	115,585	47,606	(16,803)	388,355	1,365,708	1,658	1,367,366
Changes in equity for 2012:												
Profit for the year		–	–	–	–	–	–	–	170,288	170,288	(161)	170,127
Other comprehensive income		–	–	–	–	–	–	697	–	697	–	697
Total comprehensive income		–	–	–	–	–	–	697	170,288	170,985	(161)	170,824
Non-controlling interests arising from business combination		–	–	–	–	–	–	–	–	–	738,911	738,911
Repurchase of own shares	31(c)											
– par value paid		(7)	–	–	–	–	–	–	–	(7)	–	(7)
– premium paid		–	(1,153)	–	–	–	–	–	–	(1,153)	–	(1,153)
– transfer between reserves		–	–	7	–	–	–	–	(7)	–	–	–
Appropriation of reserve		–	–	–	–	–	18,757	–	(18,757)	–	–	–
Dividends approved and paid in respect of the previous year	31(b)	–	(49,598)	–	–	–	–	–	–	(49,598)	–	(49,598)
Dividend declared and paid in respect of the current year	31(b)	–	(19,790)	–	–	–	–	–	–	(19,790)	–	(19,790)
Balance at 31 December 2012		10,657	585,517	95	164,155	115,585	66,363	(16,106)	539,879	1,466,145	740,408	2,206,553

The notes on pages 74 to 156 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(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

The notes on pages 74 to 156 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Cash (used in)/generated from operations	26(b)	**(468,215)**	116,954
Tax paid:			
— Hong Kong profits tax paid		**(1,225)**	(958)
— PRC income tax paid		**(41,460)**	(36,121)
Net cash (used in)/generated from operating activities		**(510,900)**	79,875
Investing activities			
Investment in directional asset management		**(499,500)**	—
Decrease in deposits with banks with original maturities over three months		**42,000**	83,500
Payment for the purchase of property, plant and equipment		**(127,697)**	(2,107)
Payment for purchase of intangible assets		**(7,780)**	(606)
Payment for land lease		**(4,360)**	—
Net cash outflow in respect of the acquisition of subsidiaries		**(204,000)**	(221,174)
Interest received from bank deposits		**22,266**	24,130
Proceeds from disposal of property, plant and equipment		**1,430**	—
Net cash inflow in respect of the disposal of subsidiaries		**18,640**	—
Proceed from disposal of associates		**531,267**	—
Dividend received from associates		**3,282**	—
Interest income from investment in directional asset management		**10,223**	—
Proceeds from disposal of other financial assets		**2,000**	—
Net cash used in investing activities		**(212,229)**	(116,257)

The notes on pages 74 to 156 form part of these financial statements.

For the year ended 31 December 2013
(Expressed in Renminbi)

	Note	2013 RMB'000	2012 RMB'000
Financing activities			
Net proceeds from issuance of new shares		162,932	—
Proceeds from issuance of convertible bonds		315,337	—
Dividends paid to equity shareholders of the Company	31(b)	(81,311)	(69,388)
Payment for repurchase of ordinary shares	31(c)	—	(1,160)
Proceeds from interest-bearing borrowings		1,182,499	200,000
Repayment of interest-bearing borrowings		(448,696)	(1,864)
Interest paid		(70,729)	(516)
Net cash generated from financing activities		1,060,032	127,072
Net increase in cash and cash equivalents		336,903	90,690
Cash and cash equivalents at 1 January	26(a)	333,415	241,383
Effect of foreign exchange rate changes		827	1,342
Cash and cash equivalents at 31 December	26(a)	671,145	333,415

The notes on pages 74 to 156 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. On 26 December 2012, the Company completed an acquisition of 51% interest in 深圳市長飛投資有限公司 (Shenzhen City Changfei Investment Company Limited) ("Changfei Investment"), a limited liability company established in the PRC.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2013 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 and the disclosure requirements of the Hong Kong Companies 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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements* to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

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 other new or amended HKFRSs are discussed below:

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 17 and 18.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 37. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Amendments to HKFRS 7 — Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

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(m)).

(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(m)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates *(Continued)*

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(m)).

(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(m)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(h) Investments in equity securities

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(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(w)(v).

(i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 2(m)). Cost includes expenditures that are directly attributable to the acquisition of an asset. 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)*

(i) Property, plant and equipment *(Continued)*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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.

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.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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(m)). 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(m)(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)*

(j) 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.

(k) 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.

(l) 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)*

(m) Impairment of assets

(i) Impairment of investment in subsidiaries, associates and trade and other receivables

Investment in subsidiaries, associates, trade and other receivables and other financial assets that are stated at cost or amortised cost 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(m)(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(m)(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)*

(m) Impairment of assets *(Continued)*

(i) Impairment of investment in subsidiaries, associates and trade 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.

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)*

(m) 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)*

(m) 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(m)(i) and 2(m)(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.

(n) 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. Deferred costs incurred on a project which has not been completed as completion or inspection certificates have not been issued are classified as inventories. The deferred costs are charged to cost of sales in the same period that the revenue of which the project is related to is recognised.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Inventories *(Continued)*

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.

(o) 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(m)). In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Convertible Bonds

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.

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 note 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 note is redeemed, the capital reserve is released directly to retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

(r) Trade and other payables

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

(s) 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.

(t) 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. After the payment of the contributions under the retirement plan, the Group does not have any other obligations in this respect.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Share-based compensation

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).

(u) 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)*

(u) 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

— 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.

(v) 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.

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(v)(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

(w) 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(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.

(x) 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.

(y) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Leases *(Continued)*

(ii) Leased payments *(Continued)*

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.

(z) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Translation of foreign currencies *(Continued)*

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.

(aa) 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.

(bb) 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 over 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Related parties *(Continued)*

(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.

(cc) 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.

(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(n). 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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(v) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(vi) Income tax

The Group is subject to Hong Kong Profits Tax and PRC Corporate Income Tax ("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.

(vii) Business combination

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. Any unallocated portion is recognised as goodwill.

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. The Group also makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

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, 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.

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:

	2013 RMB'000	2012 RMB'000
Provision of satellite communication application solutions and other services	**425,211**	356,956
Provision of wireless data communication application solutions and services	**4,268,426**	249,970
	4,693,637	606,926

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, call centre application solutions and services, 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 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.

5 SEGMENT REPORTING *(Continued)*

(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:

Segment assets include all tangible, intangible assets and current assets with the exception of goodwill, deferred tax assets, 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 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.

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.

5 SEGMENT REPORTING *(Continued)*

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

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Revenue from customers (Note)	**425,211**	356,956	**4,268,426**	249,970	**4,693,637**	606,926
Segment operating profit	**175,815**	146,732	**185,352**	83,218	**361,167**	229,950
Depreciation and amortisation for the year	**1,042**	728	**97,745**	3,272	**98,787**	4,000
Reportable segment assets	**473,274**	324,224	**5,945,596**	4,459,126	**6,418,870**	4,783,350
Reportable segment liabilities	**39,203**	90,938	**4,014,821**	2,963,844	**4,054,024**	3,054,782

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 37(a). For the year 2012, operating results of Changfei Investment since the date of acquisition has not been included as the income, expenses and profit that Changfei Investment and its subsidiaries contributed to the Group since the completion of the acquisition on 26 December 2012 was considered immaterial.

	Provision of satellite communication application solutions and other services		Provision of wireless data communication application solutions and services		Total	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Customer A	**—**	—	**—**	160,754	**—**	160,754
Customer B	**—**	—	**3,066,980**	—	**3,066,980**	—

5 SEGMENT REPORTING *(Continued)*

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

	2013 RMB'000	2012 RMB'000
Profit		
Reportable segment profit derived from the Group's customers	**361,167**	229,950
Other revenue	**49,098**	25,015
Other net income/(loss)	**1,402**	(1,203)
Unallocated depreciation and amortisation	**(13,927)**	(13,049)
Gain on disposal of associates	**240,944**	—
Gain on disposal of subsidiaries	**1,588**	—
Share of profits less losses of associates	**16,208**	(1,484)
Finance costs	**(132,685)**	(766)
Unallocated head office and corporate expenses	**(66,806)**	(34,172)
Consolidated profit before taxation	**456,989**	204,291
Assets		
Reportable segment assets	**6,418,870**	4,783,350
Unallocated head office and corporate assets	**1,280,766**	1,217,699
Consolidated total assets	**7,699,636**	6,001,049
Liabilities		
Reportable segment liabilities	**4,054,024**	3,054,782
Unallocated head office and corporate liabilities	**1,025,824**	739,714
Consolidated total liabilities	**5,079,848**	3,794,496

(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)

	2013 RMB'000	2012 RMB'000
Other revenue		
Bank interest income	**24,352**	23,258
Interest income from non-current trade and other receivables	**3,973**	1,757
Interest income from financial assets	**10,223**	—
Subsidy income	**4,501**	—
Others	**6,049**	—
	49,098	25,015
Other net income/(loss)		
Net exchange gain/(loss)	**1,479**	(955)
Others	**(77)**	(248)
	1,402	(1,203)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
(a) Finance costs		
Interest expenses:		
— Interest-bearing borrowings	**67,313**	516
— Discounted bills receivable	**24,903**	—
— Convertible bonds	**23,744**	—
— Discount of deferred consideration payable	**11,590**	—
— Guaranteed notes	**6,711**	—
Less: interest expenses capitalised into property, plant and equipment	**(8,763)**	—
Bank charges	**7,187**	250
	132,685	766

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

7 PROFIT BEFORE TAXATION *(Continued)*

	2013 RMB'000	2012 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	**288,390**	20,910
Contributions to defined contribution retirement plans	**26,030**	2,340
	314,420	23,250

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 10% to 22% (2012: 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.

The Group also operates 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$25,000. Contributions to the scheme vest immediately.

Save for the above, the Group has no other obligation for payment of retirement benefits beyond the contributions.

	2013 RMB'000	2012 RMB'000
(c) Other items		
Cost of inventories (note 21(b))	**4,003,270**	347,385
Depreciation of property, plant and equipment	**37,441**	13,834
Amortisation of intangible assets	**73,944**	3,215
Amortisation of land lease prepayments	**1,329**	—
Write-down of inventories	**17,557**	—
Reversal of write-down of inventories	**(536)**	—
Impairment loss on trade and other receivables	**7,986**	4,462
Reversal of impairment loss on trade and other receivables	**(2,622)**	—
Auditors' remuneration	**6,066**	3,358
Operating lease charges	**26,995**	4,135

8 DISPOSAL OF ASSOCIATES

During the year, the Group disposed the total 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.

The shares of Jufei are listed on the ChiNext of the Shenzhen Stock Exchange. The disposals of listed shares in Jufei were implemented through a series of disposals by way of block trade and through open market on the ChiNext of the Shenzhen Stock Exchange, namely disposal of 10,850,000 shares for RMB182,693,000 on 24 May 2013, 1,000,000 shares for RMB15,690,000 on 3 June 2013, 6,000,000 shares for RMB90,602,000 on 5 June 2013, 10,850,000 shares for RMB148,018,000 on 14 June 2013, 6,000,000 shares for RMB88,984,000 on 21 June 2013 and 306,400 shares for RMB5,280,000 on 5 July 2013.

The results of Jufei and Xinyu were equity accounted for up to the date on which significant influence ceased.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2013 RMB'000	2012 RMB'000
Current tax — Hong Kong Profits Tax		
Under-provision in respect of prior year	**1,240**	587
Current tax — PRC Corporate Income Tax		
Provision for the year	**197,359**	35,078
(Over)/under-provision in respect of prior year	**(1,900)**	1,074
	196,699	36,739
Deferred tax		
Origination and reversal of temporary differences	**(78,124)**	(2,575)
	118,575	34,164

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.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Continued)

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

The Company, All Access Global Limited ("CAA HK") and CAA BVI 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., Ruide Electronical Industrial Co., Ltd., Lead Communications Co., Ltd. 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, 2011 to 2013, 2012 to 2014, 2011 to 2013 and 2012 to 2014, respectively.

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 CIT rate of 25% (2012: 25%).

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

	2013 **RMB'000**	2012 RMB'000
Profit before taxation	**456,989**	204,291
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**120,653**	52,057
Tax effect of tax concession	**(35,246)**	(20,148)
Tax effect of non-taxable income	**(3,533)**	(1,814)
Tax effect of non-deductible expenses	**32,699**	2,071
(Over)/under-provision in respect of prior year	**(660)**	1,661
Tax effect of unused tax losses not recognised	**4,662**	337
Actual tax expense	**118,575**	34,164

10 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	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

10 DIRECTORS' REMUNERATION *(Continued)*

	2012			
	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	98	518	22	638
SHAO Kwok Keung	98	1,258	22	1,378
XIU Zhi Bao	98	308	20	426
ZHAO Qing An	98	423	32	553
Independent non-executive directors				
PUN Yan Chak	146	—	—	146
WONG Che Man, Eddy	146	—	—	146
LAM Kin Hung, Patrick	146	—	—	146
	830	2,507	96	3,433

* 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 11 below as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: four) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2012: one) individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other emoluments	**1,500**	904
Discretionary bonuses	**6,268**	—
Retirement scheme contributions	**74**	22
	7,842	926

The emoluments of the three (2012: one) individuals with the highest emoluments are within the following bands:

	2013 Number of Individuals	2012 Number of individuals
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	—
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	**1**	—
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	**1**	—
	3	1

12 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB43,149,000 (2012: loss of RMB4,156,000) 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).

13 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 RMB222,801,000 (2012: RMB170,288,000) and the weighted average of 1,324,528,000 ordinary shares in issue during the year ended 31 December 2013 (2012: 1,217,041,000), calculated as follows:

Weighted average number of ordinary shares (basic)

	2013 **'000**	2012 '000
Issued ordinary shares at 1 January	**1,216,824**	1,217,728
Effect of issuance of shares (note 31(c)(i))	**107,704**	—
Effect of shares repurchased (note 31(c)(ii))	**—**	(687)
Weighted average number of ordinary shares at 31 December	**1,324,528**	1,217,041

(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 RMB222,801,000 (2012: RMB170,288,000) and the weighted average of 1,324,528,000 ordinary shares (2012: 1,217,041,000). 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 and 4 September 2013 would have had an anti-dilutive effect on the basic earnings per share.

14 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 2012	27,222	59,164	6,689	6,291	13,489	–	–	–	112,855
Additions	268	–	887	63	300	–	–	589	2,107
Additions through business combination (note 32)	–	13,840	–	167	4,993	101,932	738	147,640	269,310
Disposal	–	–	(11)	–	–	–	–	–	(11)
Exchange adjustments	2	–	–	–	–	–	–	–	2
At 31 December 2012	27,492	73,004	7,565	6,521	18,782	101,932	738	148,229	384,263
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)**	**–**
Disposal	**–**	**(682)**	**–**	**–**	**(252)**	**(5,265)**	**–**	**–**	**(6,199)**
Disposal of subsidiaries (note 33)	**–**	**–**	**(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**
Accumulated depreciation:									
At 1 January 2012	943	32,588	1,826	5,223	1,153	–	–	–	41,733
Charge for the year	846	10,157	1,224	265	1,342	–	–	–	13,834
Written back on disposal	–	–	(1)	–	–	–	–	–	(1)
Exchange adjustments	(1)	–	(2)	–	–	–	–	–	(3)
At 31 December 2012	1,788	42,745	3,047	5,488	2,495	–	–	–	55,563
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 disposal	**–**	**(469)**	**–**	**–**	**(237)**	**(4,194)**	**–**	**–**	**(4,900)**
Disposal of subsidiaries (note 33)	**–**	**–**	**(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**
Net book value:									
At 31 December 2013	**24,428**	**15,895**	**2,971**	**1,214**	**15,504**	**95,691**	**382**	**268,788**	**424,873**
At 31 December 2012	25,704	30,259	4,518	1,033	16,287	101,932	738	148,229	328,700

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

As at 31 December 2013, buildings held for own use with net book value of approximately RMB22,606,000 (2012: RMB23,639,000) are pledged as securities for the Group's interest-bearing borrowings (note 28).

15 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 2012	2,070	–	–	–	–	–	2,070
Additions	–	27,612	–	–	–	–	27,612
Exchange adjustments	–	(149)	–	–	–	–	(149)
Additions through business combination (note 32)	–	201,079	126,850	7,245	6,087	–	341,261
At 31 December 2012	2,070	228,542	126,850	7,245	6,087	–	370,794
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 (note 33)	**(2,070)**	**–**	**–**	**–**	**–**	**–**	**(2,070)**
Exchange adjustments	**–**	**(844)**	**–**	**–**	**–**	**–**	**(844)**
At 31 December 2013	**–**	**235,433**	**126,850**	**7,245**	**6,087**	**45**	**375,660**
Accumulated amortisation:							
At 1 January 2012	–	–	–	–	–	–	–
Charge for the year	–	3,215	–	–	–	–	3,215
Exchange adjustments	–	(11)	–	–	–	–	(11)
At 31 December 2012	–	3,204	–	–	–	–	3,204
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**
Net book value:							
At 31 December 2013	**–**	**178,563**	**112,756**	**3,367**	**4,058**	**44**	**298,788**
At 31 December 2012	2,070	225,338	126,850	7,245	6,087	–	367,590

The amortisation charge for the year is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss.

16 GOODWILL

	The Group RMB'000
Cost:	
At 1 January 2012	367
Additions through business combination (note 32)	332,082
At 31 December 2012	332,449
At 1 January 2013	332,449
Disposal of subsidiaries (note 33)	(367)
At 31 December 2013	332,082
Carrying amount:	
At 31 December 2013	332,082
At 31 December 2012	332,449

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the single cash-generating unit ("CGU") for impairment testing. The recoverable amount of the CGU 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%, which do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 21.51%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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 2013.

17 INTERESTS IN SUBSIDIARIES

	The Company	
	2013 RMB'000	2012 RMB'000
Non-current		
Unlisted shares, at cost	**90,303**	90,303
Amounts due from subsidiaries	**847,316**	535,174
	937,619	625,477
Current		
Amounts due from subsidiaries	**125,473**	7,142

The non-current amounts due from subsidiaries are unsecured, bear no interest 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.

Details of the Company's subsidiaries as at 31 December 2013 are as follows:

Name of company	Place and date of incorporation/ establishment	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	The BVI/ 15 June 2006	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(a)) 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

(Expressed in Renminbi unless otherwise indicated)

17 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	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	
Beijing All Access Noter Communication Technology Co., Ltd. ("Beijing Noter") (note(a)) 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(a)) 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(a)) 廣東全通諾特通信技術有限公司	The PRC/ 20 April 2010	US$70,000,000 (note (d))	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Tianjin Hailantong Technology Co., Ltd. (note(a)) 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
Changfei Investment (note(b)) 深圳市長飛投資有限公司	The PRC/ 6 February 2004	RMB27,750,000	54.32%	–	54.32%	Investment holding
Huizhou Changfei Investment Co., Ltd. ("Huizhou Changfei") (note(b)) 惠州市長飛投資有限公司	The PRC/ 23 April 2010	RMB60,000,000	54.32%	–	100%	Investment holding
Huizhou All Access Real Estate Co., Ltd. ("Huizhou All Access") (note(b)) 惠州全通房地產開發有限公司	The PRC/ 29 November 2011	RMB1,000,000	54.32%	–	100%	Real estate development

(Expressed in Renminbi unless otherwise indicated)

17 INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ establishment	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
Shenzhen Xing Fei (note(b)) 深圳市興飛科技有限公司	The PRC/ 19 July 2005	RMB5,000,000	43.46%	–	80%	Design and manufacturing of handset
Nanchang Xing Fei Technology Co., Ltd. (note(b)) 南昌興飛科技有限公司	The PRC/ 1 July 2008	RMB15,000,000	43.46%	–	100%	Design and manufacturing of handset
Ruide Electronic (note(b)) 深圳市睿德電子實業有限公司	The PRC/ 27 April 2004	RMB8,700,000	31.22%	–	57.5%	Manufacturing of handset battery
Lead Communications (note(b)) 深圳市立德通訊器材有限公司	The PRC/ 17 June 2003	RMB10,000,000	35.05%	–	64.5%	Manufacturing of handset screen
Shenzhen Control (note(b)) 深圳市康銓機電有限公司	The PRC/ 2 June 2003	RMB16,000,000	31.22%	–	57.5%	Manufacturing of handset shell
Shenzhen Wanyu Technologies Co., Ltd. (note(b)) 深圳萬譽電子技術有限公司	The PRC/ 30 April 2007	RMB8,000,000	31.22%	–	100%	Manufacturing of handset shell
Hebei Haoguang Communication Technology Limited (note(b)) 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 (note(a)) 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
All Access Zhisheng (Shenzhen) Investment Consulting Limited (note(b)) 全通智盛(深圳)投資諮詢有限公司	The PRC/ 21 October 2013	RMB10,000,000 (note(c))	100%	–	100%	Investment management and consultancy

17 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

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

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

(c) Nil of the registered capital has been paid by the end of reporting period.

(d) US$61,000,000 of the registered capital has been paid by the end of the 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, the only 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.

	2013 RMB'000	2012 RMB'000 Note
NCI percentage	**45.68%**	49.00%
Current assets	**4,013,527**	3,012,942
Non-current assets	**1,365,196**	1,104,669
Current liabilities	**(3,674,938)**	(2,672,119)
Non-current liabilities	**(273,890)**	(238,370)
Net assets	**1,429,895**	1,207,122
Carrying amount of NCI	**518,131**	449,850
Revenue	**3,970,786**	—
Profit for the year	**226,053**	—
Total comprehensive income	**226,053**	—
Profit allocated to NCI	**106,046**	—
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**(345,833)**	—
Cash flows from investing activities	**(100,920)**	—
Cash flows from financing activities	**680,457**	—

Note: For the year 2012, operating results of Changfei Investment since the date of acquisition has not been included as the income, expenses and profit that Changfei Investment and its subsidiaries contributed to the Group since the completion of the acquisition on 26 December 2012 was considered immaterial.

18 INTEREST IN ASSOCIATES

	The Group	
	2013 RMB'000	2012 RMB'000
Share of net assets	**54,575**	206,516
Goodwill	**—**	159,506
	54,575	366,022

Details of the Group's associates as at 31 December 2013 are as follows, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activity
Shanghai Tejet Communications Technology Co., Ltd. 上海泰捷通信技術有限公司	Incorporated	The PRC	21.73%	–	40%	Development, design and sales of communications products and provision of technical consulting services
Shenzhen FDC Electronic Company Limited 深圳市富德康電子有限公司	Incorporated	The PRC	16.30%	–	30%	Production and sales of miniature speakers, miniature receivers and other related electronic products
Shenzhen Weigao Semiconductor Company Limited 深圳市微高半導體科技有限公司	Incorporated	The PRC	21.73%	–	40%	Development and sales of semiconductor circuit packaging, computer software and communication products
Shenzhen Weiwen Electronic Company Limited 深圳市偉文電氣有限公司	Incorporated	The PRC	19.01%	–	35%	Development, sales and maintenance of electronic equipments, network equipment, computer hardware and softwar
Shenzhen Decang Technology Company Limited 深圳市德倉科技有限公司	Incorporated	The PRC	8.95%	–	25.53%	Development, production and sales of electronic and lighting products; development and sales of communication devices
Guangzhou Hongchanglong Enterprises Limited 廣州市鴻昌隆實業有限公司	Incorporated	The PRC	10.26%	–	35%	Production of electronic products and technology; development and provision of consulting services of computer software and hardware

18 INTEREST IN ASSOCIATES *(Continued)*

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarised aggregate financial information of the associates that are not individually material is disclosed below:

	The Group	
	2013 RMB'000 Note (a)	2012 RMB'000 Note (b)
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**54,575**	366,022
Aggregate amounts of the Group's share of those associates'		
Profit/(loss) from continuing operations	**7,767**	(1,365)
Total comprehensive income	**7,767**	(1,365)

Notes:

(a) During the year, the Group disposed three associates (note 8 and note 33). Aggregate amounts of the Group's share of the associates of 2013 do not include the shares in operating results of associates after disposal.

(b) Operating results of the associates of Changfei Investment since the date of acquisition has not been included as the income, expenses and profit that Changfei Investment and its subsidiaries contributed to the Group since the completion of the acquisition on 26 December 2012 was considered immaterial.

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

19 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. The construction is still in progress as at 31 December 2013.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013	2012
	RMB'000	RMB'000
Available-for-sale		
— Directional asset management (note)	**499,500**	—
— Unlisted equity securities	**4,214**	6,214
	503,714	6,214

Note: On 29 May 2013, a subsidiary of the Company entered into a contract of directional asset management plan with a 3-year maturity period with a state-owned securities company. The fair value of the financial asset as at 31 December 2013 is RMB499,500,000.

21 INVENTORIES

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**145,006**	148,614
Work in progress	**49,505**	30,450
Consigned manufacturing material	**73,934**	29,810
Finished goods	**132,047**	108,013
Goods in transit	**34,430**	—
Low-value consumables	**75**	—
	434,997	316,887
Less: Inventory provision	**(14,001)**	—
	420,996	316,887

All inventories are expected to be recovered within one year.

21 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 2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	**4,003,270**	347,385
Operating costs included in cost of sales	**24,768**	23,316
Write-down of inventories	**17,557**	—
Reversal of write-down of inventories	**(536)**	—
	4,045,059	370,701

22 TRADE AND OTHER RECEIVABLES

	Note	The Group 2013 RMB'000	2012 RMB'000
Non-current			
Trade receivables		**62,402**	31,282
Rental deposits		**1,930**	1,887
		64,332	33,169
Current			
Trade receivables due from related parties (note 36(b))		**558,575**	680,287
Other trade receivables		**1,123,257**	983,802
Less: Allowance for doubtful debts	22(b)	**(11,652)**	(8,066)
		1,670,180	1,656,023
Other receivables, prepayments and deposits	(i)	**360,679**	96,207
Performance guarantee deposit	(ii)	**30,000**	30,000
Interest receivables		**11,397**	13,285
Dividend receivables		**1,350**	1,350
		2,073,606	1,796,865

22 TRADE AND OTHER RECEIVABLES *(Continued)*

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 significant 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 value for the initial construction upon the effective date of the contract. In addition, the Group has paid RMB10,000,000 to Hebei Guangdian as initial funds of the project. Included in other receivables is a prepayment for purchases in the amount of RMB227,162,000 relating to the digital multimedia network.

(ii) On 14 December 2012, Hebei Noter and Sky Communication Group Company Limited ("SkyComm") entered into a co-operation agreement for a period of one year until December 2013. Pursuant to the long term co-operation agreement, Hebei Noter provided a lump sum of up to RMB30,000,000 to SkyComm as a performance guarantee deposit which is subject to an annual adjustment. The performance guarantee deposit is to provide security to SkyComm for projects in which SkyComm acts as the agent in case of the Group's failure in performance to its customers. The co-operation agreement was extended and it is expected to be recovered within one year from the end of the reporting period.

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 2013 are retention money of RMB20,446,000 (2012: RMB21,110,000).

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(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	
	2013 RMB'000	2012 RMB'000
Within 1 month	**991,943**	1,156,530
1 to 2 months	**204,998**	142,504
2 to 3 months	**168,409**	106,733
3 to 6 months	**42,293**	49,890
Over 6 months	**324,939**	231,648
Trade receivables, net of allowance for doubtful debts	**1,732,582**	1,687,305
Representing:		
Non-current trade receivables	**62,402**	31,282
Current trade receivables	**1,670,180**	1,656,023
	1,732,582	1,687,305

The Group's credit policy is set out in note 37(a).

Receivables within the current ageing category include instalments of sales proceeds which are not yet due for payment in accordance with the contract terms, including receivables that are due within one year and after one year from the end of the reporting period, and are classified as current and non-current trade receivables, respectively.

(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.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables *(Continued)*

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

	The Group	
	2013	2012
	RMB'000	RMB'000
At 1 January	**8,066**	3,736
Impairment loss recognised	**7,986**	4,462
Reversal of impairment loss	**(2,230)**	—
Uncollectible amounts written off	**(2,170)**	(132)
At 31 December	**11,652**	8,066

(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	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**1,188,867**	1,364,607
Less than 1 month past due	**136,967**	118,790
1 to 3 months past due	**130,630**	26,965
3 to 12 months past due	**211,295**	160,865
More than 12 months past due	**48,509**	16,078
	527,401	322,698
	1,716,268	1,687,305

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

22 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.

23 FACTORED TRADE RECEIVABLES

At 31 December 2013, the Group factored trade receivables of RMB248,000,000 (2012: RMB151,210,000) to banks with recourse. The subsidiary of the Group still retained the risks and rewards associated with the factored trade receivables. Accordingly, bank advances from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated statement of financial position. The maturity dates are within 6 months. No impairment is made on the factored trade receivables.

24 DISCOUNTED BILLS RECEIVABLE

At 31 December 2013, the Group has discounted its bills receivable of RMB173,069,000 (2012: RMB284,657,000) to banks with recourse. Accordingly, the advances from banks of RMB173,069,000 (2012: RMB284,657,000) received by the Group as consideration for the discounted bills receivable at financial year end were recognised as liabilities.

25 BILLS RECEIVABLE

At 31 December 2013, bills receivable amounted to RMB1,345,911,000 (2012: RMB803,911,000) included bank acceptance bills of RMB284,741,000 (2012: RMB512,237,000) which were pledged as security to issue bills payable for operating use and bills receivable of RMB328,426,000 (2012: RMB18,500,000) which 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 invoice date (or date of revenue recognition, if earlier) is as follows:

	The Group	
	2013 RMB'000	2012 RMB'000
Within 1 month	**387,695**	159,711
1 to 2 months	**254,761**	150,411
2 to 3 months	**281,989**	147,484
3 to 6 months	**421,466**	346,305
Bills receivable	**1,345,911**	803,911

25 BILLS RECEIVABLE *(Continued)*

(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	
	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**1,345,911**	803,911

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	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Cash at bank and in hand	**671,145**	333,415	**7,748**	190

26 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	2013 RMB'000	2012 RMB'000
Profit before taxation		**456,989**	204,291
Adjustments for:			
Finance costs	7(a)	**132,685**	766
Depreciation of property, plant and equipment	7(c)	**37,441**	13,834
Amortisation of intangible assets	7(c)	**73,944**	3,215
Impairment loss on trade and other receivables	7(c)	**7,986**	4,462
Reversal of impairment loss on trade receivables	7(c)	**(2,622)**	—
Interest income from non-current trade and other receivables	6	**(3,973)**	(1,757)
Bank interest income	6	**(24,352)**	(23,258)
Interest income from investment in directional asset management	6	**(10,223)**	—
Loss on disposal of property, plant and equipment		**(131)**	2
Share of profits less losses of associates		**(16,208)**	1,484
Gain on disposal of associates	8	**(240,944)**	—
Gain on disposal of subsidiaries		**(1,588)**	—
Amortisation of land lease prepayment		**1,329**	—
Write-down of inventories	21(b)	**17,557**	—
Reversal of write-down of inventories	21(b)	**(536)**	—
Changes in working capital:			
Increase in inventories		**(121,130)**	(9,455)
Increase in trade and other receivables		**(289,751)**	(141,939)
Increase in trade and other payables		**294,152**	65,309
Increase in bills receivable		**(542,000)**	—
Increase in restricted cash		**(236,840)**	—
Increase in factored trade receivables		**(96,790)**	—
Decrease in discount bills receivable		**111,588**	—
Increase in bank advances on factored trade receivables		**96,790**	—
Decrease in bank advances on discount bills receivable		**(111,588)**	—
Cash (used in)/generated from operations		**(468,215)**	116,954

27 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Trade payables due to related parties(note 36(b))	**52,042**	38,567	**—**	—
Bills payable due to related parties (note 36(b))	**46,909**	50,551	**—**	—
Other trade and bills payable	**2,169,080**	1,911,742	**—**	—
	2,268,031	2,000,860	**—**	—
Other payables and accruals	**299,197**	204,281	**20,029**	—
Financial liabilities measured at amortised cost	**2,567,228**	2,205,141	**20,029**	—
Receipts in advance	**19,884**	19,400	**—**	—
	2,587,112	2,224,541	**20,029**	—

All of the trade payables, bills payable and other payables, except for RMB10,000,000 of other payable which is expected to be settled in 2015 (2012: nil), are expected to be settled within one year. Bills payable of RMB336,080,000 (2012: RMB99,240,000) was secured by guarantee deposits of equivalent amount as requested by banks, presented as restricted cash.

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	
	2013 RMB'000	2012 RMB'000
Within 1 month	**768,987**	803,871
1 to 3 months	**826,539**	663,019
3 to 6 months	**481,092**	515,079
Over 6 months but within 1 year	**164,507**	3,809
Over 1 year	**26,906**	15,082
	2,268,031	2,000,860

28 INTEREST-BEARING BORROWINGS

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

		The Group	
	Note	**2013 RMB'000**	2012 RMB'000
Credit loans	(i)	**761,056**	192,671
Mortgage loans	(ii)	**218,234**	79,366
Guaranteed loans	(iii)	**147,930**	—
Guaranteed note	(iv)	**78,620**	—
Trust loan	(v)	**—**	200,000
Total interest-bearing borrowings		**1,205,840**	472,037

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

Notes:

(i) At 31 December 2013, RMB591,056,000 (at 31 December 2012: RMB172,671,000) of credit loans were provided by commercial banks and RMB170,000,000 (at 31 December 2012: RMB20,000,000) of credit loans were provided by related party of the Group. The annual interest rate of the above loans ranged from approximately 6.00%-7.50%. The principals are repayable within one year.

(ii) At 31 December 2013, RMB177,950,000 (at 31 December 2012: RMB66,557,000) of the loans were secured by two pieces of land of the Group with carrying value of approximately RMB141,184,000 (at 31 December 2012: approximately RMB70,166,000).

At 31 December 2013, RMB11,784,000 (at 31 December 2012: RMB12,809,000) of the loans were secured by the Group's buildings with carrying value of approximately RMB22,606,000 (at 31 December 2012: approximately RMB23,639,000), of which HK$11,032,000 (approximately RMB8,673,000) (at 31 December 2012: HK$11,486,000, approximately RMB9,313,000) of the loans were guaranteed by the Company (see note 35).

At 31 December 2013, RMB28,500,000 (at 31 December 2012: nil) of the loans were pledged by bank acceptance bills of RMB29,390,000 (at 31 December 2012: nil).

(iii) At 31 December 2013, HK$150,000,000 (approximately RMB117,930,000) (at 31 December 2012: nil) of the loans was guaranteed by the Company. The principal is repayable in one year and the interest rate will be charged at 10%. The remaining RMB30,000,000 (at 31 December 2012: nil) 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 7.2%.

(iv) At 31 December 2013, the guaranteed note amounting to HK$100,000,000 (approximately RMB78,620,000) (at 31 December 2012: nil) 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 36(d)). The principal is due in 2015 with the interest rate charged at 10%.The trust loan was repaid by the Group in June 2013.

28 INTEREST-BEARING BORROWINGS *(Continued)*

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

	The Group	
	2013 **RMB'000**	2012 RMB'000
Current portion		
Within 1 year	**938,261**	393,422
Non-current portion		
After 1 year but within 2 years	**129,431**	788
After 2 years but within 5 years	**130,621**	42,512
After 5 years	**7,527**	35,315
	267,579	78,615
Total interest-bearing borrowings	**1,205,840**	472,037

29 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Hong Kong Profits Tax				
Provision for the year	**—**	587	**—**	72
Provisional Profits Tax paid	**—**	(474)	**—**	(80)
Balance of Profits Tax provision relating to prior years	**110**	—	**51**	60
	110	113	**51**	52
PRC Corporate Income Tax				
Provision for the year	**197,359**	36,152	**—**	—
Acquisition of subsidiaries through business combination (note 32)	**—**	16,798	**—**	—
Income tax paid	**(9,886)**	(1,755)	**—**	—
Balance of Corporate Income Tax provision relating to prior years	**19,951**	2,230	**—**	—
	207,424	53,425	**—**	—
	207,534	53,538	**51**	52

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 2012	6,147	(87)	517	(726)	(554)	–	–	–	5,297
Charged/(credited) to profit or loss	(1,128)	(1,200)	–	67	(314)	–	–	–	(2,575)
Additions through business combination (note 32)	–	(1,193)	67,335	–	–	53,384	2,989	–	122,515
At 31 December 2012	5,019	(2,480)	67,852	(659)	(868)	53,384	2,989	–	125,237
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**

(ii) Reconciliation to the consolidated statement of financial position

	2013 RMB'000	2012 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(13,434)**	(2,720)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**60,547**	127,957
	47,113	125,237

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), 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 2013, unused tax losses of RMB25,556,000 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 2013, temporary differences relating to the post-2007 undistributed profits of the Group's foreign-invested enterprises amounted to RMB926,898,000 (2012: RMB705,945,000). Deferred tax liabilities of RMB91,445,000 (2012: RMB69,771,000) 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

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	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	**155,248**	154,352

30 CONVERTIBLE BONDS *(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.

(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.

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)	Translation reserve RMB'000 31(d)(vi)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2012		10,664	656,058	88	90,303	(41,555)	(6,298)	709,260
Changes in equity for 2012:								
Loss for the year		–	–	–	–	–	(4,156)	(4,156)
Other comprehensive income		–	–	–	–	412	–	412
Total comprehensive loss		–	–	–	–	412	(4,156)	(3,744)
Repurchase of own shares								
– par value paid		(7)	–	–	–	–	–	(7)
– premium paid		–	(1,153)	–	–	–	–	(1,153)
– transfer between reserves		–	–	7	–	–	(7)	–
Dividends approved and paid in respect of the previous year	31(b)	–	(49,598)	–	–	–	–	(49,598)
Dividends declared and paid in respect of the current year	31(b)	–	(19,790)	–	–	–	–	(19,790)
Balance at 31 December 2012		10,657	585,517	95	90,303	(41,143)	(10,461)	634,968

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(a) Movement in components of equity *(Continued)*

	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

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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

	2013		2012	
	HK$'000	Equivalent to RMB'000	HK$'000	Equivalent to RMB'000
Interim dividend declared and paid of HK2.5 cents per ordinary share (2012: HK2.0 cents per ordinary share)	**33,221**	**26,281**	24,336	19,790
Final dividend proposed after the end of the reporting period of HK5.5 cents per ordinary share (2012: HK5.2 cents per ordinary share)	**73,085**	**57,891**	69,099	55,846
Special dividend declared after the end of the reporting period of HK3.5 cents per ordinary share (2012: nil per ordinary share)	**46,509**	**36,840**	—	—
	152,815	**121,012**	93,435	75,636

The final dividend proposed and special dividend declared after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

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

	2013		2012	
	HK$'000	Equivalent to RMB'000	HK$'000	Equivalent to RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.2 cents per ordinary share (2012: HK5.0 cents per ordinary share)	**69,099**	**55,030**	60,841	49,598

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

	Note	2013 No. of shares '000	2013 Amount HK$'000	2012 No. of shares '000	2012 Amount HK$'000
Authorised:		**100,000,000**	**1,000,000**	100,000,000	1,000,000
Ordinary shares, issued and fully paid:					
At 1 January		**1,216,824**	**12,168**	1,217,728	12,177
Issuance of new shares	(i)	**112,000**	**1,120**	—	—
Shares repurchased	(ii)	**—**	**—**	(904)	(9)
At 31 December		**1,328,824**	**13,288**	1,216,824	12,168
			RMB'000		RMB'000
Equivalent to			**11,562**		10,657

Notes:

(i) 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.

(ii) In April 2012, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
April 2012	904,000	1.59	1.53	1,431
				RMB'000
			Equivalent to	1,160

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to the provision of the Cayman Companies Law, an amount equivalent to the par value of the shares cancelled of HK$9,000 (equivalent to approximately RMB7,000) was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$1,422,000 (equivalent to RMB1,153,000) was charged to share premium.

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(p)

— 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

(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.

31 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

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

(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 2013, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was RMB702,927,000 (2012: RMB 665,359,000). After the end of the reporting period, the directors proposed a final dividend of HK5.5 cents per ordinary share (2012: HK5.2 cents per share), amounting to HK$73,085,000 (2012: HK$69,099,000) and a special dividend of HK3.5 cents per ordinary share (2012: nil per share), amounting to HK$46,509,000 (2012: nil) (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 BUSINESS COMBINATION

On 16 November 2012, the Group entered into the equity transfer agreement with ZTE Corporation through the subsidiary of the Company, Guangdong Noter, pursuant to which the Group agreed to acquire, and ZTE Corporation agreed to sell 51% equity interest in Changfei Investment for a total consideration of RMB816,000,000.

By the end of 2012, the Group has paid RMB408,000,000 in total as the first and second instalment of the consideration. For the balance of the consideration, RMB204,000,000 shall be payable by the Group before 30 September 2013 as the third instalment of the Acquisition Consideration and RMB204,000,000 shall be payable by the Group before 30 April 2014 as the fourth and last instalment. As of 31 December 2012, the fourth instalment was classified as non-current liability and discounted effect adjustment was RMB15,707,000. By the end of 2013, the third instalment of RMB204,000,000 was paid and the last instalment was classified as current liability and discounted effect adjustment was RMB3,959,000 as of 31 December 2013.

32 BUSINESS COMBINATION *(Continued)*

The acquisition completion took place on 26 December 2012 in accordance with the terms and conditions of the equity transfer agreement. Following the acquisition completion, Changfei Investment has become a 51% owned subsidiary of the Group.

The fair values of the net identifiable assets of Changfei Investment and its subsidiaries at the acquisition date are as follows:

	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment (note 14)	263,957	5,353	269,310
Intangible assets (note 15)	—	341,261	341,261
Interest in associates	194,063	154,740	348,803
Prepayment for land leases	142,587	(6,587)	136,000
Other financial assets	6,214	—	6,214
Deferred tax assets (note 29)	1,193	—	1,193
Inventories	294,124	—	294,124
Trade and other receivables	1,194,862	—	1,194,862
Factored trade receivables (note 23)	151,210	—	151,210
Discounted bills receivable (note 24)	284,657	—	284,657
Bills receivable (note 25)	803,911	—	803,911
Cash and cash equivalents	186,826	—	186,826
Restricted cash	99,240	—	99,240
Trade and other payables	(983,792)	—	(983,792)
Bills payable	(1,002,991)	—	(1,002,991)
Deferred income	(88,105)	—	(88,105)
Interest-bearing borrowings	(259,228)	—	(259,228)
Bank advances on factored trade receivables (note 23)	(151,210)	—	(151,210)
Bank advances on discounted bills receivables (note 24)	(284,657)	—	(284,657)
Income tax payable (note 29)	(16,798)	—	(16,798)
Deferred tax liabilities (note 29)	(14,699)	(109,009)	(123,708)
Net identifiable assets	821,364	385,758	1,207,122
Less: Non-controlling interest arising from the acquisition			(738,911)
Add: Goodwill arising from the acquisition (note 16)			332,082
Discount effect of long term payable of consideration			15,707
Total consideration (undiscounted)			816,000

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(Expressed in Renminbi unless otherwise indicated)

32 BUSINESS COMBINATION *(Continued)*

Analysis of the net cash outflow in respect of the acquisition in 2012:

Cash consideration paid	408,000
Less: cash acquired	(186,826)
Net cash outflow in respect of the acquisition	221,174

The fair value of net identifiable assets of Changfei Investment and its subsidiaries is determined based on the valuation carried out by an independent valuer.

33 DISPOSAL OF SUBSIDIARIES

Beijing All Access, being a subsidiary of the Company, and an individual, being one of the then minority shareholders in Beijing All Access Zhiping, entered into an equity transfer agreement, pursuant to which Beijing All Access disposed 92% equity interest in Beijing All Access Zhiping, representing the Group's then entire equity interest in Beijing All Access Zhiping, for a consideration of RMB18,880,000.

The disposal was completed on 31 May 2013 in accordance with the terms and conditions of the equity transfer agreement. Upon completion of the disposal, Beijing All Access Zhiping and Beijing Gaosheng Times Investment Co., Ltd. ("Beijing Gaosheng Times"), which was 100% owned by Beijing All Access Zhiping, ceased to be subsidiaries of the Company, and the Group also ceased to be interested in 46% equity interests in China Satellite Mobile Multimedia Network Co., Ltd. held by Beijing Gaosheng Times.

33 DISPOSAL OF SUBSIDIARIES *(Continued)*

The carrying amounts of the assets and liabilities of the above companies disposed of as at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	1,052
Intangible assets	2,070
Interest in an associate	16,485
Goodwill (note 16)	367
Other receivables	107
Cash and cash equivalents	240
Other payables	(1,600)
Net assets	18,721
Less: Non-controlling interests	(1,429)
Disposal of net assets attributable to the Group	17,292
Gain on disposal	1,588
Total consideration	18,880
Cash consideration received	18,880
Less: cash and cash equivalents of the subsidiaries disposed of	(240)
Net cash inflow in respect of the disposal of subsidiaries	18,640

34 COMMITMENTS

(a) Capital commitments relating to construction in progress outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	The Group	
	2013 RMB'000	2012 RMB'000
Contracted for	**19,516**	125,005

34 COMMITMENTS *(Continued)*

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

	The Group	
	2013 RMB'000	2012 RMB'000
Within 1 year	**17,435**	21,641
After 1 year but within 5 years	**21,404**	20,877
After 5 years	**—**	328
	38,839	42,846

The Group is the lessee in respect of a number of properties. The leases typically run for an initial period of one to ten years, with an option to renew the leases when all the terms are renegotiated. Leasing arrangements with related parties are set out in note 36(a). None of the leases include contingent rentals.

35 CONTINGENT LIABILITIES

Financial guarantees issued

As at the end of the reporting period, the Company has issued the following guarantees:

(a) a corporate guarantee to a bank in respect of a mortgage loan granted to CAA HK, which expires upon full repayment of the mortgage loan on 25 February 2035.

As at 31 December 2013, 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 2013 under the guarantee was the total outstanding amount of the loan of approximately HK$11,032,000 (equivalent to approximately RMB8,673,000) (2012: approximately HK$11,486,000, equivalent to approximately RMB9,313,000).

(b) a guarantee to an asset management company of a loan granted to CAA HK, which expires upon the repayment in one year.

As at 31 December 2013, 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 2013 under the guarantee was the total outstanding amount of the loan of approximately HK$150,000,000 (equivalent to approximately RMB117,930,000) (2012: nil).

36 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
Chan Yuen Ming	Controlling Shareholder
ZTE Corporation	Substantial Shareholder
Subsidiaries of ZTE Corporation (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 (Together referred to as the "ZX Group")	Subsidiaries of Substantial Shareholder
Associates of the Group	Significant influence
Mr. Zhu Weimin	Substantial Shareholder of the subsidiary of the Group
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) During the reporting period, 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 (ii).

36 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Material related party transactions

	The Group	
	2013 RMB'000	2012 RMB'000
Sales of goods		
ZTE Group	**3,066,980**	—
ZX Group	**240**	—
	3,067,220	—
Purchases of goods and services		
ZTE Group	**68,592**	—
ZX Group	**16,976**	—
Associates of the Group	**71,128**	—
	156,696	—
Finance cost		
ZTE Group	**26,926**	—
CTM	**12,483**	—
	39,409	—
Professional expense		
ZTE Group	**8,674**	—
Rental expenses		
Mr. Chan Yuen Ming	**182**	182
ZX Group	**1,990**	—
	2,172	182
Disposal of an associate		
Mr. Zhu Weimin	**11,593**	—
Acquisition of non-controlling interests		
Mr. Zhu Weimin	**15,320**	—

36 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Material related party balances

	The Group	
	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Cash and cash equivalents		
ZTE Group	**616**	96,257
Trade receivables		
ZTE Group	**558,088**	679,255
ZX Group	**470**	331
Associates of the Group	**17**	701
	558,575	680,287
Other receivables		
Mr. Zhu Weimin	**11,593**	—
Factored trade receivables		
ZTE Group	**248,000**	151,210
Discounted bills receivable		
ZTE Group	**76,427**	246,028
Bills receivable		
ZTE Group	**1,237,322**	599,043
ZX Group	**—**	1,487
	1,237,322	600,530
Trade payables		
ZTE Group	**12,125**	11,909
ZX Group	**5,131**	7,093
Associates of the Group	**34,786**	19,565
	52,042	38,567

36 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Material related party balances *(Continued)*

	The Group	
	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Bills payable		
ZTE Group	**19,954**	—
ZX Group	**5,209**	8,432
Associates of the Group	**21,746**	42,119
	46,909	50,551
Other payables		
ZTE Group	**8,724**	3,952
Mr. Zhu Weimin	**15,320**	—
	24,044	3,952
Deferred consideration payable		
ZTE Group	**200,041**	392,451
Interest-bearing borrowings		
ZTE Group	**170,000**	20,000
CTM	**78,620**	—
	248,620	20,000
Bank advances on discounted bills receivable		
ZTE Group	**—**	224,607
Convertible bonds		
ZTE Group	**155,248**	—
CTM	**154,352**	—
	309,600	—

36 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 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	The Group	
	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**10,459**	6,204
Post-employment benefits	**432**	309
Discretionary bonus	**6,468**	—
	17,359	6,513

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

(d) Guarantee by related party of the Company

As at 31 December 2013, Mr. Chan Yuen Ming has provided a guarantee in respect of the guaranteed note of HK$100,000,000 (approximately RMB78,620,000) (at 31 December 2012: nil) and convertible bond of HK$200,000,000 (approximately RMB157,240,000) (at 31 December 2012: nil).

37 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's credit risk is primarily attributable to deposits with financial institutions (including restricted cash) and trade and other receivables. 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.

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

(a) Credit risk *(Continued)*

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) downpayment 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 12 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. Normally, the Group does not obtain collateral from customers.

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 2013, the Group has a certain concentration of credit risk as 30.74% and 45.15% (2012: 32.88% and 65.44%) 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 are set out in note 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.

37 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

	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 receivable	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

	2012 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	415,147	5,512	53,101	38,355	512,115	472,037
Bank advances on factored trade receivables	151,210	—	—	—	151,210	151,210
Bank advances on discounted bills receivable	284,657	—	—	—	284,657	284,657
Trade and other payables	2,205,141	—	—	—	2,205,141	2,205,141
Deferred consideration payable	204,000	204,000	—	—	408,000	392,451
	3,260,155	209,512	53,101	38,355	3,561,123	3,505,496

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

(b) Liquidity risk *(Continued)*

The Company

	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

All financial liabilities of 2012 as disclosed in the Company's statement of financial position are required to be settled within one year or on demand and the total contractual undiscounted cash flow of these financial liabilities equal their carrying amount in the Company's statement of financial position.

(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.

37 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:

	2013		2012	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Variable rate deposits				
Cash at banks and in hand	**0.001-3.6**	**671,145**	0.35-0.50	333,415
Restricted cash	**0.35**	**336,080**	0.35-0.50	99,240
Fixed rate deposits				
Bank deposits with original maturities over three months	**3.25-3.30**	**600,000**	3.50	642,000
Fixed rate borrowings				
Interest-bearing borrowings	**6.00-10.00**	**506,077**	4.75-14.00	344,671
Bank advances on factored trade receivables	**5.88**	**248,000**	4.73-5.87	151,210
Bank advances on discounted bills receivable	**6.30-7.30**	**173,069**	4.80-5.60	284,657
Convertible bonds	**8.00-10.00**	**309,600**	—	—
Variable rate borrowings				
Interest-bearing borrowings	**1.22-7.86**	**699,763**	2.55-7.04	127,366
Total borrowings		**1,936,509**		907,904
Fixed rate borrowings as a percentage of total borrowings		**63.86%**		85.97%

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2013, 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 RMB3,350,450 (2012: RMB335,380).

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 2013, except for trade receivables of US$1,057,000 (2012: US$7,443,000). The Group believes that the pegged rate between the Renminbi and the US$ will be materially unaffected by any changes in the value of US$ against other currencies. In this respect, the Group considers its PRC subsidiaries' exposure to foreign currency risk in respect of US$ to be insignificant (2012: nil).

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 2013 (2012: nil).

(e) Fair values

All financial instruments are carried at cost or amortised cost not materially different from their fair values as at 31 December 2013 and 2012.

38 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENT

(a) On 27 February 2014, the Group entered into a strategic cooperation framework agreement (the "Strategic Cooperation Framework Agreement") with a nationwide mobile broadband network integrated service provider (together with its subsidiaries, collectively the "Service Provider") in the PRC, which is an independent third party, for a term of five years commencing from the date thereof. Pursuant to the Strategic Cooperation Framework Agreement, the parties shall jointly develop and promote various forms of information and communication technology products and services including (i) construction of smart city and network for government and private sector; (ii) wireless mobile broadband network; (iii) satellite communication; (iv) ground mobile broadband network; and (v) various forms of smart solutions including but not limited to smart solutions for daily life, community services, shopping malls, tourism, school campuses, logistics and hotels.

On the same date, the Group entered into a procurement framework agreement (the "Procurement Framework Agreement") with the Service Provider for a term of one year commencing from the date thereof. Pursuant to the Procurement Framework Agreement, the Service Provider shall engage the Group to develop, manufacture and supply products related to wireless data communication products from time to time to be specified by the Service Provider by separate purchase orders to be entered into between the parties for an aggregate consideration of RMB800 million within the term of the Procurement Framework Agreement.

(b) On 14 March 2014, Shenzhen Xing Fei and Mr. Feng (a shareholder of Ruide Electronic) entered into the Ruide Equity Transfer Agreement pursuant to which Shenzhen Xing Fei will acquire approximately 19.54% equity interest in Ruide from Mr. Feng for a consideration of approximately RMB25.11 million (equivalent to approximately HK$31.78 million). Upon completion of the Ruide Equity Acquisition, the Group's equity interest in Ruide Electronic will increase from approximately 57.47% to approximately 77.01%.

(c) After the end of the reporting period, the directors proposed a final dividend and a special dividend for the year ended 31 December 2013. Further details are disclosed in note 31(b).

39 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.

40 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2013, 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.

(Expressed in Renminbi unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 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 HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*	1 January 2014
Amendments to HKAS 32, Financial instruments: *Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*	1 January 2014
HK(IFRIC) 21, *Levies*	1 January 2014
HKFRS 9, *Financial instruments (2009)*, HKFRS 9, *Financial instruments (2010)*	Unspecified

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.