中國全通
ALL ACCESS

INTELLIGENT SOLUTIONS

ACCESS FOR ALL

ANNUAL REPORT 2015

CHINA ALL ACCESS (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 633

INTELLIGENT SOLUTIONS

ACCESS FOR ALL

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COMPANY

BUSINESS REVIEW AND CORPORATE GOVERNANCE

FINANCIAL REPORT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung (FCPA)
Mr. Xiu Zhi Bao
Mr. Yan Wei (appointed on 4 August 2015)
Mr. Tian Zheng (appointed on 4 August 2015)

Non-Executive Director

Mr. Xu Qiang
(resigned with effect from 1 October 2015)

Independent Non-Executive Directors

Mr. Pun Yan Chak
(will retire with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 14 June 2016)
Mr. Wong Che Man Eddy (FCPA)
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (FCPA) (appointed on 1 April 2016)

AUTHORISED REPRESENTATIVES

Mr. Chan Yuen Ming
Mr. Shao Kwok Keung (FCPA)

AUDIT COMMITTEE

Mr. Wong Che Man Eddy (Chairman) (FCPA)
Mr. Pun Yan Chak
(resigned with effect from 1 April 2016)
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (FCPA) (appointed on 1 April 2016)

REMUNERATION COMMITTEE

Mr. Pun Yan Chak (Chairman)
(resigned with effect from 1 April 2016)
Mr. Fung Ka Kin (Chairman) (FCPA)
(appointed on 1 April 2016)
Mr. Wong Che Man Eddy (FCPA)
Mr. Shao Kwok Keung (FCPA)

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Au Ki Lun (CPA)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 65, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

AUDITORS

HLB Hodgson Impey Cheng Limited
31 Floor, Gloucester Tower, The Landmark
11 Pedder Street
Central
Hong Kong

CORPORATE INFORMATION

HONG KONG LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

China Construction Bank Corporation
Shenzhen Branch
A Section, Rongchao Business Center
6003 Yitian Road, Futian District
Shenzhen
People's Republic of China

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
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.

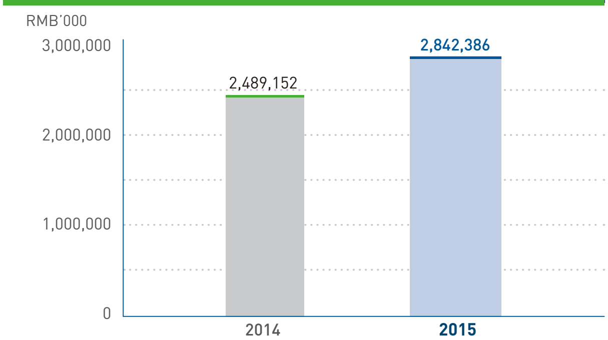
	Years ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Results					
Revenue	**7,544,779**	7,038,440	4,693,637	606,926	624,073
Cost of sales	**(6,565,797)**	(6,220,612)	(4,045,059)	(370,701)	(368,663)
Gross profit	**978,982**	817,828	648,578	236,225	255,410
Other revenue	**17,797**	9,199	14,523	1,757	934
Other net (loss)/income	**(8,849)**	(563)	1,402	(1,203)	7,312
Distribution costs	**(43,051)**	(42,715)	(34,179)	(8,444)	(7,990)
Administrative expenses	**(313,616)**	(353,358)	(253,599)	(44,055)	(42,954)
Research and development expenses	**(102,536)**	(63,022)	(80,366)	(997)	—
Profit from operations	**528,727**	367,369	296,359	183,283	212,712
Finance income	**122,990**	88,898	34,575	23,258	23,152
Finance costs	**(225,610)**	(181,081)	(132,685)	(766)	(608)
Gain on disposal of subsidiaries	**1,862**	2	1,588	—	—
(Loss)/gain on disposal of associates	**(3,750)**	(1,834)	240,944	—	—
Share of profits less losses of associates	**(35)**	(47)	16,208	(1,484)	(1,929)
Profit before taxation	**424,184**	273,307	456,989	204,291	233,327
Income tax	**(111,960)**	(79,332)	(118,575)	(34,164)	(28,306)
Profit for the year	**312,224**	193,975	338,414	170,127	205,021
Earnings per share					
Basic (RMB)	**0.159**	0.146	0.168	0.140	0.171
Diluted (RMB)	**0.159**	0.146	0.168	0.140	0.170
Assets and liabilities					
Total assets	**10,635,510**	9,788,787	7,699,636	6,001,049	1,598,317
Total liabilities	**(7,117,559)**	(6,563,250)	(5,079,848)	(3,794,496)	(230,951)
Total equity	**3,517,951**	3,225,537	2,619,788	2,206,553	1,367,366

FINANCIAL HIGHLIGHTS

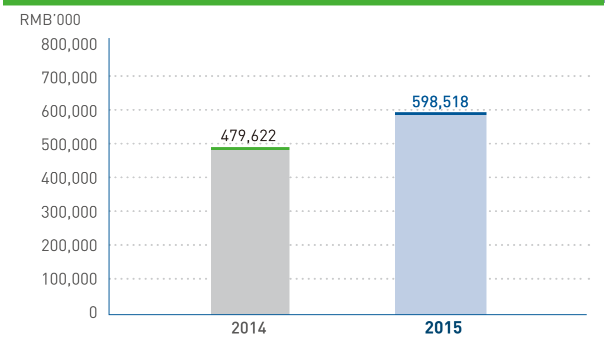
RESULTS

	2015 RMB'000	2014 RMB'000	% Change
Revenue for continuing operation*	**2,842,386**	2,489,152	14.19%
Gross profit for continuing operation*	**598,518**	479,622	24.79%
Profit for the year from continuing operations*	**228,387**	80,002	185.48%
Profit attributable to equity shareholders of the Company	**278,460**	207,716	34.06%
Basic earnings per share (RMB)	**0.159**	0.146	8.90%

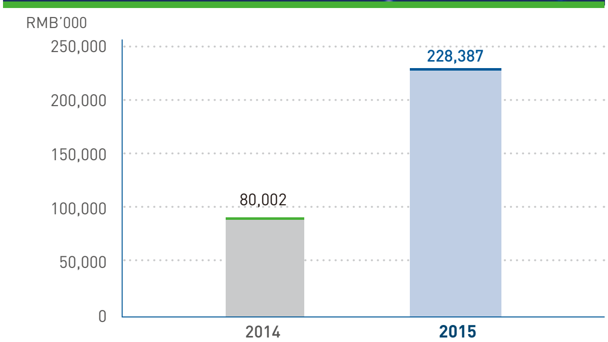
REVENUE FOR CONTINUING OPERATION*



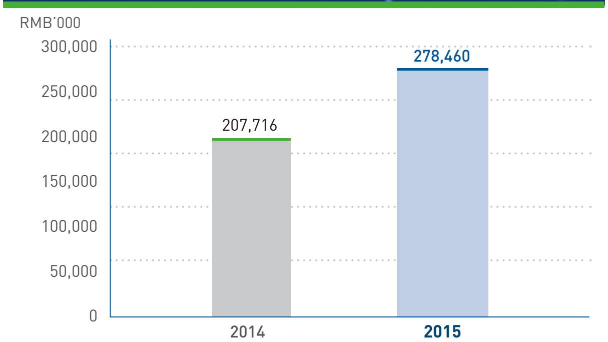
GROSS PROFIT FOR CONTINUING OPERATION*



PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS*

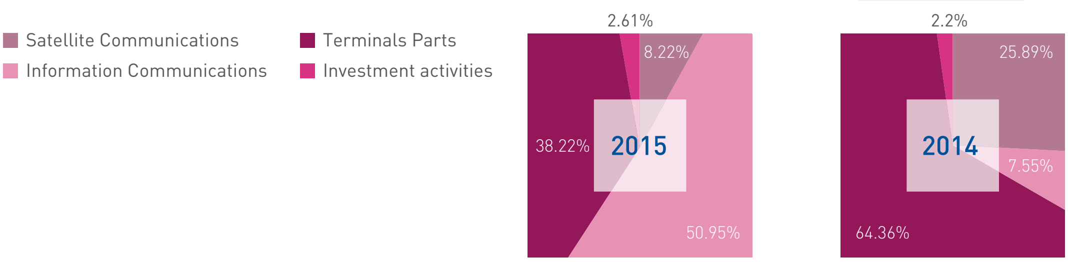


PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY



REVENUE CONTRIBUTION BY PRODUCT CATEGORY (FOR CONTINUING OPERATION)

	2015	2014*
Communication Application Solution and Services		
— Satellite Communications Application Solution and Services	**8.22%**	25.89%
— Information Communications Solutions and Services	**50.95%**	7.55%
— Terminals Parts	**38.22%**	64.36%
Investment activities	**2.61%**	2.20%



* Comparative figures for the corresponding period in 2014 are reclassified for continuing operations.

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 devices using new generation information communication technology.

CHAIRMAN'S STATEMENT

ENHANCING THE BUSINESS SPECTRUM

The Year of 2015 was a truly remarkable period to the Group. We achieved a number of major milestones which brought along a significant enhancement of our business spectrum. With all these key components in place, we believe they would take us to the next level of our corporate development.

SHAREHOLDER STRUCTURE OPTIMIZATION

Since our IPO in 2009, we have strived to enlarge our shareholder base and diversify our shareholder portfolio. In 2015, we have issued both new shares and new convertible notes of approximately HK$1,497 millions, resulting in replacement of major industrial investors by a number of powerful financial investors. The success in optimizing our shareholder structure enables us to tap the various kinds of resources contributed by our shareholders. Hence, we can build our business to cover a wider spectrum for delivery of higher long term returns to our shareholders.

CHAIRMAN'S STATEMENT

BUSINESS REORGANIZATION

Whilst positioning ourselves as a telecommunication and technology enterprise, we have been looking for ways to raise the values of our various business units to cope with the worldwide trend of Industry 4.0 and Internet Plus. As a result, we have undertaken a large volume of restructuring works since acquiring Changfei Investment Company Limited (together with its subsidiaries, the "Changfei Group") near the end of 2012. Highlights of these works are as follows:

1. *Divestment activities to exit from non-core businesses*

Since 2013, we have disposed of the shares of an associated company which is a listed company in Mainland China through secondary market placing and trading to exit from the non-core businesses. In addition, we have sold some associated companies to one of the minority shareholders of Changfei Group with the aim of focusing our management efforts on developing our core business.

2. *Investment activities to generate higher return*

We have been building up our experience in the investment market by subscribing some high yield treasury products and providing facilitating capital to our supply stream. These activities have been executed under very stringent risk management procedures to generate higher returns.

3. *Disposal of business to bolster our position for stronger future growth*

In order to maximize return on our assets, we have disposed of the most significant business unit of Changfei Group to a listed company in Mainland China. The proceeds of the disposal strengthens our capital base for future investment in high end technology driven business.

4. *Potential spinning off of business which has an independent value proposition*

Our LCD display module business with a highly independent value proposition has been doing very well in raising its technical core competence. Its most recent project on intelligent production has obtained some initiatives. In view of its special characteristics, we are considering to spin off the business in the capital market for its value proposition to be better realized.

5. *Restructuring business to rebuild the whole value*

Our precision moldings business has been buffeted by a number of development challenges, including (1) over-capacity; (2) ageing of its machinery and equipment; (3) price pressure; (4) order reduction; (5) long outstanding receivables and (6) staffing and cost control issue, since 2014. To cope with these challenges, we have carried out business restructuring through a number of measures. We have scaled down the workforce and shut down some production lines to trim the production capacity. We have written off the remaining values of all outdated machinery and equipment as well as some long outstanding receivables and invested in advanced replacements. To counter the price pressure, we have broadened our market by entering into some new sectors, like the virtual reality eyeglass products and intelligent home electronic products. We will continue to explore other new market opportunities, such as mobile medical terminals, mobile education terminals and unmanned aviation products.

CHAIRMAN'S STATEMENT

In view of the aforementioned restructuring activities, we have decided to reclassify our core business into the following two segments :

1. The provision of communication application solutions and services: including system design, installation, testing, software development, provision of application services for satellite and wireless communication, distribution of satellite receivers and equipment, as well as research and development, manufacture and distribution of parts of wireless terminals and equipment, including display modules, casings and keyboards. This is in line with the business approach of converging the two transmission technologies into one-stop solution in order to better address the end-to-end communication needs of our customers. Both the LCD display module business and the precision molding business are included within this segment as two separate operating units; and

2. The investment segment represents revenue generated from interest earned from provision of facilitating capital to supply stream in Hong Kong and investment return generated from direct investment and high yield treasury products.

New Business Development

To pursue new businesses, we have decided to focus on the following new markets:

1. Optical communication

With the increasing popularity of mobile broadband communication and rising number of internet applications, the increasing bandwidth requirement will surpass the limit of radio frequency spectrum bandwidth with the only solution being optical communication with a spectrum bandwidth of multiples more than radio frequency. To advance in this direction, we will obtain the licencing right to develop optical communication products, devices and equipment based on the patent filed by our Chief Technical Officer's company. This approach enables us to have a more robust product roadmap to differentiate us in the industry.

2. Solar energy

Based on the same patent filed by our Chief Technical Officer's company, we can broaden our business to encompass the solar energy, a very substantial and fast-growing market. This lays a new cornerstone in our business development.

TEAM BUILDING

The telecommunication and technology market sectors are full of opportunities as well as challenges. To overcome the challenges and to ride on opportunities requires a team of talented, high calibre and passionate executives who share the same vision to work together to achieve the same mission. Therefore, building up a cohesive team of such professional is an ongoing effort of the company. We believe that our success in the future is the direct result of a team heading in the right strategic direction.

At this juncture, I would like to express my gratitude to the support from our shareholders and all other stakeholders who have steadfastly stood side by side with us.

TECHNOLOGY PAVES THE WAY TO SMART LIVING

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Formulation and execution of the strategies and action plans ahead have led to restructuring of both shareholder portfolio and business segments of the Group in 2015. As a result, The Group has broadened its shareholder base and enhanced the value of its business segments significantly. Some major highlights as follows:

1. Number of issued shares increased from approximately 1,582,156,000 as at 31 December 2014 to approximately 1,822,474,000 as at 31 December 2015, representing an increase of approximately 15.19%;

2. Revenue from continuing operations increased by approximately 14.19% to approximately RMB2,842,386,000 as compared to revenue in 2014;

3. Gross profit from continuing operations increased by approximately 24.79% to approximately RMB598,518,000 as compared to the gross profit in 2014;

4. Profit for the year of 2015 increased by approximately 34.06% to approximately RMB278,460,000 as compared to profit for the year of 2014.

Discontinued Operation

During the year ended 31 December 2015, the Group entered into a transaction agreement for disposal of 54% equity interest in 深圳市興飛科技有限公司 (Shenzhen Xing Fei Technology Co., Ltd.) ("Shenzhen Xingfei") (which together with its operating subsidiaries were principally engaged in the research and development, manufacturing and sales of mobile phones and mobile power source products). Following the completion of such disposal in January 2016, Shenzhen Xingfei and its subsidiaries had ceased to be subsidiaries of the Company. The Company considers that such disposal represents an attractive return on its investment in the mobile terminals business and will enable the Group to focus its resources in pursuing development opportunities that may generate higher return in the future. Accordingly, the operations of Shenzhen Xingfei and its subsidiaries were treated as discontinued operation in the financial statements of the Group for the year ended 31 December 2015.

Communication Application Solutions and Services

The Group has been taking advantage on the convergence of satellite communication application solutions and wireless data communication application solutions to address the requirements of end-to-end total communication solutions of its customers. The growing demand for a wider range of communication application solutions for emergency communication, public safety and integrated city administration has underpinned the Group's revenue growth. At the same time, the increasing scope of broadband applications continued to drive the market demand for smart terminals. Moreover, new technology in the display, aesthetic casing designs and on-board solution stimulated more shipments of smart terminals to the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment

In the course of rolling out investment, the Group aimed at increasing the return on assets at risk adverse approach. The Group's total assets have grown from approximately RMB9,788,787,000 as at 31 December 2014 to approximately RMB10,635,510,000 as at 31 December 2015. During the year, the Group took positions in high yield treasury products and provided facilitating capital to supply stream leading to a solid contribution in finance income. As a result, the revenue generated from investment increased from approximately RMB54,670,000 for the year ended 31 December 2014 to approximately RMB74,175,000 for the year ended 31 December 2015.

FINANCIAL REVIEW

From Continuing Operations

Revenue

Revenue increased from approximately RMB2,489,152,000 for the year ended 31 December 2014 to approximately RMB2,842,386,000 for the year ended 31 December 2015, representing an increase of approximately 14.19%. The increase in revenue during the year as compared with that of last year was mainly attributable to the factors described below:

- Communication application solutions and services exhibited an increase in revenue from approximately RMB2,434,482,000 for the year ended 31 December 2014 to approximately RMB2,768,211,000 for the year ended 31 December 2015, representing an increase of approximately 13.71%. The increase was mainly due to the increase in revenue generated from satellite, wireless products and from the display modules business.

- Investment exhibited an increase in revenue from approximately RMB54,670,000 for the year ended 31 December 2014 to approximately RMB74,175,000 for the year ended 31 December 2015, representing an increase of approximately 35.68%. The increase was mainly due to increase in revenue generated from interest earned from provision of facilitating capital to supply stream in Hong Kong.

Gross profit

Gross profit rose from approximately RMB479,622,000 for the year ended 31 December 2014 to approximately RMB598,518,000 for the year ended 31 December 2015, representing an increase of approximately 24.79%. Meanwhile, gross profit margin increased from approximately 19.27% for the year ended 31 December 2014 to approximately 21.06% for the year ended 31 December 2015. The increase was mainly attributable to the increase in revenue and gross profit margin from the provision of communication application solutions and services and increase in revenue from investment which generally carry higher gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue

Other revenue climbed from approximately RMB4,676,000 for the year ended 31 December 2014 to approximately RMB12,547,000 for the year ended 31 December 2015, representing an increase of approximately 1.68 times. It was mainly attributable to government grants attributed to research and development projects for the businesses of display modules.

Other net loss

The Group recorded other net loss of approximately RMB7,525,000 for the year ended 31 December 2015 as compared with other net loss of approximately RMB252,000 for the year ended 31 December 2014. It was mainly due to a loss on disposal of the Group's property, plant and equipment.

Distribution costs, administrative expenses and R&D expenses

Distribution costs, administrative expenses and R&D expenses decreased from approximately RMB320,617,000 for the year ended 31 December 2014 to approximately RMB239,544,000 for the year ended 31 December 2015, representing a decline of approximately 25.29%. The decrease was mainly due to decrease in administrative expenses. The percentage of distribution costs, administrative expenses and R&D expenses of the revenue decreased from approximately 12.88% for the year ended 31 December 2014 to 8.43% for the year ended 31 December 2015, representing a decline of approximately 4.45 percentage points. The decline of the percentage of distribution costs, administrative expenses and R&D expenses to the revenue reflects the Group's success in its continuous efforts to maintain cost efficiency.

Profit from continuing operations

Profit from continuing operations climbed from approximately RMB163,429,000 for the year ended 31 December 2014 to approximately RMB363,996,000 for the year ended 31 December 2015, representing an increase of approximately 122.72%. The increase was mainly attributable to strong performance generated from the provision of communication application solutions and service.

Finance income and finance costs

Finance income rose from approximately RMB81,487,000 for the year ended 31 December 2014 to approximately RMB116,750,000 for the year ended 31 December 2015, representing a growth of approximately 43.27%. The increase was mainly attributable to the interest income from bank deposits.

Finance costs increased from approximately RMB110,093,000 for the year ended 31 December 2014 to approximately RMB156,551,000 for the year ended 31 December 2015, representing a rise of approximately 42.2%. The rise was mainly attributable to interest associated with increase in interest-bearing borrowings and new convertible bonds issued during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax

Income tax increased from approximately RMB52,937,000 for the year ended 31 December 2014 to approximately RMB92,023,000 for the year ended 31 December 2015, representing an increase of approximately 73.83%. The increase in income tax was mainly due to tax expenses incurred for group reorganization purposes in relation to disposal of Shenzhen Xingfei.

Profit for the year

Profit for the year from continuing and discontinued operation attributable to equity shareholders of the Company increased from approximately RMB207,716,000 for the year ended 31 December 2014 to approximately RMB278,460,000 for the year ended 31 December 2015, representing an increase of approximately 34.06%. Profit for the year from continuing operations of the Company increased from approximately RMB80,002,000 for the year ended 31 December 2014 to approximately RMB228,387,000 for the year ended 31 December 2015, representing an increase of approximately 185.48%. The increase was mainly attributable to strong performance generated from the continuing operation of the Group.

From Discontinued Operation

Profit for the year

Profit for the year from discontinued operation decreased from approximately RMB113,973,000 for the year ended 31 December 2014 to approximately RMB83,837,000 for the year ended 31 December 2015, representing a decrease of approximately 26.44%. The decrease was mainly attributable to the decline in business of mobile terminals.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 31 December 2015, the Group had unrestricted cash and cash equivalents (excluded assets of disposal group classified as held for sale) of approximately RMB275,065,000 (as at 31 December 2014: approximately RMB461,783,000), restricted cash (excluded assets of disposal group classified as held for sale) of approximately RMB419,915,000 (as at 31 December 2014: approximately RMB675,692,000), bank deposits with original maturities over three months (excluded assets of disposal group classified as held for sale) of approximately RMB1,093,000,000 (as at 31 December 2014: approximately RMB303,000,000) and borrowings of approximately RMB3,694,522,000 (as at 31 December 2014: approximately RMB2,739,220,000). The gearing ratio (calculated by dividing borrowings by total assets) as at 31 December 2015 was approximately 34.74% (as at 31 December 2014: approximately 27.98%). As at 31 December 2015, the Group had current assets (excluded assets of disposal group classified as hold for sale) of approximately RMB6,572,479,000 (as at 31 December 2014: approximately RMB7,209,073,000) and current liabilities (excluded liabilities of disposal group classified as held for sale) of approximately RMB3,434,453,000 (as at 31 December 2014: approximately RMB6,028,176,000). The current ratio (which is calculated by dividing current assets (excluded assets of disposal group classified as held for sale) by current liabilities (excluded liabilities of disposal group classified as held for sale)) was approximately 1.91 as at 31 December 2015, as compared with the current ratio of approximately 1.20 as at 31 December 2014. The significant increase of the current ratio was mainly attributable to the decrease in current liabilities of disposal group due to the reclassification as held for sale.

The approach of the board (the "Board") of directors of the Company to manage liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

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

Capital expenditure

During the year under review, the Group's total capital expenditure amounted to approximately RMB73,763,000 (2014: approximately RMB179,149,000), which was mainly used for the procurement for upgrading plant, machinery and equipment.

Capital commitment

As at 31 December 2015, the Group had a capital commitment amounting to approximately RMB75,253,000 (as at 31 December 2014: approximately RMB43,978,000). The increase was mainly attributable to the procurement for additional machinery and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on assets

As at 31 December 2015, the assets of the Group with the following carrying amounts were pledged, which included the following:

(i) At 31 December 2015, RMB220,710,000 (at 31 December 2014: RMB250,000,000) of the loans were secured by two pieces of land of the Group with carrying value of approximately RMB136,554,000 (at 31 December 2014: approximately RMB139,781,000);

(ii) At 31 December 2015, approximately RMB10,711,000 (at 31 December 2014: RMB11,036,000) of the loans were secured by the Group's buildings with carrying value of approximately RMB21,457,000 (at 31 December 2014: approximately RMB22,055,000), of which HK$10,108,000 (approximately RMB8,468,000) (at 31 December 2014: HK$10,572,000, approximately RMB8,340,000) of the loans were guaranteed by the Company;

(iii) (1) At 31 December 2015, RMB190,800,000 (at 31 December 2014: nil) of the loans were pledged by bank deposits of the Group with carrying value of approximately RMB194,915,000. The principal is due in 2016 with the interest rate charged at 5.39%; (2) RMB100,000,000 (at 31 December 2014: nil) of the loans were pledged by bank deposits of the Group with carrying value of RMB105,000,000. The principal is due in 2016 with the interest rate charged at 5.00%; and (3) RMB116,000,000 (at 31 December 2014: RMB116,000,000) of the loan were pledged by bank deposits of the Group with carrying amount to RMB120,000,000 (2014: Carrying value of HK$150,000,000 (equivalent to approximately RMB118,906,000)). The principal is due in 2016 with the interest rate charged at 1.62%. (2014: The principal is due in 2015 with the interest rate charged at 5.43%);

(iv) At 31 December 2015, RMB40,000,000 (at 31 December 2014: RMB:4,300,000) of the loans were pledged by bills receivable of the Group.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2015, the Group had approximately 3,787 employees (as at 31 December 2014: approximately 4,896 employees). The decrease in the number of employees was mainly due to (i) centralization of the production facilities, (ii) the semi-automation of production lines and (iii) exit from non-core businesses. The Group offers its employees competitive salary package, as well as contribution to defined retirement plan.

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and that of the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The execution of restructuring and reorganization activities has laid a very solid foundation for the Group to build up its business to the next level. Whilst focusing the Group's business on the areas of telecommunications and technology, the Group anticipates that the following key factors will be the major growth drivers of its future development.

China's economic transformation driving the pursuit of high-end technology-driven products

China's economic development has begun the shift from heavily relying on conventional manufacturing to an emphasis on high-end technology-driven supply side economic reform. The Group has been proactively searching for self-innovating scientific research which can be commercialized as its core competence in its business development. In the core area of telecommunications technology, the Group is targeting optical communications technology which is expected to be the next generation of telecommunications technology beyond radio frequency technology. Towards this direction, the Group has recently identified an opportunity to secure the rights of licensing and development of applications from a patent holder. This potential transaction would open up a golden window of opportunity for the Group to enter the new energy market by offering revolutionary new products for the solar energy industry at a substantially lower price and operating in a more environmentally-friendly way. Should this new business opportunity materialize, based on that patent, the Group can also develop several new products and new applications for its communications solution application business and thereby create a highly robust product roadmap which will increase its competitive advantage in the market.

Popularity of mobile broadband applications in the emergency communications, public safety and urban integrated administration market segments

The Group is riding on the popular trend of mobile broadband applications in the consumer market to promote its solutions in the emergency communications, public safety and urban integrated administration. Introducing customized mobile terminals for its customers to access real-time online operating data or video signal from their internal systems via the convergence of terrestrial broadband network and satellite network substantially enhances the operating efficiency of the Group's customers and would bring about saving of costs, faster response to emergencies, higher data accuracy and enhanced ability to collect more information simultaneously. The Group foresees huge market potential in the provision of end-to-end communications solutions which will increase its market share and generate a stronger revenue stream.

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidation of the telecommunications and technology industries gives rise to tremendous investment opportunities

Both the telecommunications and technology industries are fast changing and very dynamic fields. New ideas, new products and new applications are emerging at rapid pace. Since the Group's engagement in these industries, the Group has been encountering opportunities to extend its value chain both upstream and downstream. Throughout the years, the Group has developed a set of guidelines in identifying new opportunities and in structuring an appropriate investment model to manage its risk and generate optimal returns to supplement its organic growth. Whilst the Chinese government is advocating the idea of "new ventures by everybody and new invention by all people", the Group believes there will be tremendous new opportunities arising from the field, especially in the aspect of telecommunications and technology. Armed with the advantage of a listed company's capital capability, the Group can select the best targets which fit its investment strategy to strengthen its entire business portfolio. In view of the favorable factors supporting the Group's future growth, the Group is confident that its talented team will continue to deliver satisfactory results enabling it to develop and become a stronger enterprise in the telecommunications and technology industries.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

- CHAN Yuen Ming, Chairman
- SHAO Kwok Keung, Chief Executive Officer
- XIU Zhi Bao, Head of Planning and Finance Department
- YAN Wei, Executive Director and Vice President (appointed on 4 August 2015)
- TIAN Zheng, Executive Director and Vice President (appointed on 4 August 2015)

NON-EXECUTIVE DIRECTOR

- XU Qiang (resigned with effect from 1 October 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

- PUN Yan Chak
  (will retire with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 14 June 2016)
- WONG Che Man Eddy
- LAM Kin Hung Patrick
- FUNG Ka Kin (appointed on 1 April 2016)

SENIOR MANAGEMENT

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

CHAN Yuen Ming, aged 60, 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 54, 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 fellow 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 46, 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

YAN Wei, aged 36, is an executive Director and the Vice President of the Company. Mr. Yan graduated from 山東科技大學 (Shandong University of Science and Technology) in the People's Republic of China (the "PRC") with a bachelor's degree in accounting in 2002 and from 福州大學 (Fuzhou University) in the PRC with a master degree in management and engineering in 2005. In 2010, he obtained a master of business administration in Brandeis University in the United States of America. From February 2015 to July 2015, Mr. Yan was an investment director in Hawking Capital Management Group Limited. Mr. Yan has over 10 years of experience in the field of capital market investment and merger and acquisitions through his work experience in audit firm and investment and asset management companies. He is also a Chairman and the independent non-executive Director of 浙江宏磊銅業股份有限公司 (Zhejiang Honglei Copper Industry Holdings Co., Ltd.) (stock code: 00267.sz), which is listed on the Small and Medium Enterprise Board in Shenzhen Stock Exchange.

TIAN Zheng, aged 27, is an executive Director and the Vice President of the Company. Mr. Tian graduated from 山西師範大學 (Shanxi Normal University) in the PRC with a bachelor 's degree in computer science and technology in 2010. In 2013, he obtained a master of business administration in DePaul University in the United States of America. From June 2013 to July 2015, Mr. Tian worked in Hawking Capital Management Group Limited as an investment manager during which he was responsible for investment projects and mergers and acquisitions projects. He is also an independent non-executive Director of 浙江宏磊銅業股份有限公司 (Zhejiang Honglei Copper Industry Holdings Co., Ltd.) (stock code: 00267.sz), which is listed on the Small and Medium Enterprise Board in Shenzhen Stock Exchange.

NON-EXECUTIVE DIRECTOR

XU Qiang, aged 44, was a non-executive Director of the Company until his resignation with effect from 1 October 2015. 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 58, 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 and will retire as Director with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 14 June 2016. Mr. Pun was the chairman of the Remuneration Committee and a member of the Audit Committee of the Board before his resignation on 31 March 2016. 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

WONG Che Man Eddy, 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. 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 58, 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 a Consultant in Yip, Tse & Tang, a solicitor's firm in Hong Kong.

FUNG Ka Kin, aged 45, is an independent non-executive Director of the Company. He joined the Group on 1 April 2016 when he was appointed as an independent non-executive Director and the Chairman of the Remuneration Committee and a member of the Audit Committee of the Board. He has over 20 years of experience in the auditing and tax advisory profession. He is practising as a certified public accountant in Hong Kong with Dakin CPA Limited. He is a fellow of Hong Kong Institute of Certified Public Accountants and a fellow of The Taxation Institute of Hong Kong and also a Certified Tax Adviser in Hong Kong. He graduated from the Curtin University of Technology with a degree of Bachelor of Commerce in Accounting in 2000.

SENIOR MANAGEMENT

FENG Rui Ju, aged 55, is the Vice President of the Group. Ms. Feng joined the Group since 1 October 2008. She is responsible for the daily operations of communication 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

WANG Zhi Yi, aged 41, is the Vice-President of the Group and the general manager in the China Business division. Mr. Wang joined the Group since March 2008. He is responsible for the sales and daily management of the Group's domestic business in China, he also assist chief executive officer on the daily operations of the Group's domestic business. Mr. Wang graduated from Hebei University of Science and Technology in 2002, has more than ten years of experience in the communications industry , Before joining the Group, Mr. Wang was the technical director in SkyComm group.

AU Ki Lun, aged 34, is the Company Secretary and the Head of the Corporate Affairs Department. Mr. Au joined the Group in February 2013. He is responsible for internal audit, risk control and corporate secretarial function 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 Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a certified public accountant in the State of Florida, the United States of America. He has over eight years of working experience in accounting and investment related positions prior to joining the Group. Before joining the Group, he was a senior investment manager in ZTE Corporation.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of China All Access (Holdings) Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands on 4 December 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. It has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111,Cayman Islands and principal place of business at Level 65, International Commerce Centre, 1 Austin Road West , 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 communication application solutions and services and investment activities. Other particulars of the subsidiaries of the Company are set out in note 36 to the financial statements.

BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" of this annual report for a business review of the Group for the year ended 31 December 2015.

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	26%	
Five largest customers in aggregate	52%	
The largest supplier		28%
Five largest suppliers in aggregate		65%

Save for (i) ZTE Corporation ("ZTE") and its subsidiaries (the "ZTE Group") and (ii) Shenzhen Zhongxing Xin Telecommunications Equipment Company Limited ("ZX") and its subsidiaries (the"ZX Group"), being counterparties to the continuing connected transactions of the Company as more particularly described under "Connected transactions of the Group during the year" in the "Corporate Governance Report" of this annual report (pages 60 to 66), none of the Directors, their close associates (as defined under the Listing Rules) or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 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 71 to 180.

TRANSFER TO RESERVES

Profit attributable to shareholders of the Company (the "Shareholders") before dividend of approximately RMB278,460,000 (2014: RMB207,716,000) 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 34(a) to the financial statements respectively.

The Company's reserves available for distribution to Shareholders as at 31 December 2015 were approximately RMB1,484,279,000 (2014: RMB1,149,330,000).Interim dividend of HK2.5 cents per share of the Company ("Share(s)") was declared and paid during the year ended 31 December 2015 (2014: HK2.5 cents). The Directors recommended the payment of a final dividend of HK5.5 cents per Share (2014: HK5.5 cents) in respect of the year ended 31 December 2015, subject to the approval by Shareholders at the forthcoming annual general meeting of the Company.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's total capital expenditures on property, plant and equipment amounted to approximately RMB 73,763,000 (2014 RMB179,149,000), 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 29 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34(c) to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Chan Yuen Ming, Chairman
Mr. Shao Kwok Keung, Chief Executive Officer
Mr. Xiu Zhi Bao, Head of Planning and Finance Department
Mr. Yan Wei (appointed on 4 August 2015)
Mr. Tian Zheng (appointed on 4 August 2015)

REPORT OF THE DIRECTORS

Non-executive Director

Mr. Xu Qiang (resigned with effect from 1 October 2015)

Independent non-executive Directors

Mr. Pun Yan Chak
(will retire with effect from the conclusion of the forthcoming annual general meeting (the "Annual General Meeting") of the Company to be held on 14 June 2016)
Mr. Wong Che Man Eddy
Mr. Lam Kin Hung Patrick
Mr. Fung Ka Kin (appointed on 1 April 2016)

In accordance with article 105(A) of the Company's articles of association, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Xiu Zhi Bao, Mr. Pun Yan Chak and Mr. Lam Kin Hung Patrick will retire as Directors. Mr. Xiu Zhi Bao and Mr. Lam Kin Hung Patrick, being eligible, offer themselves for re-election as Directors at the Annual General Meeting. Mr. Pun Yan Chak has expressed his intention to retire as independent non-executive Director with effect from the conclusion of the Annual General Meeting and will not offer himself for re-election at the Annual General Meeting.

In accordance with article 109 of the Company's articles of association, any person appointed by the Directors to fill a casual vacancy or as additional Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. Fung Ka Kin, who was appointed by the Board as independent non-executive Director with effect from 1 April 2016, shall retire as Director and, being eligible, offer himself for re-election as Directors at the Annual General Meeting.

REPORT OF THE DIRECTORS

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 2015 is set out below:

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

Further details of the Directors' remuneration and the five highest paid employees for the year are set out in notes 11 and 12 to the financial statements respectively.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2015 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the articles of association of the Company being in force. The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover certain legal actions brought against its directors and officers arising out of corporate activities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

REPORT OF THE DIRECTORS

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

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in any of the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Entity in which interest are held	Capacity/ Nature of interest	Number and class of securities Held (Note 1)	Approximate percentage of shareholding (Note 5)
Mr. Chan Yuen Ming ("Mr. Chan")	The Company	Interest of a controlled corporation (Note 2)	582,566,000 ordinary Shares (L)	31.97%
		Beneficial owner	1,000,000 ordinary Shares (L)	0.05%
Mr. Shao Kwok Keung ("Mr. Shao")	The Company	Beneficial owner (Note 3)	9,000,000 ordinary Shares (L)	0.49 %
Mr. Xiu Zhi Bao ("Mr. Xiu")	The Company	Beneficial owner (Note 4)	7,000,000 ordinary Shares (L)	0.38%

Notes:

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

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

(3) On 10 June 2015, a total of 9,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to Mr. Shao under the share option scheme of the Company. As at 31 December 2015, all these share options remained outstanding.

(4) On 10 June 2015, a total of 7,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to Mr. Xiu under the share option scheme of the Company. As at 31 December 2015, all these share options remained outstanding.

(5) Calculated on the basis of 1,822,474,368 Shares in issue as at 31 December 2015.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2015, 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 2015, the interests and short positions of each person other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number and class interest of securities Held (Note 1)	Approximate percentage of shareholding (Note 6)
Creative Sector Limited	Beneficial owner	582,566,000 ordinary Shares (L)	31.97%
Asia Equity Value Ltd	Beneficial owner (Note 2)	305,661,482 ordinary Shares (L)	16.77%
	Beneficial owner (Note 2)	29,646,000 ordinary Shares (S)	1.63%
	Security interest in Shares (Note 2)	12,949,742 ordinary Shares (L)	0.71%
Dundee Greentech Limited	Beneficial owner (Note 3)	362,000,000 ordinary Shares (L)	19.86%
Mr. Liu Hailong ("Mr. Liu")	Interest of a controlled corporation (Note 3)	362,000,000 ordinary Shares (L)	19.86%
Tianan Property Insurance Co., Ltd.	Beneficial owner (Note 4)	117,000,000 ordinary Shares (L)	6.42%
Oriental (Asia) Investment Holding Limited	Beneficial owner (Note 5)	109,375,000 ordinary Shares (L)	6.00%
Ms. Li Bi	Interest of a controlled corporation (Note 5)	109,375,000 ordinary Shares (L)	6.00%

REPORT OF THE DIRECTORS

Notes:

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

(2) Based on the disclosure of interest notice (the "DI Notice") filed by Asia Equity Value Ltd under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 26 August 2015, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2015, Asia Equity Value Ltd had long position in 318,611,224 Shares and short position in 29,646,000 Shares. The long position in 318,611,224 Shares comprised (i) beneficial interest in 305,661,482 Shares, of which 295,406,870 Shares were in the form of derivative interests; and (ii) security interest in 12,949,742 Shares. The short position in 29,646,000 Shares comprised derivative interests.

As at 31 December 2015, Asia Equity Value Ltd was interested in the initial notes in the principal amount of HK$86,250,000 (the "AEV Initial Notes") which (together with interest accrued thereon) might be converted into up to 40,491,791 Shares at the adjusted conversion price of HK$2.17 per Share (subject to further adjustment). Asia Equity Value Ltd was also interested in the additional convertible notes in the principal amount of HK$170,000,000 (the "AEV Additional Notes") which (together with interest accrued thereon) might be converted into up to 79,448,198 Shares at the adjusted conversion price of HK$2.22 per Share (subject to further adjustment). Please refer to the circular of the Company dated 2 February 2015 and the announcement of the Company dated 8 January 2015, 27 January 2015, 6 July 2015, 8 July 2015, 17 July 2015, 21 September 2015 and 9 December 2015 for further information on the AEV Initial Notes and AEV Additional Notes.

(3) Based on the DI Notice filed by each of Dundee Greentech Limited and Mr. Liu Hailong under Part XV of the SFO in respect of their respective interests in Shares and underlying Shares as of 9 June 2015, being the last DI Notice filed by each of them in respect of their respective interests in Shares and underlying Shares by 31 December 2015, Dundee Greentech Limited had long position in 362,000,000 Shares (all being derivative interests) in the capacity of beneficial owner. Mr. Liu Hailong was deemed to be interested in all the Shares in which Dundee Greentech Limited (a company wholly-owned by Mr. Liu Hailong) was interested by virtue of the SFO. As set out in the Company's announcement dated 9 June 2015, the Company and Dundee Greentech Limited entered into a subscription agreement for the issue and subscription of convertible bonds in the total principal amount of HK$847,080,000 (the "Dundee Greentech CB") which might be converted into new Shares at the conversion price of HK$2.34 per Share (subject to adjustment). On 10 August 2015, the issue and subscription of the Dundee Greentech CB was completed. Please refer to the Company's announcements dated 9 June 2015 and 10 August 2015 and the Company's circular dated 16 July 2015 for further information.

(4) Based on the DI Notice filed by Tianan Property Insurance Co., Ltd. under Part XV of the SFO in respect of its interests in Shares and underlying Shares as of 3 June 2015, being the last DI Notice filed by it in respect of its interests in Shares and underlying Shares by 31 December 2015, Tianan Property Insurance Co., Ltd. had long position in 117,000,000 Shares in the capacity of beneficial owner

REPORT OF THE DIRECTORS

(5) Based on the DI Notice filed by each of Oriental (Asia) Investments Holding Limited and Ms. Li Bi under Part XV of the SFO in respect of their respective interests in Shares and underlying Shares as of 25 June 2015, being the last DI Notice filed by each of them in respect of their respective interests in Shares and underlying Shares by 31 December 2015, Oriental (Asia) Investment Holdings Limited had long position in 109,375,000 Shares (all being derivative interests) in the capacity of beneficial owner. Ms. Li Bi was deemed to be interested in all the Shares in which Oriental (Asia) Investment Holdings Limited (a company wholly-owned by Ms. Li Bi) was interested by virtue of the SFO.

On 30 June 2015, Oriental (Asia) Investment Holdings Limited became the registered holder of the convertible bonds in the outstanding principal amount of HK$350,000,000 (the "Oriental Asia CB") which might be converted into new Shares at the conversion price of HK$2.34 per Share (subject to further adjustment). Please refer to the Company's announcements dated 30 June 2015 and 8 July 2015 for further information. As set out in the Company's announcement dated 20 July 2015 and the Company's circular dated 24 August 2015, certain amendments to the terms and conditions of the Oriental Asia CB had been proposed which were approval by the shareholders of the Company at the extraordinary general meeting of the Company on 16 September 2015.

(6) Calculated on the basis of 1,822,474,368 Shares in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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 2015, the Company had repurchased a total of 1,130,000 Shares on the Stock Exchange. All of the repurchased Shares were subsequently cancelled. Details of the repurchases are set out below:

Date of repurchase	Number of Shares Repurchased	Price paid per Share Highest (HK$)	Price paid per Share Lowest (HK$)	Aggregate purchase price paid (HK$)
26 January 2015	1,130,000	2.68	2.61	2,980,000

The above repurchase was effected by the Directors with a view to benefiting the Company and its shareholders as a whole by enhancing the net assets value per share and/or earnings per share of the Company.

REPORT OF THE DIRECTORS

ISSUE OF SECURITIES

During the year ended 31 December 2015, the Company had completed the following fund raising activities through issue of equity or convertible securities:

(A) Issue of HK$350,000,000 convertible bonds to ZTE (H.K.) Limited, subsequent transfer and proposed amendments

On 23 December 2014, the Company entered into a subscription agreement with ZTE (H.K.) Limited pursuant to which the Company conditionally agreed to issue, and ZTE (H.K.) Limited conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$350,000,000 at 100% of the face value of such principal amount with an initial conversion price of HK$3.20 per Share, subject to adjustments pursuant to the terms and conditions of the convertible bonds. The issue of the convertible bonds was approved by the shareholders of the Company at the extraordinary general meeting held on 5 February 2015 and was completed on 26 February 2015. The subscription is effected to raise additional funds for the Company to enhance the financial flexibility of the Group. Please refer to the Company's announcements dated 23 December 2014 and 26 February 2015 and the Company's circular dated 19 January 2015 for further information.

As set out in the Company's announcement dated 8 July 2015, the conversion price of the convertible bonds was adjusted from HK$3.20 per Share to HK$3.177 per Share with effect from 8 June 2015. The conversion price was subsequently adjusted to HK$2.34 per Share pursuant to resolution passed by the shareholders at the extraordinary general meeting of the Company held on 16 September 2015.

On 30 June 2015, the entire outstanding principal amount of the convertible bonds in the amount of HK$350,000,000 was transferred by ZTE (H.K.) Limited to Oriental (Asia) Investment Holdings Limited.

As at the latest practicable date prior to the printing of this report, no conversion of such convertible bonds had been made by Oriental (Asia) Investment Holdings Limited and the entire principal amount of such convertible bonds remained outstanding. Accordingly, as at 31 December 2015, 149,572,649 Shares may be issued upon exercise of conversion rights attached to the convertible bonds based on the conversion price of HK$2.34 per Share.

As set out in the Company's announcement dated 20 July 2015 and the Company's circular dated 24 August 2015, there were certain proposed amendments to the terms and conditions of the convertible bonds which were subject to (among others) approval by the shareholders of the Company at the extraordinary general meeting held on 16 September 2015. Please refer to the said announcement and circular of the Company for further information.

REPORT OF THE DIRECTORS

The net proceeds of approximately HK$349 million from the issue of the convertible bonds had been utilized as to (i) HK$102.5 million for redemption (including payment for outstanding principal and interest) of the HK$100 million 10% guaranteed notes issued by the Company upon maturity in February 2015; and (ii) the balance for repayment of revolving credit facilities utilized by the Group. At the time of the issue of the convertible bonds, the net price per Share to the Company was approximately HK$3.19, which is calculated by dividing the net proceeds of the issue of the convertible bonds by the total number of Shares to be issued upon the exercise of the conversion rights attaching to the convertible bonds based on the initial conversion price of HK$3.20 per Share. The closing price of the Shares as quoted on the Stock Exchange on 23 December 2014, being the date of the subscription agreement, was HK$2.74. As at the latest practicable date prior to the printing of this annual report, the net price per Share to the Company was approximately HK$2.33, which is calculated by dividing the net proceeds of the issue of the convertible bonds by the total number of Shares to be issued upon the exercise of the conversion rights attaching to the convertible bonds based on the adjusted conversion price of HK$2.34 per Share. The closing price of the Shares as quoted on the Stock Exchange on 20 July 2015, being the date of the supplemental deed for amending, among others, the conversion price from HK$3.177 to HK$2.34 per Share, was HK$2.92.

(B) Placing of 130,000,000 Shares under general mandate

On 8 June 2015, pursuant to a placing agreement dated 1 June 2015 entered into between the Company and a placing agent, namely, SBI China Capital Financial Services Limited, a total of 130,000,000 Shares at HK$2.34 per Share were placed to not fewer than six independent placees. The placing is to raise capital from the equity market in order to enhance the capital base of the Company. Please refer to the Company's announcements dated 1 June 2015, 2 June 2015 and 8 June 2015 for details of the placing.

The net proceeds of approximately HK$295 million from the placing were intended to be applied for investment opportunities in the telecom and information technology industry. As at the latest practicable date prior to the printing of this report, the Company had not yet applied the net proceeds and the net proceeds had been placed on short-term deposits with a licensed bank in Hong Kong pending utilization. The net price per Share to the Company was approximately HK$2.27, which is calculated by dividing the net proceeds of the placing by the total number of Shares issued and placed in the placing. The closing price of the Shares as quoted on the Stock Exchange on 1 June 2015 prior to the trading halt in the Shares from 1:00 p.m. that day, being the date of the placing agreement, was HK$2.68.

(C) Issue of HK$170,000,000 additional convertible notes to Asia Equity Value Ltd

As set out in the Company's announcement dated 6 July 2015, the Company completed the issue of the additional convertible notes to Asia Equity Value Ltd in the principal amount of HK$170,000,000 at 100% of the face value of such principal amount with an initial conversion price of HK$3.07 per Share, subject to adjustments pursuant to the terms and conditions of the convertible notes. The issue of the convertible notes was approved by the shareholders of the Company at the extraordinary general meeting held on 18 February 2015. The Board takes the view that the issue of the additional convertible notes is an appropriate means of raising funds for the Company as compared to other financing means, since: (i) it does not require any asset pledge that may otherwise be required if the Company were to seek additional banking facilities; (ii) it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company; (iii) the interest rate payable on the additional convertible notes is lower than those under some of the convertible securities issued by the Company; and (iv) if the amounts due under the additional convertible notes are converted into Shares, the financial position of the Group will be strengthened with the conversion of debt into further equity capital. Please refer to the Company's announcements dated 8 January 2015, 27 January 2015 and 6 July 2015 and the Company's circular dated 2 February 2015 for further information.

As set out in the Company's announcement dated 21 September 2015, the conversion price of the additional convertible notes was adjusted from HK$3.07 per Share to HK$2.34 per Share with effect from 10 August 2015 and was further adjusted from HK$2.34 per Share to HK$2.29 per Share with effect from 26 August 2015. As set out in the Company's announcement dated 9 December 2015, the conversion price of the additional convertible notes was adjusted from HK$2.29 per Share to HK$2.25 per Share with effect from 2 October 2015 and was further adjusted from HK$2.25 per Share to HK$2.22 per Share with effect from 30 December 2015.

As at the latest practicable date prior to the printing of this report, no conversion of such additional convertible notes had been made by Asia Equity Value Ltd and the entire principal amount of such additional convertible notes remained outstanding. Accordingly, as at 31 December 2015, 79,448,198 Shares may be issued upon exercise of conversion rights attached to the additional convertible notes based on the conversion price of HK$2.22 per Share.

REPORT OF THE DIRECTORS

The net proceeds of approximately HK$169 million had been utilized as to (i) approximately HK$131 million as pledged bank deposit for securing banking facilities to repay bank credit in the PRC; and (ii) approximately HK$38 million as prepayment for procurements of wireless communication products by the Group in its ordinary course of business for business development purposes. As at the date of completion of the issue and subscription of the additional convertible notes, the net price per Share to the Company was approximately HK$3.05, which is calculated by dividing the net proceeds of the issue of the additional convertible notes by the total number of Shares to be issued upon the exercise of the additional convertible notes attaching thereto based on the initial conversion price of HK$3.07 per Share. The closing price of the Shares as quoted on the Stock Exchange on 6 July 2015, being the date of completion of the issue and subscription of the additional convertible notes, was HK$2.70. As at the latest practicable date prior to the printing of this annual report, the net price per Share to the Company was approximately HK$2.13, which is calculated by dividing the net proceeds of the issue of the additional convertible notes by the total number of Shares to be issued upon the exercise of the conversion rights attaching to the additional convertible notes based on the adjusted conversion price of HK$2.22 per Share. The closing price of the Shares as quoted on the Stock Exchange on 30 December 2015, being the effective date of the latest adjusted conversion price, was HK$2.55.

(D) Issue of HK$847,080,000 convertible bonds to Dundee Greentech Limited

On 9 June 2015, the Company entered into a subscription agreement with Dundee Greentech Limited pursuant to which the Company conditionally agreed to issue, and Dundee Greentech Limited conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$847,080,000 at 100% of the face value of such principal amount with an initial conversion price of HK$2.34 per Share, subject to adjustments pursuant to the terms and conditions of the convertible bonds. The issue of the convertible bonds was approved by the shareholders of the Company at the extraordinary general meeting held on 3 August 2015 and was completed on 10 August 2015. The subscription is effected to raise additional funds for the Company to enhance the financial flexibility of the Group. As at the latest practicable date prior to the printing of this report, no conversion of such convertible bonds had been made by Dundee Greentech Limited and the entire principal amount of such convertible bonds remained outstanding. Accordingly, as at 31 December 2015, 362,000,000 Shares may be issued upon exercise of conversion rights attached to the convertible bonds based on the conversion price of HK$2.34 per Share. Please refer to the Company's announcements dated 9 June 2015 and 10 August 2015 and the Company's circular dated 16 July 2015 for further information.

The net proceeds of approximately HK$846.6 million from the issue of the convertible bonds were intended to be applied for investment opportunities in the telecom and information technology industry. As at the latest practicable date prior to the printing of this report, the Company had not yet applied the net proceeds and the net proceeds had been placed on short-term deposits with a licensed bank in Hong Kong pending utilization. The net price per Share to the Company was approximately HK$2.34, which is calculated by dividing the net proceeds of the issue of the convertible bonds by the total number of Shares to be issued upon the exercise of the conversion rights attaching to the convertible bonds. The closing price of the Shares as quoted on the Stock Exchange on 8 June 2015, being the last trading date for the Shares before the date of the subscription agreement, was HK$3.01.

REPORT OF THE DIRECTORS

In addition to the convertible securities set out in paragraphs (A), (C) and (D) above, the following convertible securities also subsisted as at 31 December 2015:

(E) HK$200,000,000 convertible notes subscribed by Chance Talent Management Limited

On 4 September 2013, pursuant to a subscription agreement dated 25 July 2013 entered into between the Company, Mr. Chan Yuen Ming and Chance Talent Management Limited, the Company issued, and Chance Talent Management Limited subscribed for, the convertible notes in the principal amount of HK$200,000,000 at 100% of the face value of such principal amount with an initial conversion price of HK$3.00 per Share, subject to adjustment pursuant to the terms and conditions of the convertible notes. The conversion price was adjusted to HK$2.662 per Share as announced by the Company on 9 December 2015. Please refer to the Company's announcements dated 25 July 2013, 4 September 2013, 10 September 2014, 31 October 2014, 11 November 2014 and 9 December 2015 and the Company's circulars dated 8 August 2013 and 15 October 2014 for further information.

As at 31 December 2015, no conversion of such convertible notes had been made by Chance Talent Management Limited and the entire principal amount of such convertible notes remained outstanding. Accordingly, as at 31 December 2015, 75,131,480 Shares may be issued upon exercise of conversion rights attached to the convertible bonds based on the conversion price of HK$2.662 per Share.

(F) HK$230,000,000 convertible notes subscribed by Asia Equity Value Ltd

On 27 June 2014, pursuant to a subscription agreement ("AEV Subscription Agreement") dated 23 June 2014 and entered into between the Company, China All Access Group Limited (a wholly-owned subsidiary of the Company) and Asia Equity Value Ltd, the Company issued, and Asia Equity Value Ltd subscribed for, the convertible notes in the principal amount of HK$230,000,000 at 100% of the face value of such principal amount with an initial conversion price of HK$3.35 per Share, which is subject to adjustment pursuant to the terms and conditions of the convertible notes. The conversion price was adjusted to HK$2.17 per Share as announced by the Company on 9 December 2015. Please refer to the Company's announcements dated 23 June 2014, 24 June 2014, 27 June 2014, 8 January 2015, 20 January 2015, 27 January 2015, 18 February 2015 and 9 December 2015 and the Company's circular dated 2 February 2015 for further information.

As at 31 December 2015, the total outstanding principal amount under such convertible notes amounted to HK$86,250,000. Accordingly, as at 31 December 2015, 40,491,791 Shares may be issued upon exercise of conversion rights attached to the convertible notes based on the conversion price of HK$2.17 per Share.

REPORT OF THE DIRECTORS

In addition to the above, during the year ended 31 December 2015, the Company had issued certain ordinary Shares with details as follows:

Date of issue	Number of Shares issued	Reason for the issue	Issue price per Share
16 January 2015	92,177,493	The Shares were issued and allotted upon exercise of conversion rights attached to convertible bonds in the principal amount of HK$201,500,000 (details of which were disclosed in the Company's announcements dated 16 November 2012, 21 December 2012, 15 January 2013, 16 May 2014 and 14 January 2015 and the Company's circular dated 5 December 2012).	HK$2.186
26 February 2015	4,951,423	The Shares were issued and allotted for repayment of principal and interest due under convertible notes (details of which are set out in the Company's circular dated 2 February 2015 and the Company's announcement dated 26 February 2015).	HK$2.336
27 March 2015	5,772,444	The Shares were issued and allotted for repayment of principal and interest due under convertible notes (details of which are set out in the Company's circular dated 2 February 2015 and the Company's announcement dated 27 March 2015).	HK$2.47
17 July 2015	8,547,008	The Shares were issued and allotted upon exercise of conversion rights attaching to convertible notes in respect of the principal amount of HK$20,000,000 of such convertible notes (details of which were disclosed in the Company's announcement dated 17 July 2015 and the Company's circular dated 2 February 2015).	HK$2.34

REPORT OF THE DIRECTORS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2015 and up to the date of this announcement, the Group had undertaken the following acquisitions and disposals of subsidiaries or associated companies:

(i) Disposal of 26% equity interest in Shenzhen Xingfei to its core management

On 13 April 2015, Changfei Investment and 深圳市騰興旺達有限公司 (Shenzhen City Teng Xing Wang Da Co., Ltd.) ("Tengxing Wangda"), a company owned and controlled by the core management of Shenzhen Xingfei, entered into an equity transfer agreement pursuant to which Changfei Investment agreed to transfer, and Tengxing Wangda agreed to accept the transfer of 26% equity interest in Shenzhen Xingfei at a total consideration of RMB234 million. Upon completion of the disposal which took place in 17 April 2015, Changfei Investment's equity interest in Shenzhen Xingfei decreased from 80% to 54%, while Tengxing Wangda's equity interest in Shenzhen Xingfei increased from 7.1% to 33.1%. Please refer to the Company's announcement dated 13 April 2015 for further details of this disposal.

(ii) Disposal of 54% equity interest in Shenzhen Xingfei to 福建實達集團股份有限公司 (Fujian Start Group Co., Ltd.) ("Fujian Start")

On 14 August 2015, Changfei Investment, Tengxing Wangda, 中興通訊股份有限公司 (ZTE Corporation) ("ZTE"), Mr. Chen Feng and 深圳市隆興茂達投資管理有限合夥企業(有限合夥) (Shenzhen Longxing Maoda Investment Management Limited Partnership Enterprise (Limited Liability Partnership) ("Longxing Maoda") and Fujian Start entered into an agreement, pursuant to which (among other matters) Fujian Start has conditionally agreed to purchase the entire equity interest in Shenzhen Xingfei at a total consideration of approximately RMB1,500 million. Under the terms of the agreement, among other matters:

(1) Changfei Investment has conditionally agreed to sell 54% equity interest in Shenzhen Xingfei ("Sale Interest") to Fujian Start for a total consideration of RMB702 million payable wholly in cash; and

(2) Tengxing Wangda, ZTE, Mr. Chen Feng and Longxing Maoda have conditionally agreed to sell in aggregate 46% equity interest in Shenzhen Xingfei ("Minority Sale Interest") to Fujian Start for a total consideration of RMB798 million payable as to RMB110 million in cash and approximately RMB688 million in consideration shares to be issued by Fujian Start.

The transfer of the Sale Interest and the Minority Sale Interest has been completed in January 2016 and Shenzhen Xingfei and its subsidiaries had ceased to be subsidiaries of the Company accordingly.

Please refer to the Company's announcement dated 14 August 2015, 23 September 2015, 14 October 2015 and 28 January 2016 for further details of this disposal. Further announcement(s) in relation to the disposal regarding the final settlement of consideration payable by Fujian Start and Changfei investment will be made by the Company as and where appropriate or if required under the Listing Rules.

REPORT OF THE DIRECTORS

(iii) Deemed acquisition of 16.7742% equity interest in 深圳市立德通訊器材有限公司 (Lead Communications Co., Ltd.) ("Lead Communications") by way of capital reduction

On 28 August 2015, Mr. Zhu Wei Min (" Mr. Zhu"), Changfei Investment and Lead Communications entered into the capital reduction agreement in relation to Mr. Zhu's withdrawal of his equity investment in Lead Communications, representing about 16.7742% or RMB1,300,000 of the registered capital of Lead Communications. Pursuant to the terms and conditions of the capital reduction agreement, Mr. Zhu shall withdraw his equity investment in Lead Communications by way of a reduction of the registered capital of Lead Communications from RMB7.75 million to RMB6.45 million. The aggregate consideration for the capital reduction payable by Lead Communications to Mr. Zhu is RMB19,562,400. Upon completion of the capital reduction, Mr. Zhu had ceased to hold any equity interest in Lead Communications and Changfei Investment had become the 100% holding company of Lead Communications.

Please refer to the Company's announcement dated 28 August 2015 for further details of this deemed acquisition.

(iv) Acquisition of further equity interest in Changfei Investment

On 25 September 2015, 廣東全通諾特通信技術有限公司 (Guangdong All Access Noter Communication Technology Co., Ltd.*) ("Guangdong All Access") a wholly-owned subsidiary of the Company, entered into agreement with Mr. Zhu and Ms. Liu Wei Li in relation to the acquisition of in aggregate about 6.58% equity interest in Changfei Investment by Guangdong All Access for an aggregate consideration of RMB54,750,000. Upon completion of the acquistion, the Group's equity interest in Changfei Investment had increased from about 60.10% to about 66.68%.

Please refer to the Company's announcement dated 25 September 2015 for further details of this acquisition.

(v) Acquisition of 100% equity interest in 全通智盛(深圳)投資諮詢有限公司 (All Access Zhisheng (Shenzhen) Investment Consultancy Co., Ltd.*) ("Zhisheng")

On 9 October 2015, Guangdong All Access entered into the equity transfer agreement with the vendor, pursuant to which Guangdong All Access has conditionally agreed to acquire 100% equity interest in Zhisheng from the Vendor for a total consideration of RMB1. Zhisheng is an investment holding company principally engaged in holding the Changfei Equity Interest, being about 33.32% equity interest in Changfei Investment. Upon completion of the Zhisheng acquisition which took place on 22 December 2015, (i) Zhisheng had become a wholly-owned subsidiary of the Company and (ii) the Group's equity interest in Changfei Investment had increased from about 66.68% to 100%.

Please refer to the Company's announcement dated 26 November 2015, 15 December 2015 and 22 December 2015 for further details of this acquisition.

* For identification purposes only

REPORT OF THE DIRECTORS

(vi) Deemed disposal of shares in China Lide Holdings Limited ("China Lide") and grant of put option for the acquisition of interest in China Lide

On 4 January 2016, China Lide and China All Access Investment Limited ("CAA Investment"), being two of the wholly owned subsidiaries of the Company, entered into the subscription agreement with the investor, pursuant to which the investor agreed to subscribe for shares of China Lide, representing about 25.0% of the enlarged issued share capital of China Lide, for cash at the subscription price of HK$40,400,000.

Under the subscription agreement, CAA Investment has granted the put option to the investor, pursuant to which the parties have agreed that, if the proposed spin-off is not consummated on or before 31 December 2016, the Investor may require CAA Investment to acquire all (but not part) of the relevant shares in China Lide then legally and beneficially owned by the Investor in cash.

Please refer to the Company's announcement dated 4 January 2016 for further details of this deemed disposal.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 30 to the financial statements and in the section headed "Share option scheme" in this report of the directors, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of the subsidiaries of the Company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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.

REPORT OF THE DIRECTORS

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 6.63% of the Shares in issue as at the latest practicable date prior to the issue of this report.

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

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

On 10 June 2015, a total of 50,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to eligible participants including two Directors and the rest were employees of the Group.

REPORT OF THE DIRECTORS

Details of the movements in the Company's outstanding share options granted under the Share Option Scheme for the year ended 31 December 2015 were as follows:

	Number of Shares in respect of share options							
Grantee	Outstanding as at 1 January 2015	Granted during the year ended 2015	Exercised during the year ended 2015	Lapsed or cancelled during the year ended 2015	Outstanding as at 31 December 2015	Exercise Period	Exercise price per Share (HK$)	Closing price per Share on the trading day immediately before the date of grant (HK$)
A. Directors								
Shao Kwok Keung	–	3,000,000	–	–	3,000,000	10 June 2016 to 9 June 2019	3.05	3.01
	–	3,000,000	–	–	3,000,000	10 June 2017 to 9 June 2019	3.05	3.01
	–	3,000,000	–	–	3,000,000	10 June 2018 to 9 June 2019	3.05	3.01
Xiu Zhi Bao	–	2,333,333	–	–	2,333,333	10 June 2016 to 9 June 2019	3.05	3.01
	–	2,333,333	–	–	2,333,333	10 June 2017 to 9 June 2019	3.05	3.01
	–	2,333,334	–	–	2,333,334	10 June 2018 to 9 June 2019	3.05	3.01
B. Employees								
In aggregate	–	11,333,333	–	–	11,333,333	10 June 2016 to 9 June 2019	3.05	3.01
		11,333,333	–	–	11,333,333	10 June 2017 to 9 June 2019	3.05	3.01
		11,333,334	–	–	11,333,334	10 June 2018 to 9 June 2019	3.05	3.01
Total	–	50,000,000	–	–	50,000,000			

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCES

The current environmental protection laws and regulations promulgated by the PRC government impose a progressive scale of fees for the discharge of waste materials and require the payment of fines for pollution and the closure of any facility which causes serious environmental problems. Production plants are required to have environmental protection facilities designed to operate simultaneously with the production facilities. Due to the nature of the businesses of the Group, a certain level of noise, certain amount of waste water and solid waste production materials will be produced during the production processes. Therefore, the Group is required to satisfy tests carried out from time to time by relevant local environmental regulatory authorities for smoke emissions, noise level, solid waste disposal and waste water discharges. Non-compliance with any environmental laws, rules or regulations may, depending on the seriousness of the violation, result in an order for rectification from the authorities, penalties, or an order for cessation of production.

CONTRACTS OF SIGNIFICANCE

Except as disclosed in note 39(a) & (d) to the financial statements and under "Disclosure pursuant to Rule 13.21 of the Listing Rules" below, no Director or an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or 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 39(a) & (d) to the financial statements, no contract of significance (whether it is in relation to provision of services to the Group or not) 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 2015.

The audit committee of the Board has reviewed the annual report of the Group for the year ended 31 December 2015.

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.

REPORT OF THE DIRECTORS

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 2015 (2014: HK5.5 cents per Share). The proposed final dividend will be paid to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 21 September 2016 , if the proposal is approved by the Shareholders at the forthcoming Annual General Meeting to be held on 14 June 2016. It is expected that the final dividend will be paid on or about 30 September 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the forthcoming Annual General Meeting, the register of members of the Company will be closed from 10 June 2016 to 14 June 2016 (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 Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect by no later than 4:00 p.m. on 9 June 2015.

For the purpose of determining members who are qualified for the proposed final dividend for the year ended 31 December 2015 which is subject to approval by the Shareholders at the forthcoming Annual General Meeting, the register of members of the Company will be closed from 19 September 2016 to 21 September 2016 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at the above address by no later than 4:00 p.m. on 15 September 2016.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

AUDITORS

KPMG, have resigned as auditors of the Company and its subsidiaries (collectively referred to as the "Group") with effect from 20 October 2015. HLB Hodgson Impey Cheng Limited ("HLB") have been appointed as auditors of the Group with effect from 20 October 2015 to fill the casual vacancy following the resignation of KPMG. Details of the change of auditors were set out in the announcement of the Company dated 20 October 2015. HLB Hodgson Impey Cheng Limited will retire as the Company's auditors 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 to re-appoint HLB Hodgson Impey Cheng Limited as the Company's auditors for the year ending 31 December 2016. Details of the change of auditors were set out in the announcement of the Company dated 20 October 2015.

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

Hong Kong, 29 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Save as disclosed below, during the year ended 31 December 2015, the Company was in due compliance with the code provisions of the Corporate Governance Code (the "CG code") as set out in Appendix 14 to the Listing Rules.

Pursuant to E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chan Yuen Ming, an executive Director and the chairman of the Board, did not attend the annual general meeting of the Company held on 12 June 2015 due to other business engagements and instead, Mr. Shao Kwok Keung, an executive Director and the chief executive officer of the Company, took the chair at the annual general meeting. The Board considers that the arrangement is appropriate as Mr. Chan, as chairman of the Board, is responsible for the Group's overall business development and strategy whereas Mr. Shao, as chief executive officer, is responsible for the corporate management of the Company. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiry with all the Directors and all of them confirmed that they had fully complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2015.

BOARD OF DIRECTORS

(A) Composition of the Board

During the year ended 31 December 2015, the composition of the Board was as follows:

Name of Directors	**Other positions in the Company**
Executive Directors:	
Mr. Chan Yuen Ming	Chairman of the Board ("Chairman")
Mr. Shao Kwok Keung	Chief Executive Officer ("CEO") Member of the Remuneration Committee Member of the Nomination Committee
Mr. Xiu Zhi Bao	Head of Planning and Finance Department
Mr. Yan Wei (appointed on 4 August 2015)	Vice President of the Company
Mr. Tian Zheng (appointed on 4 August 2015)	Vice President of the Company

CORPORATE GOVERNANCE REPORT

Name of Directors	Other positions in the Company
Non-Executive Director:	
Mr. Xu Qiang (resigned with effect from 1 October 2015)	
Independent Non-Executive Directors:	
Mr. Pun Yan Chak (will retire with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 14 June 2016)	Chairman of the Remuneration Committee (resigned on 1 April 2016) Member of the Audit Committee (resigned on 1 April 2016)
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
Mr. Fung Ka Kin (appointed on 1 April 2016)	Chairman of the Remuneration Committee (appointed on 1 April 2016) Member of the Audit Committee (appointed on 1 April 2016)

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.

CORPORATE GOVERNANCE REPORT

(C) Directors' Attendance at Board and General Meetings

During the year ended 31 December 2015, the Company held sixteen Board meetings (excluding Board committee meetings) and seven 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	16/16	0/7
Mr. Shao Kwok Keung	16/16	7/7
Mr. Xiu Zhi Bao	15/16	0/7
Mr. Yan Wei (appointed on 4 August 2015)	5/6	2/3
Mr. Tian Zheng (appointed on 4 August 2015)	3/6	1/3
Non-executive Director		
Mr. Xu Qiang (resigned with effect from 1 October 2015)	5/14	0/5
Independent Non-executive Directors		
Mr. Pun Yan Chak (will retire with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 14 June 2016)	14/16	0/7
Mr. Wong Che Man Eddy	15/16	1/7
Mr. Lam Kin Hung Patrick	15/16	0/7

The individual attendance record of the Directors at meetings of the remuneration committee, nomination committee and audit committee of the Board are set out in the section headed "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.

CORPORATE GOVERNANCE REPORT

(E) Terms of Appointment of the 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.

Under the appointment letter entered into between the Company and Mr. Xu Qiang, a non-executive Director until his resignation with effect from 1 October 2015, the appointment of Mr. Xu as a non-executive Director of the Company commenced from 8 July 2013 for a continuous term unless terminated by either party serving not less than one-month's written notice to the other. His appointment is subject to the rotational retirement and re-election requirements at the annual general meetings of the Company pursuant to the articles of association of the Company.

(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 in compliance with code provision A.6.5 of the CG Code 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
Mr. Yan Wei (appointed on 4 August 2015)	A,B
Mr. Tian Zheng (appointed on 4 August 2015)	A,B
Non-executive Director	
Mr. Xu Qiang (resigned with effect from 1 October 2015)	A,B
Independent Non-executive Directors	
Mr. Pun Yan Chak (will retire with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 14 June 2016)	A,B
Mr. Wong Che Man Eddy	A,B
Mr. Lam Kin Hung 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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

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

(A) Remuneration Committee

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

The Remuneration Committee currently comprises three members, namely, Mr. Pun Yan Chak (chairman of the Remuneration Committee (resigned on 1 April 2016) and an independent non-executive Director, Mr. Fung Ka Kin (Chairman of the Remuneration Committee and an independent non-executive Director which was appointed on 1 April 2016), 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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the Remuneration Committee had held four 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	4/4
Independent Non-executive Directors:	
Mr. Pun Yan Chak (Chairman of the Remuneration Committee) (resigned on 1 April 2016)	4/4
Mr. Wong Che Man Eddy	4/4

(B) Nomination Committee

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

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

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

The following criteria are considered in selecting a candidate:

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

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, the Nomination Committee had held three 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	3/3
Independent Non-executive Directors:	
Mr. Lam Kin Hung Patrick (Chairman of the Remuneration Committee)	3/3
Mr. Wong Che Man Eddy	3/3

(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 (resigned on 1 April 2016), Mr. Fung Ka Kin (appointed on 1 April 2016) 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 auditors' 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.

CORPORATE GOVERNANCE REPORT

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 auditors' 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 risk management and internal control and ensuring that the management has discharged its duty to have effective systems, 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 risk management and 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;

CORPORATE GOVERNANCE REPORT

- 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 2015, the Audit Committee held three 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 Director:	
Mr. Wong Che Man Eddy (Chairman of the Audit Committee)	3/3
Mr. Pun Yan Chak (resigned on 1 April 2016)	3/3
Mr. Lam Kin Hung Patrick	3/3

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the fees for services rendered by HLB Hodgson Impey Cheng Limited is set out below:

	Fees (RMB'000)
Audit services	3,220
Interim review	—
Audit-related services	1,749
	4,969

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 24).

In 2015, the Company Secretary received more than 15 hours of training to upgrade his professional skills and expertise.

CORPORATE GOVERNANCE REPORT

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 2015, details of which are set forth below:

(A) Internal Control System

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

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

(1) Monitoring mechanisms and corporate culture

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

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

(2) Enterprise risk management framework

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

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

CORPORATE GOVERNANCE REPORT

(B) *Internal Audit*

The Group has engaged independent contractor Shinewing Risk Services Limited which is responsible for, among others, conducting independent reviews of the adequacy and effectiveness of the Group's internal audit. In addition, the Risk Control Department of the Group has 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 auditors' statement about its reporting responsibilities on the financial statements is set out in the Independent Auditors' Report set out in pages 69 to 70 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTIONS OF THE GROUP DURING THE YEAR

The following sets out a summary of the connected transactions of the Company subject to the reporting requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2015.

Save as disclosed below, none of the related party transactions referred to in note 39(a) to the financial statements constituted a connected transaction or a continuing connected transaction subject to the disclosure requirements under Chapter 14A of the Listing Rules.

(A) Continuing Connected Transactions

(i) Sale of products to the ZTE Group

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

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

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

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

CORPORATE GOVERNANCE REPORT

- Sales in 2015: The Group sold products to the ZTE Group amounting to approximately RMB2,846,571,000, which did not exceed the aggregate annual cap of RMB10,125,000,000 for the year ended 31 December 2015.

(ii) Purchase of production materials from the ZTE Group

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

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

  Pursuant to the ZTE Procurement Framework Agreement, the Changfei Group shall purchase production materials, including but not limited to electronic parts, units and devices, from the ZTE Group from time to time on such terms and conditions and at such prices to be determined by the parties on a case-by-case basis after tendering processes of the Changfei Group (or in any other manner as may be agreed between the parties to the ZTE Procurement Framework Agreement). Each sales and purchase transaction under the ZTE Procurement Framework Agreement shall be reduced into separate contract, as agreed upon between the relevant member of the Changfei Group and that of the ZTE Group, provided that such sales shall be on normal commercial terms. Please refer to the announcements of the Company dated 14 January 2013, 11 July 2013 and 25 August 2015 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 2015: The Group purchased production materials from the ZTE Group amounting to approximately RMB914,352,000, which did not exceed the aggregate annual cap of RMB2,850,000,000 for the year ended 31 December 2015.

CORPORATE GOVERNANCE REPORT

(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 深圳市睿德電子實業有限公司 (Ruide Electronical Industrial Co. Ltd.), being a subsidiary 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 2015: The Group purchased production materials from the ZX Group amounting to approximately RMB16,617,000, which did not exceed the aggregate annual cap of RMB44,000,000 for the year ended 31 December 2015.

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

CORPORATE GOVERNANCE REPORT

(B) Connected Transactions

(iv) Disposal of 26% equity interest in Shenzhen Xingfei to its core management

- Connected person: As the purchaser, Tengxing Wangda, is owned and controlled by Mr. Chen Feng and Mr. Chen Chu Shan, who are directors of Shenzhen Xingfei and certain other subsidiaries of the Company, the purchaser is a connected person of the Company at the subsidiary level of the Company under the Listing Rules.

- Subject transaction: The disposal of 26% equity interest in Shenzhen Xingfei by Changfei Investment to Tengxing Wangda pursuant to the equity transfer agreement dated 13 April 2015 constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 13 April 2015 for further details.

- Purpose: The disposal is intended to provide the core management of Shenzhen Xingfei, i.e. Mr. Chen Feng and Mr. Chen Chu Shan, with the opportunity to own a substantial equity interest in Shenzhen Xingfei through Tengxing Wangda as their investment holding company. The disposal can better align the interests of the core management of Shenzhen Xingfei with those of the Group as a whole, incentivize the core management of Shenzhen Xingfei for their continuing dedication and contribution to the development of Shenzhen Xingfei, and is conducive to the further release of the development potential of Shenzhen Xingfei.

- Total consideration: The total consideration was approximately RMB234 million, which was determined by the parties after taking into account, among other factors, the net asset value of Shenzhen Xingfei of approximately RMB560 million as at 31 December 2014 and an agreed price-to-earnings ratio in respect of Shenzhen Xingfei based on its consolidated net profit after tax of approximately RMB121 million for the year ended 31 December 2014.

(v) Disposal of 54% equity interest in Shenzhen Xingfei to Fujian Start

- Connected person: Tengxing Wangda, which is owned and controlled by Mr. Chen Feng and Mr. Chen Chu Shan, who are directors of Shenzhen Xingfei and certain other subsidiaries of the Company, ZTE and Mr. Chen Feng, being parties to the transaction agreement, are connected persons of the Company at the subsidiary level of the Listing Rules.

- Subject transaction: The disposal of 54% equity interest in Shenzhen Xingfei by Changfei Investment to Fujian Start pursuant to the equity transfer agreement dated 14 August 2015. As Tengxing Wangda, ZTE and Mr. Chen Feng, being parties to the transaction agreement, are connected persons of the Company at the subsidiary level, the disposal constitutes a connected transaction under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 14 August 2015 for further details.

CORPORATE GOVERNANCE REPORT

- Purpose: the disposal of Shenzhen Xingfei and its subsidiaries to the Fujian Start would be beneficial to the Company. Taking into account Shenzhen Xingfei's valuation of approximately RMB1,501,893,800 which represents a price-earnings ratio of over 12 times with reference to the consolidated net profit after tax of Shenzhen Xingfei for the year ended 31 December 2014, as well as the possible gain on disposal, the disposal represents an attractive return on its investment in the mobile terminals business.

- Total consideration: The total consideration is RMB702 million and shall be payable in full in cash by Fujian Start to the Group. The consideration for the transaction was determined with reference to, among other factors, (i) the valuation in the amount of approximately RMB1,501,893,800 in respect of 100% equity interest in Shenzhen Xingfei as assessed by a PRC valuer with 30 April 2015 as reference date, (ii) the consideration receivable by Changfei Investment wholly in cash as compared with the consideration receivable by the other Shenzhen Xingfei's shareholders (which are the vendors of an aggregation of 46% equity interest in Shenzhen Xingfei) (iii) the lock-up restriction for a period of three years in respect of the Fujian Start consideration shares that applies to the other Shenzhen Xingfei's shareholders, which requirement is not applicable to Changfei Investment as it will only receive cash consideration, and (iv) the profit guarantee and indemnity to be provided by the other Shenzhen Xingfei's shareholders to Fujian Start, which Changfei Investment is not required to provide.

(vi) Deemed acquisition of 16.7742% of equity interest in Lead Communications by way of capital reduction

- Connected person: As Mr. Zhu is a substantial shareholder of Lead Communications by virtue of holding over 10% equity interest in Lead Communications immediately before completion of such capital reduction and he is also a director of a subsidiary of the Company, he is a connected person of the Company at the subsidiary level under the Listing Rules.

- Subject transaction: The deemed acquisition of 16.7742% equity interest in Lead Communications by way of capital reduction by Mr. Zhu pursuant to the capital reduction agreement dated 28 August 2015 constitutes a connected transaction under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 28 August 2015 for further details.

- Purpose: Through the deemed acquisition by way of capital reduction, the Group has increased its equity interest in Lead Communications, with the ultimate result that Lead Communications became wholly-owned by the Group. The deemed acquisition by way of capital reduction is beneficial to the Group as the Group will have profound interest in guiding the strategic direction of Lead Communications in terms of corporate restructuring, capital planning and business development matters will be in better position to further enhance the growth potential of Lead Communications.

- Total consideration: The total consideration payable by Lead Communications to Mr. Zhu is RMB19,562,400, which was determined with reference to Mr. Zhu's attributable interest in the total net assets of Lead Communications as at 31 December 2014.

CORPORATE GOVERNANCE REPORT

(vii) Acquisition of further equity interest in Changfei Investment

- Connected person: As Mr. Zhu is a substantial shareholder of Lead Communications by virtue of holding over 10% equity interest in Lead Communications immediately before completion of capital reduction as referred to in paragraph (vi) above and is a director of a subsidiary of the Company, he is a connected person of the Company under the Listing Rules.

- Subject transaction: The acquisition of approximately 6.58% equity interest in Changfei Investment by Guangdog All Access from Mr. Zhu and Ms. Liu Wei Li pursuant to the equity transfer agreement dated 25 September 2015 together with the deemed acquisition of 16.7742% equity interest in Lead Communications constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 25 September 2015 for further details.

- Purpose: Since the acquisition of Changfei Investment in 2012, Changfei Investment has been acting as a strategic investment holding arm of the Group. Throughout 2013 and 2014, Changfei Investment undertook restructuring aiming at disposing non-core assets and focusing its resources on strengthening its core assets. Despite the loss incurred in 2014 due to restructuring, Changfei Investment will continue to be an important investment holding vehicle of the Group going forward.

- Total consideration: The aggregate consideration for the acquisition is RMB54,750,000 which was determined with reference to, among other factors, the net asset value of Changfei Investment as at 31 December 2014 and a discount rate as negotiated between the parties.

(viii) Acquisition of 100% equity interest in Zhisheng

- Connected person: As 北京岳豐投資有限公司 (Beijing Yuefeng Investment Co., Ltd.) ("Beijing Yuefeng") is a substantial shareholder of Changfei Investment by virtue of holding over 10% equity interest in Changfei Investment, it is a connected person of the Company at the subsidiary level under the Listing Rules.

- Subject transaction: The acquisition of 100% equity interest in Zhisheng (holding about 33.32% equity interest in Changfei Investment) by Guangdog All Access from Beijing Yuefeng pursuant to the equity transfer agreement dated 9 October 2015 constitutes a connected transaction under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 9 October 2015 and the circular of the Company dated 27 November 2015 for further details.

CORPORATE GOVERNANCE REPORT

- Purpose: Since the Group's acquisition of Changfei Investment in late 2012, Changfei Investment has been acting as a strategic investment holding arm of the Group. The Company expects that Changfei Investment will continue to be an important investment holding vehicle of the Group going forward, with active role in the Group's pursuit of investment opportunities. The Company considers that by acquiring the remaining minority interest in Changfei Investment and turning Changfei Investment into a wholly owned subsidiary, the Group will have greater flexibility in the management of Changfei Investment in terms of future equity financing arrangements, dividend policies and other major corporate matters and will be in better position to further release the development potential of Changfei Investment.

- Total consideration: The total consideration is RMB1, which determined with reference to, among other factors, (i) the book value of about 33.32% equity interest in Chengfei Investment in the unaudited management accounts of Zhisheng in the amount of about RMB578 million; (ii) the total liabilities of Zhisheng as at 30 June 2015 of about RMB583 million; and (iii) the net liabilities position of Zhisheng of about RMB3.06 million as at 30 June 2015.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

The independent non-executive Directors of the Company have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed the Continuing Connected Transactions and the auditors' 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.

CORPORATE GOVERNANCE REPORT

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 Level 65, International Commerce Centre, 1 Austin Road West , 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:	Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, 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:	Level 65, International Commerce Centre, 1 Austin Road West , Kowloon, Hong Kong.
Email:	oujilun@chinaallaccess.com
Tel:	(852) 3579 2368
Fax:	(852) 3579 2328

CORPORATE GOVERNANCE REPORT

3. Procedures for putting forward proposals at Shareholders' meetings

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

Pursuant to Article 110 of the Articles of Association, a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting (the "Election Proposal") should lodge, at least seven clear days before the date of the general meeting, (i) a written notice setting out the Election Proposal; and (ii) a written notice signed by the person to be proposed of his willingness to be elected, at either (a) the head office and principal place of business of the Company in Hong Kong at Room 805, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong, or (b) the branch share registrar and transfer office of the Company in Hong Kong, i.e. Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (which will be relocated to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong with effect from 5 April 2016).

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 Level 65, International Commerce Centre, 1 Austin Road West , Kowloon, Hong Kong marked for the attention of the Company Secretary. The identity of the Shareholder and his request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' 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 (collectively referred to as the "Group") set out on pages 71 to 180, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Company and of the Group for the year ended 31 December 2014 were audited by another auditors who expressed an unmodified opinion on those statements on 31 March 2015.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
CONTINUING OPERATIONS			
Revenue	5	**2,842,386**	2,489,152
Cost of sales		**(2,243,868)**	(2,009,530)
Gross profit		**598,518**	479,622
Other revenue	7	**12,547**	4,676
Other net loss	7	**(7,525)**	(252)
Distribution costs		**(17,708)**	(11,058)
Administrative expenses		**(204,207)**	(286,997)
Research and development expenses		**(17,629)**	(22,562)
Profit from continuing operations		**363,996**	163,429
Finance income	8(a)	**116,750**	81,487
Finance costs	8(b)	**(156,551)**	(110,093)
Gain on disposal of subsidiaries		**—**	2
Loss on disposal of associates		**(3,750)**	(1,834)
Share of profits less losses of associates		**(35)**	(52)
Profit before taxation	8	**320,410**	132,939
Income tax	9(a)	**(92,023)**	(52,937)
Profit for the year from continuing operations		**228,387**	80,002
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	10	**83,837**	113,973
Profit for the year from continuing and discontinued operations		**312,224**	193,975
Profit for the year from continuing and discontinued operations attributable to:			
Equity shareholders of the Company		**278,460**	207,716
Non-controlling interests		**33,764**	(13,741)
		312,224	193,975

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Attributable to equity shareholders of the Company arises from:			
Continuing operations		225,054	98,425
Discontinued operations		53,406	109,291
Profit for the year		278,460	207,716
Earnings per share	13		
From continuing and discontinued operations			
Basic (RMB)		0.159	0.146
Diluted (RMB)		0.159	0.146
From discontinued operations			
Basic (RMB)		0.030	0.077
Diluted (RMB)		0.030	0.077

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Profit for the year	**312,224**	193,975
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(38,153)**	(2,249)
Total comprehensive income for the year	**274,071**	191,726
Attributable to:		
Equity shareholders of the Company	**240,307**	205,467
Non-controlling interests	**33,764**	(13,741)
Total comprehensive income for the year	**274,071**	191,726

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	14	**86,348**	539,803
Intangible assets	15	**59,460**	200,830
Goodwill	16	**92,735**	332,082
Interest in associates	17	**193**	28,234
Prepayment for land leases	18	**71,300**	137,823
Available-for-sale financial assets	19	**—**	986,714
Trade and other receivables	21	**202,380**	96,842
Prepayments	22	**221,013**	227,989
Deferred tax assets		**11,098**	29,397
		744,527	2,579,714
Current assets			
Inventories	20	**186,944**	579,925
Trade and other receivables	21	**2,655,058**	2,812,065
Prepayments	22	**376,143**	698,983
Loans receivable	23	**1,189,927**	—
Discounted bills receivable	24	**4,188**	768,246
Bills receivable	25	**372,239**	909,379
Restricted cash	26	**419,915**	675,692
Bank deposits with original maturities over three months		**1,093,000**	303,000
Cash and cash equivalents	27	**275,065**	461,783
		6,572,479	7,209,073
Assets of disposal group classified as held for sale	10	**3,318,504**	—
		9,890,983	7,209,073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Current liabilities			
Trade and other payables	28	1,390,804	3,551,960
Deferred income		8,307	60,800
Interest-bearing borrowings	29	1,594,341	1,239,792
Convertible bonds	32	265,887	275,657
Bank advances on discounted bills receivable	24	4,188	768,246
Income tax payable		170,926	131,721
		3,434,453	6,028,176
Liabilities of disposal group classified as held for sale	10	2,544,685	—
		5,979,138	6,028,176
Net current assets		3,911,845	1,180,897
Total assets less current liabilities		4,656,372	3,760,611
Non-current liabilities			
Interest-bearing borrowings	29	177,780	230,934
Convertible bonds	32	912,709	224,591
Deferred consideration payable		15,912	10,024
Deferred income		15,885	30,505
Deferred tax liabilities		16,135	39,020
		1,138,421	535,074
NET ASSETS		3,517,951	3,225,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
CAPITAL AND RESERVES	34		
Share capital		**15,468**	13,571
Reserves		**3,278,500**	2,450,375
Total equity attributable to equity shareholders of the Company		**3,293,968**	2,463,946
Non-controlling interests		**223,983**	761,591
TOTAL EQUITY		**3,517,951**	3,225,537

Approved and authorised for issue by the board of directors on 29 March 2016.

Mr. Chan Yuen Ming
Chairman and Director

Mr. Shao Kwok Keung
Chief Executive Officer and Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company										
		Share capital RMB'000 34(c)	Share premium RMB'000 34(d)(i)	Capital redemption reserve RMB'000 34(d)(ii)	Contributed surplus RMB'000 34(d)(iii)	Capital reserve RMB'000 34(d)(iv)	Statutory general reserve RMB'000 34(d)(v)	Translation reserve RMB'000 34(d)(vi)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		11,562	666,233	95	164,155	152,675	70,645	(16,037)	758,398	1,807,726	812,062	2,619,788
Changes in equity for 2014:												
Profit for the year		–	–	–	–	–	–	–	207,716	207,716	(13,741)	193,975
Other comprehensive income		–	–	–	–	–	–	(2,249)	–	(2,249)	–	(2,249)
Total comprehensive income		–	–	–	–	–	–	(2,249)	207,716	205,467	(13,741)	191,726
Issuance of shares		2,009	599,650	–	–	–	–	–	–	601,659	–	601,659
Disposal of non-controlling interests		–	–	–	–	(26,465)	–	–	–	(26,465)	38,505	12,040
Acquisition of non-controlling interests		–	–	–	–	10,506	–	–	–	10,506	(75,235)	(64,729)
Appropriation of reserve		–	–	–	–	–	7,550	–	(7,550)	–	–	–
Dividends approved and paid in respect of the previous year	34(b)	–	(103,676)	–	–	–	–	–	–	(103,676)	–	(103,676)
Dividend declared and paid in respect of the current year	34(b)	–	(31,271)	–	–	–	–	–	–	(31,271)	–	(31,271)
Balance at 31 December 2014		13,571	1,130,936	95	164,155	136,716	78,195	(18,286)	958,564	2,463,946	761,591	3,225,537
Balance at 1 January 2015		**13,571**	**1,130,936**	**95**	**164,155**	**136,716**	**78,195**	**(18,286)**	**958,564**	**2,463,946**	**761,591**	**3,225,537**
Changes in equity for 2015:												
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**278,460**	**278,460**	**33,764**	**312,224**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(38,153)**	**–**	**(38,153)**	**–**	**(38,153)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**(38,153)**	**278,460**	**240,307**	**33,764**	**274,071**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**(2,200)**	**–**	**–**	**–**	**(2,200)**	**(718,428)**	**(720,628)**
Disposal of non-controlling interests		**–**	**–**	**–**	**–**	**86,994**	**–**	**–**	**–**	**86,994**	**147,056**	**234,050**
Issuance of shares		**1,906**	**419,176**	**–**	**–**	**49**	**–**	**–**	**–**	**421,131**	**–**	**421,131**
Repurchase of shares		**(9)**	**(2,361)**	**9**	**–**	**–**	**–**	**–**	**(9)**	**(2,370)**	**–**	**(2,370)**
Redemption of convertible bonds		**–**	**–**	**–**	**–**	**(5,415)**	**–**	**–**	**5,415**	**–**	**–**	**–**
Issue of new convertible bonds		**–**	**–**	**–**	**–**	**191,406**	**–**	**–**	**–**	**191,406**	**–**	**191,406**
Modification on term of convertible bonds		**–**	**–**	**–**	**–**	**16,883**	**–**	**–**	**(16,883)**	**–**	**–**	**–**
Appropriation of reserve		**–**	**–**	**–**	**–**	**–**	**5**	**–**	**(5)**	**–**	**–**	**–**
Dividend approved and paid in respect of the previous year	34(b)	**–**	**(67,097)**	**–**	**–**	**–**	**–**	**–**	**–**	**(67,097)**	**–**	**(67,097)**
Dividend declared and paid in respect of the current year	34(b)	**–**	**(38,149)**	**–**	**–**	**–**	**–**	**–**	**–**	**(38,149)**	**–**	**(38,149)**
Balance at 31 December 2015		**15,468**	**1,442,505**	**104**	**164,155**	**424,433**	**78,200**	**(56,439)**	**1,225,542**	**3,293,968**	**223,983**	**3,517,951**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Cash used in operations	27	**(574,390)**	(281,275)
Tax paid:			
— Hong Kong profits tax paid		**(3,478)**	—
— PRC income tax paid		**(44,418)**	(192,599)
Net cash used in operating activities		**(622,286)**	(473,874)
Investing activities			
Payment for the purchase of property, plant and equipment		**(73,763)**	(162,155)
Proceeds from disposal of property, plant and equipment		**28,589**	10,766
Proceeds from disposal of intangible assets		**—**	24,616
Net cash outflow in respect of the acquisition of subsidiaries		**(8,624)**	(204,000)
Net cash inflow in respect of the disposal of subsidiaries		**2,232**	—
Payment for potential equity investment		**(720,628)**	(227,432)
Investment in structured deposits		**—**	(560,000)
Withdrawal of structured deposits		**60,000**	—
Withdrawal of bank deposits with original maturities over three months		**—**	600,000
Addition of bank deposits with original maturities over three months		**(790,000)**	(303,000)
Interest received from structure deposits		**16,635**	—
Proceed from disposal of associates		**22,000**	8,247
Investment in an associate		**—**	(2,255)
Interest received from bank deposits		**71,493**	21,581
Net cash used in investing activities		**(1,392,066)**	(793,632)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Financing activities		
Proceeds from interest-bearing borrowings	2,453,834	1,539,350
Repayment of interest-bearing borrowings	(1,554,954)	(1,274,464)
Proceeds from sales of equity of non-controlling interest	234,050	—
Interest paid	(170,084)	(162,906)
Decrease in bank advances on factored trade receivables	—	(248,000)
Increase in bank advances on discounted bills receivable	—	595,177
Net proceeds from issuance of new shares	236,545	601,659
Net proceeds from issuance of convertible bonds	1,304,446	182,574
Payment for redemption of convertible bonds	(279,455)	—
Repurchase of shares	(2,370)	—
Payment for acquisition of non-controlling interests	—	(36,905)
Dividends paid to equity shareholders of the Company	(105,246)	(134,947)
Net cash generated from financing activities	2,116,766	1,061,538
Net increase/(decrease) in cash and cash equivalents	102,414	(205,968)
Cash and cash equivalents at 1 January	461,783	671,145
Effect of foreign exchange rate changes	(37,735)	(3,394)
Cash and cash equivalents at 31 December	526,462	461,783

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

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.

At 31 December 2015, the directors of the Company 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial period beginning 1 January 2015. A summary of the new and revised HKFRSs are set out as below:

— Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

— *Annual Improvements to HKFRSs 2010-2012 Cycle*

— *Annual Improvements to HKFRSs 2011-2013 Cycle*

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments (Continued)

Key requirement of HKFRS 9 are described below:

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

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

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

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs") *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

The directors anticipate that the application of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, in the opinion of the directors, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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

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

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

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

The directors do not anticipated that the application of other new and revised HKFRSs will have material impact on these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2015 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 4.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

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

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622).

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of financial statements and directors reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual financial statements have been amended with reference to the new Hong Kong Companies Ordinance (Cap 622) and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance (Cap. 32) or Listing Rules but not under the new Hong Kong Companies Ordinance (Cap. 622) or amended Listing Rules are not disclosed in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) *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 intragroup transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 (Note 3(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (Note 3(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 3(m)).

(d) 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 (Notes 3(e) and 3(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

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 (Note 3(m)).

(e) 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 (Note 3(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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015
(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Business combinations *(Continued)*

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.

(g) Investments in equity securities

Investments in securities which do not fall into categories of investments in securities held for trading and held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 3(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in Note 3(w)(v).

When the investments are derecognised or impaired (Note 3(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (Note 3(m)). 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.

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

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

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

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

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

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

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

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3. 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 (Note 3(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 (Note 3(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:

— 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.

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3. 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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

— For investments in associates accounted for under the equity method in the consolidated financial statements (Note 3(g)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 3(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 3(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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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3. 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

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).

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3. 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 (Note 3(m)(i) and 3(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. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(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.

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.

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3. 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 (Note 3(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Convertible Bonds

(i) Convertible bonds that contain an equity component

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Convertible Bonds *(Continued)*

(ii) Other convertible bonds

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

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (Note 3(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 3(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

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

(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 subsequently 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.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(iii) Share-based payments

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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 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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Income tax *(Continued)*

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

— 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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Financial guarantees issued *(Continued)*

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 3(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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).

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Leases *(Continued)*

(iii) Determining whether an arrangement contains a lease *(Continued)*

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Borrowing costs *(Continued)*

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 of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

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

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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

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

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ee) Share-based compensation

The Company operates a share option scheme which is currently in force and effect for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in Note 30 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not a market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

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4. 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 3(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.

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4. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Key sources of estimation uncertainty (Continued)

(v) Income tax

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

5. REVENUE

The principal activities of the Group are the provision of communication application solutions and services and investment activities. Communication application solutions consist of project design, sourcing terminals from external suppliers, development and distribution of terminals and equipment, designing applications pursuant to customer specifications, installation and testing, and application service provision including system operations management, application upgrade and system maintenance. Investment income represents revenue generated from interest from facilitating capital to supply stream in Hong Kong and investment returns generated from direct investment and high yield treasury products.

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 and interest income. The amount of each significant category of revenue recognised during the year is as follows:

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Provision of communication application solutions and services	2,768,211	2,434,482
Investment activities	74,175	54,670
	2,842,386	2,489,152

NOTES TO THE FINANCIAL STATEMENTS

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6. SEGMENT REPORTING

During the year ended 31 December 2015, operations regarding the provision of wireless data communication application were discontinued as a result of the disposal group classified as held for sale (details are set out in Note 10). The segment information reported below does not include any figures for the discontinued operations.

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 communication application solutions and services: including system design, installation, testing, software development, provision of application services for satellite and wireless communication, distribution of satellite receivers and equipment, as well as research and development, manufacture and distribution of wireless terminals and equipment, including display modules, casings and keyboards.

— Investment income represents revenue generated from interest earned from provision of facilitating capital to supply steam in Hong Kong and investment returns generated from direct investment and high yield treasury products.

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

Revenue and expenses are allocated to the reportable segments with reference to profit earned/(loss 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.

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6. SEGMENT REPORTING *(Continued)*

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

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, depreciation of certain communication equipment, amortisation of certain intangible assets, other corporate administrative expenses and share of profits 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.

	Provision of communication application solutions and services		Investment activities		Total	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Revenue from customers (Note)	**2,768,211**	2,434,482	**74,175**	54,670	**2,842,386**	2,489,152
Segment operating profit	**524,343**	424,952	**74,175**	54,670	**598,518**	479,622
Depreciation and amortisation for the year	**38,486**	47,386	**–**	–	**38,486**	47,386
Impairment of trade receivables	**13,996**	88,415	**–**	–	**13,996**	88,415
Impairment of property, plant and equipment	**11,379**	6,198	**–**	–	**11,379**	6,198
Impairment of intangible assets	**–**	25,966	**–**	–	**–**	25,966

Note: Revenue from customers (including related parties) amounting to 10 percent or more of the Group's revenue is set out below.

	Provision of communication application solutions and services	
	2015 RMB'000	2014 RMB'000
Customer A	**608,532**	480,204
Customer B	**565,304**	N/A[1]
Customer C	**396,205**	N/A[1]
Customer D	**297,421**	785,130

[1] The corresponding revenue contributed to less than 10 percent of the total revenue of continuing operations.

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6. SEGMENT REPORTING *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Profit		
Reportable segment profit derived from the Group's customers	598,518	479,622
Other revenue	12,547	4,676
Other net loss	(7,525)	(252)
Gain on disposal of subsidiaries	—	2
Loss on disposal of associates	(3,750)	(1,834)
Share of profits less losses of associates	(35)	(52)
Finance income	116,750	81,487
Finance costs	(156,551)	(110,093)
Unallocated head office and corporate expenses	(239,544)	(320,617)
Consolidated profit before tax and discontinued operations	320,410	132,939
Assets		
Reportable segment assets	5,587,889	4,376,033
Unallocated head office and corporate assets	1,729,117	1,591,940
	7,317,006	5,967,973
Liabilities		
Reportable segment liabilities	3,459,599	2,241,977
Unallocated head office and corporate liabilities	1,113,275	1,001,376
	4,572,874	3,243,353

(c) *Geographical segments*

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

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7. OTHER REVENUE AND NET LOSS

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Other revenue		
Subsidy income	**10,869**	4,676
Others	**1,678**	—
	12,547	4,676
Other net loss		
Loss on disposal of property, plant and equipment	**(5,640)**	(252)
Exchange differences	**(2,849)**	—
Others	**964**	—
	(7,525)	(252)

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after:

(a) Finance income

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Interest income from entrusted loans	**—**	10,597
Interest income from bank deposits	**71,493**	9,385
Interest income from debt factoring receivables	**—**	24,195
Interest income from structured deposits	**16,635**	12,809
Interest income from directional assets management	**—**	19,878
Change in fair value of derivative component of convertible bond	**—**	4,623
Gain on deemed disposal of convertible bond	**28,622**	—
	116,750	81,487

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8. PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived at after:

(b) Finance costs

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Interest expenses:		
— Interest-bearing borrowings	**63,810**	47,477
— Discounted bills receivable	**4,445**	1,181
— Convertible bonds	**79,141**	49,238
— Bank advances on factored trade receivable	**—**	11,951
— Discount of deferred consideration payable	**—**	3,959
— Guaranteed notes	**1,453**	7,924
Less: interest expenses capitalised into property, plant and equipment	**(4,334)**	(16,994)
Bank charges	**2,858**	5,357
Change in fair value of derivative component of convertible bond	**9,178**	—
	156,551	110,093

The borrowing costs have been capitalised at a rate of 6.55%-7.533% per annum (2014: 6.616%-7.533%).

(c) Staff costs

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Salaries, wages and other benefits	**193,281**	248,527
Contributions to defined contribution retirement plans	**8,412**	17,629
	201,693	266,156

As stipulated by the regulations in the PRC, the Group is required to participate in employee pension schemes organised by the PRC government whereby the Group is required to pay annual contributions at a rate of 14% to 21% (2014: 12% to 21%) of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to these retirement schemes vest immediately.

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8. PROFIT BEFORE TAXATION *(Continued)*

(c) *Staff costs* *(Continued)*

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2014: HK$30,000). Contributions to the scheme vest immediately.

(d) *Other items*

	Note	2015 RMB'000	2014 RMB'000
Continuing operations:			
Carrying amount of inventories sold		**2,203,222**	1,978,301
Depreciation of property, plant and equipment		**21,521**	21,409
Amortisation of intangible assets		**17,010**	26,095
Write-down of inventories		**17,198**	15,877
Reversal of write-down of inventories		**(15)**	—
Impairment loss on trade receivables		**13,996**	88,415
Reversal of impairment loss on trade receivables		**(35,519)**	(8,476)
Impairment loss on property, plant and equipment		**11,379**	6,198
Impairment loss on intangible assets	15	**—**	25,966
Impairment loss on goodwill	16	**727**	—
Auditors' remuneration		**4,969**	8,835
Operating lease charges		**12,612**	19,358

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9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Current tax — Hong Kong Profits Tax		
Provision for the year	17,501	8,399
Over-provision in respect of prior years	(4,479)	—
Current tax — PRC Corporate Income Tax		
Provision for the year	90,832	82,813
Over-provision in respect of prior years	(15,077)	(3,644)
	88,777	87,568
Deferred tax		
Origination and reversal of temporary differences	3,246	(34,631)
	92,023	52,937

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

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

Hebei Noter Communication Technology Co., Ltd. ("Hebei Noter"), Beijing All Access Noter Communication Technology Co., Ltd. ("Beijing All Access"), Shenzhen Xing Fei Technology Co., Ltd. ("Shenzhen Xingfei"), Ruide Electronical Industrial Co., Ltd. ("Ruide Electronic") and Lead Communications Co., Ltd. ("Lead Communications") are qualified High and New Technology Enterprises ("HNTEs") and entitled to the preferential tax rate of 15% from 2015 to 2017, 2015 to 2017, 2014 to 2016, 2015 to 2017 and 2014 to 2016 respectively.

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9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

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

(Continued)

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

Other PRC subsidiaries of the Group are subject to standard PRC Corporate Income Tax rate of 25% (2014: 25%).

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

	2015 RMB'000	2014 RMB'000
Continuing operations:		
Profit before taxation	**320,410**	132,939
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**74,169**	29,487
Tax effect of tax concession	**(28,445)**	(10,429)
Tax effect of non-taxable income	**(48,759)**	(5,667)
Tax effect of non-deductible expenses	**103,093**	36,007
Over-provision in respect of prior years	**(19,556)**	(3,644)
Tax effect of unused tax losses not recognised	**11,521**	7,183
Actual tax expense	**92,023**	52,937

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 14 August 2015, the Group entered into a sale agreement to dispose of a subsidiary, Shenzhen Xingfei and its subsidiaries ("Xingfei Group"), which carried out a part of the Group's wireless data communication application solutions and services operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed in January 2016.

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10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(Continued)

(a) *Assets of disposal group classified as held for sale*

	Note	2015 RMB'000
Property, plant and equipment		437,559
Intangible assets		90,680
Goodwill	16	238,620
Interest in associates	17	2,255
Prepayment for land leases		65,254
Available-for-sale financial assets	19	15,214
Deferred tax assets		9,715
Inventories	20(a)	218,154
Trade and other receivables	21	1,401,674
Prepayments	22	128,444
Discounted bills receivable	24	141,617
Bills receivable	25	317,921
Cash and cash equivalents	27	251,397
Total		3,318,504

(b) *Liabilities of disposal group classified as held for sale*

	Note	2015 RMB'000
Trade and other payable	28	1,681,004
Deferred income		84,801
Interest-bearing borrowings	29	598,000
Bank advances on discounted bills receivable	24	141,617
Income tax payable		24,848
Deferred tax liabilities		14,415
Total		2,544,685

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10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(Continued)

(c) Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale

	2015 RMB'000	2014 RMB'000
Foreign exchange translation adjustments	—	—

The results of the operations for the year, which have been included in the consolidated statement of profit or loss were as follows:

	Note	2015 RMB'000	2014 RMB'000
Revenue		4,702,393	4,549,288
Cost of sales	20(b)	(4,321,929)	(4,211,082)
Gross profit		380,464	338,206
Other revenue		5,250	4,523
Other net loss		(1,324)	(311)
Distribution costs		(25,343)	(31,657)
Administrative expenses		(109,409)	(66,361)
Research and development expenses		(84,907)	(40,460)
Profit from discontinued operations		164,731	203,940
Finance income		6,240	7,411
Finance costs		(69,059)	(70,988)
Gain on disposal of subsidiaries		1,862	—
Share of profits less losses of associates		—	5
Profit before taxation		103,774	140,368
Income tax		(19,937)	(26,395)
Profit for the year from discontinued operations		83,837	113,973
Attributable to:			
Equity shareholders of the Company		53,406	109,291
Non-controlling interests		30,431	4,682
		83,837	113,973

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10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(Continued)

(d) Profit before taxation from discontinued operations were as follows:

	2015 RMB'000	2014 RMB'000
Staff costs		
Salaries, wages and other benefits	93,907	105,499
Contributions to defined contribution retirement plans	6,834	7,886
Carrying amount of inventories sold	4,301,609	4,188,638
Depreciation of property, plant and equipment	23,641	9,392
Amortisation of intangible assets	33,680	37,046
Write-down of inventories	17,312	10,464
Reversal of write-down of inventories	(9,627)	(236)
Impairment loss on trade receivables	4,005	736
Reversal of impairment loss on trade receivables	—	(1,489)
Operating lease charges	11,893	13,001
Amortisation of land lease prepayments	1,269	1,208

(e) Cash flows

	2015 RMB'000	2014 RMB'000
Operating cash flows	795,211	(620,058)
Investing cash flows	(199,599)	84,416
Financing cash flows	(592,307)	537,481
Net cash inflows	3,305	1,839

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11. DIRECTORS' REMUNERATION

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

	2015			
	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	97	2,693	14	2,804
SHAO Kwok Keung	97	1,869	14	1,980
XIU Zhi Bao	97	436	28	561
YAN Wei (Note (i))	40	87	—	127
TIAN Zheng (Note (i))	40	87	—	127
Non-executive director				
XU Qiang (Note (ii))	169	—	—	169
Independent non-executive directors				
PUN Yan Chak	229	—	—	229
WONG Che Man, Eddy	229	—	—	229
LAM Kin Hung, Patrick	229	—	—	229
	1,227	5,172	56	6,455

Notes:

(i) Mr. Yan Wei and Mr. Tian Zheng were appointed as executive directors on 4 August 2015.

(ii) Mr. Xu Qiang resigned as non-executive director with effect from 1 October 2015.

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11. DIRECTORS' REMUNERATION *(Continued)*

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

No emoluments have been paid to any of the directors or any of the highest paid individuals set out in Note 12 below as an inducement to join or upon joining the Group or as compensation for loss of office during the current and prior years.

No directors waived or agreed to waive any emoluments for the current year.

Except as disclosed in Note 39(a) and (d), no other significant transactions, arrangements and contracts in relation to the group's business to which the company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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12. SENIOR MANAGEMENT'S EMOLUMENTS AND INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2014: two) are directors of the Company whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**3,636**	1,885
Discretionary bonuses	**—**	3,650
Retirement scheme contributions	**21**	38
	3,657	5,573

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,000,001 to HK$2,000,000	**3**	1
HK$2,000,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$4,000,000	**—**	1
	3	3

(b) Senior management of the Company

The emoluments of the senior management of the Company are within the following band:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	**3**	3

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13. EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of the basic earnings per share from operations is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB278,460,000 (2014: RMB207,716,000) for continuing and discontinued operations and approximately RMB53,406,000 (2014: RMB109,291,000) for discontinued operations, and the weighted average of 1,756,825,000 ordinary shares in issue during the year ended 31 December 2015 (2014: 1,420,952,000), calculated as follows:

Weighted average number of ordinary shares

	2015 '000	2014 '000
Issued ordinary shares at 1 January	**1,582,156**	1,328,824
Effect of issuance of shares	**174,669**	92,128
Weighted average number of ordinary shares at 31 December	**1,756,825**	1,420,952

(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 approximately RMB278,460,000 (2014: RMB207,716,000) for continuing and discontinued operations and approximately RMB53,406,000 (2014: RMB109,291,000) for discontinued operations, and the weighted average of 1,756,825,000 ordinary shares (2014: 1,420,952,000). 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 8 January 2015, 26 February 2015 and 10 August 2015 would have had an anti-dilutive effect on the basic earnings per share.

After the reporting period, the Group issued additional shares (Note 41), impact of which are not adjusted as these transactions do not affect the amount of capital used to produce profit or loss for the reporting period.

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14. PROPERTY, PLANT AND EQUIPMENT

	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 2014	27,022	74,017	6,374	7,096	20,124	107,786	950	268,788	512,157
Additions	–	4,127	385	1,125	7,903	49,870	47,520	68,219	179,149
Transferred from construction in progress	92,906	–	336	–	–	–	–	(93,242)	–
Disposals	–	(670)	–	–	(339)	(74,022)	–	–	(75,031)
Exchange alignment	52	–	4	–	7	–	–	–	63
At 31 December 2014	119,980	77,474	7,099	8,221	27,695	83,634	48,470	243,765	616,338
At 1 January 2015	**119,980**	**77,474**	**7,099**	**8,221**	**27,695**	**83,634**	**48,470**	**243,765**	**616,338**
Additions	**9,476**	**2,867**	**2,393**	**1,301**	**2,634**	**29,899**	**8,224**	**16,969**	**73,763**
Transferred from construction in progress	**259,055**	**–**	**–**	**–**	**–**	**–**	**–**	**(259,055)**	**–**
Disposals	**–**	**(1,882)**	**(61)**	**–**	**(439)**	**(27,259)**	**(6,885)**	**–**	**(36,526)**
Exchange alignment	**933**	**26**	**151**	**–**	**276**	**–**	**–**	**–**	**1,386**
Reclassification to assets of disposal group held for sale (Note 10)	**(361,437)**	**(23,019)**	**–**	**(1,581)**	**(5,645)**	**(51,931)**	**(45,017)**	**(1,679)**	**(490,309)**
At 31 December 2015	**28,007**	**55,466**	**9,582**	**7,941**	**24,521**	**34,343**	**4,792**	**–**	**164,652**
Accumulated depreciation:									
At 1 January 2014	2,594	58,122	3,403	5,882	4,620	12,095	568	–	87,284
Charge for the year	842	4,612	996	713	2,945	19,367	1,326	–	30,801
Written back on disposals	–	(498)	–	–	(291)	(46,965)	–	–	(47,754)
Impairment loss	–	122	–	–	322	5,754	–	–	6,198
Exchange alignment	3	–	2	–	1	–	–	–	6
At 31 December 2014	3,439	62,358	4,401	6,595	7,597	(9,749)	1,894	–	76,535
At 1 January 2015	**3,439**	**62,358**	**4,401**	**6,595**	**7,597**	**(9,749)**	**1,894**	**–**	**76,535**
Charge for the year	**13,716**	**4,465**	**786**	**757**	**3,053**	**18,730**	**3,655**	**–**	**45,162**
Written back on disposals	**–**	**(1,108)**	**(5)**	**–**	**(63)**	**(1,121)**	**–**	**–**	**(2,297)**
Impairment loss	**–**	**–**	**–**	**–**	**–**	**11,379**	**–**	**–**	**11,379**
Exchange alignment	**137**	**24**	**37**	**–**	**77**	**–**	**–**	**–**	**275**
Reclassification to assets of disposal group held for sale (Note 10)	**(12,877)**	**(18,397)**	**–**	**(765)**	**(2,724)**	**(15,444)**	**(2,543)**	**–**	**(52,750)**
At 31 December 2015	**4,415**	**47,342**	**5,219**	**6,587**	**7,940**	**3,795**	**3,006**	**–**	**78,304**
Net book value:									
At 31 December 2015	**23,592**	**8,124**	**4,363**	**1,354**	**16,581**	**30,548**	**1,786**	**–**	**86,348**
At 31 December 2014	116,541	15,116	2,698	1,626	20,098	93,383	46,576	243,765	539,803

During the year, the Group continued to encounter a poor performance on the business operation of casings and keyboards, which is identified as a CGU. The directors of the Company assess the recoverable amount of the assets was less than their carrying amounts, resulting in the recognition of an impairment loss of approximately RMB11,379,000 in the consolidated statement of profit or loss.

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

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

At 31 December 2015, buildings held for own use with net book value of approximately RMB21,457,000 (2014: RMB22,055,000) are pledged as securities for the Group's interest-bearing borrowings (Note 29).

15. INTANGIBLE ASSETS

	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 2014	235,433	126,850	7,245	6,087	45	375,660
Disposal	(26,887)	–	–	–	–	(26,887)
Exchange alignment	268	–	–	–	–	268
At 31 December 2014	208,814	126,850	7,245	6,087	45	349,041
At 1 January 2015	**208,814**	**126,850**	**7,245**	**6,087**	**45**	**349,041**
Reclassification to assets of disposal group held for sale (Note 10)	**(127,079)**	**(59,773)**	**(6,735)**	**(4,864)**	**–**	**(198,451)**
At 31 December 2015	**81,735**	**67,077**	**510**	**1,223**	**45**	**150,590**
Accumulated amortisation and impairment:						
At 1 January 2014	56,870	14,094	3,878	2,029	1	76,872
Charge for the year	43,651	14,094	3,367	2,029	–	63,141
Written back on disposal	(17,884)	–	–	–	–	(17,884)
Impairment loss	8,400	17,158	–	408	–	25,966
Exchange alignment	116	–	–	–	–	116
At 31 December 2014	91,153	45,346	7,245	4,466	1	148,211
At 1 January 2015	**91,153**	**45,346**	**7,245**	**4,466**	**1**	**148,211**
Charge for the year	**37,415**	**11,645**	**–**	**1,621**	**9**	**50,690**
Reclassification to assets of disposal group held for sale (Note 10)	**(76,247)**	**(19,925)**	**(6,735)**	**(4,864)**	**–**	**(107,771)**
At 31 December 2015	**52,321**	**37,066**	**510**	**1,223**	**10**	**91,130**
Net book value:						
At 31 December 2015	**29,414**	**30,011**	**–**	**–**	**35**	**59,460**
At 31 December 2014	117,661	81,504	–	1,621	44	200,830

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

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15. INTANGIBLE ASSETS *(Continued)*

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

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

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

The impairment losses of approximately RMB25,966,000 of the CGU, allocating to intangible assets, are recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

During the year ended 31 December 2015, the directors of the Company determines there are no impairment of any intangible assets.

16. GOODWILL

	RMB'000
Cost:	
At 1 January 2014, 31 December 2014 and 1 January 2015	332,082
Reclassification to assets of disposal group held for sale (Note 10)	(238,620)
At 31 December 2015	93,462
Accumulated impairment losses:	
At 1 January 2014, 31 December 2014 and 1 January 2015	—
Impairment loss recognised during the year	727
At 31 December 2015	727
Carrying amount:	
At 31 December 2015	92,735
At 31 December 2014	332,082

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16. GOODWILL *(Continued)*

Impairment tests for group of CGUs containing goodwill

The directors of the Company has assessed the recoverable amount of goodwill as at 31 December 2015 by reference to the valuations as at 31 December 2015 performed by Greater China Appraisal Limited, an independent firm of qualified valuer based on cash flow forecast projections base on financial budget approved by directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2014: 3%), which do not exceed the long-term average growth rates for the business in which the group of units operates. The cash flows are discounted using a discount rate of approximately 17.31% (2014: 21.66%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operations.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources. Based on management's assessment results, the directors of the Company has determined that an impairment of approximately RMB727,000 was recognised to consolidated income statement in respect of the goodwill arising from the acquisition of the business operation of casings and keyboards.

17. INTEREST IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**2,448**	28,234

Summarised aggregate financial information of associates that are individually immaterial:

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**2,448**	28,234
Reclassification to assets of disposal group held for sale (Note 10)	**(2,255)**	—
	193	28,234
Aggregate amounts of the Group's share of associates'		
Loss from continuing operations	**35**	(3)
Total comprehensive income	**35**	(3)

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18. PREPAYMENT FOR LAND LEASES

The prepayment represents prepaid lease payment for the land owned by the Group in the PRC with medium term lease. The land is used for the industrial building construction.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 RMB'000	2014 RMB'000
Available-for-sale		
— Directional asset management plan (Note)	—	982,500
— Unlisted equity securities	15,214	4,214
	15,214	986,714
Reclassification to assets of disposal group held for sale (Note 10)	(15,214)	—
	—	986,714

Note: On 29 May 2013, a subsidiary of the Company entered into a contract of non-principal guarantee directional asset management plan with a 3 year maturity period with a securities company listed in Shanghai Stock Exchange. The fair value of the financial asset as at 31 December 2014 is RMB782,500,000. Such asset was disposed with its carrying amount during the year ended 31 December 2015.

On 29 December 2014, another subsidiary of the Company entered into a contract of non-principal guarantee directional asset management plan with a 5 year maturity period with the same securities company. During the reporting period, a net amount of RMB200,000,000 has been invested into the plan. The fair value of the financial asset as at 31 December 2014 is RMB200,000,000. Such asset was disposed with its carrying amount during the year ended 31 December 2015.

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20. INVENTORIES

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

	2015 RMB'000	2014 RMB'000
Raw materials	204,135	236,893
Work in progress	64,168	53,345
Consigned manufacturing materials	55,827	92,767
Finished goods	129,315	203,258
Goods in transit	11,899	28,951
Low-value consumables	—	89
	465,344	615,303
Less: Inventory provision	(60,246)	(35,378)
	405,098	579,925
Reclassification to assets of disposal group held for sale (Note 10)	(218,154)	—
	186,944	579,925

All inventories are expected to be recovered within one year.

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	6,504,831	6,166,939
Operating costs included in cost of sales	36,098	27,568
Write-down of inventories	34,510	26,341
Reversal of write-down of inventories	(9,642)	(236)
	6,565,797	6,220,612
Reclassification to assets of disposal group held for sale (Note10)	(4,321,929)	(4,211,082)
	2,243,868	2,009,530

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21. TRADE AND OTHER RECEIVABLES

	Note	2015 RMB'000	2014 RMB'000
Non-current			
Trade receivables		—	54,234
Property deposit	(vi)	180,000	—
Entrusted loans	(iv)	—	10,000
Rental deposits		980	3,008
Other receivables from disposal of associates	(ii)	21,400	29,600
		202,380	96,842
Current			
Trade receivables due from related parties		333,904	505,306
Other trade receivables		2,580,961	1,709,001
Less: Allowance for doubtful debts	21(b)	(74,360)	(91,878)
		2,840,505	2,122,429
Other receivables and deposits	(i) and (v)	954,522	623,674
Other receivables from disposal of associates	(ii)	8,200	6,429
Performance guarantee deposits		30,000	30,000
Interest receivables		13,505	19,533
Entrusted loans	(iii) and (iv)	210,000	10,000
		4,056,732	2,812,065
Reclassification to assets of disposal group held for sale (Note 10)		(1,401,674)	—
		2,655,058	2,812,065

NOTES TO THE FINANCIAL STATEMENTS

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21. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) At 31 December 2015, RMB500,000,000 (2014: RMB560,000,000) of other receivables and deposits were structured deposits in a commercial bank, with maturity periods of 12 months. The deposits could be withdrawn prior to maturity.

(ii) At 31 December 2015, the other receivables from disposal of associates represent the remaining balance of consideration for the disposal of associates to Mr. Zhu Wei Min. A total amount of approximately RMB29,600,000 (2014: RMB36,029,000) will be payable by instalment till 2019.

(iii) At 31 December 2015,RMB200,000,000 of entrusted loans were provided by two of the subsidiaries of the group to a third party through a commercial bank. RMB200,000,000 is due on 29 July 2016 and 23 December 2016 respectively. The Group does not hold any collateral over this balance from the third party.

(iv) At 31 December 2014, RMB20,000,000 of entrusted loans were provided by a non-wholly owned subsidiary of the Group to a third party through a commercial bank. RMB10,000,000 is due on 3 July 2015 and RMB10,000,000 is due on 15 July 2016. The Group does not hold any collateral over this balance from the third party.

(v) On 15 August 2015, the Group entered into several agreements with a third party pursuant to which the Group agreed to entrust the third party to quote pricing and/or purchase equipment and raw materials on behalf of the Group based on pre-defined terms. The third party will refund the prepayment without interest if the pre-defined terms are not satisfied. At 31 December 2015, deposits for purchases of raw materials amounted to RMB376,500,000. The Group does not hold any collateral over this balance from the third party.

(vi) On 10 August 2015, the Group entered into an agreement with a third party to purchase building for Hebei office. At 31 December 2015, deposits for purchases of building amounted to RMB180,000,000.

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21. 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:

	2015 RMB'000	2014 RMB'000
Within 1 month	1,846,642	1,324,179
1 to 2 months	384,746	312,984
2 to 3 months	128,630	91,487
3 to 6 months	400,706	47,009
Over 6 months	79,781	401,004
Trade receivables, net of allowance for doubtful debts	2,840,505	2,176,663
Representing:		
Non-current trade receivables	—	54,234
Current trade receivables	2,840,505	2,122,429
	2,840,505	2,176,663

The Group's credit policy is set out in Note 40.

(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.

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21. 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:

	2015 RMB'000	2014 RMB'000
At 1 January	**91,878**	11,652
Impairment loss recognised	**18,001**	89,151
Reversal of impairment loss	**(35,519)**	(9,965)
Uncollectible amounts written off	**—**	1,040
At 31 December	**74,360**	91,878

(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:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**1,414,777**	1,554,174
Less than 1 month past due	**529,677**	66,658
1 to 3 months past due	**483,551**	47,072
3 to 12 months past due	**354,747**	8,384
More than 12 months past due	**57,753**	450
	1,425,728	122,564
	2,840,505	1,676,738

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

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.

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22. PREPAYMENTS

	Note	2015 RMB'000	2014 RMB'000
Non-current			
Prepayment for potential equity investment	(i)	—	227,432
Prepayment for machinery	(ii)	221,013	557
		221,013	227,989
Current			
Prepayment for Hebei Guangdian	(iii)	—	213,163
Prepayment for material purchases		471,023	237,459
Other prepayments		33,564	248,361
		504,587	698,983
Reclassification to assets of disposal group held for sales (Note 10)		(128,444)	—
		376,143	698,983

Notes:

(i) On 29 August 2014, the Group entered into an investment memorandum and a supplemental memorandum with a nationwide mobile broadband network integrated service provider based in Shenzhen in relation to a potential equity investment. At 31 December 2014, prepayment for this potential investment equity amounted to USD37,168,000 (equivalent to approximately RMB227,432,000). On 2 April 2015, the Group entered into a termination agreement with the nationwide mobile and its designated wholly-owned subsidiary in relation to the termination of the potential equity investment. The prepayment amount was refunded during the year ended 31 December 2015.

(ii) During 2015, the Group entered into an agreement with a third party to purchase manufacturing machines. At 31 December 2015, prepayment for purchase of manufacturing machines amounted to approximately RMB221,013,000.

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22. PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(iii) On 16 January 2013, the Group entered into a cooperation framework agreement for a term of 15 years with Hebei Guangdian Network Investment Co., Ltd. ("Hebei Guangdian"), pursuant to which the Group agreed to cooperate with Hebei Guangdian for the joint development of a digital multimedia network covering the households in Hebei Province. Subsequently, the parties entered into a formal cooperation agreement dated 18 April 2013 to vary and supplement the terms and conditions of the parties' joint investment in this project and to facilitate the implementation of this project. To commence this project, the Group has signed a contract of RMB330,000,000 with an independent third party for the equipment purchases and network construction. Pursuant to the contract, the Group is required to pay 90% of the contract amounting to RMB297,000,000 for the initial construction upon the effective date of the contract. During 2014, the Group paid an additional RMB5,500,000. In addition, the Group has paid RMB10,000,000 to Hebei Guangdian as initial funds of the project. On 9 February 2015, the Group and another independent third party entered into a letter of intent for the transfer of ownership of Hebei Guangdian project. According to this letter, the Group has received RMB10,000,000 as deposit on 10 February 2015. On 20 March 2015, the two parties entered into the Equipment Transfer Agreement in relation to the transfer of title to 550,000 sets of household terminal and ancillary equipment for the development of a digital multimedia network for households in the PRC. The total consideration is RMB302,500,000

23. LOANS RECEIVABLE

	2015 RMB'000	2014 RMB'000
Loans receivable	**1,189,927**	—

At 31 December 2015, the loans receivable with a carrying amount of approximately RMB1,189,927,000 which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable. These loans receivable that were neither individually nor collectively considered to be impaired relate to a number of borrowers for whom there was no recent history of default.

At 31 December 2015, loans receivable with an aggregate carrying value of approximately RMB1,189,927,000 are secured by goods under lien of fair values of HK$1,420,300,000 (equivalent to approximately RMB1,189,927,000).

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

At each of the reporting date, the Group's loans receivable were individually determined to be impaired. In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans receivable. The directors believe that there is no impairment required.

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23. LOANS RECEIVABLE *(Continued)*

A maturity profile of the loans receivable at the end of the reporting periods, based on the maturity date, is as follows:

	2015 RMB'000	2014 RMB'000
On demand or within one year	1,189,927	—

The loans receivable bear interest at 1% per month.

24. DISCOUNTED BILLS RECEIVABLE

At 31 December 2015, the Group has discounted its bills receivable of approximately RMB53,154,000 (2014: RMB193,903,000) to banks and approximately RMB92,651,000 (2014: RMB574,343,000) to a subsidiary of ZTE Corporation with recourse. Accordingly, the advances from banks of approximately RMB53,154,000 (2014: RMB193,903,000) and a subsidiary of approximately RMB92,651,000 (2014: RMB574,343,000) received by the Group as consideration for the discounted bills receivable at financial year end were recognised as liabilities.

During the year, the carrying amount of discontinued bills receivable of approximately RMB141,617,000 was reclassified to assets and liabilities of disposal group as held for sale.

25. BILLS RECEIVABLE

At 31 December 2015, bills receivable amounted to approximately RMB690,160,000, of which approximately RMB317,921,000 is reclassified to assets of disposal group held for sale. The remaining bills receivable amounted to approximately RMB372,239,000 included bank acceptance bills of approximately RMB83,892,000 were pledged as security to issue bills payable for operating use and bills receivable of approximately RMB153,155,000 had been endorsed to other parties but not yet due.

At 31 December 2014, bills receivable amounted to RMB909,379,000 included bank acceptance bills of RMB215,287,000 were pledged as security to issue bills payable for operating use and bills receivable of RMB446,839,000 had been endorsed to other parties but not yet due.

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25. BILLS RECEIVABLE *(Continued)*

(a) Ageing analysis

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

	2015 RMB'000	2014 RMB'000
Within 1 month	187,309	270,335
1 to 2 months	139,538	201,327
2 to 3 months	168,579	159,795
3 to 6 months	194,334	277,922
Over 6 months	400	—
	690,160	909,379
Reclassification to assets of disposal group held for sale (Note 10)	(317,921)	—
Bills receivable	372,239	909,379

(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:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	690,160	909,379
Reclassification to assets of disposal group held for sale (Note 10)	(317,921)	—
Neither past due nor impaired	372,239	909,379

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26. RESTRICTED CASH

	Note	2015 RMB'000	2014 RMB'000
Guarantee deposits for bills payable	(i)	**419,915**	556,786
Guarantee deposits for mortgage loans	(ii)	**—**	118,906
		419,915	675,692

Notes:

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

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

27. CASH AND CASH EQUIVALENTS

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

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	**526,462**	461,783
Reclassification to assets of disposal group held for sale (Note 10)	**(251,397)**	—
	275,065	461,783

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27. CASH AND CASH EQUIVALENTS *(Continued)*

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

	Note	**2015 RMB'000**	2014 RMB'000
Profit before taxation			
From continuing operations		**320,410**	132,939
From discontinued operations	10	**103,774**	140,368
Adjustments for:			
Exchange loss, net		**2,849**	—
Depreciation of property, plant and equipment	14	**45,162**	30,801
Impairment loss on property, plant and equipment	14	**11,379**	6,198
Amortisation of intangible assets	15	**50,690**	63,141
Impairment loss on intangible assets	15	**—**	25,966
Amortisation of land lease prepayment	10(d)	**1,269**	1,208
Impairment loss on trade receivables	21	**18,001**	89,151
Reversal of impairment loss on trade receivables	21	**(35,519)**	(9,965)
Write down of inventories	20	**34,510**	26,341
Reversal of write down of inventories	20	**(9,642)**	(236)
Impairment loss on goodwill	16	**727**	—
Interest income from bank deposits	8(a)	**(71,493)**	(16,796)
Interest income from structured deposits	8(a)	**(16,635)**	(12,809)
Unwind interest from non-current trade and other receivables		**—**	(2,191)
Change in fair value of derivative component of convertible bond	8(a) and 8(b)	**9,178**	(4,623)
Loss on disposal of property, plant and equipment		**5,640**	14,812
Finance costs	8(b)	**216,432**	181,081
Gain on disposal of intangible assets		**—**	(15,621)
Gain on disposal of subsidiaries		**(1,863)**	(2)
Gain on deemed disposal of convertible loans		**(28,622)**	—
Loss on disposal of associates		**3,750**	1,834
Share of profits less losses of associates	17	**35**	47
Other income — government subsidy		**(14,173)**	—

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27. CASH AND CASH EQUIVALENTS *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Changes in working capital:		
Decrease/(increase) in inventories	**149,959**	(185,034)
Increase in trade and other receivables	**(1,392,690)**	(1,056,582)
Decrease/(increase) in prepayments	**200,845**	(385,732)
Decrease in bills receivable	**219,219**	436,532
Decrease in factored trade receivables	**—**	248,000
Increase in discount bills receivable	**—**	(595,177)
Decrease/(increase) in restricted cash	**255,777**	(339,612)
(Decrease)/increase in trade and other payables	**(434,932)**	944,686
Decrease in loan receivables	**(1,189,927)**	—
Decrease in available-for-sale financial assets	**971,500**	—
Cash used in operations	**(574,390)**	(281,275)

28. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables due to related parties (Note 39)	**84,735**	42,658
Bills payable due to related parties (Note 39)	**58,518**	20,294
Other trade and bills payable	**2,141,715**	3,123,435
	2,284,968	3,186,387
Other payables and accruals	**753,587**	349,298
Financial liabilities measured at amortised cost	**3,038,555**	3,535,685
Receipts in advance	**33,253**	16,275
	3,071,808	3,551,960
Reclassification to liabilities of disposal group held for sale (Note 10)	**(1,681,004)**	—
	1,390,804	3,551,960

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28. TRADE AND OTHER PAYABLES *(Continued)*

All of the trade payables, bills payable and other payables are expected to be settled within one year. Bills payable of approximately RMB419,915,000 (2014: RMB556,786,000) was supported by guarantee deposits of equivalent amount as requested by banks, presented as restricted cash (Note 26).

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:

	2015 RMB'000	2014 RMB'000
Within 1 month	729,404	987,338
1 to 3 months	150,747	1,166,017
3 to 6 months	950,659	890,062
Over 6 months but within 1 year	389,449	83,576
Over 1 year	64,709	59,394
	2,284,968	3,186,387

29. INTEREST-BEARING BORROWINGS

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

	Note	2015 RMB'000	2014 RMB'000
Credit loans	(i)	1,193,900	892,500
Mortgage loans	(ii)	231,421	261,036
Guaranteed loans	(iii)	498,000	118,000
Guaranteed note	(iv)	—	78,890
Pledged loans	(v)	446,800	120,300
		2,370,121	1,470,726
Reclassification to liabilities of disposal group held for sale (Note 10)		(598,000)	—
Total interest-bearing borrowings		1,772,121	1,470,726

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

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29. INTEREST-BEARING BORROWINGS *(Continued)*

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

Notes:

(i) At 31 December 2015, RMB600,000,000 (2014: RMB892,500,000) and RMB593,900,000 (2014: nil) of credit loans were provided by a commercial banks and a commercial company. The annual interest rate of the above loans ranged from 4.62%-8.00% respectively (2014: 6.16%-7.50%). The principals are repayable within one year.

(ii) At 31 December 2015, approximately RMB220,710,000 (2014: approximately RMB250,000,000) of the loans were secured by two pieces of land of the Group with carrying value of approximately RMB136,554,000 (2014: RMB139,781,000). The annual interest rate of above loans ranged from approximately 4.95%-6.48%.

At 31 December 2015, approximately RMB10,711,000 (2014: RMB11,036,000) of the loans were secured by the Group's buildings with carrying value of approximately RMB21,457,000 (2014: RMB22,055,000) and approximately HK$10,108,000 (RMB8,468,000) (2014: HK$10,572,000, RMB8,340,000) of the loans were guaranteed by the Company (Note 14). The annual interest rate of above loans ranged from approximately 1.23%-14.95%.

(iii) At 31 December 2015, the loans amounting to RMB468,000,000 were guaranteed by the Company and RMB30,000,000 of the loans were guaranteed by a subsidiary of the Company. The principal is repayable in one year and the interest rate charges range from 5.06%-6.34%.

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

(iv) At 31 December 2014, the guarantee note amounting to HK$100,000,000 (equivalent to approximately RMB78,890,000) which was issued to Chance Talent Management Limited ("CTM", a subsidiary of a substantial shareholder of Changfei Investment) was guaranteed by Mr. Chan Yuen Ming, an executive director of the Company (Note 39(b)). In February 2015, the guarantee note was repaid by the Group.

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29. INTEREST-BEARING BORROWINGS *(Continued)*

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

Notes: *(Continued)*

(v) At 31 December 2015, RMB116,000,000 (2014: RMB116,000,000) of the loans were pledged by bank deposits of the Group with carrying amount to RMB120,000,000 (2014: HK$150,000,000 (equivalent to approximately RMB118,906,000)). The principal is due in 2016 with the interest rate charged at 1.62%. (2014: The principal is due in 2015 with the interest rate charged at 5.43%.)

At 31 December 2015, RMB190,800,000 (2014: nil) of the loans were pledged by bank deposits of the Group with carrying value of approximately RMB194,915,000. The principal is due in 2016 with the interest rate charged at 5.39%.

At 31 December 2015, RMB100,000,000 (2014: nil) of the loans were pledged by bank deposits of the Group with carrying value of RMB105,000,000. The principal is due in 2016 with the interest rate charged at 5.00%.

At 31 December 2015, RMB40,000,000 (2014: RMB:4,300,000) of the loans were pledged by bills receivable of the Group.

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

	2015 RMB'000	2014 RMB'000
Current portion		
Within 1 year	**2,192,341**	1,239,792
Reclassification to liabilities of disposal group held for sale (Note 10)	**(598,000)**	—
	1,594,341	1,239,792
Non-current portion		
After 1 year but within 2 years	**50,939**	43,645
After 2 years but within 5 years	**120,391**	180,718
After 5 years	**6,450**	6,571
	177,780	230,934
Total interest-bearing borrowings	**1,772,121**	1,470,726

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30. SHARE OPTION SCHEMES

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 28 August 2009.

On 10 June 2015, a total of 50,000,000 share options (each share option entitling the holder to subscribe for one Share) were granted to eligible participants including two directors of the Company and the rest were employees of the Group. Under the Share Option Scheme, the directors of the Company may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on Exchange as stated in the Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the shares of the Company on Exchange as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the directors of the Company, which commences after the date of offer with a certain vesting period and ends in any event not later than 4 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme is an amount equivalent to 10% of the shares of the Company in issue at the date of the 2009 AGM.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders. The Share Option Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

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30. SHARE OPTION SCHEMES *(Continued)*

(a) *The terms and conditions of the grants are as follows:*

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors	16,000,000	1 year from the date of grant	4 years
Options granted to employee	34,000,000	1 year from the date of grant	4 years
	50,000,000		

(b) *The number and weighted average exercise prices of share options are as follows:*

	2015		2014	
	Weighted average exercise price HK$ per share	Number of shares issuable under the options '000	Weighted average exercise price HK$ per share	Number of shares issuable under the options '000
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	3.05	50,000	—	—
Outstanding at the end of the year	3.05	50,000	—	—

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30. SHARE OPTION SCHEMES *(Continued)*

(c) Fair value of share options and assumptions

	2015	2014
Fair value at measurement date	**0.727**	N/A
Share price	**3.050**	N/A
Exercise price	**3.050**	N/A
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	**37.558%**	N/A
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	**4 years**	N/A
Expected dividends		
Risk-free interest rate (based on Exchange Fund Notes)	**0.872**	N/A

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31. DEFERRED TAXATION

(a) 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	Property, plant and equipment RMB'000	Accrued liabilities RMB'000	Total RMB'000
At 1 January 2014	4,017	(5,285)	55,284	(6,522)	(1,460)	2,551	(1,472)	47,113
Charged/(credited) to profit or loss	(2,236)	(12,453)	(17,830)	4,243	(1,000)	(985)	(7,229)	(37,490)
At 31 December 2014	1,781	(17,738)	37,454	(2,279)	(2,460)	1,566	(8,701)	9,623
At 1 January 2015	**1,781**	**(17,738)**	**37,454**	**(2,279)**	**(2,460)**	**1,566**	**(8,701)**	**9,623**
Charged/(credited) to profit or loss	**3,174**	**4,713**	**(12,672)**	**155**	**20**	**(753)**	**5,477**	**114**
At 31 December 2015	**4,955**	**(13,025)**	**24,782**	**(2,124)**	**(2,440)**	**813**	**(3,224)**	**9,737**
Less: Reclassification to assets and liabilities of disposal group held for sale (Note 10)	**–**	**(6,491)**	**13,602**	**–**	**–**	**813**	**(3,224)**	**4,700**
At 31 December 2015	**4,955**	**(6,534)**	**11,180**	**(2,124)**	**(2,440)**	**–**	**–**	**5,037**

(ii) Reconciliation to the consolidated statement of financial position:

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(20,813)**	(29,397)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**30,550**	39,020
	9,737	9,623
Less: Reclassification to assets and liabilities of disposal group held for sale (Note 10)	**4,700**	–
	5,037	9,623

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31. DEFERRED TAXATION *(Continued)*

(b) *Deferred tax assets not recognised*

In accordance with the accounting policy set out in Note 3(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. At 31 December 2015, unused tax losses of approximately RMB84,451,400 will expire within five years, if unused.

(c) *Deferred tax liabilities not recognised*

The PRC Corporate Income Tax 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. At 31 December 2015, temporary differences relating to the post-2007 undistributed profits of the Group's foreign-invested enterprises amounted to approximately RMB909,521,000 (2014: RMB1,136,901,000). Deferred tax liabilities of approximately RMB87,204,000 (2014: RMB109,005,000) 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.

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32. CONVERTIBLE BONDS

(a) Convertible bonds that contain an equity component

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

	ZTE 2013 Convertible Bond RMB'000 (Note i)	CTM Convertible Bond RMB'000 (Note ii)	Oriental Convertible Bond RMB'000 (Note iii)	Dundee Convertible Bond RMB'000 (Note iv)
Face value of convertible bonds at issue date	158,419	157,240	280,249	710,446
Less: equity component	(5,415)	(4,475)	(48,307)	(143,099)
Liability component on initial recognition	153,004	152,765	231,942	567,347
Less: direct issue costs attributable to liability component	(311)	—	(29)	(15)
Liability component on initial recognition, net of direct issue costs	152,693	152,765	231,913	567,332
Liability component at 1 January 2014	155,248	154,352	—	—
Add: imputed finance cost	2,759	2,880	—	—
Exchange alignment	553	545	—	—
Liability component at 31 December 2014	158,560	157,777	—	—
Liability component at 1 January 2015	158,560	157,777	—	—
Convertible bonds issued during the year	—	—	231,913	567,332
Add: imputed finance cost	132	—	12,731	16,334
Conversion of convertible bond	(158,963)	—	—	—
Derecognition	—	—	(250,712)	—
Exchange alignment	271	3,783	6,068	(20,845)
	—	161,560	—	562,821
Effect of extinguishment of convertible bond				
— Fair value of convertible bond at issue date, net of direct issue costs	—	—	287,280	—
— Equity component	—	—	(65,190)	—
— Imputed finance cost	—	—	5,889	—
— Exchange alignment	—	—	(3,498)	—
Liability component at 31 December 2015	—	161,560	224,481	562,821

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32. CONVERTIBLE BONDS *(Continued)*

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

Notes:

(i) On 15 January 2013, the Company issued a tranche of convertible bond to ZTE (H.K.) Limited, being a wholly-owned subsidiary of ZTE Corporation, for the principal amount of HK$201,500,000 (equivalent to approximately RMB158,419,000) with a maturity of two years and interest rate of 10% per annum. On 14 January 2015, ZTE (H.K.) Limited converted 92,177,493 conversion shares of the convertible bonds (principal amount of HK$201,500,000) at HK$2.186 per conversion 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 (equivalent to approximately RMB157,240,000) with a maturity of one year and interest rate of 8% per annum. 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. On 10 September 2014, the Company, Mr. Chan Yuen Ming and CTM entered into the supplemental deed pursuant to which the parties agreed to extend the maturity date of convertible bonds from 4 September 2014 to 4 September 2016. Following the completion of the amendments to the HK$350,000,000 convertible bonds due 2016 of the Company and the declaration of the interim dividends on 2 October 2015 and 31 August 2015 respectively, the conversion price of the convertible bond is adjusted to HK$2.662 per share.

(iii) On 23 December 2014, the Company entered into the subscription agreement with ZTE (H.K.) Limited, pursuant to which the Company has conditionally agreed to allot and issue, and ZTE (H.K.) Limited has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$350,000,000 (equivalent to approximately RMB280,249,000) at the conversion price of HK$3.20 per conversion share (subject to adjustment). On 26 February 2015, the Company has completed the issuance and the proceeds from issuance of these convertible bonds of the net proceeds of approximately HK$349,000,000 were received. Following the completion of the placing and subscription on 8 June 2015, the conversion price of the convertible bond is adjusted to HK$3.177 per share. On 30 June 2015, ZTE (H.K) Limited has transferred all the convertible bonds to a third party company — Oriental (Asia) Investment Holdings Limited.

On 20 July 2015, the Company entered into a supplemental deed with Oriental (Asia) Investment Holdings Limited to, among others, extend the maturity date of the convertible bond from 26 February 2017 to 26 February 2018 and adjust of the conversion price to HK$2.34 per conversion shares resulting in amending of terms of convertible bond.

(iv) On 9 June 2015, the Company entered into the subscription agreement with Dundee Greentech Limited pursuant to which the Company has conditionally agreed to issue, and Dundee Greentech Limited has conditionally agreed to subscribe for, the convertible bonds in the principal amount of HK$847,080,000 (equivalent to approximately RMB710,446,000) at 100% of the face value of such principal amount, which may be converted into 362,000,000 conversion shares at the conversion price of HK$2.34 per conversion share (subject to adjustment). The conditions precedent for completion have been fulfilled and the completion took place on 10 August 2015.

At 31 December 2015, approximately RMB161,560,000 of the convertible bond was clarified as current liabilities which is due to be settled within twelve months after the reporting period.

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32. CONVERTIBLE BONDS *(Continued)*

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

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

	AEV 2014 (Note i)		AEV 2015 (Note ii)		
	Liability component RMB'000	Convertible bond embedded financial derivatives RMB'000	Liability component RMB'000	Convertible bond embedded financial derivatives RMB'000	Total RMB'000
For the period from inception to 31 December 2014:					
Convertible bond issued on 27 June 2014 net of direct transaction costs	161,571	20,223	–	–	181,794
Fair value gains on embedded financial derivatives	–	(4,623)	–	–	(4,623)
Add: imputed finance cost	7,968	–	–	–	7,968
Exchange alignment	(1,228)	–	–	–	(1,228)
Carrying amount at 31 December 2014	168,311	15,600	–	–	183,911
Carrying amount at 1 January 2015	168,311	15,600	–	–	183,911
Convertible bond issued on 6 July 2015 net of direct transaction costs	–	–	119,798	14,373	134,171
Add: imputed finance cost	10,383	–	5,213	–	15,596
Conversion of convertible bond	(117,545)	(2,947)	–	–	(120,492)
Fair value losses on embedded financial derivatives	–	8,926	–	252	9,178
Exchange alignment	3,833	364	2,856	317	7,370
Carrying amount at 31 December 2015	64,982	21,943	127,867	14,942	229,734

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32. CONVERTIBLE BONDS *(Continued)*

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

Notes:

(i) On 27 June 2014, the Company issued a tranche of convertible notes to Asia Equity Value Ltd ("AEV") for the principal amount of HK$230,000,000 (equivalent to approximately RMB181,794,000) with a maturity of 27 months and interest rate of 7.5% per annum. The Company will redeem, in eight equal installments, the principal amount of such convertible notes at 100% of such principal amount together with any accrued but unpaid interest thereto. The convertible notes, at the option of the noteholders, 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 notes is HK$3.35 per share. Following the completion of the placing and subscription as mentioned in Note 34(c), the conversion price of the convertible notes is adjusted to HK$3.00 per share.

On 26 February 2015, AEV converted 4,951,423 conversion shares of the convertible notes (principal amount of HK$11,566,525) at HK$2.336 per conversion share.

On 27 March 2015, AEV converted 5,772,444 conversion shares of the convertible notes (principal amount of HK$14,257,937) at HK$2.47 per conversion share.

On 17 July 2015, AEV converted 8,547,008 conversion shares of the convertible notes (principal amount of HK$20,000,000) at HK$2.34 per conversion share.

(ii) On 6 July 2015, the Company completed the issue of the additional convertible notes to AEV in the principal amount of HK$170,000,000 (approximately RMB134,171,000) for a cash consideration of HK$170,000,000, representing 100% of the face value of such principal amount with an initial conversion price of HK$3.07 per share, subject to adjustments pursuant to the terms and conditions of the convertible notes.

At 31 December 2015, approximately RMB104,327,000 of the convertible bond was classified as current liabilities which is due to be settled within twelve months after the reporting period.

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

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

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

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

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33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Interests in subsidiaries		**90,303**	90,303
Amount due from subsidiaries		**2,880,671**	1,514,187
		2,970,974	1,604,490
Current assets			
Amount due from subsidiaries		**118,110**	118,110
Other receivables		**237**	218
Cash and cash equivalents		**7,211**	476
		125,558	118,804
Current liabilities			
Other payables and accruals		**143,087**	29,396
Income tax payable		**8,244**	2,568
Interest-bearing borrowings		**—**	78,890
Convertible bonds		**265,887**	275,657
		417,218	386,511
Net current liabilities		**(291,660)**	(267,707)
Total assets less current liabilities		**2,679,314**	1,336,783
Non-current liabilities			
Interest-bearing borrowings		**25,134**	—
Convertible bonds		**912,709**	224,591
		937,843	224,591
NET ASSETS		**1,741,471**	1,112,192
CAPITAL AND RESERVES	34		
Share capital		**15,468**	13,571
Reserves		**1,726,003**	1,098,621
TOTAL EQUITY		**1,741,471**	1,112,192

Approved and authorised for issued by the board of directors on 29 March 2016.

Mr. Chan Yuen Ming
Chairman and Director

Mr. Shao Kwok Keung
Chief Executive Officer and Director

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34. 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 34(c)	Share premium RMB'000 34(d)(i)	Capital redemption reserve RMB'000 34(d)(ii)	Contributed surplus RMB'000 34(d)(iii)	Capital reserve RMB'000 34(d)(iv)	Translation reserve RMB'000 34(d)(vi)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2014		11,562	666,233	95	90,303	9,880	(60,732)	(53,610)	663,731
Changes in equity for 2014:									
Loss for the year		–	–	–	–	–	–	(18,299)	(18,299)
Other comprehensive income		–	–	–	–	–	48	–	48
Total comprehensive loss		–	–	–	–	–	48	(18,299)	(18,251)
Issuance of shares		2,009	599,650	–	–	–	–	–	601,659
Dividends approved and paid in respect of the previous year	34(b)	–	(103,676)	–	–	–	–	–	(103,676)
Dividends declared and paid in respect of the current year	34(b)	–	(31,271)	–	–	–	–	–	(31,271)
Balance at 31 December 2014		13,571	1,130,936	95	90,303	9,880	(60,684)	(71,909)	1,112,192
Balance at 1 January 2015		**13,571**	**1,130,936**	**95**	**90,303**	**9,880**	**(60,684)**	**(71,909)**	**1,112,192**
Changes in equity for 2015:									
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**34,857**	**34,857**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**89,501**	**–**	**89,501**
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**89,501**	**34,857**	**124,358**
Issuance of shares		**1,906**	**419,176**	**–**	**–**	**49**	**–**	**–**	**421,131**
Repurchase of shares		**(9)**	**(2,361)**	**9**	**–**	**–**	**–**	**(9)**	**(2,370)**
Redemption of convertible bonds		**–**	**–**	**–**	**–**	**(5,415)**	**–**	**5,415**	**–**
Modification on term of convertible bonds		**–**	**–**	**–**	**–**	**16,883**	**–**	**(16,883)**	**–**
Issue of new convertible bonds		**–**	**–**	**–**	**–**	**191,406**	**–**	**–**	**191,406**
Dividends approved and paid in respect of the previous year	34(b)	**–**	**(67,097)**	**–**	**–**	**–**	**–**	**–**	**(67,097)**
Dividend declared and paid in respect of the current year	34(b)	**–**	**(38,149)**	**–**	**–**	**–**	**–**	**–**	**(38,149)**
Balance at 31 December 2015		**15,468**	**1,442,505**	**104**	**90,303**	**212,803**	**28,817**	**(48,529)**	**1,741,471**

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34. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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

	2015		2014	
		Equivalent to		Equivalent to
	HK$'000	RMB'000	HK$'000	RMB'000
Interim dividend declared and paid of HK2.5 cents per ordinary share (2014: HK2.5 cents per ordinary share)	45,562	38,149	39,554	31,271
Final dividend proposed after the end of the reporting period of HK5.5 cents per ordinary share (2014: HK5.5 cents per ordinary share)	100,236	83,978	92,616	73,360
	145,798	122,127	132,170	104,631

The final dividend proposed after the end of the reporting period has 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:

	2015		2014	
		Equivalent to		Equivalent to
	HK$'000	RMB'000	HK$'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.5 cents per ordinary share (2014: HK5.5 cents per ordinary share)	80,318	67,097	79,685	63,358
Special dividend in respect of the previous financial year, declared and paid during the year, of HK3.5 cents per ordinary share (2014: HK3.5 cents per ordinary share)	—	—	50,709	40,318
	80,318	67,097	130,394	103,676

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34. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) *Share capital*

	2015		2014	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorised:	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,582,156**	**15,821**	1,328,824	13,288
Issuance of new shares (Note)	**240,318**	**2,404**	253,332	2,533
At 31 December	**1,822,474**	**18,225**	1,582,156	15,821
		RMB'000		RMB'000
Equivalent to		**15,468**		13,571

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

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

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34. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

Note: *(Continued)*

On 14 January 2015, ZTE (H.K.) Limited converted the convertible bonds in the principal amount of HK$201,500,000 and a total of 92,177,493 conversion shares were allotted and issued at HK$2.186 per conversion share. After the conversion, all the convertible bonds issued by the Company in accordance with the subscription agreement have been converted.

On 26 February 2015, approximately HK$11,566,525 due under the convertible bonds subscribed by Asia Equity Value Ltd (comprising repayment of quarterly instalment of HK$2,910,000 and interests of approximately HK$8,656,525) was repaid by 4,951,423 shares (HK$2.336 per share).

On 27 March 2015, the Company allotted and issued in aggregate 5,772,444 shares to Asia Equity Value Ltd to repay in aggregate approximately HK$14,257,937.5 (comprising repayment of quarterly instalment of HK$10,000,000 and interests of HK$4,257,937.5) due under the convertible bonds. The issue price for such shares was HK$2.47 per share.

On 8 June 2015, the Company issued 130,000,000 placing shares to not less than six placees at the placing price of HK$2.34 per placing share.

On 17 July 2015, Asia Equity Value Ltd converted the convertible bonds in principal amount of HK$20,000,000 and a total of 8,547,008 conversion shares were allotted and issued at HK$2.34 per conversion share. After the conversion, the outstanding principal amount of the Initial Notes amounted to HK$197,090,000.

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34. 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 recognised in accordance with the accounting policy adopted for convertible bonds in Note 32.

— 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.

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34. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve (Continued)

(v) Statutory general reserve

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

The statutory general reserve can be used to cover previous years' losses, if any, and may be provided that the balance after such conversion is not less than 25% of the registered capital of the PRC subsidiaries.

(vi) Translation reserve

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

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to the equity shareholders of the Company was approximately RMB1,484,279,000 (2014: RMB1,149,330,000). After the end of the reporting period, the directors proposed a final dividend of HK5.5 cents per ordinary share (2014: HK5.5 cents per share), amounting to approximately HK$100,236,000 (2014: HK$87,019,000) and a special dividend of nil cents per ordinary share (2014: nil cents per share), amounting to Nil (2014: nil) (Note 34). 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.

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35. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Disposals

On 13 April 2015, Changfei Investment and 深圳市騰興旺達有限公司 (Shenzhen City Teng Xing Wang Da Co., Ltd.) ("Tengxing Wangda"), a company owned and controlled by the core management of Shenzhen Xingfei, entered into an equity transfer agreement pursuant to which Changfei Investment agreed to transfer, and Tengxing Wangda agreed to accept the transfer of 26% equity interest in Shenzhen Xingfei at a total consideration of approximately RMB234,050,000. Upon completion of the disposal which took place in 17 April 2015, Changfei Investment's equity interest in Shenzhen Xingfei decreased from 80% to 54%, while the Tengxing Wangda's equity interest in Shenzhen Xingfei increased from 7.1% to 33.1%. For details, please refer to the Company's announcement dated 13 April 2015.

Acquisitions

(i) Pursuant to the respective equity transfer agreements entered into in March 2014 between Shenzhen Xingfei's (a 80% owned subsidiary of the Group), Changfei Investment, and Mr. Feng Xizhang ("Mr. Feng"), an individual non-controlling shareholder of Ruide Electronic, Shenzhen Xingfei's acquired approximately 19.54% equity interest in Ruide Electronic from Mr. Feng for a consideration of approximately RMB25,110,000 and 57.47% equity interests in Ruide Electronic from Changfei Investment. Upon the completion of the acquisitions, Shenzhen Xingfei's equity interest in Ruide Electronic was approximately 77.01%. For details, please refer to the Company's announcement dated 14 March 2014.

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

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35. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

Acquisitions *(Continued)*

(iii) On 28 August 2015, Mr. Zhu Wei Min ("Mr. Zhu"), Changfei Investment and Lead Communications entered into the capital reduction agreement in relation to Mr. Zhu's withdrawal of his equity investment in Lead Communications, representing about 16.77% or approximately RMB1,300,000 of the registered capital of Lead Communications. Pursuant to the terms and conditions of the capital reduction agreement, Mr. Zhu will withdraw his equity investment in Lead Communications by way of a reduction of the registered capital of Lead Communications from approximately RMB7,740,000 to approximately RMB6,450,000. The aggregate consideration for the capital reduction payable by Lead Communications to Mr. Zhu is approximately RMB19,562,400. Upon completion of the capital reduction, Mr. Zhu had ceased to hold any equity interest in Lead Communications and Changfei Investment will become the 100% holding company of Lead Communications. For details, please refer to the Company's announcement dated 28 August 2015.

(iv) On 25 September 2015, 廣東全通諾特通信技術有限公司 (Guangdong All Access Noter Communication Technology Co., Ltd.*) ("Guangdong All Access") a wholly-owned subsidiary of the Company, entered into agreement with Mr. Zhu and Ms. Liu Wei Li in relation to the acquisition of in aggregate about 6.58% equity interest in Changfei Investment by Guangdong All Access for an aggregate consideration of approximately RMB54,750,000. Upon completion of the acquistion, the Group's equity interest in Changfei Investment had increased from about 60.10% to about 66.68%. For details, please refer to the Company's announcement dated 25 September 2015.

(v) On 9 October 2015, Guangdong All Access entered into the equity transfer agreement with Beijing Yuefeng, pursuant to which Guangdong All Access has conditionally agreed to acquire 100% equity interest in Zhisheng from the Vendor for a total consideration of RMB1. Zhisheng is an investment holding company principally engaged in holding about 33.32% equity interest in Changfei Investment (the "Changfei Equity Interest"). Upon completion of the Zhisheng acquisition which took place in 22 December 2015, (i) Zhisheng has become a wholly-owned subsidiary of the Company and (ii) the Group's equity interest in Changfei Investment had increased from about 66.68% to 100%. According to the announcement, the consideration for the Zhisheng acquisition was determined by Guangdong All Access and Beijing Yuefeng after arm's length negotiations with reference to, among other factors, (i) the book value of the Changfei Equity Interest in the unaudited management accounts of Zhisheng in the amount of about RMB578,000,000; (ii) the total liabilities of Zhisheng as at 30 June 2015 of about RMB583,000,000 principally representing the interest-bearing borrowings incurred by Zhisheng for payment of its acquisition costs of the Changfei Equity Interest (the "Zhisheng Liabilities"); and (iii) the net liabilities position of Zhisheng of about RMB3,060,000 as at 30 June 2015. For further details, please refer to the Company's announcements dated 9 October 2015, 26 November 2015, 15 December 2015 and 22 December 2015.

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36. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2015 are as follows:

			Proportion of ownership interest			
Name of company	Place and of incorporation/ business	Issued and fully paid up/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China Lide Group Holding Limited BVI 中國立德控股有限公司	17 November 2015/ (Note (a))	HK$350,000	100%	–	100%	Investment holding
China Lide Group Limited BVI 中國立德集團有限公司	17 November 2015/ (Note (a))	US$50,000	100%	–	100%	Investment holding
China All Access Stockholding Limited BVI 中國全通股份有限公司	28 October 2015/ (Note (a))	US$50,000	100%	100%	–	Investment holding
Lide Global Limited 立德環球有限公司	Hong Kong/ 14 December 2015	HK$1,000,000	100%	–	100%	Investment holding
China All Access Capital Limited BVI 中國全通資本有限公司	4 November 2015/ (Note (a))	US$50,000	100%	100%	–	Investment holding
CAA BVI 中國全通集團有限公司	15 June 2006/ (Note (a))	US$10,000	100%	100%	–	Investment holding
CAA HK 全通環球有限公司	Hong Kong/ 18 June 2008	HK$10,000	100%	–	100%	Investment holding
Hebei Noter (Note (b)) 河北諾特通信技術有限公司	The PRC/ 21 August 2006	US$22,500,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Beijing All Access (Note (b)) 北京全通諾特通信技術有限公司	The PRC/ 21 October 2009	US$30,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance

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36. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Shanghai All Access Noter Communication Technology Co., Ltd. (Note (b)) 上海全通諾特通信技術有限公司	The PRC/ 23 December 2009	US$15,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Guangdong All Access Noter Communication Technology Co., Ltd. ("Guangdong Noter") (Note (b)) 廣東全通諾特通信技術有限公司	The PRC/ 20 April 2010	US$70,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and
Tianjin Hailantong Technology Co., Ltd. (Note (b)) 天津海藍通科技有限公司	The PRC/ 6 May 2011	US$10,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
Shenzhen City Changfei Investment Co., Ltd. ("Changfei Investment") (Note (c)) 深圳市長飛投資有限公司	The PRC/ 6 February 2004	RMB27,750,000	100%	–	100%	Investment holding
Huizhou Changfei Investment Co., Ltd. ("Huizhou Changfei") (Note (c)) 惠州市長飛投資有限公司	The PRC/ 23 April 2010	RMB60,000,000	54%	–	100%	Investment holding
Huizhou All Access Real Estate Co., Ltd. ("Huizhou All Access") (Note (c)) 惠州全通房地產開發有限公司	The PRC/ 29 November 2011	RMB1,000,000	95.82%	–	100%	Real estate development
Shenzhen Xingfei (Note (c)) 深圳市興飛科技有限公司	The PRC/ 19 July 2005	RMB348,210,000	54%	–	54%	Design and manufacturing of handset

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36. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Nanchang Xingfei Technology Co., Ltd. (Note (c)) 南昌興飛科技有限公司	The PRC/ 1 July 2008	RMB15,000,000	54%	–	100%	Design and manufacturing of handset
Ruide Electronic (Note (c)) 深圳市睿德電子實業有限公司	The PRC/ 27 April 2004	RMB6,700,000	54%	–	100%	Manufacturing of handset battery
Lead Communications (Note (c)) 深圳市立德通訊器材有限公司	The PRC/ 17 June 2003	RMB10,000,000	100%	–	100%	Manufacturing of handset screen
Shenzhen Control Electromechanical Co., Ltd. (Note (c)) 深圳市康銓機電有限公司	The PRC/ 2 June 2003	RMB16,000,000	57.50%	–	57.50%	Manufacturing of handset shell
Shenzhen Wanyu Technologies Co., Ltd. (Note (c)) 深圳萬譽電子技術有限公司	The PRC/ 30 April 2007	RMB8,000,000	57.50%	–	100%	Manufacturing of handset shell
Hebei Haoguang Communication Technology Limited (Note (c)) 河北浩廣通信科技有限公司	The PRC/ 2 April 2013	RMB20,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
All Access Communication Technology (Shenzhen) Limited ("All Access Shenzhen") (Note (b)) 全通通信技術(深圳)有限公司	The PRC/ 28 June 2013	RMB60,000,000	100%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
China All Access Yihe Property Management (Shenzhen) Co., Ltd. (Note (c)) 全通頤和物業管理(深圳)有限公司	The PRC/ 11 February 2014	RMB500,000	54%	–	100%	Property management and maintenance

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36. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China All Access Ruichang Supply Chain Management (Shenzhen) Co., Ltd. (Note (c)) 全通瑞暢供應鏈管理(深圳)有限公司	The PRC/ 11 February 2014	RMB5,000,000	100%	–	100%	Supply chain management and cargo agency
Xingfei (Hong Kong) Co., Ltd. 興飛(香港)有限公司	Hong Kong/ 14 January 2013	HK10,000,000	54%	–	100%	Provision of electronic equipment, imports and exports of goods and technology
Huizhou Xingfei Technology Co., Ltd. (Note (c)) 惠州市興飛技術有限公司	The PRC/ 24 April 2014	RMB10,000,000	54%	–	100%	Design and manufacturing of handset
Huizhou Ruixingyuan Technology Co., Ltd. (Note (c)) 惠州市睿興元技術有限公司	The PRC/ 7 May 2014	RMB10,000,000	54%	–	100%	Manufacturing of handset parts and other electronic products
Wuhu Xingfei Communication Technology Co., Ltd. (Note (c)) 芜湖市興飛通訊技術有限公司	The PRC/ 1 December 2015	RMB10,000,000	54%	–	100%	Development and provision of communication equipment, application services system operating management, application upgrade and system maintenance
All Access Kaihong (Shenzhen) Co., Ltd. (Note (c)) 全通凱弘(深圳)有限公司	The PRC/ 14 August 2014	RMB10,000 (Note (d))	100%	–	100%	Investment holding
All Access Kaiyang (Shenzhen) Co., Ltd. (Note (c)) 全通凱揚(深圳)有限公司	The PRC/ 14 August 2014	RMB10,000 (Note (d))	100%	–	100%	Investment holding
China All Access Investment Limited 中國全通投資有限公司	28 August 2014/ (Note (a))	USD1	100%	100%	–	Investment holding

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36. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Place and date of incorporation/ business	Issued and fully paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Huizhou All Access Communication Technology Co., Ltd. (Note (c)) 惠州市全通通信技術有限公司	The PRC/ 22 September 2014	RMB10,000,000 (Note (d))	100%	–	100%	Development and provision of communication equipment, application services system operation management, application upgrade and system maintenance
Huizhou Lead Communications Co., Ltd. (Note (c)) 惠州市立德通訊技術有限公司	The PRC/ 10 July 2014	RMB10,000,000 (Note (d))	100%	–	100%	Manufacturing of handset screen
Zhengzhou Xingfei Technology Co., Ltd. (Note (c)) 鄭州興飛科技有限公司	The PRC/ 15 September 2014	RMB5,000,000	54%	–	100%	Technology research on communication equipment, imports and exports of goods and technology
Shenzhen Ruiheng Bangde Trade Co., Ltd. (Note (c)) 深圳市瑞恒邦德貿易有限公司	The PRC/ 26 December 2014	RMB5,000,000 (Note (d))	54%	–	100%	Research and development of electronic, communication products and accessories; domestic, imports and exports trade
All Access Zhisheng (Shenzhen) Investment Consultancy Co., Ltd (Note (c)) 全通智盛(深圳)投資諮詢有限公司	The PRC/ 21 October 2013	RMB100,000 (Note (d))	100%	–	100%	Investment holding

Notes:

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

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

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

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

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36. PARTICULARS OF SUBSIDIARIES *(Continued)*

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.

(i) On 22 December 2014, the Group disposed its 100% subsidiary, All Access Zhisheng (Shenzhen) Investment Consulting Limited ("All Access Zhisheng"), to a third party at RMB1.00 as consideration. Following this disposal, the Group also ceases to hold 3.3243% interest of equity in Changfei Investment as All Access Zhisheng holds a total of 3.3243% interest in Changfei Investment. As the disposal completed on 22 December 2014, which was very close to 31 December 2014, the income, expenses and profits from the disposal date to the end of reporting period were considered immaterial. The NCI percentage for assets and liabilities allocated to NCI is 49% and profit allocated to NCI is 45.6757%. As the Group retains control on Changfei Investment, this disposal was treated as an equity transaction and effect in changes of non-controlling interests amounted to approximately RMB38,505,000. On 9 October 2015, Guangdong All Access entered into the equity transfer agreement with Beijing Yuefeng, pursuant to which Guangdong All Access has conditionally agreed to acquire 100% equity interest in Zhisheng from the Vendor for a total consideration of RMB1. Zhisheng is an investment holding company principally engaged in holding about 33.32% equity interest in Changfei Investment.

(ii) On 24 July 2014, the Group disposed 54% equity interest in a subsidiary, Changsha Yuan Ben Xin Xi Technology Company Limited. The net proceeds of the disposal is RMB10,000,000. Gain on disposal before tax of RMB1,862,117 have been recognised in the consolidated statement of profit or loss for 2015

37. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	**75,253**	43,978

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

	2015 RMB'000	2014 RMB'000
Within 1 year	**27,469**	21,701
After 1 year but within 5 years	**38,725**	25,349
After 5 years	**1,048**	5,472
	67,242	52,522

The Group is the lessee in respect of a number of properties. The leases typically run for an initial period of one to eight years, with an option to renew the leases when all the terms are renegotiated. Leasing arrangements with related parties are set out in Note 39(a). None of the leases include contingent rentals.

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38. CONTINGENT LIABILITIES

Financial guarantee issued

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

At 31 December 2015, 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 2015 under the guarantee was the total outstanding amount of the loan of approximately HK$10,108,000 (equivalent to approximately RMB8,468,000) (2014: HK$10,572,000, equivalent to approximately RMB8,340,000).

39. MATERIAL RELATED PARTY TRANSACTIONS

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

Notes:

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

(ii) In 2013, the Company entered into two subscription agreements with CTM in respect of a convertible bond. The details of the transactions and relationship are disclosed in Note 32.

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39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Material related party transactions

	2015 RMB'000	2014 RMB'000
Sales of goods and rendering of services		
ZTE Group	**2,846,571**	2,722,885
ZX Group	**402**	—
	2,846,973	2,722,885
Purchases of goods and services		
ZTE Group	**914,352**	48,437
ZX Group	**16,617**	24,446
Associates of the Group	**17,683**	53,034
	948,652	125,917
Finance cost		
ZTE Group	**132**	26,950
CTM	**—**	23,482
	132	50,432
Professional expense		
ZTE Group	**851**	2,267
Rental expenses		
Mr. Chan Yuen Ming	**182**	182
ZTE Group	**911**	—
ZX Group	**—**	1,390
	1,093	1,572
Acquisition of non-controlling interests		
ZX Group	**—**	39,621
Capital injection received by a subsidiary of the Company		
ZTE Group	**—**	41,185
Capital withdrawal from a subsidiary of the Company		
ZTE Group	**24,723**	—

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39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) *Material related party balances*

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Trade receivables			
ZTE Group		333,434	504,904
ZX Group		470	402
Associates of the Group		—	—
Less: Allowance for doubtful debts		(993)	(11,254)
		332,911	494,052
Other receivables			
ZTE Group		178	125
ZX Group		—	4,500
Associates of the Group		8,160	—
		8,338	4,625
Prepayment			
ZTE Group		31,773	—
Discounted bills receivable			
ZTE Group		92,651	627,311
Bills receivable			
ZTE Group		427,050	759,885
Available-for-sale financial assets			
ZTE Group		11,000	—
Associates of the Group		4,214	4,214
		15,214	4,214
Trade payables	28		
ZTE Group		69,026	9,262
ZX Group		10,335	6,944
Associates of the Group		5,374	26,452
		84,735	42,658

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39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Bills payable	28		
ZTE Group		53,000	3,940
ZX Group		—	16,354
Associates of the Group		5,518	—
		58,518	20,294
Other payables			
ZTE Group		8,443	7,921
ZX Group		24,621	11,887
		33,064	19,808
Receipts in advance			
ZTE Group		7,171	—
Deferred consideration payable			
ZX Group		—	7,923
Interest-bearing borrowings			
ZTE Group		—	389,870
CTM		—	78,890
		—	468,760
Bank advances on discounted bills receivable			
ZTE Group		92,651	574,343
Convertible bonds			
ZTE Group		—	158,560
CTM		161,560	157,777
		161,560	316,337

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39. 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 11 and certain of the highest paid employees as disclosed in Note 12, is as follows:

	2015 **RMB'000**	2014 RMB'000
Short-term employee benefits	**7,152**	9,432
Post-employment benefits	**—**	211
Discretionary bonus	**—**	3,650
	7,152	13,293

Total remuneration is included in "staff costs" (Note 8).

(d) *Guarantee by related party of the Company*

At at 31 December 2014, Mr. Chan Yuen Ming has provided a guarantee in respect of the guaranteed note of HK$100,000,000 (equivalent to approximately RMB78,790,000) and convertible bond of HK$200,000,000 (equivalent to approximately RMB157,785,000).

In February 2015, the guaranteed note was repaid by the Group. At 31 December 2015, the convertible bond guaranteed by Mr. Chan Yuen Ming has carrying amount of HK$200,000,000 (equivalent to approximately RMB161,560,000).

40. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) *Credit risk*

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

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

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40. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) *Credit risk* *(Continued)*

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to lesser extent. At 31 December 2015, the Group has a certain concentration of credit risk as 17.51% and 38.05% (2014: 18.52% and 47.44%) 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 and prepayments are set out in Notes 21 and 22.

(b) *Liquidity risk*

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

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40. 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:

	2015 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	2,265,154	60,953	133,897	7,593	2,467,597	2,370,121
Bank advances on discounted bills receivable	145,805	—	—	—	145,805	145,805
Trade and other payables	3,038,555	—	—	—	3,038,555	3,038,555
Deferred consideration payable	—	15,212	700	—	15,912	15,912
Convertible bonds	405,417	922,242	—	—	1,327,659	1,178,596
	5,854,931	998,407	134,597	7,593	6,995,528	6,748,989

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

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40. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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.

(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:

	2015 Effective interest rate %	2015 RMB'000	2014 Effective interest rate %	2014 RMB'000
Variable rate deposits				
Cash at banks and in hand	**0.001-0.35**	**526,462**	0.001-0.35	461,783
Restricted cash	**0.35-3.30**	**419,915**	0.35-3.30	675,692
Structured deposits	**3.35-3.70**	**500,000**	3.35-3.70	560,000
Variable rate directional asset management	**2.80-3.90**	**—**	4.50-7.50	982,500
Fixed rate deposits				
Bank deposits with original maturities over three months	**1.95-3.16**	**1,093,000**	3.30	303,000
Entrusted loans	**12.00**	**210,000**	9.00	20,000
Fixed rate borrowings				
Interest-bearing borrowings	**1.62-8.00**	**1,582,700**	5.43-10.00	417,890
Bank advances on discounted bills receivable	**2.95-6.50**	**145,805**	4.14-7.80	768,246
Convertible bonds	**7.52-21.97**	**1,178,596**	11.35-18.14	500,248
Variable rate borrowings				
Interest-bearing borrowings	**1.23-14.95**	**787,421**	1.22-7.50	1,052,836
Total borrowings		**3,694,522**		2,739,220
Fixed rate borrowings as a percentage of total borrowings		**78.69%**		61.56%

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40. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased the Group's profit after tax and retained profits by RMB1,467,955 (2014: RMB3,332,157).

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 at 31 December 2015.

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 2015 (2014: nil).

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40. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) *Fair value*

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

At 31 December 2015, the fair value of embedded financial derivatives related to the convertible bonds of the Group and the Company categorised into Level 2 of fair value hierarchy amounts to approximately RMB68,061,000, which is determined using binomial tree option pricing model and Monte Carlo simulation. The directional asset management plans are also categorised into Level 2 of fair value hierarchy. The unobservable input used in the fair value measurement is expected to be insignificant.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2015.

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41. NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENT

On 4 January 2016, China Lide and China All Access Investment Limited ("CAA Investment"), being two of the wholly owned subsidiaries of the Group, entered into the subscription agreement with the investor, pursuant to which the investor agreed to subscribe for shares of China Lide, representing about 25.0% of the enlarged issued share capital of China Lide, for cash at the subscription price of HK$40,400,000.

On 21 January 2016, the disposal of 54% equity interest in Shenzhen Xingfei was completed. Upon the completion of the disposal, the Company ceased to own any interest in Shenzhen Xingfei and its subsidiaries.

On 24 March 2016, the Company received notice from Asia Equity Value Ltd. (as the Bondholder) for the exercise of the conversion rights attached to the convertible notes in respect of the principal amount of HK$28,750,000 of the convertible notes at the conversion price of HK$2.17 per conversion share. On 24 March 2016, a total of 13,248,848 conversion shares were allotted and issued by the Company to Asia Equity Value Ltd. After the conversion, the outstanding principal amount of the convertible notes amounted to HK$57,500,000.

42. 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.