北京迪信通商貿股份有限公司
Beijing Digital Telecom Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code : 06188

ANNUAL REPORT 2014

Contents

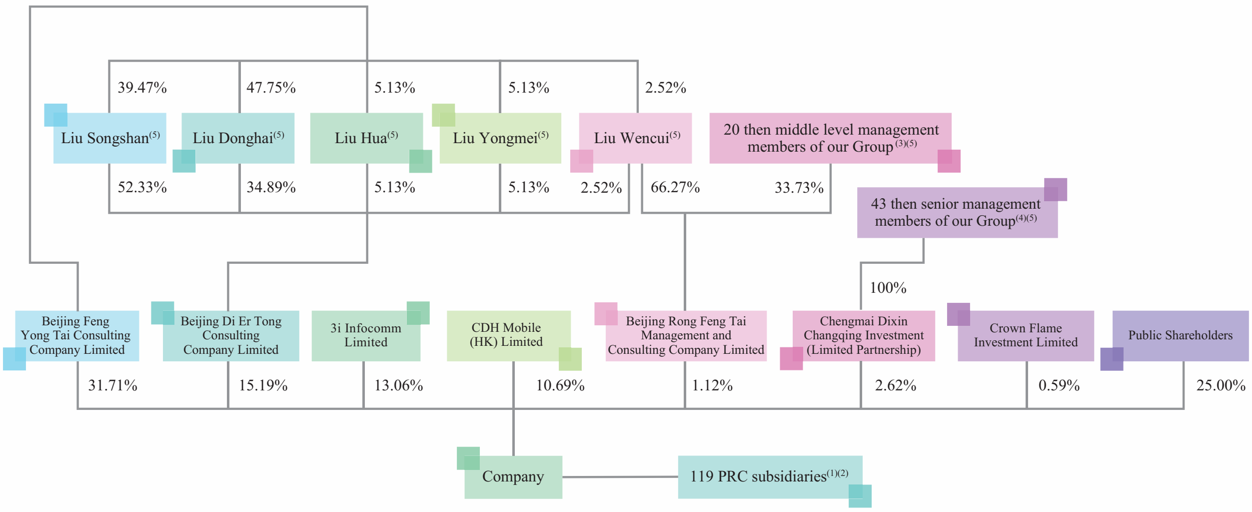
COMPANY PROFILE

Beijing Digital Telecom Co., Ltd. was founded in 2001 with more than 100 subsidiaries and nearly 1,500 independently operated outlets and franchised outlets covering 21 provinces and four municipalities in China. Since its establishment, the Company has been focusing on the sales of mobile telecommunication devices and the provision of related services. With its extensive offline sales channels and online sales platform, the Company provides comprehensive services to its customer, ranging from the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalized services and after sale services for mobile phones.

Leveraging on its core competitive edge gained from its services and innovation, the Company persists in creating excellent experience and true value for the customers through its quality products, convenient shopping environment and attentive one-stop services.

The Company has been listed (06188. HK) in Hong Kong since 2014.

The corporate structure of our Group as at 31 December 2014 is set out as follows:



Notes:

(1) *As of the Latest Practicable Date, 112 PRC subsidiaries are wholly owned by our Company while seven other PRC subsidiaries are not wholly owned by our Company. The shareholding of these seven non-wholly-owned PRC subsidiaries is set out below:*

(i) *60% of the equity interest of Henan Digital Trading Company Limited (河南迪信通商貿有限公司) is held by us and the remaining 40% is held by Mr. Gao Chunlin, who is an independent third party.*

(ii) *52% of the equity interest of Sichuan Soujizhijia Electronics Technology Company Limited (四川搜機之家電子科技有限公司) is held by us and the remaining 40% is held by Shanghai Wangci Digital Technology Company Limited (上海網賜數碼科技有限公司) with 40% and Mr. Yaobo with 8%, which are independent third parties.*

(iii) *55% of the equity interest of Beijing Yihaotong Orient Information Technology Company Limited (北京億號通東方信息技術有限公司) is held by us and the remaining 45% is held by Ms. Chen Jinling, who is an independent third party.*

(iv) *65.76% of the equity interests of Beijing China Intellect Unit Telecommunications and Technology Company Limited (北京中智聯合通信科技發展有限公司) is held by us, with the remaining 34.24% held by 18 entities which are all independent third parties.*

(v) *70% of the equity interests of Yunnan Jiyue Telecommunications Technology Company Limited (雲南繼躍通信技術有限公司) is held by us and the remaining 30% was held by Mr. Luo Jianjun, who holds 3.33% equity interests of Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司) as of the Latest Practicable Date.*

(vi) *55% of the equity interests of 19 Where Internet Technology Company Limited (北京易久維互聯科技有限公司) is held by us and the remaining 45% is held by Mr. Zhao Hui, who is an independent third party.*

(vii) *70% of the equity interests of Shenzhen DIGITONE Investment Holdings Co., Limited (深圳廸信通投資控股有限公司) is held by us and the remaining 30% is held by Shenzhen Shang Zhi Chuang Zhan Investment Holding Co., Limited (深圳商置創展投資控股有限公司), which is an independent third party.*

(2) *As one of the largest physical retail store networks in the PRC mobile telecommunications sector, we maintain our leading position by conducting our business through 119 subsidiaries spreading across four municipal cities and 21 provinces. These subsidiaries are mainly to operate individual standalone outlets and liaise with local wholesalers.*

(3) *The 20 then middle level management members of our Group include Zhang Wenkai (16.00%), Luo Jianjun (3.33%), Cao Qin (1.33%), Hu Ping (1.33%), Zhang Hui (1.33%), Zhao Shuang (1.33%), Hou Qinghong (0.93%), Huang Qiuli (0.82%), Jiang Shan (0.82%), Jiang Xuefu (0.82%), Li Jing (0.82%), Li Yunping (0.82%), Li Xuehua (0.64%), Qi Qin (0.64%), Zhang Shuangping (0.64%), Hu Minghua (0.53%), Li Dong (0.53%), Tian Hong (0.53%), Dong Shaorong (0.40%) and Pei Qidi (0.13%). Among them, Hu Ping, Zhang Wenkai, Zhang Hui, Li Jing and Li Dong have ceased to assume any role in the management team of our Company as of the Latest Practicable Date.*

(4) *The 43 then senior management members of our Group include Jin Xin (17.14%), Zhou Qing (9.71%), Qi Feng (9.15%), Zhang Tianyu (6.86%), Bai Ren (5.83%), Liu Yajun (4.57%), Yang Xiaomei (3.17%), Huang Jianhui (2.86%), Xu Guliang (2.86%), Ding Zhijun (2.69%), Li Xuerong (2.00%), Tang Zhiqiang (2.00%), Guo Weijuan (1.94%), Li Kai (1.94%), He Lingli (1.89%), Zhong Dalin (1.89%), Zhang Ning (1.71%), Chen Lin (1.43%), Li Dongmei (3.71%), Li Wanqing (1.37%), Sun Chengdong (1.31%), Zhang Jun (1.23%), Feng Lei (1.14%), Ji Li (0.97%), Wang Zhifeng (0.86%), Jing Shulin (0.57%), Pang Hong (0.57%), Sun Gang (0.57%), Wang Zhenfeng (0.57%), Pei Qidi (0.57%), Qiao Junjie (0.51%), Zhao Bin (0.49%), Chen Hong (0.29%), He Junchao (0.29%), Peng Qiyi (0.29%), Yang Jianguo (0.27%), Cao Wenying (0.29%), Fang Hongbao (0.17%), He Zhiwei (0.17%), Pang Hongqiang (0.17%), Yao Guangyuan (0.11%), Leng Jianchuang (2.86%) and Xiao Chunmei (1.03%). Liu Yajun is an executive Director of our Company and Jin Xin is a senior management of our Company. Among them, Feng Lei and Pang Hong have ceased to assume any role in the management team of our Company as of the Latest Practicable Date.*

(5) *The Directors, Supervisors and members of the senior management who directly or indirectly having an interest in the Shares of the Company are as follows: (a) Liu Donghai, chairman and executive Director; (b) Liu Yajun, vice chairman and executive Director; (c) Liu Songshan, executive Director; (d) Liu Wencui, executive Director; (e) Liu Hua, executive Director; (f) Hu Ping, Supervisor; (g) Jin Xin, general manager; (h) Qi Feng, vice general manager; (i) Zhou Qing, vice general manager; (j) Bai Ren, vice general manager; (k) Huang Jianhui, vice general manager; (l) Leng Jianchuang, chief financial officer; and (m) Li Dongmei, secretary to the Board, joint company secretary and chief legal officer. Each of the above Directors, Supervisors and members of the senior management undertakes that, upon the Listing, pursuant to the PRC Company Law, he/she will continuously declare to the Company his/her direct or indirect interest in the Shares of the Company, and will comply with the following restrictions: (1) he/she shall not transfer his/her respective direct or indirect interests in the Shares within one year after Listing; (2) he/she shall not transfer more than 25% of his/her respective direct or indirect interests in the Shares each year during the tenure; and (3) he/she will not transfer any of his/her respective direct or indirect interests in the Shares within six months after his/her departure from the Company. If the undertaking is breached, each of the above Directors, Supervisors and members of the senior management agrees that since the date of breach, (1) the Company may withhold from paying his/her respective remuneration or other benefits; (2) the Company may withhold from vesting dividends under his/her respective direct or indirect interests in the Shares; and (3) the Company may terminate the employment agreement or service contract, as applicable, with the relevant person unilaterally without any recourse to the Company (save for the benefits already accrued prior to such breach).*

PRINCIPAL OPERATING SUBSIDIARIES

As of the Latest Practicable Date, we had 119 subsidiaries in the PRC.

Beijing Dphone Electronic Communication Technology Co., Ltd. (“**Beijing Dphone**”) was established on 16 January 1998 in the PRC with a registered capital of RMB10 million. During the track record period, the entire equity interests of Beijing Dphone was held by our Company.

Beijing Dphone is primarily engaged in service providing, developing, consulting, transferring of technologies related to computer and cyber engineering, telecommunication commerce and the wholesales and maintenance of telecommunication devices.

Shanghai Dixin Electronic Communication Technology Co., Ltd. (“**Shanghai Dixin**”) was established on 5 September 2000 in the PRC with a registered capital of RMB20 million. During the track record period, the entire equity interests of Shanghai Dixin was held by our Company.

Shanghai Dixin is primarily engaged in service providing, developing, consulting, transferring of computer and cyber engineering technology, telecommunication commerce and the wholesales and maintenance of telecommunication devices.

Zhengzhou Dphone Electronic Communication Technology Co., Ltd. ("**Zhengzhou Dphone**") was established on 25 October 2001 in the PRC with a registered capital of RMB13 million. During the track record period, the entire equity interests of Zhengzhou Dphone was held by our Company.

Zhengzhou Dphone is primarily engaged in the wholesales and maintenance of telecommunication devices.

Henan Dphone Electronic Communication Technology Co., Ltd. ("**Henan Dphone**") was established on 30 July 2007 in the PRC with a registered capital of RMB20 million. During the track record period, the entire equity interests of Henan Dphone was held by our Company.

Henan Dphone is primarily engaged in the sales and maintenance of telecommunications devices.

Henan Dphone Trading Co., Ltd.("**Henan Dphone Trading**") was established on 12 January 2011 in the PRC with a registered capital of RMB10 million. During the track record period, 60% of the equity interests of Henan Dphone Trading was held by the Company and the remaining 40% is held by Mr. Gao Chunlin, who is an independent third party.

Henan Dphone Trading is primarily engaged in the sales and maintenance of telecommunication devices.

Sichuan Yijialong Communication Technology Chain Co., Ltd ("**Sichuan Yijialong**") was established on 23 June 2006 in the PRC with a registered capital of RMB5 million. During the track record period, the entire equity interests of Sichuan Yijialong was held by the Company.

Sichuan Yijialong is primarily engaged in the sales and maintenance of telecommunication devices.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Donghai *(Chairman)*
Mr. Liu Yajun
Mr. Liu Songshan
Ms. Liu Wencui
Ms. Liu Hua

Non-executive Director

Mr. Wang Lin

Independent Non-executive Directors

Mr. Lv Tingjie
Mr. Leng Rongquan
Mr. Vincent Man Choi, Li

Supervisors

Ms. Xiao Hong
Mr. Li Wanlin
Mr. Hu Yuzhong

JOINT COMPANY SECRETARIES

Ms. Li Dongmei
Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Liu Yajun
Ms. Li Dongmei

AUDIT COMMITTEE

Mr. Vincent Man Choi, Li *(Chairman)*
Mr. Lv Tingjie
Mr. Wang Lin

NOMINATION COMMITTEE

Mr. Lv Tingjie *(Chairman)*
Mr. Leng Rongquan
Mr. Liu Songshan

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Leng Rongquan *(Chairman)*
Mr. Vincent Man Choi, Li
Ms. Liu Hua

STRATEGY COMMITTEE

Mr. Liu Donghai *(Chairman)*
Mr. Liu Yajun
Mr. Liu Songshan
Mr. Lv Tingjie
Mr. Wang Lin

REGISTERED OFFICE

No. 101, 4/F, C Yi'an Business Building
18 Building Yi'an Jiayuan
Beiwa West
Haidian District
Beijing
PRC

HEADQUARTERS

No. 101, 4/F, C Yi'an Business Building
18 Building Yi'an Jiayuan
Beiwa West
Haidian District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law and United States law:
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Zhong Lun Law Firm
36–37/F, SK Tower
6A Jianguomenwai Avenue
Beijing
PRC

COMPLIANCE ADVISER

Shenyin Wanguo Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

6188

COMPANY'S WEBSITE

www.dixintong.com

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
(Lincui Road Sub-branch, Beijing)
Block 24, Yilin Jiayuan
Lincui Road
Chaoyang District
Beijing
PRC

Shanghai Pudong Development Bank Co., Ltd.
(Business Department of Beijing Branch)
18 Taipingqiao Avenue
Xicheng District
Beijing
PRC

China Minsheng Banking Corp. Ltd.
(Fuchengmen Sub-branch, Beijing)
2 Fuwai Avenue
Xicheng District
Beijing
PRC

Citibank (China) Co., Ltd.
(Beijing Branch)
17/F, Excel Centre
6 Wudinghou Avenue
Xicheng District
Beijing
PRC

FINANCIAL HIGHLIGHT

Items	For the year ended 31 December 2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Consolidated Statement of Profit or Loss				
Revenue	**14,358,609**	12,812,024	8,802,689	6,513,501
Gross Profit	**1,976,592**	1,737,962	1,463,000	1,215,904
Profit for the year and total comprehensive income	**318,360**	274,192	249,802	221,505
Attributable to:				
Owners of the parent	**318,133**	266,441	252,121	221,566
Non-controlling interests	**227**	7,751	(2,319)	(61)
Earning per share attributable to ordinary equity holders of the parent – Basic and diluted (RMB/Share)	**0.55**	0.53	0.50	0.44
Consolidated Balance Sheet				
Non-current assets	**247,947**	250,853	212,045	195,615
Current assets	**5,199,352**	4,357,137	3,449,048	2,541,761
Total assets	**5,447,299**	4,607,990	3,661,093	2,737,376
Current liabilities	**3,026,096**	3,164,467	2,298,908	1,628,783
Total assets less current liabilities	**2,421,203**	1,443,523	1,362,185	1,108,593
Non-controlling interests	**21,669**	19,868	4,971	3,500
Net assets	**2,399,534**	1,423,655	1,357,214	1,105,093
Share Capital	**666,667**	500,000	500,000	500,000
Reserves	**1,732,867**	923,655	857,214	605,093
Equity attributable to owners of the parent	**2,399,534**	1,423,655	1,357,214	1,105,093
Consolidated Statement of Cash Flow				
Net cash flow used in operating activities	**(790,582)**	(15,297)	(79,342)	226,588
Net cash flow used in investment activities	**(81,790)**	(107,872)	(65,085)	(97,776)
Net cash flow from/(used in) financing activities	**905,731**	(104,627)	382,081	(2,935)
Net increase/(decrease) in cash and cash equivalents	**33,359**	(227,796)	237,654	125,877
Cash and cash equivalents at beginning of year	**301,939**	529,735	292,081	166,204
Cash and cash equivalents at end of year	**335,298**	301,939	529,735	292,081

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to announce the annual results of the Company for the year ended 31 December 2014.

The total revenue of the Company increased by 12% to RMB14,358,608,670. The net profit for the full year of 2014 amounted to RMB318,359,550, representing a growth rate of 16.11%.

We recorded an increase in the sales volume to 10,627,300 units in 2014, a growth by 1,063,400 units or 11.12%, as compared with that for the corresponding period of last year. In 2014, we implemented O2O business strategy, and increased our efforts on online sales and strengthened the synergy of online and offline selling. We held marketing campaigns on mobile internet and insisted on our full-hearted loyalty to customers to enhance their shopping experience.

In 2014, we strengthened our collaboration with mobile carriers. For the year ended 31 December 2014, the Group recorded service income from mobile carries amounting to RMB607,000,090, an increase of RMB110,795,710, or a growth rate of 22.33%, as compared with the service income from mobile carries of RMB496,204,380 for the corresponding period of 2013.

For our virtual network operation business, we commenced the trial operation for such business in the second half of 2014 and received virtual network operation fee of RMB4,983,040 for the year of 2014. With the consumers' increasing awareness of the virtual network operation and the mobile carriers' improvement on their supporting policies, the virtual operation network business will have much more room for growth in 2015.

Looking forward to 2015, we still see rapid market growth in third or lower-tier cities. The grant of 4G license will bring an accelerated increase in the number of 4G users in the overall market. In 2015, the Board of the Group will actively seek to capture any business opportunities arising from the rapidly increasing 4G users to expand our market shares and increase our sales volume. Meanwhile, we will put more efforts on innovation to our profit model and seek to identify undiscovered sources of profit growth. We will gradually open more new retail stores and expand our distribution network by increasing our outlets in third or lower-tier cities. We will strengthen our collaboration with mobile carriers for raising contract sales in absolute number and percentage, and actively establish stronger presence in the operating house under the cooperation with mobile carriers in order to develop the business mode of operator sales hall hosting. We strive for increasing the sales in smart phone peripherals and grasping the business opportunities brought from the extension of product offerings of smart phones. We continue to streamline our organisational structure to reduce management cost and target to become a "personal mobile phone consultant", a recognition of customers' satisfaction. We plan to change our focus from selling mobile phone to providing services and do our best to position ourselves as consumers' personal mobile phone consultant and establish benchmark for customer services industry.

Finally, I, on behalf of the Board, would like to extend my heartfelt gratitude to our Shareholders, the community and our friends for their trust and support.

Liu Danghai
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

I. BUSINESS REVIEW

For the year ended December 31, 2014, the Group sold 10,627,300 mobile handsets, representing an increase by 1,063,400 sets or 11.12% compared with 9,563,900 sets for the same period last year. Operating revenue for the full year of 2014 amounted to RMB14,358,608,670, representing an increase of RMB1,546,585,610 or 12.07% from RMB12,812,023,060 for the same period last year. Net profit for the full year of 2014 amounted to RMB318,359,550, representing an increase by RMB44,167,060 or 16.11% from RMB274,192,490 for the same period last year.

II. FINANCIAL POSITION AND OPERATING RESULTS

(I) Overview

For the year ended December 31, 2014, the Group reported net profit of RMB318,359,550, which represented an increase of RMB44,167,060 or 16.11% from RMB274,192,490 for the same period in 2013. Net profit attributable to owners of the Company of the period amounted to RMB318,132,990, which represented an increase by RMB51,691,520 or 19.40% from RMB266,441,470 for the same period in 2013.

(II) Consolidated comprehensive income statement

The following table sets forth selected items in our consolidated comprehensive income statement for the periods indicated. Our operating results have fluctuated in the past and may continue to fluctuate in future. Hence direct comparison of our operating results for different periods may not be appropriate, and our past performance may not be a reliable indicator of our future operating results.

Item	For the year ended December 31,			
	2013 RMB'000	**2014** **RMB'000**	**Change** RMB'000	**Percentage of change**
Revenue	12,812,023.06	**14,358,608.67**	1,546,585.61	12.07%
Cost of sales	(11,074,062.33)	**(12,382,017.35)**	-1,307,955.02	11.81%
Gross profit	1,737,960.73	**1,976,591.32**	238,630.59	13.73%
Other income and gains	34,819.02	**40,167.18**	5,348.16	15.36%
Selling and distribution expenses	(952,644.29)	**(1,091,629.05)**	-138,984.76	14.59%
Administrative expenses	(286,316.65)	**(332,980.60)**	-46,663.95	16.30%
Other expenses	(56,126.83)	**(45,932.16)**	10,194.67	-18.16%
Finance costs	(107,333.94)	**(116,995.36)**	-9,661.42	9.00%
Investment gains	0	**994.28**	994.28	0
Profit before tax	370,358.04	**430,215.61**	59,857.57	16.16%
Income tax expense	(96,165.55)	**(111,856.06)**	-15,690.51	16.32%
Total net profit for the year after taxation	274,192.49	**318,359.55**	44,167.06	16.11%
Attributable to owners of the parent	266,441.47	**318,132.99**	51,691.52	19.40%
Attributable to non-controlling interests	7,751.02	**226.56**	-7,524.46	-97.08%

1. *Operating revenue*

Operating revenue of the Group for the year ended December 31, 2014 amounted to RMB14,358,608,670, representing growth of RMB1,546,585,610 or 12.07% from RMB12,812,023,060 for the same period in 2013. Revenue growth was mainly driven by growth in three areas as follows: (1) sales of mobile telecommunications devices and accessories; (2) service income from mobile carriers; and (3) other service fee income. Our sales of mobile telecommunications devices and accessories include (i) sales in our retail business including our independently operated outlets and online channels; (ii) sales in our franchised business; and (iii) sales in our wholesale business. Revenue from our retail business includes revenue from sales of mobile telecommunications devices and accessories in our independent stores and store-in-store outlets, stores in cooperation with the mobile carriers, and online sales platforms. Revenue from our franchise business includes revenue from sales of mobile telecommunications devices and accessories to our franchisees. Revenue from our wholesale business includes revenue from sales of mobile telecommunications devices and accessories we distribute to mobile carriers and other third-party retailers. Service income from mobile carriers mainly includes income from commissions received by us through selling contracted call service subscriptions and SIM cards for the mobile carriers, as well as income generated from services of staff that we send to the outlets established by the mobile carriers and operated by us. Other service fee income includes (i) management and service fees received from suppliers of products; (ii) income from value-added services; (iii) the rental fees we earn by renting counter space to third parties who provide repair services; (iv) repair and maintenance fees; and (v) franchise fees.

The following table sets forth information relating to our operating revenue as of the dates indicated:

Item	For the year ended December 31,					
	2013		**2014**		Change	Percentage of change
	RMB'000	% of total revenue	**RMB'000**	**% of total revenue**	RMB'000	
(1) Sales of mobile telecommunications devices and accessories	12,186,394.85	95.12%	**13,612,422.65**	**94.80%**	1,426,027.80	11.70%
Including: Sales from retail of mobile telecommunications devices and accessories	6,862,901.75	53.57%	**8,030,316.67**	**55.93%**	1,167,414.92	17.01%
Sales of telecommunications devices and accessories to franchisees	1,976,843.00	15.43%	**2,162,025.16**	**15.06%**	185,182.16	9.37%
Wholesale of mobile telecommunications devices and accessories	3,346,650.10	26.12%	**3,420,080.82**	**23.82%**	73,430.72	2.19%
(2) Service income from mobile carriers	496,204.38	3.87%	**607,000.09**	**4.23%**	110,795.71	22.33%
(3) Other service fee income	129,423.83	1.01%	**139,185.93**	**0.97%**	9,762.10	7.54%
Total	12,812,023.06	100.00%	**14,358,608.67**	**100.00%**	1,546,585.61	12.07%

The Group's service income from mobile carriers amounted to RMB607,000,090 for the year ended December 31, 2014, which represented an increase of RMB110,795,710 or 22.33% from RMB496,204,380 for the same period in 2013. Such growth was attributable to further cooperation with mobile carriers in 2014.

The following table sets forth our service income from each of the major mobile carriers for 2013 and 2014:

Item	For the year ended December 31,					
	2013		**2014**		Change	Percentage of change
	RMB'000	% of total revenue	**RMB'000**	**% of total revenue**	RMB'000	
China Mobile	214,394.22	43.21%	**218,541.59**	**36.00%**	4,147.37	1.93%
China Unicom	93,796.43	18.90%	**79,118.34**	**13.04%**	-14,678.09	-15.65%
China Telecom	188,013.73	37.89%	**304,357.12**	**50.14%**	116,343.39	61.88%
Dixintong Telecommunications Services	0	0	**4,983.04**	**0.82%**	4,983.04	0
Total	496,204.38	100.00%	**607,000.09**	**100.00%**	110,795.71	22.33%

"Dixintong Telecommunications Services" refers to Beijing Dixintong Telecommunications Services Co., Ltd., related party. For details of related-party transactions, please refer to the section headed "Related party transactions".

2. *Cost of sales*

The Groups' cost of sales for the year ended December 31, 2014 amounted to RMB12,382,017,350, representing an increase by RMB1,307,955,020 or 11.81% from RMB11,074,062,330 for the same period last year, which reflected mainly growth in cost of sales in tandem with growth in operating revenue.

The following table sets forth information relating to our costs of sales as of the dates indicated:

Item	For the year ended December 31,					
	2013		**2014**		Change	Percentage of change
	RMB'000	% of total costs	**RMB'000**	**% of total costs**	RMB'000	
(1) **Sales of mobile telecommunications devices and accessories**	10,994,134.64	99.28%	**12,293,112.96**	**99.28%**	1,298,978.32	11.82%
Including: Sales from retail of mobile telecommunications devices and accessories	5,801,635.62	52.39%	**6,841,164.18**	**55.25%**	1,039,528.56	17.92%
Sales of telecommunications devices and accessories to franchisees	1,932,335.30	17.45%	**2,114,732.17**	**17.08%**	182,396.87	9.44%
Wholesale of mobile telecommunications devices and accessories	3,260,163.72	29.44%	**3,337,216.61**	**26.95%**	77,052.89	2.36%
(2) **Service income from mobile carriers**	76,139.72	0.69%	**84,933.65**	**0.69%**	8,793.93	11.55%
(3) **Other service fee income**	3,787.97	0.03%	**3,970.74**	**0.03%**	182.77	4.82%
Total	11,074,062.33	100.00%	**12,382,017.35**	**100.00%**	1,307,955.02	11.81%

3. *Gross profit and gross profit margin*

Gross profit represents revenue net of cost of sales. The Group's gross profit for the year ended December 31, 2014 amounted to RMB1,976,591,320, representing an increase of RMB238,630,590, or 13.73%, from RMB1,737,960,730 for the same period in 2013. Our overall gross profit margins for the years ended December 31, 2013 and 2014 were 13.57% and 13.77%, respectively. Growth in our overall gross profit margin as compared with 2013 was primarily driven by growth in gross profit margin for service income from mobile carriers and other service fee income for the current period. The decline in our gross profit margin for sales of mobile telecommunications devices and accessories was primarily attributable to (1) growth in purchase cost of smart phones and 3G & 4G handsets in excess of growth in their selling prices; (2) sales of contract phones effectively lowering gross profit for the period of handset sales in order to secure carrier service income for periods subsequent to the contract period; and (3) our sales strategy of offering lower selling prices with a view to developing an online sales platform resulting in relative lower gross profit margin. The higher gross profit margin of our service income from mobile carriers and other service fee income was primarily attributable to lower sales costs incurred by such businesses.

Item	For the year ended December 31,							
	2013			**2014**			**Change**	
	Gross profit RMB'000	% of total gross profit	Gross profit margin	**Gross profit RMB'000**	**% of total gross profit**	**Gross profit margin**	RMB'000	**Percentage of change**
(1) Sales of mobile telecommunications devices and accessories	1,192,260.21	68.60%	9.78%	**1,319,309.69**	**66.75%**	**9.69%**	127,049.48	10.66%
Including: Sales from retail of mobile telecommunications devices and accessories	1,061,266.13	61.06%	15.46%	**1,189,152.49**	**60.16%**	**14.81%**	127,886.36	12.05%
Sales of telecommunications devices and accessories to franchisees	44,507.70	2.56%	2.25%	**47,292.99**	**2.39%**	**2.19%**	2,785.29	6.26%
Wholesale of mobile telecommunications devices and accessories	86,486.38	4.98%	2.58%	**82,864.21**	**4.19%**	**2.42%**	-3,622.17	-4.19%
(2) Service income from mobile carriers	420,064.66	24.17%	84.66%	**522,066.44**	**26.41%**	**86.01%**	102,001.78	24.28%
(3) Other service fee income	125,635.86	7.23%	97.07%	**135,215.19**	**6.84%**	**97.15%**	9,579.33	7.62%
Total	1,737,960.73	100.00%	13.57%	**1,976,591.32**	**100.00%**	**13.77%**	238,630.59	13.73%

4. *Sales volume and average selling price of handsets*

The following table sets forth information about our sales of mobile handsets, sales volume and average selling price of mobile handsets during the periods indicated:

Item	For the year ended December 31,			
	2013	**2014**	**Change**	**Percentage of change**
Sales of mobile handsets *(in RMB thousands)*	11,903,493.16	**13,235,197.29**	1,331,704.13	11.19%
Sales volume *(in handsets)*	9,563,894.00	**10,627,296.00**	1,063,402.00	11.12%
Average selling price *(RMB/per handset)*	1,244.63	**1,245.40**	0.77	0.06%

5. *Other income and gains*

Other income and gains include: (1) interest income; (2) government grants; (3) gain on disposal of property, plant and equipment; and (4) others. The Group's other income and gains for the year ended December 31, 2014 amounted to RMB40,167,180, representing an increase by RMB5,348,160 or 15.36% from RMB34,819,020 for the same period in 2013, which was primarily attributable to increased government grants for 2014.

The following table sets forth information relating to other income and gains for the periods indicated:

Item	For the year ended December 31,			
	2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Interest income	11,107.00	**11,982.59**	875.59	7.88%
Government grants	17,997.00	**23,550.02**	5,553.02	30.86%
Gain on disposal of property, plant and equipment	90	**12.4**	-77.60	-86.22%
Others	5,625.02	**4,622.17**	-1,002.85	-17.83%
Total	34,819.02	**40,167.18**	5,348.16	15.36%

6. *Selling and distribution expenses*

Item	For the year ended December 31,					
	Selling and distribution expenses		% of total expenses			Percentage of change
	2013 RMB'000	**2014 RMB'000**	2013	**2014**	Change RMB'000	
Staff salaries	368,729.93	**424,278.53**	38.71%	**38.87%**	55,548.60	15.06%
Office expenses	21,412.79	**17,626.00**	2.25%	**1.61%**	-3,786.79	-17.68%
Travelling expenses	5,323.73	**5,623.67**	0.56%	**0.52%**	299.94	5.63%
Transportation expenses	16,067.70	**17,925.87**	1.69%	**1.64%**	1,858.17	11.56%
Business entertainment expenses	6,912.53	**5,041.66**	0.73%	**0.46%**	-1,870.87	-27.06%
Communication expenses	3,841.75	**3,205.28**	0.40%	**0.29%**	-636.47	-16.57%
Rentals and property management expenses	312,802.97	**374,921.18**	32.84%	**34.35%**	62,118.21	19.86%
Repair expenses	5,450.47	**4,543.83**	0.57%	**0.42%**	-906.64	-16.63%
Advertising and promotion expenses	87,163.69	**89,054.82**	9.15%	**8.16%**	1,891.13	2.17%
Depreciation expenses	5,088.26	**6,413.54**	0.53%	**0.59%**	1,325.28	26.05%
Amortisation of long-term deferred expenses	57,452.96	**70,809.87**	6.03%	**6.49%**	13,356.91	23.25%
Amortisation of low-cost consumables	6,563.10	**5,665.08**	0.69%	**0.52%**	-898.02	-13.68%
Market management fees	10,920.20	**14,726.38**	1.15%	**1.35%**	3,806.18	34.85%
Utilities	28,043.84	**31,836.52**	2.94%	**2.92%**	3,792.68	13.52%
Others	16,870.37	**19,956.82**	1.77%	**1.83%**	3,086.44	18.30%
Total	952,644.29	**1,091,629.05**	100.00%	**100.00%**	138,984.76	14.59%

Total selling and distribution expenses for the year ended December 31, 2014 amounted to RMB1,091,629,050, representing an increase of RMB138,984,760 or 14.59% from RMB952,644,290 for the same period in 2013, which reflected mainly growth of staff salaries, rentals and property management expenses and amortisation of long-term deferred expenses.

Total staff salaries for the year ended December 31, 2014 amounted to RMB424,278,530, representing an increase of RMB55,548,600, or 15.06% from RMB368,729,930 for the same period in 2013. Such increase was attributable to the hiring of additional marketing staff to meet the requirements of our business expansion, as well as increased average salaries and benefits for our marketing staff.

Total rentals and property management expenses for the year ended December 31, 2014 amounted to RMB374,921,180, representing an increase of RMB62,118,210, or 19.86%, from RMB312,802,970 for the same period in 2013. Such increase was attributable to the opening of new retail outlets and rental increments for certain old outlets upon expiry of leases.

Total amortisation of long-term deferred expenses for the year ended December 31, 2014 amounted to RMB70,809,870, representing an increase of RMB13,356,910 or 23.25%, from RMB57,452,960 for the same period in 2013. Such increase was attributable to increased store decoration costs in connection with the opening of new outlets and the renovation of old ones.

7. *Administrative expenses*

Item	For the year ended December 31,					
	Administrative expenses		% of total expenses			Percentage
	2013	**2014**	2013	**2014**	**Change**	**of change**
	RMB'000	**RMB'000**			RMB'000	
Staff salaries	97,286.68	**130,892.59**	33.98%	**39.31%**	33,605.91	34.54%
Tax expenses	6,140.22	**6,759.77**	2.14%	**2.03%**	619.55	10.09%
Office expenses	25,786.67	**24,130.24**	9.01%	**7.25%**	-1,656.43	-6.42%
Depreciation expenses	9,144.73	**10,118.14**	3.19%	**3.04%**	973.41	10.64%
Amortisation of intangible assets	492.86	**581.38**	0.17%	**0.17%**	88.52	17.96%
Amortisation of long-term deferred expenses	5,950.72	**2,805.81**	2.08%	**0.84%**	-3,144.91	-52.85%
Amortisation of low-cost consumables	3,339.99	**5,531.10**	1.17%	**1.66%**	2,191.11	65.60%
Travelling expenses	16,145.28	**15,403.98**	5.64%	**4.63%**	-741.3	-4.59%
Rental and property management fees	11,871.40	**13,332.95**	4.15%	**4.00%**	1,461.55	12.31%
Business entertainment expenses	14,336.69	**14,326.10**	5.01%	**4.30%**	-10.59	-0.07%
Communication expenses	3,218.85	**3,914.57**	1.12%	**1.18%**	695.72	21.61%
Agency fees	11,777.49	**12,074.19**	4.11%	**3.63%**	296.70	2.52%
Transportation expenses	21,841.70	**21,911.04**	7.63%	**6.58%**	69.34	0.32%
Financial institution charges	41,688.17	**38,086.06**	14.56%	**11.44%**	-3,602.11	-8.64%
Listing fees	3,396.74	**26,000.19**	1.19%	**7.81%**	22,603.45	665.45%
Others	13,898.46	**17,140.49**	4.85%	**5.15%**	3,242.03	23.33%
Total	286,316.65	**332,980.60**	100.00%	**100.00%**	46,663.95	16.30%

The Group's total administrative expenses for the year ended December 31, 2014 amounted to RMB332,980,600, representing an increase of RMB46,663,950, or 16.30%, from RMB286,316,650 for the same period in 2013. Such growth in administrative expenses was primarily attributable to the increase in staff salary and listing fees.

Total staff salaries for the year ended December 31, 2014 amounted to RMB130,892,590, representing an increase of RMB33,605,910, or 34.54%, from RMB97,286,680 for the same period in 2013. Such growth was primarily attributable to the hiring of additional management and administrative personnel to meet the requirements of our business expansion, as well as increased average salaries and benefits for our management and administrative personnel.

Total listing fees for the year ended December 31, 2014 amounted to RMB26,000,190, representing an increase of RMB22,603,450 from RMB3,396,740 for the same period in 2013, an increase of 665.45%. Such growth was attributable to the increase in various listing fees as a result of our successful listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

8. *Finance costs*

Item	For the year ended December 31, Finance costs 2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Finance costs – interest expense	107,333.94	**116,995.36**	9,661.42	9.00%

The Group's total finance costs for the year ended December 31, 2014 amounted to RMB116,995,360, representing an increase of RMB9,661,420, or 9.00%, from RMB107,333,940 for the same period in 2013. Such growth in finance costs was primarily attributable to the increase in our short-term bank borrowings.

9. *Other expenses*

Other expenses included impairment losses on assets, non-operating expenses and disposal of subsidiaries. For the years ended December 31, 2013 and 2014, other expenses amounted to RMB56,126,830 and RMB45,932,160, respectively.

Item	For the year ended December 31, 2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Impairment losses on assets	52,619.63	**39,794.24**	-12,825.39	-24.37%
Non-operating expenses	3,507.20	**6,137.92**	2,630.72	75.01%
Total	56,126.83	**45,932.16**	-10,194.67	-18.16%

The Group's total other expenses for the year ended December 31, 2014 amounted to RMB45,932,160, representing a decrease of RMB10,194,670 or 18.16% from RMB56,126,830 for the same period in 2013, which was mainly attributable to the decrease in impairment loss on assets for the current period, resulting from the absolute increase in the number of mobile carries for whom provisions for bad debt was made and the receivables within one year.

10. Income tax expense

Our income tax expenses for the stated periods included PRC Enterprise Income Tax (EIT) and deferred income tax. In accordance with the Enterprise Income Tax Implementation Regulations, our PRC subsidiaries have been required to pay tax at an income tax rate of 25% as from January 2008. During the Track Record Period, the income tax rate of 25% was applicable to all of the Group's PRC subsidiaries except 四川億佳隆通訊連鎖有限公司 and 江蘇勝多科貿有限責任公司. 四川億佳隆通訊連鎖有限公司 has been entitled to an income tax rate of 15% since 2012 as a company which is principally in an industry encouraged by the State. 江蘇勝多科貿有限責任公司 has been entitled to full exemption of income tax for the first 2 years and 50% reduction for the following 3 years from April 2014 as a software company encouraged by the State Administration of Taxation. For the years ended December 31, 2013 and 2014, our effective tax rates were 25.97% and 26.00%, respectively. During the Track Record Period, we have settled the payment of all relevant taxes and we have not been engaged in any disputes or unresolved tax matters with the taxation authorities.

The following table sets forth information relating to our income tax expense for the periods indicated:

Item	**For the year ended December 31,**			
	2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Income tax in the PRC for the year	106,179.00	**117,490.99**	11,311.99	10.65%
Deferred tax	-10,013.45	**-5,634.93**	4,378.52	-43.73%
Total	96,165.55	**111,856.06**	15,690.51	16.32%

The Group's total income tax expense for the year ended December 31, 2014 amounted to RMB111,856,060, representing an increase of RMB15,690,510 or 16.32% compared with total income tax expense of RMB96,165,550 for 2013. Such increase was primarily attributable to the increase in total profit before taxation.

(III) Liquidity and financial resources (current assets, financial resources)

We operate in a capital-intensive industry and we fund our working capital, capital expenditure and other funding requirements mainly through income generated from operating activities and bank borrowings.

Cash flow

Item	**For the year ended December 31,** 2013 RMB'000	**2014 RMB'000**
Net cash used in operating activities	-15,296.97	**-790,582.15**
Net cash used in investing activities	-107,872.14	**-81,789.73**
Net cash generated from/(used in) financing activities	-104,626.53	**905,730.52**
Net increase/(decrease) in cash and cash equivalents	-227,795.64	**33,358.64**
Cash and cash equivalents at beginning of the year	529,735.47	**301,939.83**
Cash and cash equivalents at end of the year	301,939.83	**335,298.47**

1. *Net cash used in operating activities*

Our cash generated from operating activities primarily from sales of mobile telecommunications devices and accessories. Our cash used in operating activities is primarily for purchase of telecommunications devices and accessories from suppliers, rental expenses and staff salary and compensation. Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as finance costs and depreciation of property, plant and equipment, and the effects of changes in working capital, such as increases or decreases in inventories, receivables, prepayments, trade and other payables and accruals. Although we had negative net operating cash flow of RMB790,582,150 for the year ended December 31, 2014, our Directors believe that our operating cash flow will improve after taking consideration of expected cash generated from our operation and the available banking facilities, and will not have a material adverse impact on our financial condition.

For the year ended December 31, 2014, we had net cash outflow from operating activities of RMB790,582,150, primarily due to (i) an increase in trade and bills receivables of RMB196,263,630 in connection with growth in sales of mobile phones bundled with contracted call service subscriptions as a result of closer cooperation with mobile carriers; (ii) an increase in inventories of RMB321,760,530 in connection with purchase of popular products (such as Apple iPhone 6, Apple iPhone 6 Plus and new Huawei models) in anticipation for the New Year and Chinese New Year holiday season; (iii) an increase in prepayments of RMB249,228,000 in a bid to snatch up market shares for star products such as Apple iPhone 6 and Huawei Mate7; and (iv) a decrease in payables of RMB374,956,160 following the settlement of payables due.

2. *Net cash used in investing activities*

Our net cash flow used in investing activities reflects the results of our investing activities for the period, such as purchase of property, plant, equipment and intangible assets, proceeds from disposal of property, plant and equipment, proceeds from disposal of subsidiaries and acquisition of subsidiaries.

For the year ended December 31, 2014, we had net cash outflow from investing activities of RMB81,789,730, which was primarily attributable to the purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

3. *Net cash generated from or used in financing activities*

Our net cash generated from (or used in) financing activities reflects the results of our financing activities for the period, such as bank loans, proceeds from other financing activities, repayment of bank loans, paid interests and payment of other financing activities.

For the year ended December 31, 2014, we had net cash inflow from financing activities of RMB905,730,520, primarily due to (i) bank loans of RMB4,018,475,660 and repayment of bank loans of RMB3,813,757,230; and (ii) cash inflow RMB657,746,360 arising from the issue of shares.

(IV) Balance Sheet Items

1. *Trade and Bills Receivable*

Our trade and bills receivables primarily consist of (i) bills receivable; (ii) trade receivable; and (iii) impairment. The following table sets forth information relating to our trade and bills receivables as of the dates indicated:

Item	As of December 31,			
	2013 RMB'000	**2014** **RMB'000**	**Change** RMB'000	**Percentage of change**
Bills receivable	340.00	**0**	-340.00	-100.00%
Trade receivables	1,318,132.86	**1,762,514.34**	444,381.48	33.71%
Total	1,318,472.86	**1,762,514.34**	444,041.48	33.68%
Less: Impairment for trade receivables	65,973.91	**86,819.34**	20,845.43	31.60%
Net	1,252,498.95	**1,675,695.00**	423,196.05	33.79%

To enhance sales of our handsets and enlarge our market share, the range of credit periods granted by us – certain customers was extended from 30–90 days in 2013 to 30–120 days. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. We maintain strict control over and closely monitor our outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. As our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. Our trade and bills receivables are unsecured and non-interest-bearing.

Our trade and bills receivables less impairment as of December 31, 2014 amounted to RMB1,675,695,000, representing an increase of RMB423,196,050 or 33.79%, from RMB1,252,498,950 as of December 31, 2013. Our trade receivables before deducting impairment as of December 31, 2014 amounted to RMB1,762,514,340, representing an increase of RMB444,381,480, or 33.71% from RMB1,318,132,860 as of December 31, 2013.

Such growth was primarily attributable to: (i) increased amounts receivable from franchisers in line with increased sales to franchisers as a result of increased number of franchisers; (ii) unscheduled adjustments to credit limits and credit periods for franchisers and third-party wholesale customers with good credit records in view of the concurrent launch of popular and high-margin new products such as Apple iPhone 6, Apple iPhone 6 Plus and Huawei Mate7 in the final quarter; (iii) the increase in amounts receivable from supermarket customers as a result of the extension of their settlement period granted by us; and (iv) the increase in amounts receivable from mobile carriers in line with our increased sales to such carriers.

As of March 23, 2015, approximately RMB1,579,652,320 of our trade receivables as of December 31, 2014 were subsequently settled.

Our management regularly monitors the recoverability of our overdue balances of trade and bills receivables and provides for impairment of these receivables as appropriate. Our provisions for impairment of trade and bill receivables as of December 31, 2014 amounted to RMB86,819,340, representing an increase of RMB20,845,430 or 31.60% from RMB65,973,910 as of December 31, 2013, primarily as a result of an increase in our total trade receivables from RMB1,318,132,860 as of December 31, 2013 to RMB1,762,514,340 as of December 31, 2014. Our Directors believe that our provisions for impairment on trade receivables are adequate.

The following table sets forth the aging analysis of our trade and bills receivables as of the dates indicated:

Item	As of December 31 2013 RMB'000	**2014 RMB'000**
Within 90 days	875,828.00	**1,299,495.71**
91 to 180 days	199,128.00	**199,756.89**
181 to 365 days	145,604.00	**145,534.00**
Over 1 year	31,938.94	**30,908.40**
Total	1,252,498.94	**1,675,695.00**

The following table sets forth our average trade and bills receivables turnover days during the Track Record Period:

Item	For the year ended December 31, 2013	**2014**	**Change** Number of days	**Percentage of change**
Average trade and bills receivables turnover days	29	**37**	8	27.59%

Our average trade and bills receivables turnover days increased to 37 days for 2014, which was 8 days longer than that for 2013. The increase in turnover days reflected the combined effect of: i) the 12.07% year-on-year growth in sales income for 2014; (ii) the extension of credit periods granted by us to customers from to 30–120 days as compared to 30-90 days in 2013; and (iii) the unscheduled raise in credit limits for customers.

2. *Prepayments and Other Receivables*

Our prepayments and other receivables consist of (i) prepayments; and (ii) other receivables. The following table sets forth information relating to our prepayments and other receivables as of the dates indicated:

Item	As of December 31			
	2013 RMB'000	**2014** **RMB'000**	**Change** RMB'000	**Percentage of change**
Prepayments	544,324.09	**793,551.81**	249,227.72	45.79%
Other receivables	128,491.04	**106,675.45**	-21,815.59	-16.98%
Total	672,815.13	**900,227.26**	227,412.13	33.80%
Less: Impairment for other receivables	6,553.04	**5,446.16**	-1,106.88	-16.89%
Net	666,262.09	**894,781.10**	228,519.01	34.30%

Our prepayments represent our prepayments to suppliers of mobile telecommunications devices and accessories and prepaid rental payments to our lessors. Our prepayments as of December 31, 2014 amounted to RMB793,551,810, representing an increase of RMB249,227,720, or 45.79%, from RMB544,324,090 as of December 31, 2013. Such increase was primarily due to prepayments for suppliers of Apple, Samsung and Huawei mobile phones at the end of the year.

3. *Impairment of Trade and Other Receivables*

Our provision policy for impairment of trade and other receivables is based on ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Based on the aforesaid policy for provision, the Directors are of the view that we have made sufficient provisions for the impairment of trade and other receivables.

4. *Inventory*

Our inventories consist primarily of (i) merchandise for sale and (ii) consumables. The following table sets forth information relating to our inventories as of the dates indicated:

Item	As of December 31			
	2013 RMB'000	**2014** **RMB'000**	**Change** RMB'000	**Percentage of change**
Merchandise for resale	1,631,915.71	**1,953,644.89**	321,729.18	19.71%
Consumables	1,541.47	**1,572.82**	31.35	2.03%
Total	1,633,457.18	**1,955,217.71**	321,760.53	19.70%
Less: Provision against inventories	16,390.08	**19,191.24**	2,801.16	17.09%
Total	1,617,067.10	**1,936,026.47**	318,959.37	19.72%

Our inventories as of December 31, 2014 amounted to RMB1,936,026,470, representing an increase of RMB318,959,370 or 19.72% as compared with RMB1,617,067,100 as of December 31, 2013. Such increase was primarily attributable to (i) the increase in purchases in preparation for the New Year and Chinese New Year holiday season driven by the launch of new products Apple iPhone 6, Apple iPhone 6 Plus and Huawei Mate7 at the year end; and (ii) higher prices of smart phones purchased, such as Apple iPhone 6, Apple iPhone 6 Plus and Huawei Mate7.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

Period	As of December 31			
	2013 RMB'000	**2014** **RMB'000**	**Change** RMB'000	**Percentage of change**
Within 30 days	1,412,854.63	**1,897,622.12**	484,767.49	34.31%
31 to 60 days	179,818.08	**29,286.91**	-150,531.17	-83.71%
60 to 90 days	21,809.24	**7,090.90**	-14,718.34	-67.49%
Over 90 days	18,975.23	**21,217.78**	2,242.55	11.82%
Total	1,633,457.18	**1,955,217.71**	321,760.53	19.70%

The following table sets forth the average inventory turnover days during the Track Record Period:

Item	As of December 31			
	2013	**2014**	**Change in number of days**	**Percentage of change**
Average inventory turnover days	47	**52**	5	10.64%

Our inventory turnover days increased from 47 as of December 31, 2013 to 52 as of December 31, 2014, primarily due to (i) the increase in purchases in preparation for the New Year and Chinese New Year holiday season driven by the launch of new products Apple iPhone 6, Apple iPhone 6 Plus and Huawei Mate7 at the year end; and (ii) higher prices of smart phones purchased, such as Apple iPhone 6, Apple iPhone 6 Plus and Huawei Mate7, resulting in increased inventory balance as at the end of the period which affected the average inventory turnover days.

5. *Trade and Bills Payables*

Our trade and bills payables consist of (i) trade payables; and (ii) bills payables. The following table sets forth information relating to our trade and bills payables as of the dates indicated:

Item	As of December 31			
	2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Trade payables	545,433.99	**445,540.08**	-99,893.91	-18.31%
Bills payables	533,031.00	**257,968.75**	-275,062.25	-51.60%
Total	1,078,464.99	**703,508.83**	-374,956.16	-34.77%

The following table sets forth the aging analysis of our trade and bills payables as of the dates indicated:

Item	As of December 31			
	2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Within 90 days	1,004,864.11	**649,014.80**	-355,849.31	-35.41%
91 to 180 days	33,295.25	**26,182.06**	-7,113.19	-21.36%
181 to 365 days	29,644.08	**20,547.11**	-9,096.97	-30.69%
Over 1 year	10,661.55	**7,764.86**	-2,896.69	-27.17%
Total	1,078,464.99	**703,508.83**	-374,956.16	-34.77%

The following table sets forth our average trade and bills payables turnover days during the Track Record Period:

Item	For the year ended December 31,			
	2013	**2014**	**Change in number of days**	**Percentage of change**
Average trade and bills payables turnover days	29	**26**	-3	-10.34%

Our trade payables are non-interest bearing and are normally settled within 30–45 days. Our trade and bills payables as of December 31, 2014 amounted to RMB703,508,830, representing a decrease by RMB374,956,160 or 34.77% from RMB1,078,464,990 as of December 31, 2013. The decline was primarily attributable to the adoption of the prepayment method for the year in respect of the purchase of Apple, Huawei and Samsung products, which accounted for the bulk of our purchases.

6. *Other Payables and Accruals*

Other payables and accruals consist of (i) advances from customers; (ii) payroll and welfare payables; (iii) accrued expenses; and (iv) other payables. The following table sets forth information relating to our other payables and accruals as of the dates indicated:

Item	As of December 31			
	2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Advances from customers	136,075.41	**89,848.59**	-46,226.82	-33.97%
Payroll and welfare payables	39,874.83	**60,219.85**	20,345.02	51.02%
Accrued expenses	40,403.05	**38,882.21**	-1,520.84	-3.76%
Other payables	99,854.00	**106,817.58**	6,963.58	6.97%
Total	316,207.29	**295,768.23**	-20,439.06	-6.46%

Our advances from customers represent advance payments by customers for their purchases. Our advances from customers as of December 31, 2014 amounted to RMB89,849,590, representing a decrease of RMB46,226,820 or 33.97% from RMB136,075,410 as of December 31, 2013. The decline was primarily attributable to our request of prepayments from new customers with a view to ensuring supply for existing customers and exercising prudence in new customer development.

Our payroll and welfare payables represent accrued payroll and welfare expenses to our employees. Our payroll and welfare payables as of December 31, 2014 amounted to RMB60,219,850, representing an increase of RMB20,345,020 or 51.02% from RMB39,874,830 as of December 31, 2013. Such increase was primarily due to an increase in salary and compensation for our staff.

Our accrued expenses represent accrued interest expenses on bank loans, rental expenses and advertising expenses. Our accrued expenses as of December 31, 2014 amounted to RMB38,882,210, representing a decrease of RMB1,520,840 or 3.76% from RMB40,403,050 as of December 31, 2013. Such decline was primarily attributable to the decrease in advancements for advertising expenses.

Our other payables as of December 31, 2014 amounted to RMB106,817,580, representing an increase of RMB6,963,580 or 6.97% from RMB99,854,000 as of December 31, 2013. Such growth was primarily attributable to our closer cooperation with mobile carriers resulting in the increase in bundled contract call service subscriptions collected from users on behalf of mobile carriers.

7. *Net Current Assets Position*

The following table sets forth our current assets and liabilities as of the dates indicated:

Item	As of December 31			
	2013 RMB'000	**2014** **RMB'000**	**Change** RMB'000	**Percentage of change**
Current assets				
Inventories	1,617,067.10	**1,936,026.47**	318,959.37	19.72%
Trade and bills receivables	1,252,498.94	**1,675,695.00**	423,196.06	33.79%
Prepayments, deposits and other receivables	666,262.09	**894,781.10**	228,519.01	34.30%
Amount due from a related party	5,300.00	**2,169.53**	-3,130.47	-59.07%
Pledged deposits	514,069.65	**355,381.83**	-158,687.82	-30.87%
Cash and cash equivalents	301,939.73	**335,298.47**	33,358.74	11.05%
Total current assets	4,357,137.51	**5,199,352.40**	842,214.89	19.33%
Current liabilities				
Interest-bearing loans	1,698,753.36	**1,903,471.79**	204,718.43	12.05%
Trade and bills payables	1,078,464.99	**703,508.83**	-374,956.16	-34.77%
Other payables and accruals	316,207.29	**295,768.23**	-20,439.06	-6.46%
Tax payable	69,339.74	**121,607.41**	52,267.67	75.38%
Amount due to a related party	1,701.48	**1,739.50**	38.02	2.23%
Total current liabilities	3,164,466.86	**3,026,095.76**	-138,371.10	-4.37%
Net current assets	1,192,670.65	**2,173,256.64**	980,585.99	82.22%

Our net current assets as of December 31, 2014 amounted to RMB2,173,256,640, representing an increase of RMB980,585,990 or 82.22% from RMB1,192,670,650 as of December 31, 2013. Such growth was primarily attributable to our enhanced ability in debt repayment for the year ended December 31, 2014.

8. *Capital expenditure*

For the year ended December 31, 2014, the Group's capital expenditure amounted to RMB75,269,610, which was incurred mainly in relation to purchase and construction of fixed assets and decoration costs in connection with the opening of new outlets and the renovation of old ones.

9. *Related party transactions*

We enter into various transactions with related parties, including companies controlled by our Controlling Shareholders and a joint venture. The following table sets forth information relating to our transactions with related parties during the periods indicated:

Item	**For the year ended December 31,**			
	2013 RMB'000	**2014 RMB'000**	**Change** RMB'000	**Percentage of change**
Joint venture entity:				
Sales of goods	12.52	**0**	-12.52	-100.00%
Purchase of goods	51.37	**250.33**	198.96	387.31%
Carriers' commission	0	**0**	0	0
Companies controlled by the Controlling Shareholders:				
Sales of goods	0	**443.63**	443.63	0
Purchase of goods	0	**844.55**	844.55	0
Carriers' commission	0	**4,983.04**	4,983.04	0
All related parties				
Sales of goods	12.52	**443.63**	431.11	3,443.37%
Purchase of goods	51.37	**1,094.88**	1,043.51	2,031.36%
Carriers' commission	0	**4,983.04**	4,983.04	0

The transaction with a joint venture entity represented trade receivables from and payables to Hollard – D. Phone (Beijing) Technology Development Co., Ltd. (和德信通（北京）科技發展公司) in connection with purchase of mobile phone insurances. The transaction with a company controlled by the controlling shareholder represented trade receivables from and payables to Beijing Dixintong Telecommunications Services Co., Ltd. in connection with the purchase and sales of handsets and the sales of phone number cards as agent. We expect to continue transactions with this entity. Our Directors are of the opinion that such related party transactions were based on normal commercial terms and conducted on an arm's length basis.

10. *Indebtedness – Bank borrowings*

Bank Borrowings

During the Track Record Period and up to December 31, 2014, all of our bank borrowings were short term in nature and repayable within one year. The following table sets forth our outstanding borrowing as of the dates indicated:

Item	**As of December 31,**	
	2013	**2014**
	RMB'000	**RMB'000**
Bank loans:		
Unsecured, repayable within one year	271,000.00	**1,446,386.79**
Secured and guaranteed by controlling shareholders, repayable within one year	485,949.15	**457,085.00**
Guaranteed by controlling shareholders, repayable within one year	941,804.21	**0**
Total	1,698,753.36	**1,903,471.79**
The bank loans bear interest at rates per annum in the range of	5.60%–7.80%	**5.60%–7.80%**

During the Track Record Period, we entered into various loan agreements with banks to finance our business operations and expansion. These bank loans were repayable within one year or on demand. These bank loans were variable-rate bank loans which carry interest at the People's Bank of China benchmark rate plus a premium. We used these bank loans mainly to purchase mobile telecommunications devices and accessories. These bank loans are secured by pledge of assets, including time deposits or property, plant and equipment, trade receivables, or guaranteed by our Controlling Shareholders. Our Controlling Shareholders ceased to provide any guarantee in 2014.

Our bank loans as of December 31, 2014 amounted to RMB1,903,471,790, representing an increase of RMB204,718,430 or 12.05% from RMB1,698,753,360 as of December 31, 2013. Such increase was primarily due to (i) our need for purchasing more mobile telecommunications devices and accessories as a result of our sales growth driven by our business expansion, and (ii) the financing need resulting from some suppliers not granting credit periods to us and requiring prepayments or current payments.

We are subject to certain customary restrictive covenants pursuant to our loan agreements with the banks. Subject to certain exceptions and waivers, these covenants may restrict our ability to (i) incur additional indebtedness; (ii) make major change to our corporate structure, such as to undertake or encourage joint venture, mergers and acquisitions, consolidations, reduction of registered share capital and reorganisations or to make other changes such as liquidation or dissolution, (iii) sell, transfer or dispose material assets; and (iv) make investments and engage in certain transactions with affiliates or subsidiaries.

Our Directors confirm that during the Track Record Period and up to the date of this announcement, we did not have any material default in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants. Save as disclosed herein, the agreements under our banking borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors also confirm that as of the date of this announcement, we did not have any plan to raise material external debt financing. Except as disclosed in "Financial Information – Indebtedness" above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of December 31, 2014, being the latest practicable date for our indebtedness statement.

(V) Key financial ratios

The following table sets out our current ratios, debt-to-equity ratios and gearing ratio as of the dates indicated:

Item	As of December 31,			
	2013	**2014**	**Change**	**Percentage of change**
Current ratio	1.38	**1.72**	0.34	24.64%
Gearing ratio	49.18%	**39.31%**	-9.87%	-20.07%
Net debt-to-equity ratio	96.76%	**64.77%**	-31.99%	-33.06%

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio remained relatively steady during the Track Record Period.

Gearing ratio is net debt divided by net debt and total equity at the end of each financial period and multiplied by 100%. Net debt includes interest-bearing bank loans, less cash and cash equivalents. Our gearing ratio decreased from 49.18% as of December 31, 2013 to 39.31% as of December 31, 2014, this decrease was primarily to the Company's higher growth in total equity than in net debt for 2014. Total equity as of December 31, 2014 amounted to RMB2,421,203,430, representing an increase by RMB977,680,540 or 67.73% as compared with RMB1,443,522,890 as of December 31, 2013, and growth in total equity was primarily attributable to growth in net profit and the increase in shareholding equity capital for 2014. The Group's total retained profit for the year ended December 31, 2014 amounted to RMB1,064,565,050, representing an increase by RMB286,297,030 or 36.79% as compared with total net profit of RMB778,268,020 for the same period in 2013. Share capital as of December 31, 2014 amounted to RMB666,667,000, representing an increase by RMB166,667,000 or 33.33% compared with RMB500,000,000 as of December 31, 2013. Capital reserve as of December 31, 2014 amounted to RMB528,263,360, representing an increase by RMB491,079,360 or 1,320.67% as compared with RMB37,184,000 as of December 31, 2013. This was attributable to the increase in shareholding equity capital as a result of the acquisition of finance resources following the successful listing of the Company in Hong Kong in July 2014. Net debt as of December 31, 2014 amounted to RMB1,568,173,520, representing an increase by RMB171,359,990 or 12.27% as compared with RMB1,396,813,530 as of December 31, 2013. Our net debt reflected mainly the 12.05% increase in interest-bearing bank borrowings from RMB1,698,753,360 as of December 31, 2013 to RMB1,903,471,790 as of December 31, 2014.

Net debt-to-equity ratio equals net debt divided by total equity as of the end of the period and multiplied by 100%. Our net debt-to-equity ratio as of December 31, 2014 was 64.77%, which was 31.99% lower than 96.76% as of December 31, 2013, representing a reduction ratio of 33.06%. This reflected primarily attribute to the Company's higher growth in total equity than in net debt for 2014. Total equity as of December 31, 2014 amounted to RMB2,421,203,430, representing an increase by RMB977,680,540 or 67.73% as compared with RMB1,443,522,890 as of December 31, 2013, and growth in total equity was primarily attributable to growth in net profit and the increase in shareholding equity capital for 2014. The Group's total retained profit for the year ended December 31, 2014 amounted to RMB1,064,565,050, representing an increase by RMB286,297,030 or 36.79% as compared with total net profit of RMB778,268,020 for the same period in 2013. Share capital as of December 31, 2014 amounted to RMB666,667,000, representing an increase by RMB166,667,000 or 33.33% compared with RMB500,000,000 as of December 31, 2013. Capital reserve as of December 31, 2014 amounted to RMB528,263,360, representing an increase by RMB491,079,360 or 1,320.67% as compared with RMB37,184,000 as of December 31, 2013. This was attributable to the increase in shareholding equity capital as a result of the acquisition of finance resources following the successful listing of the Company in Hong Kong in July 2014. Net debt as of December 31, 2014 amounted to RMB1,568,173,520, representing an increase by only 12.27% compared with RMB1,396,813,530 as of December 31, 2013. Our net debt reflected mainly the increase in interest-bearing bank borrowings from RMB1,698,753,360 as of December 31, 2013 by only 12.05% to RMB1,903,471,790 as of December 31, 2014.

(VI) Listing expenses

For the year ended December 31, 2014, we incurred listing expenses of approximately RMB73,151,920, out of which RMB3,396,740 was charged to administrative expenses for 2013, RMB26,000,190 was charged to administrative expenses for 2014 and RMB43,754,990 was capitalised. We estimate we will further incur listing expenses of approximately RMB3,597,860 for the six months ending June 30, 2015, which will be charged to administrative expenses.

(VII) Material acquisitions and disposals

For the year ended December 31, 2014, the Group had no material acquisitions and disposals.

(VIII) Contingent liabilities

As of December 31, 2014, the Group had no contingent liabilities of a material nature.

(IX) Use of proceeds

As of July 31, 2014, we had completed the global public issue of 166,667,000 ordinary shares (H shares) in Hong Kong at an issue price of HK$5.30 per share, raising proceeds with an aggregate amount of HK$883,335,100. As of July 31, 2014, the issue proceeds had been placed in a special account.

The following table sets forth details of funds in the dedicate account for issue proceeds as of the date indicated:

As of December 31, 2014			Unit: HK$'000
Account holder	**Banker**	**Account number**	**Balance**
Beijing Digital Telecom Co., Ltd.	Standard Chartered Bank (Hong Kong) Limited	44717867377	12,589.63

As of December 31, 2014, HK$870,745,470 out of the net proceeds had been applied. As of December 31, 2014, the balance of the special account for issue proceeds amounted to HK$12,589,630 (including interest accruing on the special account of HK$8,150).

To regulate the management of issue proceeds and protect investors' interests, the Company has formulated the "Regulations for the Management of Issues Proceeds of Beijing Digital Telecom Co., Ltd." to set out specific provisions for the deposit, utilisation, management of fund application and supervision of use.

In accordance with the plan for the public issue, proceeds from the public issue of shares will be applied as to approximately 56% in the expansion of our retail and distribution network, approximately 14% in the repayment of bank loans, approximately 9% in the upgrade of information systems for further enhancement of our management ability, approximately 7% in the upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC, approximately 6% in multi-functional mobile Internet projects and approximately 8% as working capital and for other general corporate purpose. The applications of our issue proceeds as at the date indicated are set out in the following table:

Item	Year ended December 31, 2014 Amount paid RMB'000	Percentage
Expansion of retail and distribution network	472,414.94	54.25%
Repayment of bank borrowings	118,703.28	13.63%
Upgrade of information system to further improve management capability	55,584.09	6.38%
Upgrade of existing outlets and establishment of new call centers and new after-sales services system in the PRC	34,472.32	3.96%
Undertaking multi-functional mobile Internet projects	44,060.18	5.06%
Working capital and other general corporate purpose	78,010.00	8.97%
Payment of listing agency fees	67,500.66	7.75%
Total	870,745.47	100.00%

(X) Foreign exchange rate risks

The Group is not exposed to risks in connection with fluctuations of exchange rates and relevant hedging.

(XI) Pledge of Assets

Details of the pledge of the Group's assets are set out in note 16 to the financial statements of this annual report.

(XII) Material investments

No material investment was made by the Group for the twelve months ended December 31, 2014.

As at the date of this annual report, the Group had no material investment plan.

(XIII) Arrangement for subscription of options

For the twelve months ended December 31, 2014, the Group did not subscribe any options.

As at the date of this annual report, the Group has not formulated any share option scheme.

(XIV) Employees, remuneration policies and training programs

As at December 31 , 2014, the Group had 7,493 employees. For twelve months ended December 31, 2014, salary costs and employees' benefit expenses were approximately RMB555,171,120. Remunerations for the Group's existing employees include salaries, performance-based bonus, social insurance, housing provident fund and other benefits.

For the purposes of improving our employees' comprehensive quality, and operational efficiency and service standard of the Company, the Group also has various trainings for our employees, including professional qualities training, corporate culture, product and business information training, and management skills training for middle and senior management members with diversified training methods, conducted mainly through online learning, conferences and on-the spot skill-specific training programmes.

III. BUSINESS OUTLOOK FOR 2015

The growth of 3G users slowing down in 2014, while the growth of 4G users was gaining pace. To increase our sales and market share by capitalising on opportunities presented by the rapid growth of 4G users, we will focus, in 2015, our efforts on the following areas:

(1) To develop our retail outlets and distribution network steadily by creating additional operating nodes in third-tier cities and below, strengthening cooperation with large shopping malls and supermarkets and seizing opportunities to establish our presence in new business districts.

(2) To further enhance our cooperation with the three major mobile carriers by increasing our sales efforts to raise contract sales in absolute number and percentage and by establishing stronger presence in the operating houses under the cooperation with mobile carriers, in order to increase received fees and add value for the Company.

(3) To reduce management cost by streamlining our organisational structure, and to improve management efficiency and minimise management cost by promoting resource integration and performance assessment.

(4) To persist in our full-hearted loyalty to customers and increase the sales of peripheral accessories for smart phones to increase monetisation from individual customers.

(5) To position ourselves as "personal mobile phone consultant" in our endeavour to ensure customer satisfaction, shifting our focus from "selling mobile phones" to "providing services" with a commitment to build ourselves into a personal mobile phone consultant for consumers and an industry benchmark for customer services.

(6) To enhance the innovation of our profit model and identify new sources of profit growth, to broaden our coverage of the industry chain and further enhance mergers with different industries through vigorous innovation, and to conduct well-organised taxation planning.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Liu Donghai (劉東海), aged 48, joined the Company in June 2001 and has been the chairman of the Board since December 2013. He joined the Group in December 1997 and held various positions in the Group, including the vice chairman of the Board from July 2010 to December 2013, the general manager of the Company since March 2011 and the internal risk control officer of the Company from June 2001 to March 2011. He is primarily responsible for formulating the overall business strategies of the Company and overseeing the execution of the business strategies and the operation of the Company.

Prior to joining our Group, from April 1991 to March 1993, he served as the sales director of Beijing Hamamatsu Technology Co., Ltd. (北京濱松光子技術有限公司), which is set up as a company providing comprehensive services including research, development and provision of a variety of products for photonics field as a whole, mainly responsible for formulating sales policies, proposals and targets, and planning and overseeing the implementation of sales proposals. He has been vice president of China Electronic Chamber of Commerce since December 2012 up to this date.

He obtained his master degree in Business Administration from China Europe International Business School (中歐國際工商學院) in September 2003.

Mr. Liu Yajun (劉雅君), aged 57, joined the Company in August 2010 as an executive Director and has been elected as the vice chairman of the Board since March 2014. He is primarily responsible for formulating investment plans and leading investment negotiations of the Company.

Prior to joining our Group, he held various positions, including director and vice president of Shenzhen Development Bank Tianjin Branch (深圳發展銀行天津分行), which provide various financial service with respect to corporate business, retailing business, inter-bank business and etc. from May 2003 to July 2008. He was mainly responsible for the credit business in the abovementioned bank.

He obtained his master degree in Economics from Chinese Academy of Social Sciences (中國社會科學院) in November 1991.

Mr. Liu Songshan (劉松山), aged 41, joined the Company in May 2001 and was the chairman of the Board from November 2009 to December 2013. He joined the Group in February 1998 and held various positions in the Group, including an executive Director and the general manager of the Company from May 2001 to March 2011, an executive director of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from February 1998 to May 2009, and the general manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from May 2009 to October 2010. He is primarily responsible for formulating business operation strategies and investment plans of the Company, and leading annual procurement and sales planning of the Company.

He obtained his certificate for completing the course on practical innovative enterprises management from advanced training class of Peking University in May 2011.

Ms. Liu Wencui (劉文萃), aged 41, joined the Group since February 1998 and has been an executive Director since June 2007 and the deputy director of the procurement center of the Company since April 2004. She is primarily responsible for organizing and implementing annual business and investment plans of our Group, implementing annual procurement plans of our Group and tracing delivery status of the procured products, establishing database for suppliers and facilitating communication with them, within the authorization of the chairman of the Board executing contracts on behalf of our Group as well as handling other matters under authorization of the chairman of the Board.

Ms. Liu Hua (劉華), aged 42, joined the Company in March 2001 and has been an executive Director since November 2009. She joined the Group in February 1998 and held various positions in the Group, including the procurement manager of the Company since March 2001 and the manger of the procurement department of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from February 1998 to 2000. She is primarily responsible for organizing and implementing annual business and investment plans of our Group, implementing annual procurement plans of our Group and tracing delivery status of the procured products, establishing database for suppliers and facilitating communication with them, within the authorization of the chairman of the Board executing contracts on behalf of our Group as well as handling other matters under authorization of the chairman of the Board.

Non-Executive Director

Mr. Wang Lin (王霖), aged 46, joined the Company in June 2007 and has been a non-executive Director since then. He is primarily responsible for providing strategic advice to our Group and attending meetings of the Board to perform duties, but not engaged in daily management of our business operation.

Prior to joining our Group, he held various positions, including the non-executive director of Springland International Holdings Limited (華地國際控股有限公司), which is a company with principal business activities being operating businesses of grocery stores and supermarkets and was listed on the Stock Exchange (Stock Code: 01700.HK) from September 2006 to October 2013, mainly responsible for participating and organizing and implementing annual business and investment plans of the company and leading daily operational and managerial work, the managing director of Beijing CDH Innovation and Investments Consultation Ltd. (北京鼎暉創新投資顧問有限公司), principal business activities of which are commerce and consultation relating to management, economic information and technology since August 2002, mainly responsible for developing investment projects, inspecting business due diligence and managing post-investment matters, the investment manager of China International Capital Co., Ltd. (中國國際金融有限公司), providing comprehensive financial services including investment banking, institutional and individual securities sales and trading, asset management, individual wealth management and research from April 1999 to August 2002, mainly responsible for developing investment projects, inspecting business due diligence and managing post-investment matters, senior manager of China National Investment and Guaranty Co., Ltd. (中國投融資擔保有限公司), principal business activities of which are credit guarantee mainly including financial product guarantee, logistics finance guarantee as well as guarantee for low-carbon areas and micro and small business financing guarantee from August 1994 to March 1999, mainly responsible for providing financing guarantee for small and medium-sized enterprises.

He obtained his bachelor degree in Mechanical Technology and Equipment from East China Jiaotong University in July 1989, professional master degree and doctorate degree in Cameralistics from Research Institute for Fiscal Science, Ministry of Finance (財政部財政科學研究所) in February 1993 and July 2002, respectively.

Independent Non-Executive Directors

Mr. Lv Tingjie (吕廷杰), aged 59, has been an independent non-executive Director since November 2009, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. He has served as a professor, doctoral tutor and the executive dean of School of Economics Management of Beijing University of Posts and Telecommunications (北京郵電大學) since May 1997, June 1999 and September 2007, respectively, the standing director of the International Telecommunication Society (國際電信協會) since June 2007, mainly responsible for coordinating the economic cooperation and academic exchanges in Asia and Greater China region, a member of the Telecommunications Experts Committee, Ministry of Industry and Information Technology (工業和信息化部電信專家委員會) since 2004, mainly responsible for policy consultation, examination and appraisal work, and the vice chairman of the Electronic Commerce Teaching Steering Committee, Ministry of Education (教育部電子商務教學指導委員會) since 2008, mainly responsible for revising education plans for e-commerce. Mr. Lv is currently an independent non-executive director of Gohigh Data Networks Technology Co., Ltd. (大唐高鴻數據網絡技術股份有限公司), which is listed in Shenzhen Stock Exchange (Stock Code: 000851) and dedicates itself to the provision of telecommunications devices, business and overall resolution with respect to industry informatization. Mr. Lv was conferred the teaching qualification certificate of senior high education by the Ministry of Education P.R.C. in July 1997.

Mr. Lv obtained his engineering doctor degree in systematic engineering from Kyoto University (日本京都大學) in November 1997, his master degree in management engineering and his bachelor degree in radio engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in April 1985 and July 1982, respectively.

Mr. Leng Rongquan (冷榮泉), aged 66, joined the Company in September 2010 and has been an independent non-executive Director since then and is mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of the Company. Mr. Leng has served as the chairman of the board of Unihub China Information Technology Co., Ltd. (中盈優創資訊科技有限公司), which provides comprehensive innovative and suitable solutions for telecommunications operators, governments and enterprises since March 2005, mainly responsible for presiding the work of the Board, and a director of China Finance Online Co., Ltd. (中國金融在線有限公司), principal business activities of which are providing vertically integrated financial information and services including news, data, analytics, securities investment advisory and brokerage-related services since April 2012, mainly responsible for relevant works in the audit committee, remuneration committee and nomination committee.

Prior to joining our Group, he served as the deputy director of Directorate General of Telecommunications, P & T, China (中國郵電電信總局) from 1996 to 2000 and the deputy general manager of China Network Communications Group Corporation (中國網絡通信集團公司), principal business activities of which are operating domestic and international fixed telecommunications network facilities and related telecommunications services from 2002 to 2004.

Mr. Leng obtained his master degree in Computer-Aided Logic Design from Beijing Institute of Posts and Telecommunications (北京郵電學院) in September 1983. Mr. Leng received the title of professor-level senior engineer from Directorate General of Telecommunications, P & T, China (中國郵電電信總局) in August 1997.

Mr. Vincent Man Choi, Li (李文才), aged 54, joined our Company in January 2014 and has been an independent non-executive Director since then, mainly responsible for attending the meetings of the Board, voting on the resolutions considered at the meetings of the Board, and overseeing the management of our Company.

Mr. Li has served as an independent non-executive director of Qinhuangdao Port Co., Ltd. (a company listed on the Stock Exchange (03369 HK), (秦皇島港股份有限公司), the principal business activity of which is the provision of integrated port services, including stevedoring, stacking, transportation and handling various types of cargo, a partner of Zhonglei (HK) CPA Company Limited (中磊(香港)會計師事務所有限公司) in Hong Kong and technical director of Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) in the PRC since June 2013, and a partner of Pan-China (H.K.) CPA Limited (天健(香港)會計師事務所有限公司) in Hong Kong since August 2013, the principal business activities of which are audit and taxation and consulting services. Prior to joining our Group, he held various positions, including a partner both for Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤•華永會計師事務所(特殊普通合夥), "**Deloitte Touche Tohmatsu China**") in the PRC and Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行, "**Deloitte Touche Tohmatsu Hong Kong**") in Hong Kong from June 2005 to May 2013 and November 2005 to May 2013, respectively, a director of Deloitte Touche Tohmatsu China from September 2003 to May 2005, the senior manager of Deloitte Touche Tohmatsu Hong Kong from November 2000 to August 2003, June 1997 to June 1998, and July 1995 to September 1996, a manager of Deloitte Touche Tohmatsu Hong Kong from July 1991 to June 1995, senior auditor of Deloitte Touche Tohmatsu Hong Kong from July 1989 to June 1991 and a semi-senior auditor of Deloitte Touche Tohmatsu Hong Kong from August 1988 to June 1989, the principal business activities of which are audit, taxation, consulting and financial advisory services.

Mr. Li is a fellow member of Hong Kong Institute of Certified Public Accountants since 1998 and has been a Hong Kong Certified Public Accountant (Practising). Mr. Li is also a fellow member of Association of Chartered Certified Accountants since 1995, and an associated member of Institute of Chartered Accountants in England and Wales since 2005.

BOARD OF SUPERVISORS

The Board of Supervisors consists of three members, including an employee representative Supervisor. According to the Articles of Association, Supervisors are all elected by Shareholders, except for the employee representative Supervisor. The Supervisors will serve for a term of three years, and are eligible for re-election upon expiry of their terms. The terms of reference of the Board of Supervisors include, but not limited to, reviewing and verifying the financial reports, business reports and profit distribution proposals prepared by the Board of Directors, and if in doubt, engaging certified public accountants and auditors to review the financial information of the Company; monitoring the financial activities of the Company; supervising the performance of the Directors and the senior management and monitoring whether they have violated the laws, regulations and the Articles of Association in performance of their duties; requiring the Directors and senior management to correct their behaviors which are harmful to the interests of the Company; exercising other powers granted to them by the Articles of Association.

The table below provides certain information in respect of the Supervisors.

Name	Age	Position	Date of Appointment	Date of Joining the Group
Xiao Hong (肖紅)	39	Chairman of Board of Supervisors and employee representative Supervisor	November 24, 2009	May 1999
Li Wanlin (李萬林)	52	Supervisor	May 20, 2014	May 2014
Hu Yuzhong (胡玉忠)	56	Supervisor	May 20, 2014	May 2014

SUPERVISORS

Ms. Xiao Hong (肖紅), aged 39, joined the Group in May 1999, and has been an employee representative Supervisor since November 2009. She began to serve as the chairman of the board of Supervisors from May 2014. She has also served as the deputy sales manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) since August 2008. Ms. Xiao is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members.

Mr. Li Wanlin (李萬林), aged 52, joined the Group in May 2014 and has been a Supervisor of our Company since then. Before joining our Group, he served as a professor leading the major national mobile telecommunications laboratory at Southeast University (東南大學) from 2010 to 2012. Mr. Li also served as manager of Beijing EVERSINO Technology Ltd. (北京華恒銘聖科技發展有限責任公司) from 2007 to now. From 1998 to 2007, Mr. Li held various positions within Siemens Ltd. China, including senior vice president and chief technology officer of the group and mobile internet department, general manager of the 3G mobile internet department and officer of the TDSCDMA R&D centre. Mr. Li is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members. Mr. Li obtained his bachelor degree in computer engineering from Chongqing University (重慶大學) in 1982, and his master and Ph.D. degree in information science from Technical University of Karlsruhe in Germany in 1986 and 1991.

Mr. Hu Yuzhong (胡玉忠), aged 56, joined the Group in May 2014 and has been a Supervisor of our Company since then. From 2003 to now, Mr. Hu has served as a president and director of Beijing Zhongguang Times Telecom Equipments Company Limited (北京中廣時代通訊設備有限公司). From 1992 to 2002, he served as vice president of China Post Putai Mobile Telecom Equipments Company Limited (中郵普泰移動通訊設備股份有限公司). Mr. Hu is primarily responsible for reviewing and providing written comments on the regular reports of the Company, reviewing financial statements of the Company and supervising behaviors of Directors and senior management members. Mr. Hu obtained his MBA degree in Asia International Open University (Macau) in 2004.

SENIOR MANAGEMENT

The following table sets out certain information relating to our senior management members:

Name	Age	Position	Date of Appointment	Date of Joining the Group
Jin Xin (金鑫)	43	General manager	December 25, 2013	January 1999
Qi Feng (齊峰)	45	Vice general manager	November 24, 2009	August 2003
Wu Huan (吳歡)	49	Vice general manager and chief information officer	November 24, 2009	May 2002
Zhou Qing (周清)	46	Vice general manager	November 24, 2009	May 2002
Bai Ren (白韌)	42	Vice general manager	November 24, 2009	March 1998
Huang Jianhui (黃建輝)	54	Vice general manager	April 12, 2011	July 2010
Leng Jianchuang (冷建闖)	35	Chief financial officer	June 8, 2010	December 2006
Li Dongmei (李冬梅)	36	Secretary to the Board and chief legal officer	November 24, 2009	April 2006

Mr. Jin Xin (金鑫), aged 43, joined the Company in April 2003 and has been the general manger of the Company since December 2013. Mr. Jin joined the Group in January 1999 and served as the executive vice general manager of the Company from May 2003 to December 2012. Prior to that, he served as the vice manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from January 1999 to March 2003. Mr. Jin is primarily responsible for daily operation and management of our Group, assisting with the Board to inspect the implementation of major plans and system of the Company, taking charge of the organizational institutions and staffing systems and training; recommending candidates for department managers and medium level management members, preparing internal measures to cope with emergencies, coordinating our Company and its subsidiaries to facilitate daily operation.

Prior to joining our Group, he served as an assistant engineer of Computer Center of National Bureau of Statistics of China (國家統計局計算中心) from July 1994 to October 1998, obtaining the title of "Excellent Youth of China State Organs (中國國家機關優秀青年)" during his term in June 1998, and is mainly responsible for computer system construction and management, data analysis and management, software development and management, internal operation and management, and technical support and services.

Mr. Jin obtained his master degree in Business Administration from Tsinghua University (清華大學) in June 2008.

Mr. Qi Feng (齊峰), aged 45, joined the Company in August 2003 and has been the vice general manger of the Company since November 2009. Mr. Qi joined the Group in August 2003 and served various positions in the Group, including the assistant to general manager, vice general manager and general manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from August 2003 to present and the executive director of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) since May 2009. Mr. Qi is primarily responsible for researching and making development strategies, making and evaluating medium and long-term plans, participating in the research and formulation of strategic investment, capital operation, mergers and acquisitions, reorganizations and industrial integrations as well as the overall management of businesses of the companies within our Group located in Beijing.

Mr. Qi obtained his master degree in Business Administration from China Europe International Business School (中歐國際工商學院) on September 3, 2008.

Mr. Wu Huan (吳歡), aged 49, joined the Company in May 2002 and has been the vice general manger since November 2009 and the chief information officer of the Company since May 2002. Mr. Wu is primarily responsible for information construction of the Company, researching, developing, upgrading and maintaining the information management system of the Company, safeguarding Internet security to ensure smooth online operation and taking charge of IT training, seeking opportunities to establish software distribution platforms and further enhance the cooperation with SP and CP suppliers.

Before joining Company, he served as an electronics engineer of Beijing Hamamatsu Photon Techniques INC (北京濱松光子技術有限公司), mainly responsible for the research and development of photoelectric sensors and instruments from July 1991 to December 1993.

Mr. Wu obtained his master degree in Computer Science from Lamar University (拉瑪大學) in May 1999.

Mr. Zhou Qing (周清), aged 46, joined the Company in May 2002 and has been the vice general manager of the Company since November 2009. Mr. Zhou joined the Group in May 2002 and has served as the general manager of Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司) since May 2002. Mr. Zhou is primarily responsible for the operation and management of Shanghai Dixin Electronic Communication Technology Co., Ltd. (上海迪信電子通信技術有限公司).

Prior to joining our Group, he served as the head of the branch factory and the director of Energy Measurement Department of Gui Zhou Tyre Co., Ltd. (貴州輪胎股份有限公司) from October 1993 to January 1998, the principal business activity of which is tire manufacturing, responsible for team management, business development, production security with an aim to realize the company's sales targets; and the general manager of Guizhou Fuhai Building Equipments Co., Ltd. (貴州富海樓宇設備有限公司) from March 2000 to March 2002, the principal business activity of which is the wholesale of mechanical and electronic equipments, responsible for team management, business development, production security with an aim to realize the company's sales target. Mr. Zhou is certified as an engineer by Guiyang Personnel Bureau in September 1997.

Mr. Zhou obtained his master degree in Business Administration from China Europe International Business School (中歐國際工商學院) in September 2009.

Mr. Bai Ren (白韧), aged 42, joined the Company in July 2002 and has been the vice general manager of the Company since November 2009. Mr. Bai joined the Group in March 1998 and served as the assistant to general manager of Beijing Dphone Electronic Communication Technology Co., Ltd. (北京迪信通電子通信技術有限公司) from May 2002 to November 2009 and Hefei Digitone (合肥迪信通通信技術有限公司) since July 2002. Mr. Bai is primarily responsible for formulating development strategies, making and evaluating medium and long-term plans, participating in the research and formulation of strategic investment, capital operation, mergers and acquisitions, reorganizations and industrial integration as well as the overall management of businesses operated in Anhui province.

Mr. Bai obtained his master's degree in Business Administration from Cheung Kong Graduate School of Business (長江商學院) in November 2012.

Mr. Huang Jianhui (黃建輝), aged 54, joined the Company in July 2010 and has been the vice general manager of the Company since April 2011. Mr. Huang is primarily responsible for formulating development strategies, making and evaluating medium and long-term plans, participating in the research and formulation of strategic investment, capital operation, mergers and acquisitions, reorganizations and industrial integration, as well as establishing cooperation relationship with China Unicom, China Telecom and China Mobile.

Prior to joining our Group, Mr. Huang held various positions, , such as directors, in Zhengzhou Telecom Bureau of Henan Provincial Postal Administration, China Institute of Petroleum Pipeline Survey and Design, Beijing branch of Samsung Electronics, Nokia (China) investment Co., Ltd., Siemens (China) Co., Ltd., and Nokia Siemens Networks Technology (Beijing) Co., Ltd.

Mr. Huang was qualified as a senior engineer conferred by China National Petroleum Corporation (中國石油天然氣集團公司) in December 1993.

Mr. Huang obtained his bachelor of science degree in communication and computer from Beijing University of Posts and Telecommunications (北京郵電大學) in July 1983, and master degree in Business Administration from Guanghua School of Management of Peking University (北京大學) in July 2006.

Mr. Leng Jianchuang (冷建闖), aged 35, joined the Company in December 2006 and has served as the vice president since April 2012, performed the duties of the vice chief financial officer since December 2008 and was officially appointed as the chief financial officer in June 2010. He served as the assistant to the chief financial officer of the Company from April 2008 to November 2008 and financial manager from December 2006 to March 2008. Mr. Leng is mainly responsible for accounting, establishment of budgeting system and internal control regulations, coordinating financial resources and business operation, forming management, profitability and investment plans of the Company and etc..

Prior to joining our Group, from August 2001 to August 2003, Mr. Leng served as the chief financial officer of the financial department of China Hualu Group Co., Ltd. (中國華錄集團有限公司), principal business activities of which are manufacturing and sale of audio and video products, mainly responsible for analyzing financial contacts, non-current assets, accounting, budgeting and the financial officer of the internal management department of Hualu Culture Industry Co., Ltd. (華錄文化產業有限公司) from August 2003 to December 2006, generally responsible for finance-related work.

Mr. Leng was conferred the Certificate of Accounting Professional by Dalian Municipal Bureau of Finance in October 2002, the Certificate of Assistant Accountant by Liaoning Provincial Department of Personnel in August 2002, the Certified Finance Manager by the Appraisal Center for Professional Qualifications of International Managers Association in June 2006. Mr. Leng obtained his bachelor degree in computerized and specialized accounting from Dongbei University of Finance and Economics (東北財經大學) in July 2007.

Ms. Li Dongmei (李冬梅), aged 36, joined the Company in April 2006 and has served as the secretary to the Board and chief legal officer since November 2009. Ms. Li is primarily responsible for preparing for the Board meetings and Shareholders' meetings, disclosing information of the Company in a complete, accurate and prompt manner, ensuring the directors, supervisors and senior management members to have complied with law, regulations and rules, providing legal opinions for the operation and management of the Company as well as participating in the drafting of contracts and negotiations for material contracts.

Prior to joining our Group, she served as the legal manager of Enn Group Co., Ltd. (新奧集團股份有限公司) from September 2004 to April 2006. The principal business activities of this company are production, application and sales of clean energy. Ms. Li was responsible for the listing related work of Enric Energy Equipment Holdings Limited (安瑞科能源裝備控股有限公司), a subsidiary of Enn Group Co., Ltd., which is listed on GEM Board of the Stock Exchange (HKSE: 03899).

Ms. Li passed the PRC bar exam in October 2002 with her legal qualifications conferred by PRC Ministry of Justice. Ms. Li obtained her master degree in law from University of International Business and Economics (對外經濟貿易大學) in June 2004.

DIRECTORS' REPORT

The board of directors (the "**Board**") of the Company is pleased to present the Group's report together with the audited financial statements for the year ended December 31, 2014.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was converted from a then foreign-invested limited liability company into a foreign-invested joint stock limited liability company under PRC Company Law on December 28, 2009. The Company's shares (the "**Shares**") were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 8, 2014 (the "**Listing**" or "**Listing Date**").

PRINCIPAL ACTIVITIES

The principal activities of the Company are to engage in the sale of mobile telecommunications devices and accessories and the provision of related services. Analysis of the principal activities of the Group is set out in the section headed Management Discussion and Analysis on pages 12 to 15.

RESULTS

The results of the Group for the year ended December 31, 2014 are set out on pages 77 to 83 of the financial statements.

FINAL DIVIDENDS

The Board does not recommend any final dividend for the year ended December 31, 2014.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing of the Company (after deducting underwriting commission and related expenses) amounted to approximately HK$840.22 million, which is intended to be used for the purposes as set forth in the Company's prospectus dated June 25, 2014 (the "**Prospectus**").

During the year ended December 31, 2014, the details of the use of the proceeds raised are set out in sub-section "(IX) Use of Proceeds – II. Financial Position and Operating Results – Management Discussion and Analysis" in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year 2014, the Company's transaction volume with its five largest customers accounted for 13.43% of the Company's operating revenue for the year ended December 31, 2014. The Company's transaction volume with its single largest customer accounted for 4.44% of the Company's operating revenue for the year 2014.

Major Suppliers

For the year 2014, the Company's transaction volume with its five largest suppliers accounted for 40.48% of the Company's operating costs for the year ended December 31, 2014. The Company's transaction volume with its single largest supplier accounted for 10.80% of the Company's operating costs for the year 2014.

To the knowledge of the Directors, none of the Directors, Supervisors, any of their close associates or any shareholders of the Company (who to the knowledge of the Directors are interested in more than 5% of the Company's shares) had any interest in the Company's five largest suppliers or customers during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements on pages 114–117 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2014 are set out in note 31 to the financial statements on page 138 of this annual report.

RESERVES

Details of changes in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on page 80 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB1,064,565,050 (as at December 31, 2013: approximately RMB778,268,020).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and its subsidiaries as at December 31, 2014 are set out in note 30 to the financial statements on page 137 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended December 31, 2014 and up to the date of this report were:

Executive Directors:

Mr. Liu Donghai *(Chairman)*
Mr. Liu Yajun
Mr. Liu Songshan
Ms. Liu Wencui
Ms. Liu Hua

Non-executive Director:

Mr. Wang Lin

Independent Non-executive Directors:

Mr. Lv Tingjie
Mr. Leng Rongquan
Mr. Vincent Man Choi, Li

Supervisors:

Ms. Xiao Hong
Mr. Li Wanlin
Mr. Hu Yuzhong

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management are set out on pages 37 to 45 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made a confirmation on independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considers all of the independent non-executive Directors to be independent from the Listing Date to December 31, 2014 in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company on June 8, 2014 for a fixed term of three years commencing from the Listing Date, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

Each of the Supervisors has entered into a contract with the Company on June 8, 2014 in respect of, among others, compliance of relevant laws and regulations, observance of the Articles of Association and provision on arbitration.

Save as disclosed above, none of the Directors and Supervisors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

At any time during the year and up to the date of this annual report, the Company, any of its subsidiaries or fellow subsidiaries have not directly or indirectly concluded contracts of significance, in which each of the Directors and Supervisors has material interests, and which relate to the Company's operations and remain valid during the year or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year and up to the date of this annual report.

EMOLUMENT POLICY

A remuneration and assessment committee was set up for formulating the Group's emolument policy and structure for the remuneration of the Directors and senior management, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, Supervisors and five highest paid individuals are set out in notes 10 and 11 to the financial statements on pages 108–111 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in this annual report, there is no change to any information in respect of any Director or Supervisor since the Listing Date.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2014, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, 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**") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Type of shares	Capacity	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Liu Donghai *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Liu Hua *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Liu Songshan *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Liu Wencui *(Notes 2, 3)*	Domestic shares	Interest of controlled corporation	320,200,000 (long position)	94.82	48.03

Notes:

1. *The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this annual report divided by the total number of shares.*

2. *Beijing Di Er Tong Consulting Company Limited (北京迪爾通諮詢有限公司, Di Er Tong) and Beijing Feng Yong Tai Consulting Company Limited (北京豐永泰諮詢有限公司, Feng Yong Tai), directly hold 101,300,000 Domestic shares and 211,400,000 Domestic shares of the Company respectively, and Liu Donghai, Liu Hua, Liu Songshan and Liu Wencui respectively hold 34.89%, 5.13%, 52.33% and 2.52% interest in Di Er Tong, as well as 47.75%, 5.13%, 39.47% and 2.52% interest in Feng Yong Tai. Accordingly, pursuant to the Securities and Futures Ordinance, Liu Donghai, Liu Hua, Liu Songshan and Liu Wencui are deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by Di Er Tong and Feng Yong Tai respectively.*

3. *Beijing Rong Feng Tai Management and Consulting Company Limited (北京融豐泰管理諮詢有限公司, Rong Feng Tai) directly holds 7,500,000 Domestic shares of the Company, and Liu Wencui holds 66.63% interest in Rong Feng Tai. Accordingly, pursuant to the Securities and Futures Ordinance, Liu Wencui is deemed to be interested in 7,500,000 Domestic shares held by Rong Feng Tai.*

Save as disclosed above, as of December 31, 2014, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or (ii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of the shares or debentures of the Company granted to any Director, Supervisor or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at December 31, 2014, to the knowledge of the Directors, the following persons (other than the Directors, Supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which fell to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Type of shares	Capacity	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
Liu Yongmei *(Note 2)*	Domestic shares	Interest of controlled corporation	312,700,000 (long position)	92.60	46.90
Di Er Tong *(Note 2)*	Domestic shares	Beneficial owner	101,300,000 (long position)	30.00	15.19
Feng Yong Tai *(Note 2)*	Domestic shares	Beneficial owner	211,400,000 (long position)	62.60	31.71
3i Group plc *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Investments GP Limited *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06

Name of Shareholder	Type of shares	Capacity	Number of shares/ underlying shares held (long position/ short position/ lending pool)	Percentage of the relevant class of share capital (%) (Note 1)	Percentage of the total share capital (%) (Note 1)
3i Asia Pacific 2004-06 LP *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Nominees Limited *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Investments plc *(Note 3)*	H shares	Interest of controlled corporation	87,100,000 (long position)	26.48	13.06
3i Infocomm Limited *(Note 3)*	H shares	Beneficial owner	87,100,000 (long position)	26.48	13.06
China Diamond Holdings Company Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
China Diamond Holdings III Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH China Growth Capital Holdings Company Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH China Growth Capital Fund II, L.P. *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH Mobile Limited *(Note 4)*	H shares	Interest of controlled corporation	71,250,000 (long position)	21.66	10.69
CDH Mobile (HK) Limited *(Note 4)*	H shares	Beneficial owner	71,250,000 (long position)	21.66	10.69

Notes:

1. *The percentage is calculated with the number of the relevant class of shares of the Company issued as at date of this annual report divided by the total number of shares.*

2. *Di Er Tong and Feng Yong Tai directly hold 101,300,000 Domestic shares and 211,400,000 Domestic shares of the Company respectively, and Liu Yongmei holds a controlling interest in Di Er Tong and Feng Yong Tai. Accordingly, pursuant to Securities and Futures Ordinance, Liu Yongmei is deemed to be interested in 101,300,000 Domestic shares and 211,400,000 Domestic shares held by Di Er Tong and Feng Yong Tai respectively.*

3. *3i Infocomm Limited directly holds 87,100,000 H shares of the Company. 3i Nominees Limited holds 43.75% interest in 3i Infocomm Limited and 3i Asia Pacific 2004-06 LP holds 100% interest in 3i Nominees Limited. 3i Investments GP Limited holds 100% interest in 3i Asia Pacific 2004-06 LP and 3i Group plc holds 100% interest in 3i Investments GP Limited. Besides, 3i Investments plc as the manager of 3i Infocomm Limited holds 100% interest in 3i Infocomm Limited, and 3i Group plc holds 100% interest in 3i Investments plc. Accordingly, pursuant to the Securities and Futures Ordinance, 3i Group plc, 3i Investments GP Limited, 3i Asia Pacific 2004-06 LP, 3i Nominees Limited and 3i Investments plc are deemed to be interested in 87,100,000 H shares held by 3i Infocomm Limited.*

4. *CDH Mobile (HK) Limited directly holds 71,250,000 H share of the Company. CDH Mobile Limited holds 100% interest in CDH Mobile (HK) Limited and CDH China Growth Capital Fund II, L.P. holds 100% interest in CDH Mobile Limited. CDH China Growth Capital Holdings Company Limited holds a controlling interest in CDH China Growth Capital Fund II, L.P. and China Diamond Holdings III Limited holds 69.5% interest in CDH China Growth Capital Holdings Company Limited. Furthermore, China Diamond Holdings Company Limited holds 100% interest in China Diamond Holdings III Limited. Accordingly, pursuant to the Securities and Futures Ordinance, China Diamond Holdings Company Limited, China Diamond Holdings III Limited, CDH China Growth Capital Holdings Company Limited, CDH China Growth Capital Fund II, L.P. and CDH Mobile Limited are deemed to be interested in 71,250,000 H shares held by CDH Mobile (HK) Limited.*

Save as disclosed above, as of December 31, 2014, there is no other person to the Directors' knowledge who has interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2014.

PRE-EMPTIVE RIGHTS

During the year ended December 31, 2014, shareholders of the Company had no pre-emptive rights or any share option arrangements in accordance with applicable PRC laws and the Articles of the Company.

NON-COMPETITION UNDERTAKING

The controlling shareholders of the Company (Mr. Liu Songshan, Mr. Liu Donghai, Ms. Liu Hua, Ms. Liu Yongmei and Ms. Liu Wencui, and three investment holding companies namely, Feng Yong Tai, Di Er Tong and Rong Feng Tai) issued a non-competition undertaking on March 4, 2014 in favor of the Group (the "**Non-competition Undertaking**").

Pursuant to the Non-competition Undertaking, each of the controlling shareholders has irrevocably undertaken that, among others: it would not and will procure that its associates (except any members of our Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the core business of any member of our Group (the "**Restricted Business**") from time to time; if there is any new business opportunity in the Restricted Business, it shall within seven days refer such new business opportunity to our Group. Such business opportunity shall have first been offered or made handling available to us and be considered by our Board or its committees which do not have a material interest in the business opportunity. Each of the controlling shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committees have declined in writing or failed to respond within six months after being notified of such opportunity; if it intends to transfer, sell, lease or license to a third party any business interests which compete, or may lead to competition, directly or indirectly, with the Restricted Business or its MVNO (Mobile Virtual Network Operator) business, our Company shall have a pre-emptive right over these interests. The controlling shareholders must provide us written notice as soon as possible in advance of any sale as described above. Our Company must reply within six months (or such other period as may be agreed between the parties) after receiving the selling notice, in order to exercise our right. The exercise of such rights by our Company shall be permitted by the relevant regulations, in particular, the regulations of the MIIT by then with respect to the MVNO business. If our Company intends to exercise the right, the terms will be determined at fair market value. The controlling shareholders (except for any members of our Group) shall not dispose such business and equity to any third party, unless the Board (including independent non-executive Directors) has refused in writing to purchase such business or equity, or the controlling shareholders has not received any notice about exercising the pre-emptive rights from the Group post to our receipt of the selling notice. In addition, any conditions of disposal offered by the controlling shareholders shall not be more favorable than those to be given to the Group; and to grant us the option to acquire any business that has been engaged by the controlling shareholders or any equity of such business based upon the above new business opportunity. The Company is entitled to request at any time to acquire any business that has been engaged by the controlling shareholders or any equity of such business under the above new business opportunity, and the controlling shareholders shall grant us the option for acquisition on the condition that the considerations of the acquisition are made in the ordinary course of business following negotiation between the parties under the fair and reasonable principle. The acquisition shall be based on the valuation conducted by independent valuer consisting of our independent non-executive Directors and also in the best interest of the Group. The controlling shareholders have granted us the option to acquire any business that has been engaged by them or any equity of such business based upon the above new business opportunity.

Please refer to the Prospectus for details of the above Non-competition Undertaking.

The Company has received from its controlling shareholders an annual written confirmation in respect of the compliance by them and their associates with the Non-competition Undertaking.

The independent non-executive Directors have reviewed the Non-competition Undertaking and confirmed that the controlling shareholders have not been in breach of the Non-competition Undertaking during the year ended December 31, 2014.

DIRECTORS AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the year 2014, none of the Directors, Supervisors and their associates had any competing interest in any business which competes or may compete directly or indirectly with the businesses of the Company.

CONTINUING CONNECTED TRANSACTION

The Group has entered into the following continuing connected transaction agreements during the year of 2014:

Beijing Dixintong Telecommunications Services Co., Ltd. (北京迪信通通信服務有限公司) (the "**MVNO Licensee**" and a connected person of the Company) and the Company entered into a MVNO strategic cooperation agreement and a supplemental agreement on March 20, 2014 and June 4, 2014, respectively (collectively, the "**MVNO Strategic Cooperation Agreement**"). The term of the MVNO Strategic Cooperation Agreement is three years. Pursuant to the MVNO Strategic Cooperation Agreement, the MVNO Licensee and the Company (and each of our respective subsidiaries) will establish cooperative partnership to develop the MVNO market in the PRC regarding the retail channel, provision of telecommunications services as well as large-scale joint marketing activities and sales promotions.

For details of the above continuing connected transaction, please refer to the section "9. Related Party Transactions – (IV) Items of Balance Sheet – II. Financial Position and Operating Results – Management's Discussion and Analysis.".

During the year, the independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transaction and confirmed that the transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or, from the perspective of the Group, on terms no less favorable than the terms available to or from independent third parties; and

(iii) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditor of the Company has performed certain pre-determined audit procedures regarding the continuing connected transaction entered into by the Group during the year ended December 31, 2014 as set out above and states that:

(1) the transaction has been approved by the Board;

(2) the transaction has been entered into in accordance with the relevant terms of agreements governing the transaction;

(3) the aggregate amounts of the transaction have not exceeded the relevant caps as disclosed in the Prospectus; and

(4) the transaction has been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties.

The related party transactions as disclosed in Note 35 to the financial statements of this annual report are constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the period from the Listing Date to December 31, 2014, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 9 to the financial statements on page 107 of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2014, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

POST BALANCE SHEET EVENTS

Details of the major events occurring after the balance sheet date are set out in note 39 to the financial statements on page 148 of this annual report.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Company's annual results for 2014 and the financial statements prepared in accordance with IFRSs for the year ended December 31, 2014.

CODE OF CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals, but due to Mr. Liu Donghai's background, qualifications and experience in the Company, he is considered the most suitable person to take both roles under the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Liu Donghai holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Liu Donghai. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. Save as disclosed in this annual report, during the period from the Listing Date to the date of this annual report, the Company has complied with the other code provisions and adopted most of the other recommended best practices as set out in the CG Code.

PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors the Directors confirm that, as of the date of this annual report, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

AUDITOR

Ernst & Young was appointed as the auditor for the financial statements prepared in accordance with IFRSs for the year ended December 31, 2014. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young.

Ernst & Young shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Liu Donghai
Chairman

Beijing, March 25, 2015

SUPERVISORY COMMITTEE'S REPORT

In 2014, all members of the supervisory committee effectively safeguarded the rights and interests of the Shareholders and the Company, earnestly fulfilled their duties as supervisors in according with the Company Law, Articles of Association of the Company, Rules of Procedures for the Supervisory Committee Meeting and the Listing Rules, and played an important role in regulating the operation of the Company, improving its internal control system and supervising the implementation of the resolutions approved at the Shareholder's general meetings and the Board meetings.

I. THE BUSINESS OF SUPERVISORY COMMITTEE MEETING

1. On 4 May 2014, the Company held the third meeting of the second supervisory committee in Beijing in which the resolutions on "the Replacement of Supervisor(s)" and "the Proposal for Convening the Fourth Extraordinary General Meeting of 2014" were approved.

2. On 20 May 2014, the Company held the fourth meeting of the second supervisory committee in Beijing in which the resolution on "the Election of the Chairman of Supervisory Committee" was approved.

3. On 10 June 2014, the Company held the fifth meeting of the second supervisory committee in Beijing in which the resolutions on "the Report of the Company's Supervisory Committee for 2013", the Company's Financial Statements (draft) for 2013","the Company's plan for profit distribution for 2013" and "the Appointment of Accounting Firm for the year 2014" were approved.

4. On 27 August 2014, the Company held the sixth meeting of the second supervisory committee in Beijing in which the resolution on "the interim report and interim results announcement of the Company for 2014" was approved.

II. SUPERVISION WORK OF THE SUPERVISORY COMMITTEE IN 2014

1. The members of the supervisory committee have reviewed the Company's financial system and financial position, including regularly reviewing the Company's financial reports and financial budget, reviewing such documents as vouchers and books on ad hoc basis and strengthening communication with the external accountants and internal audit department.

2. The members of the supervisory committee participated in the Company's Shareholders' general meeting for 2013 and the first to fourth extraordinary meetings for 2014 and attended the fifth to eleventh meetings of the second Board Meeting to ensure the legality and compliance of the procedures for consideration and discussion of the matters put to the Board Meeting.

3. The supervisory committee had no disagreement to the reports and resolutions submitted at the general meetings and the Board has earnestly implemented the resolutions passed at the general meetings.

4. The supervisory committee held work meetings from time to time and the supervisors have discussed the Company's affairs among themselves in the meetings to gain an insight on the Company's operation and raise inquiries on some issues existed in the operation to the management and urge them to solve such issues.

III. OPINION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS FOR THE YEAR 2014

1. The operation and management of the Company

During the reporting period, the Company gained remarkable results in sales volume, cost control, capital operation, internal management and business expansion and achieved its business targets. The management of the Company further improved various control systems of the Company, such as establishing a more comprehensive process for merchandizing and sales and thus substantially improving the standards of the Company's operation and management. The management of the Company performed their functions and duties strictly according to the provisions of the Company's Articles of Association and earnestly implement various resolutions approved by the Board.

2. The financial position of the Company

During the reporting period, the supervisory committee reviewed the annual report of the Company for 2014 and the auditor's report issued by Ernst & Young. The supervisory committee is of opinion that the Company has strictly complied with such laws and regulations as Accounting Law and Accounting Standards. The Company has sound financial system, regulated internal operation and healthy financial position. The financial report for the year of 2014 reflected the objective and true view of the financial position and operating results of the Company.

3. The connected transactions and capital raising

For details of the Company's connected transactions, please see the section "9. Related Party Transactions – (IV) Items of Balance sheet – II. Financial Position and Operating Results – Management's Discussion and Analysis".

For details of the Company's capital raising, please see the section "(IX) Use of Proceeds from Capital Raising – II. Financial Position and Operating Results – Management's Discussion and Analysis".

The supervisory committee is of opinion that the Company followed proper procedures and did not breach any laws when entering into connected transactions and using proceeds from capital raising.

4. The lawful operation of the Company

In 2014, the Board of the Company convened their meetings and approved the resolutions in a lawful and reasonable manner and in accordance with the provisions of the laws, regulations and the Articles of Association. The Board earnestly implemented various resolutions approved at the Shareholders' general meetings. The Company has continuously been improving its internal control systems. The Directors, general manager and the members of senior management performed their functions and duties with integrity and diligence and did not take any actions which were in violation of laws, regulations or the Company's Articles of Association nor detrimental to the interests of the Company and the Shareholders. The supervisory committee is of opinion that connected transactions were entered into on normal commercial terms and on arm's length basis.

IV. THE WORK PLAN OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2015

1. The supervisory committee will strengthen their supervision on the Company's major investment projects and the significant decision making on the operation and perform specific checks and continuous tracking on major investment projects to ensure the smooth progress and expected return of capital of the investment projects.

2. The supervisory committee will strengthen their supervision on the implementation of financial budget for 2015 and the merchandizing and sales plan for 2015. The supervisory committee will closely work with the audit department and the corporate management department of the Company for carrying out financial checks and assessment on the operation, improvement on internal control and promotion of the effective operation of the assessment system for business operation.

The Board is pleased to present the corporate governance report in the annual report of the Company for the year ended December 31, 2014.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules. Save for those disclosed in this annual report, the Directors are of the opinion that, during the period from the Listing Date to the date of this annual report, the Company has complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for the day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the audit committee (the "**Audit Committee**"), the remuneration and assessment committee (the "**Remuneration and Assessment Committee**"), the nomination committee (the "**Nomination Committee**") and the strategy committee (the "**Strategy Committee**") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company arranged an insurance policy in early July 2014 with 12-month coverage effective from July 28, 2014 in respect of legal actions against its Directors and senior management members.

Board Composition

As at the date of this annual report, the Board comprises nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors as set out below:

Executive Directors:

Mr. Liu Donghai *(Chairman)*
Mr. Liu Yajun
Mr. Liu Songshan
Ms. Liu Wencui
Ms. Liu Hua

Non-executive Director:

Mr. Wang Lin

Independent Non-executive Directors:

Mr. Lv Tingjie
Mr. Leng Rongquan
Mr. Vincent Man Choi, Li

The biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

Since the Listing Date and up to the date of this annual report, the Board has met at all times the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Board diversity policy is summarized below:

Policy Statement

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. When determining the composition of the Board, the Company will consider Board diversity in terms of various factors, including but not limited to gender, age, cultural background, ethnicity and educational background, professional experience, knowledge and skills.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of service. The ultimate decision will be made based on the merits and contribution that the selected candidates can bring to the Board.

Monitoring and Reporting

The Nomination Committee of the Company will, with due regard for the benefits of diversity of the Board, review the structure, size and composition of the Board and make recommendations or advice to the Board on the appointment of new Directors of the Company.

The Nomination Committee will disclose annually in the Company's corporate governance report the Board's composition under diversified perspectives, and monitor the implementation of the Board diversity policy.

Review of the Policy

The Nomination Committee will review the policy annually to ensure effective implementation of the policy. Where necessary, the Nomination Committee will discuss any revisions to the Board diversity policy, and recommend any such revisions to the Board for consideration and approval.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Mr. Liu Donghai, Mr. Liu Songshan, Ms. Liu Hua and Ms. Liu Wencui are siblings. Save as disclosed in the Directors' biographies set out in the section headed "Directors, Supervisors and Senior Management" in this annual report, none of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of invaluable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Strategy Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in listed companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide its Directors with updates on the latest development and changes of the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All of the existing Directors have gone through the training session about the responsibilities of the Directors and the post-listing training for the senior management in 2014. The Company plans to arrange relevant trainings for all of the Directors in 2015 to ensure that they can continue to make contribution to the Board with comprehensive information when needed.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals, but due to Mr. Liu Donghai's background, qualifications and experience in the Company, he is considered the most suitable person to take both roles under the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Liu Donghai holds both positions at the current stage, as it helps to maintain the continuity of the policies and the stability and efficiency of the operations of the Company. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Liu Donghai. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company.

Appointment and Re-Election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company on June 8, 2014 for a fixed term of three years commencing from the Listing Date, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

In accordance with the articles of association of the Company (the "**Articles of Association**"), the Company shall establish the Board of Directors which is accountable to the shareholders at general meetings. Directors shall be elected at the general meetings, with a term of office of three years. Upon expiry of their term of office, Directors are eligible for re-election. At the re-election of the Board, external Directors, being Directors who do not hold any positions in the Company, shall account for more than half of the total number of Directors. Where the number of vacancy of Directors is not more than the number specified by the Company Law or not less than two thirds of the number of Directors prescribed by these Articles of Association, the Board has the power to appoint any person as a Director to fill the causal vacancy, and any person to be appointed as a Director to fill a casual vacancy of the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association of the Company. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

Board Meetings

The Company will adopt the practice of holding Board meetings regularly. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend regular meetings and discuss matters in the agenda.

For other committee meetings, written notices of fourteen days will be given to all committee members. Such notices will set out the agenda and relevant Board papers to ensure that the committee members have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and committee meetings will record in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to each Director for comments within a reasonable time after the meeting is held.

During the period, seven Board meetings and five general meetings were held and the attendance of each Director at these Board meetings and general meetings is set out in the table below:

Name of Director	Attended Board Meetings/ Eligible to Attend Board Meetings	Attendance	Attended General Meetings/ Eligible to Attend General Meetings	Attendance
Mr. Liu Donghai	7/7	100%	5/5	100%
Mr. Liu Yajun	7/7	100%	5/5	100%
Mr. Liu Songshan	7/7	100%	5/5	100%
Ms. Liu Wencui	7/7	100%	5/5	100%
Ms. Liu Hua	7/7	100%	5/5	100%
Mr. Wang Lin	7/7	100%	5/5	100%
Mr. Lv Tingjie	7/7	100%	5/5	100%
Mr. Leng Rongquan	7/7	100%	5/5	100%
Mr. Vincent Man Choi, Li	7/7	100%	4/4	100%

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' and Supervisors' securities transactions. Specific enquiries have been made to all Directors and Supervisors, and each of the Directors and Supervisors has confirmed that he/she has complied with the standard requirements set out in the Model Code during the reporting period.

Since the Listing Date and up to the date of this annual report, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves the decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions to be entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the trainings and continuous professional developments of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors, Supervisors and employees; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, including two independent non-executive Directors, namely Mr. Lv Tingjie (Chairman) and Mr. Leng Rongquan; and one executive Director, namely Mr. Liu Songshan.

The principal duties of the Nomination Committee of the Company include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and to the largest extent possible to ensure membership diversity in the composition of the Board;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

5. to review the Board diversity policy.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skills and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be submitted to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Since the Listing Date and up to December 31, 2014, the Nomination Committee has held one committee meeting and the attendance of each member of the Nomination Committee at the meeting is set out in the table below:

Name of Director	**Attended/ Eligible to attend**
Mr. Lv Tingjie	1/1
Mr. Leng Rongquan	1/1
Mr. Liu Songshan	1/1

The Nomination Committee discussed and considered report on the work of the Nomination Committee in 2014 at the aforesaid meeting.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee comprises three members, namely Mr. Leng Rongquan (Chairman), Mr. Vincent Man Choi, Li and Ms. Liu Hua. Apart from Ms. Liu Hua who is an executive Director, both of the other members are independent non-executive Directors.

The principal duties of the Remuneration and Assessment Committee include the following:

1. to consult the chairman and/or chief executive officer about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

7. to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration and Assessment Committee are available on the websites of the Stock Exchange and the Company.

Since the Listing Date and up to December 31, 2014, the Remuneration and Assessment Committee has held one committee meeting and the attendance of each member of the Remuneration and Assessment Committee at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Leng Rongquan	1/1
Mr. Vincent Man Choi, Li	1/1
Ms. Liu Hua	1/1

The Remuneration and Assessment Committee has reviewed the remuneration of Directors and senior management for the year 2014, as well as the Company's policy and structure for the remuneration of all Directors and senior management. Based on the review, the Remuneration and Assessment Committee has made recommendations to the Board on the remuneration packages of individual executive Directors and senior management members.

Remuneration of Directors, Supervisors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on the remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of each of the Directors and Supervisors for the year ended December 31, 2014 are set out in Note 10 to the financial statements on pages 108–110 of this annual report.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. The remuneration by band of non-Director members of the senior management for the year ended December 31, 2014 is as follows:

Remuneration band (RMB)	Number of individuals
300,000–350,000	5
350,000–400,000	2
Over 400,000	1

Audit Committee

The Audit Committee comprises three members, namely Mr. Vincent Man Choi, Li (Chairman), Mr. Lv Tingjie and Mr. Wang Lin. Apart from Mr. Wang Lin who is a non-executive Director, both of the other members are independent non-executive Directors.

The principal duties of the Audit Committee are to review and supervise the financial reporting procedure of the Company, which include, among other things, the following:

1. to assist the Board in fulfilling its responsibilities by supervision of financial reporting and providing an independent review to the Board as to the effectiveness of the internal controls of the Company and its subsidiaries (the "**Group**"), and as to the adequacy of the external and internal audits;

2. to assure that appropriate accounting principles and reporting practices are followed;

3. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorized independent auditor (the "**External Auditor**"), and to approve the remuneration and terms of engagement of the External Auditor, and any questions of its resignation or dismissal;

4. to serve as a focal point for communication between other directors, the External Auditor and the internal auditor or any person responsible for internal audit function (the "**IA People**") as regards their duties relating to financial and other reporting, internal controls, external and the IA People and such other matters as the Board determines from time to time;

5. to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

6. to audit the Company's financial information and its disclosure;

7. to develop and implement policy on engaging the External Auditor to supply non-audit services;

8. to monitor integrity of the Company's financial statements, annual report and accounts and half-year report (including Directors' Report, Chairman's Statement and management discussion and analysis), and to review significant financial reporting judgments contained therein; and

9. to review with External Auditor and IA People, the Group's management as well as the adequacy of the Group's policies and procedures regarding internal control (including financial, operational and compliance controls); and to review and monitor the effectiveness of the Company's financial controls, internal control and risk management systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Since the Listing Date and up to December 31, 2014, the Audit Committee has held one committee meeting and the attendance of each member of the Audit Committee at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Vincent Man Choi, Li	1/1
Mr. Lv Tingjie	1/1
Mr. Wang Lin	1/1

The Audit Committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the External Auditor. The Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of External Auditor.

It has also reviewed the annual results of the Company and its subsidiaries for this fiscal year as well as the audit report prepared by the External Auditor in relation to accounting issues and major findings in course of audit.

Strategy Committee

The Strategy Committee currently comprises five members, including three executive Directors, namely Mr. Liu Donghai (Chairman), Mr. Liu Yajun and Mr. Liu Songshan; one independent non-executive Director, namely Mr. Lv Tingjie; and one non-executive Director, namely Mr. Wang Lin.

The principal duties of the Strategy Committee include the following:

1. to monitor the risk of legal sanctions against us;

2. to conduct research and make proposals on the long-term development strategies and plans of the Company;

3. to conduct research and make proposals on the significant investment and financing plans which need to be approved by the Board of Directors in accordance with the Articles of Association;

4. to conduct research and make proposals on the significant projects of capital manipulation and assets operation which need to be approved by the Board of Directors in accordance with the Articles of Association;

5. to conduct research and make proposals on the significant matters which affect the development of the Company;

6. to monitor the implementation of the above-mentioned issues; and

7. other matters that the Board of Directors has authorized it to deal with.

Since the Listing Date and up to December 31, 2014, the Strategy Committee has held one committee meeting and the attendance of each member of the Strategy Committee at the meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend
Mr. Liu Donghai	1/1
Mr. Liu Yajun	1/1
Mr. Liu Songshan	1/1
Mr. Lv Tingjie	1/1
Mr. Wang Lin	1/1

The third meeting of the second session of the Strategy Committee of the Board were convened on August 27, 2014. Major matters on the agenda of the meeting were: to consider and approve the resolution for the Company's investment in Enium Mobility Pte. Ltd; and to consider and approve the resolution for establishing a new company with Shenzhen Shang Zhi Chuang Zhan Investment Holding Company Limited (深圳商置創展投資控股有限公司).

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2014 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 75–76 of this annual report.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining an adequate internal control system to safeguard the Shareholders' investments and the Company's assets and reviewing the effectiveness of such system on an annual basis.

The Company has primarily established a sound system of internal control. In respect of its organizational structure, the Company has set up various functions and departments such as the General Manager's Office, Legal Department, Strategic Development Department, Human Resources Department, Financial and Capital Management Department, Store Management Center and Supervisory and Audit Department, with the

Procurement and Sales function as its structural center. Professional personnel have also been assigned to specific tasks of operational risk management, capital manipulation and control, internal audit, anti-bribery and anti-corruption. The Company arranges reasonable financial budgets to provide professional training at least on a quarterly basis to personnel of the Company and its subsidiaries performing functions such as finance, risk management and internal audit, which helps to consolidate the Company's internal control system.

Staff members have direct contact with the Company's management to provide feedback on the operation of each department and information on any issues arising therefrom. In this way, the Company's management can make and implement accurate decisions in a timely manner in respect of the healthy operation of the Company.

The Group's internal control team plays an important role in monitoring the internal governance of the Company. The major duties of the internal control team are regulating and reviewing the internal control and compliance-related matters of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The internal control team submits regular reports to the Board every year.

The Audit Committee has received an internal control report prepared by the internal control team and considers the internal control system remains effective and no material issue is required to be brought to the Board's attention.

AUDITOR'S REMUNERATION

For the year ended December 31, 2014, the Group engaged Ernst & Young to provide audit-related services and Ernst & Young did not provide any non-audit services. The total remuneration paid or payable by the Company for audit-related services amounted to RMB5,600,000 in 2014.

COMPANY SECRETARIES

Ms. Li Dongmei ("**Ms. Li**"), one of the joint company secretaries of the Company, is responsible for advising the Board on corporate governance matters and ensuring compliance with the Board policies and procedures, and the applicable laws, rules and regulations. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Ng Sau Mei ("**Ms. Ng**"), manager of KCS Hong Kong Limited (a company secretarial service provider), as another joint company secretary of the Company to assist Ms. Li to discharge her duties as company secretary of the Company. Ms. Li also serves as the primary contact person at the Company.

Ms. Li and Ms. Ng have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules for the year ended December 31, 2014.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and promoting their understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of its information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for shareholders to communicate directly with the Directors. The Company's Chairman and the chairman of each Board committee of the Company will attend the annual general meeting to answer enquiries from shareholders. The External Auditor of the Company will also attend the annual general meeting to answer questions about the conduct of audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopted a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and the Company maintains a website at www.dixintong.com, where up-to-date information on the Company's business operation and development, financial data, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meetings and Putting Forward Proposals

In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of Shareholder(s) who individually or jointly hold(s) ten percent or more of the Company's issued and outstanding voting shares.

Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

When the Company is to convene an annual general meeting, Shareholder(s) who individually or jointly hold(s) three percent or more of the Company's shares carrying voting rights shall have the right to put forward new proposals in writing to the Company. The Company shall include matters falling within the scope of responsibilities of the general meeting into the agenda of such meeting.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Shareholders who intend to put forward their enquiries about the Company to the Board could mail their enquiries to the principal place of business of the Company in Hong Kong or e-mail their enquiries to the company secretary at her email address: Jojo.Ng@tmf-group.com.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The amended Articles of Association of the Company was adopted by the Company on 27 February 2014 with effect from the Listing Date.

To reflect the changes in the total issued share capital and the shareholding structure of the Company after the completion of the global offering of the Company, according to the authority granted by the 2014 second extraordinary general meeting of the shareholders of the Company held on 27 February 2014, the Board of the Company amended the Articles of Association of the Company. The amended Articles of Association were filed and approved by Beijing Administration for Industry and Commerce (北京市工商行政管理局) on 20 October 2014.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Beijing Digital Telecom Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Beijing Digital Telecom Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 77 to 148, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the 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 International Financial Reporting Standards issued by the International Accounting Standards Board 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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.

OPINION

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central,
Hong Kong

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	7	**14,358,609**	12,812,024
Cost of sales		**(12,382,017)**	(11,074,062)
Gross profit		**1,976,592**	1,737,962
Other income and gains	7	**40,168**	34,819
Selling and distribution expenses		**(1,091,629)**	(952,644)
Administrative expenses		**(332,981)**	(286,318)
Other expenses		**(45,932)**	(56,127)
Finance costs	8	**(116,996)**	(107,334)
Share of profits of a joint venture		**994**	–
PROFIT BEFORE TAX	9	**430,216**	370,358
Income tax expense	12	**(111,856)**	(96,166)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		**318,360**	274,192
Attributable to:			
Owners of the parent	13	**318,133**	266,441
Non-controlling interests		**227**	7,751
		318,360	274,192
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB)	15	**0.55**	0.53

Details of the dividends payable and proposed for the year are disclosed in note 14 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**154,118**	170,436
Goodwill	*17*	**57,302**	57,302
Other intangible assets	*18*	**614**	885
Investment in a joint venture	*20*	**994**	–
Available-for-sale investments	*21*	**7,055**	–
Deferred tax assets	*22*	**27,864**	22,230
Total non-current assets		**247,947**	250,853
CURRENT ASSETS			
Inventories	*23*	**1,936,026**	1,617,067
Trade and bills receivable	*24*	**1,675,695**	1,252,499
Prepayments, deposits and other receivables	*25*	**894,781**	666,262
Due from related parties	*27*	**2,170**	5,300
Pledged deposits	*26*	**355,382**	514,070
Cash and cash equivalents	*26*	**335,298**	301,939
Total current assets		**5,199,352**	4,357,137
CURRENT LIABILITIES			
Trade and bills payable	*28*	**703,509**	1,078,465
Other payables and accruals	*29*	**295,768**	316,208
Interest-bearing bank borrowings	*30*	**1,903,472**	1,698,753
Due to related parties	*27*	**1,739**	1,701
Tax payable		**121,608**	69,340
Total current liabilities		**3,026,096**	3,164,467
NET CURRENT ASSETS		**2,173,256**	1,192,670
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**2,421,203**	1,443,523

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**666,667**	500,000
Reserves	*32*	**1,732,867**	923,655
		2,399,534	1,423,655
Non-controlling interests		**21,669**	19,868
Total equity		**2,421,203**	1,443,523

Liu Donghai
Director

Liu Songshan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent						
	Share capital RMB'000 *(Note 31)*	Capital reserve* RMB'000 *(Note 32)*	Statutory reserve funds* RMB'000 *(Note 32)*	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	500,000	37,184	80,784	739,246	1,357,214	4,971	1,362,185
Total comprehensive income for the year	–	–	–	266,441	266,441	7,751	274,192
Capital contribution by non-controlling shareholders	–	–	–	–	–	7,146	7,146
Dividends paid to shareholders	–	–	–	(200,000)	(200,000)	–	(200,000)
Transfer from retained profits	–	–	27,419	(27,419)	–	–	–
At 31 December 2013 and 1 January 2014	**500,000**	**37,184**	**108,203**	**778,268**	**1,423,655**	**19,868**	**1,443,523**
Total comprehensive income for the year	**–**	**–**	**–**	**318,133**	**318,133**	**227**	**318,360**
Capital contribution by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**1,574**	**1,574**
Issue of shares	**166,667**	**534,834**	**–**	**–**	**701,501**	**–**	**701,501**
Share issue expenses	**–**	**(43,755)**	**–**	**–**	**(43,755)**	**–**	**(43,755)**
Transfer from retained earnings	**–**	**–**	**31,836**	**(31,836)**	**–**	**–**	**–**
At 31 December 2014	**666,667**	**528,263**	**140,039**	**1,064,565**	**2,399,534**	**21,669**	**2,421,203**

* *These reserve accounts comprise the consolidated reserves of RMB1,732,867,000 (2013: RMB923,655,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**430,216**	370,358
Adjustments for:			
Finance costs	*8*	**116,996**	107,334
Share of profits of a joint venture		**(994)**	–
Provision for impairment of trade receivables	*9*	**21,710**	37,497
Reversal for impairment of other receivables	*9*	**(1,107)**	(1,268)
Provision for impairment of inventories	*9*	**19,191**	16,390
Depreciation	*9*	**90,148**	77,637
Amortisation of intangible assets	*9*	**581**	493
Loss on disposal of property, plant and equipment	*9*	**595**	899
		677,336	609,340
Increase in trade and bills receivable		**(444,905)**	(512,522)
Increase in prepayments, deposits and other receivables		**(227,412)**	(157,950)
Increase in inventories		**(338,150)**	(379,987)
Increase/(decrease) in trade and bills payable		**(374,956)**	465,418
Increase/(decrease) in other payables and accruals		**(20,440)**	59,820
(Increase)/decrease in amounts due from related parties		**3,130**	(4,474)
Increase in amounts due to related parties		**38**	1,585
Cash generated from/(used in) operations		**(725,359)**	81,230
Income tax paid		**(65,223)**	(96,527)
Net cash flows used in operating activities		**(790,582)**	(15,297)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(74,458)**	(106,681)
Purchases of items of other intangible assets		**(310)**	(494)
Proceeds from disposal of items of property, plant and equipment		**33**	–
Purchases of available-for-sale investments		**(7,055)**	–
Acquisition of subsidiaries		**–**	(697)
Net cash flows used in investing activities		**(81,790)**	(107,872)

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**695,098**	–
Share issue expenses		**(37,352)**	–
New bank loans		**4,018,476**	3,836,832
Capital contribution from non-controlling shareholders		**1,574**	7,146
Decrease/(Increase) of pledged deposits		**158,688**	(131,898)
Repayment of bank loans		**(3,813,757)**	(3,509,373)
Interest paid		**(116,996)**	(107,334)
Dividends paid		**–**	(200,000)
Net cash flows from/(used in) financing activities		**905,731**	(104,627)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,359**	(227,796)
Cash and cash equivalents at beginning of year		**301,939**	529,735
CASH AND CASH EQUIVALENTS AT END OF YEAR		**335,298**	301,939
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:			
Cash and bank balances		**335,298**	301,939
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION		**335,298**	301,939

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**48,656**	52,478
Intangible assets	18	**186**	464
Investments in subsidiaries	19	**423,511**	441,410
Investment in a joint venture	20	**994**	–
Available-for-sale investments	21	**7,055**	–
Deferred tax assets	22	**3,518**	1,281
Total non-current assets		**483,920**	495,633
CURRENT ASSETS			
Inventories	23	**185,239**	120,355
Trade and bills receivable	24	**256,297**	300,845
Prepayments, deposits and other receivables	25	**183,664**	113,680
Due from a related party		**–**	13,210
Due from subsidiaries		**1,857,171**	1,334,452
Pledged deposits	26	**192,524**	158,180
Cash and cash equivalents	26	**185,402**	105,473
		2,860,297	2,146,195
CURRENT LIABILITIES			
Trade and bills payable	28	**384,927**	321,595
Other payables and accruals	29	**37,561**	56,152
Interest-bearing bank borrowings	30	**1,289,087**	1,323,574
Due to a related party		**–**	2,500
Due to subsidiaries		**349,591**	368,550
Tax payable		**10,226**	700
		2,071,392	2,073,071
NET CURRENT ASSETS		**788,905**	73,124
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**1,272,825**	568,757
EQUITY			
Share capital	31	**666,667**	500,000
Reserves	32	**606,158**	68,757
Total equity		**1,272,825**	568,757

1. CORPORATE INFORMATION

Beijing Digital Telecom Co., Ltd. (the "Company") is a joint stock company with limited liability established in the PRC. The registered office of the Company is located at No.101, 4/F, C Yi'an Business Building, 18 Building Yi'an Jiayuan, Beiwa West, Haidian District, Beijing, the PRC.

During the year, the Group was principally engaged in the sale of mobile telecommunications devices and accessories and the provision of related services.

In the opinion of the directors (the "Directors") of the Company, the controlling shareholders of the Company are Mr. Liu Songshan, Mr. Liu Donghai, Ms. Liu Hua, Ms. Liu Wencui and Ms. Liu Yongmei, who are brothers and sisters.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC-Int 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective IFRSs*

1 *Effective from 1 July 2014*

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC-Int 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

3. NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[2]

1 *Effective for annual periods beginning on or after 1 July 2014*
2 *Effective for annual periods beginning on or after 1 January 2016*
3 *Effective for annual periods beginning on or after 1 January 2017*
4 *Effective for annual periods beginning on or after 1 January 2018*
5 *Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group*

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

3. NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(Continued)*

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), controlled by the Company and/or its other subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group’s voting rights and potential voting rights.

The results of subsidiaries are included in the Company’s statement of profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Investment in a joint venture

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

The Group’s investment in a joint venture is stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group’s investment in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group’s investment in joint venture.

The results of the joint venture are included in the Company’s statement of profit or loss to the extent of dividends received and receivable. The Company’s investment in the joint venture is treated as a non-current asset and is stated at cost less any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statement on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2.5% to 5%
Motor vehicles	10% to 20%
Office equipment and others	20% to 33⅓%
Leasehold improvements	Over the shorter of the lease terms and 20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of two to six years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exist if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, other payables, interest-bearing bank borrowings and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories comprise merchandise purchased for resale and consumables and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) promotion income from mobile carriers, when the Group is entitled to receive according to the underlying contract terms;

(c) income from the rendering of services, in the period in which the services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) rental income, on a time proportion basis over the lease terms.

Pension scheme

The employees of the Group's subsidiaries which operate in the Mainland of the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% to 22% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. The functional currency of the Group's subsidiaries is RMB and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis according to the expected entitlement earned up to the reporting date for each relevant supplier contract. Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB57,302,000(2013: RMB57,302,000). Further details are given in note 17 to the financial statements.

(iii) Impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in note 24 to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(iv) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for sale of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

(vi) Deferred tax assets

Deferred tax assets are recognised for deductible temporary difference to the extent that it is probable that tax profit will be available against which the deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 22 to the financial statements.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into a business unit based on its products and services and has one reportable operating segment which is the sale of mobile telecommunications devices and accessories and the provision of related services in mainland China. Management monitors the results of the Group's operating results of its business as a whole for the purpose of making decisions about resources allocation and performance assessment.

Information about major customers

During the year, the Group had no customer from whom the revenue earned individually accounted for more than 10% of the Group's total revenue.

6. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Since the Group solely operates in mainland China and all of the non-current assets of the Group are located in mainland China, no geographical segment information as required by IFRS 8 Operating Segments is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

Group	**Year ended 31 December**	
	2014	2013
	RMB'000	RMB'000
Revenue		
Sales of mobile telecommunications devices and accessories	**13,612,423**	12,186,395
Including:		
Retail of mobile telecommunications devices and accessories	**8,030,317**	6,862,902
Sales of telecommunications devices and accessories to franchisees	**2,162,025**	1,976,843
Wholesale of mobile telecommunications devices and accessories	**3,420,081**	3,346,650
Service income from mobile carriers	**607,000**	496,205
Other service fee income	**139,186**	129,424
	14,358,609	12,812,024
Other income and gains		
Interest income	**11,983**	11,107
Government grants *(note (a))*	**23,550**	17,997
Gain on disposal of items of property, plant and equipment	**12**	90
Others	**4,623**	5,625
	40,168	34,819

Note (a): The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial subsidies and tax refunds to support local businesses. There are no unfulfilled conditions and other contingencies attached to the government grants.

8. FINANCE COSTS

An analysis of finance costs is as follows:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest on bank loans wholly repayable within one year	**116,996**	107,334

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cost of inventories sold and services provided	**12,382,017**	11,074,062
Depreciation *(note 16)*	**90,148**	77,637
Amortisation of intangible assets *(note 18)*	**581**	493
Lease payments under operating leases	**388,253**	324,674
Auditors' remuneration	**6,177**	5,155
Employee benefit expense (including Directors' remuneration as set out in *note 10*)		
Wages and salaries	**503,113**	420,460
Pension scheme contributions	**52,058**	45,557
	555,171	466,017
Provision for impairment of trade receivables *(note 24)*	**21,710**	37,497
Reversal for impairment of other receivables *(note 25)*	**(1,107)**	(1,268)
Write-down of inventories to net realisable value *(note 23)*	**19,191**	16,390
Loss on disposal of property, plant and equipment	**595**	899

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive officer's remuneration during the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,397**	2,151
Pension scheme contributions	**195**	396
	2,592	2,547

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors were as follows:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Mr. Lv Tingjie	**61**	60
Mr. Li Zunnong *(i)*	**20**	61
Mr. Leng Rongquan	**61**	60
Mr. Ding Zhigang	**–**	5
Mr. Li Wencai *(i)*	**198**	–
Mr. Gao Shengping *(ii)*	**20**	119
	360	305

There were no other emoluments payable to the independent non-executive Directors during year.

Notes:

(i) Mr. Li Zunnong resigned on 9 January 2014 and was replaced by Mr. Li Wencai as an independent non-executive Director on 8 June 2014.

(ii) Mr. Gao Shengping was appointed as an independent non-executive Director on 12 April 2012 and resigned on 9 January 2014.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive Directors, non-executive Directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2014				
Executive Directors:				
Mr. Liu Songshan	**–**	**413**	**39**	**452**
Mr. Liu Donghai	**–**	**406**	**39**	**445**
Ms. Liu Wencui	**–**	**406**	**39**	**445**
Ms. Liu Hua	**–**	**406**	**39**	**445**
Mr. Liu Yajun	**–**	**406**	**39**	**445**
	–	**2,037**	**195**	**2,232**
Non-executive Directors:				
Mr. Wang Lin *(i)*	**–**	**–**	**–**	**–**
	–	**2,037**	**195**	**2,232**
2013				
Executive Directors:				
Mr. Liu Songshan	–	400	79	479
Mr. Liu Donghai	–	360	80	440
Ms. Liu Wencui	–	364	79	443
Ms. Liu Hua	–	361	79	440
Mr. Liu Yajun	–	361	79	440
	–	1,846	396	2,242
Non-executive Directors:				
Mr. Su Qi *(ii)*	–	–	–	–
Mr. Wang Lin *(i)*	–	–	–	–
	–	–	–	–
	–	1,846	396	2,242

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive Directors, non-executive Directors and the chief executive *(Continued)*

Note:

(i) There was no arrangement under which a Director or the chief executive waived or agreed to waive any remuneration during the year.

(ii) Mr. Su Qi resigned on 9 January 2014.

11. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

Group	Number of employees Year ended 31 December	
	2014	2013
Directors and the chief executive	**4**	4
Non-Director and non-chief executive	**1**	1
	5	5

Details of Directors' remuneration are set out in note 10 above.

Details of the remuneration of the above highest paid employees who are neither a Director nor chief executive officer of the Group are as follows:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**446**	400
Pension scheme contributions	**39**	79
	485	479

11. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-Director and non-chief executive highest paid individuals whose remuneration fell within the following band is as follows:

Group	Number of employees Year ended 31 December	
	2014	2013
Nil to HK$1,000,000	**1**	1

12. INCOME TAX EXPENSE

The provision for PRC current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008, except for Sichuan Yijialong Communication Technology Chain Co., Ltd., a subsidiary of the Company which was granted a tax concession and was taxed at a preferential rate 15% for the year ended 31 December 2014. The major components of income tax expense are as follows:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current tax		
Income tax in the PRC for the year	**117,490**	106,179
Deferred tax *(note 22)*	**(5,634)**	(10,013)
Total tax charge for the year	**111,856**	96,166

12. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before tax	**430,216**	370,358
Tax at an applicable tax rate of 25%	**107,554**	92,590
Adjustments in respect of current tax of previous periods	**–**	616
Profit attributable to a joint venture	**(249)**	–
Tax concession for a subsidiary	**(1,032)**	–
Expenses not deductible for tax	**2,006**	2,960
Tax losses not recognised	**3,577**	–
Tax charge at the Group's effective rate	**111,856**	96,166

The share of tax attributable to a joint venture amounting to RMB249,000(2013: nil), is included in "Share of profits of a joint venture" in the consolidated statement of profit or loss.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a profit of RMB46,322,000 (2013: RMB115,503,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

Pursuant to the resolution of a meeting of the board of Directors on 20 April 2013, the Company proposed a dividend in an amount of RMB200,000,000, which was also subsequently approved by the Company's shareholders at an extraordinary shareholders' meeting on 20 April 2013.

The Directors did not propose a dividend for the year ended 31 December 2014.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 580,365,458 (2013: 500,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**318,133**	266,441
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**580,365,458**	500,000,000

16. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2014					
At 31 December 2013 and at 1 January 2014:					
Cost	63,258	215,425	61,809	36,032	376,524
Accumulated depreciation and impairment	(12,385)	(142,139)	(37,040)	(14,524)	(206,088)
Net carrying amount	50,873	73,286	24,769	21,508	170,436
At 1 January 2014, net of accumulated depreciation	50,873	73,286	24,769	21,508	170,436
Additions	–	62,904	8,926	2,628	74,458
Disposals	–	–	(5,098)	(1,323)	(6,421)
Depreciation provided during the year	(3,159)	(73,616)	(9,916)	(3,457)	(90,148)
Depreciation transferred due to disposals	–	–	4,735	1,058	5,793
At 31 December 2014, net of accumulated depreciation and impairment	47,714	62,574	23,416	20,414	154,118
At 31 December 2014:					
Cost	63,258	278,329	65,637	37,337	444,561
Accumulated depreciation and impairment	(15,544)	(215,755)	(42,221)	(16,923)	(290,443)
Net carrying amount	47,714	62,574	23,416	20,414	154,118

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

Group	Buildings RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2013					
At 1 January 2013:					
Cost	55,767	136,366	54,947	32,275	279,355
Accumulated depreciation and impairment	(9,228)	(78,735)	(36,039)	(13,061)	(137,063)
Net carrying amount	46,539	57,631	18,908	19,214	142,292
At 1 January 2013, net of accumulated depreciation	46,539	57,631	18,908	19,214	142,292
Additions	7,491	79,059	15,213	4,930	106,693
Disposals	–	–	(8,343)	(1,173)	(9,516)
Disposal of a subsidiary	–	–	(8)	–	(8)
Depreciation provided during the year	(3,157)	(63,404)	(8,525)	(2,551)	(77,637)
Depreciation transferred due to disposals	–	–	7,524	1,088	8,612
At 31 December 2013, net of accumulated depreciation and impairment	50,873	73,286	24,769	21,508	170,436
At 31 December 2013:					
Cost	63,258	215,425	61,809	36,032	376,524
Accumulated depreciation and impairment	(12,385)	(142,139)	(37,040)	(14,524)	(206,088)
Net carrying amount	50,873	73,286	24,769	21,508	170,436

At 31 December 2014, the Group had not obtained the building ownership certificates for certain buildings in Mainland China with a net book value of approximately RMB7,490,900 (2013: RMB7,490,900).

At 31 December 2014, certain of the Group's buildings with a net carrying amount of approximately RMB18,889,000 (2013: RMB20,241,000) were pledged to secure general banking facilities granted to the Group (note 30).

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

Company	**Buildings RMB'000**	**Office equipment RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
31 December 2014				
At 31 December 2013 and at 1 January 2014:				
Cost	**55,767**	**5,348**	**8,384**	**69,499**
Accumulated depreciation and impairment	**(12,385)**	**(2,040)**	**(2,596)**	**(17,021)**
Net carrying amount	**43,382**	**3,308**	**5,788**	**52,478**
At 1 January 2014, net of accumulated depreciation	**43,382**	**3,308**	**5,788**	**52,478**
Additions	**–**	**687**	**488**	**1,175**
Disposals	**–**	**(164)**	**–**	**(164)**
Depreciation provided during the year	**(3,158)**	**(954)**	**(875)**	**(4,987)**
Depreciation transferred due to disposals	**–**	**154**	**–**	**154**
At 31 December 2014, net of accumulated depreciation and impairment	**40,224**	**3,031**	**5,401**	**48,656**
At 31 December 2014:				
Cost	**55,767**	**5,871**	**8,872**	**70,510**
Accumulated depreciation and impairment	**(15,543)**	**(2,840)**	**(3,471)**	**(21,854)**
Net carrying amount	**40,224**	**3,031**	**5,401**	**48,656**

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

Company	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2013				
At 31 December 2012 and at 1 January 2013:				
Cost	55,767	5,598	6,536	67,901
Accumulated depreciation and impairment	(9,228)	(1,984)	(1,779)	(12,991)
Net carrying amount	46,539	3,614	4,757	54,910
At 1 January 2013, net of accumulated depreciation	46,539	3,614	4,757	54,910
Additions	–	420	1,848	2,268
Disposals	–	(670)	–	(670)
Depreciation provided during the year	(3,157)	(692)	(817)	(4,666)
Depreciation transferred due to disposals	–	636	–	636
At 31 December 2013, net of accumulated depreciation and impairment	43,382	3,308	5,788	52,478
At 31 December 2013:				
Cost	55,767	5,348	8,384	69,499
Accumulated depreciation and impairment	(12,385)	(2,040)	(2,596)	(17,021)
Net carrying amount	43,382	3,308	5,788	52,478

At 31 December 2014, the Company's building with a net carrying amount of approximately RMB18,889,000 (2013: RMB20,241,000) was pledged to secure general banking facilities granted to subsidiaries of the Company.

17. GOODWILL

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January:		
Cost and net carrying amount	**57,302**	56,652
Cost at 1 January, net of accumulated impairment	**57,302**	56,652
Acquisition of subsidiaries	**–**	650
At 31 December	**57,302**	57,302

Impairment testing of goodwill

The carrying amounts of goodwill allocated to each of the cash-generating units which are subsidiaries of the Company are as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Changsha 958598 Electronic Communication Equipment Co., Ltd.	**490**	490
Shenyang Tongliansihai Electronic Communication Technology Co., Ltd.	**381**	381
Sichuan Yijialong Communication Technology Chain Co., Ltd.	**34,650**	34,650
Luoyang Dphone Electronic Communication Technology Co., Ltd.	**5,739**	5,739
Shangqiu Dphone Electronic Communication Technology Co., Ltd.	**1,729**	1,729
Xiamen Dphone Electronic Communication Technology Co., Ltd.	**495**	495
Yunnan Dphone Electronic Communication Technology Co., Ltd.	**7,792**	7,792
Wuhan Yitongda Communication Equipment Co., Ltd.	**1,235**	1,235
Xi'an Dphone Electronic Communication Technology Co., Ltd.	**3,790**	3,790
Beijing Jinyitongda Communication Equipment Maintenance Co., Ltd.	**351**	351
Xinyang Beixing Science Trading Co., Ltd.	**650**	650
	57,302	57,302

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by the Directors which cover a period of five years. At 31 December 2014, the pre-tax discount rate applied to the cash flow projections range was 14% to 16% (2013: 16% to 18%).

17. GOODWILL *(Continued)*

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is 3% as at 31 December 2014 (2013: 3%). The Directors believe that this growth rate is conservative and reliable for the purpose of this impairment testing.

Assumptions were used in the value in use calculation of the cash-generating units noted above for 31 December 2014 and 31 December 2013. The following describes each key assumption on which management has based on in the preparation of cash flow projections to undertake impairment testing of goodwill:

Revenue: the bases used to determine the future earnings potential are historical sales and average and expected growth rates of the market in the PRC.

Gross margins: the gross margins are based on the average gross margin achieved in the past three years and expected trend in the future.

Expenses: the value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rates: the discount rates used are before tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for the units, regard has been given to the applicable borrowing rate of the Group during the year.

The values assigned to the key assumptions on market development, gross margins, expenses and discount rates are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group	Software copyrights RMB'000
31 December 2014:	
Cost at 1 January 2014, net of accumulated amortisation	**885**
Additions	**310**
Amortisation provided during the year	**(581)**
At 31 December 2014	**614**
At 31 December 2014:	
Cost	**3,280**
Accumulated amortisation	**(2,666)**
Net carrying amount	**614**
31 December 2013:	
Cost at 1 January 2013, net of accumulated amortisation	884
Additions	494
Amortisation provided during the year	(493)
At 31 December 2013	885
At 31 December 2013:	
Cost	2,755
Accumulated amortisation	(1,870)
Net carrying amount	885

18. OTHER INTANGIBLE ASSETS *(Continued)*

Company	**Software copyrights RMB'000**
31 December 2014:	
Cost at 1 January 2014, net of accumulated amortisation	**464**
Additions	**–**
Amortisation provided during the year	**(278)**
At 31 December 2014	**186**
At 31 December 2014:	
Cost	**2,459**
Accumulated amortisation	**(2,273)**
Net carrying amount	**186**
31 December 2013:	
Cost at 1 January 2013, net of accumulated amortisation	884
Additions	200
Amortisation provided during the year	(620)
At 31 December 2013	464
At 31 December 2013:	
Cost	2,459
Accumulated amortisation	(1,995)
Net carrying amount	464

19. INVESTMENTS IN SUBSIDIARIES

Company	As at 31 December 2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**423,511**	441,410

As at the date of this report, the Company had direct and indirect interests in the following principal subsidiaries, all of which are private limited liability companies incorporated and operating in the PRC, the particulars of which are set out below:

Name of the principal subsidiaries	Registered and paid-in capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Beijing Dphone Electronic Communication Technology Co., Ltd.* (北京迪信通電子通信技術有限公司)	10,000,000	100	–	(1)
Beijing Shengduo Trading Co., Ltd.* (北京勝多商貿有限責任公司)	10,000,000	100	–	(1)
Jiangsu Shengduo Technology Trading Co., Ltd.* (江蘇勝多科貿有限責任公司)	10,000,000	100	–	(1)
Jiangsu Chuangfa Trading Co., Ltd.* (江蘇創發商貿有限責任公司)	5,000,000	–	100	(1)
Jiangsu Dphone Communication Technology Co., Ltd.* (迪信通通訊科技江蘇有限公司)	20,000,000	–	100	(1)
Shanghai Chuanda Communication Technology Co., Ltd.* (上海川達通信技術有限公司)	10,000,000	100	–	(1)
Shanghai Dixin Chuangfa Communication Technology Development Co., Ltd.* (上海迪信創發通信技術發展有限公司)	20,000,000	100	–	(1)
Shanghai Dixin Electronic Communication Technology Co., Ltd.* (上海迪信電子通信技術有限公司)	20,000,000	100	–	(1)

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of the principal subsidiaries	Registered and paid-in capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Dixin South Communication Technology Co., Ltd.* (上海迪信南方通信技術有限公司)	20,000,000	100	–	(1)
Hefei Dphone Communication Technology Co., Ltd.* (合肥迪信通通信技術有限公司)	1,000,000	100	–	(1)
Shenyang Tongliansihai Electronic Communication Technology Co., Ltd.* (瀋陽通聯四海電子通信技術有限公司)	1,000,000	100	–	(1)
Changsha Dphone Electronic Science and Technology Information Co., Ltd.* (長沙迪信通電子科技信息有限公司)	10,500,000	100	–	(1)
Beijing Dixinhaotian Trading Co., Ltd.* (北京迪信昊天商貿有限責任公司)	10,000,000	100	–	(1)
Guangxi Dphone Electronic Communication Technology Co., Ltd.* (廣西迪信通電子通信技術有限公司)	15,000,000	100	–	(1)
Beijing Zhongzhilianhe Communication Technology Development Co., Ltd.* (北京中智聯合通信科技發展有限公司)	19,999,800	66	–	(1)
Ningbo Haishu Dphone Electronic Communication Technology Co., Ltd.* (寧波海曙迪信通電子通信技術有限公司)	10,000,000	100	–	(1)
Sichuan Yijialong Communication Technology Chain Co., Ltd.* (四川億佳隆通訊連鎖有限公司)	5,000,000	100	–	(1)
Beijing Dphone Fengze Electronic Equipment Co., Ltd.* (北京迪信通豐澤電子設備有限公司)	5,000,000	–	100	(1)
Jinan Dixin Electronic Communication Technology Co., Ltd.* (濟南迪信電子通信技術有限公司)	10,500,000	100	–	(1)

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of the principal subsidiaries	Registered and paid-in capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Nanyang Dphone Electronic Communication Technology Co., Ltd.* (南陽迪信通電子通信技術有限公司)	8,000,000	–	100	(1)
Qingdao Dphone Communication Technology Co., Ltd.* (青島迪信通通信技術有限公司)	5,000,000	–	100	(1)
Hunan Zhongxuntong Electronic Science and Technology Co., Ltd.* (湖南中訊通電子科技有限公司)	5,000,000	100	–	(1)
Neimenggu Dphone Electronic Communication Technology Co., Ltd.* (內蒙古迪信通電子通信技術有限公司)	5,000,000	100	–	(1)
Zhengzhou Dphone Electronic Communication Technology Co., Ltd.* (鄭州迪信通電子通信技術有限公司)	13,000,000	100	–	(1)
Henan Dphone Electronic Communication Technology Co., Ltd.* (河南迪信通電子通信技術有限公司)	20,000,000	100	–	(1)
Tianjin Dphone Electronic Communication Technology Co., Ltd.* (天津迪信通電子通信技術有限公司)	30,000,000	100	–	(1)
Gaobeidian Dphone Electronic Science and Technology Co., Ltd.* (高碑店市迪信通電子科技有限公司)	30,000,000	100	–	(1)
Guangdong Dphone Trading Co., Ltd.* (廣東迪信通商貿有限公司)	10,000,000	100	–	(1)
Ningbo Hi-tech Zone Chaofa Technology Co., Ltd.* (寧波高新區超發科技有限公司)	10,000,000	100	–	(1)
Ningbo Hi-tech Zone Wencui Technology Co., Ltd.* (寧波高新區文翠科技有限公司)	10,000,000	–	100	(1)

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of the principal subsidiaries	Registered and paid-in capital RMB	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Hebei Dixin Electronic Communication Equipment Co., Ltd.* (河北迪信電子通信設備有限公司)	3,000,000	100	–	(1)
Wenzhou Dphone Electronic Communication Technology Co., Ltd.* (溫州迪信通電子通信技術有限公司)	2,000,000	100	–	(1)
Henan Dphone Trading Co., Ltd.* (河南迪信通商貿有限公司)	10,000,000	60	–	(1)
Wuhan Yitongda Communication Equipment Co., Ltd.* (武漢易通達通訊器材有限公司)	500,000	–	100	(1)
Yunnan Dphone Electronic Communication Technology Co., Ltd.* (雲南迪信通電子通信技術有限公司)	5,000,000	–	100	(1)
Beijing Tailongji Trading Co., Ltd.* (北京市泰龍吉貿易有限公司)	10,000,000	100	–	(2)
Shenzhen Hua'aotong Electronic Technology Co., Ltd.* (深圳市華奧通電子有限公司)	20,000,000	–	100	(3)

Notes:

(1) *Sale of mobile telecommunications devices and accessories and the provision of related services.*

(2) *Online sales of mobile telecommunications devices and accessories.*

(3) *Research and development and manufacture of telecommunication devices and accessories.*

* *English translations of names for identification purposes only. The companies were registered as domestic companies with limited liability under the laws of the PRC.*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

There is no subsidiary that has non-controlling interest that is material to the Group during the year.

20. INVESTMENT IN A JOINT VENTURE

Particulars of the Group's joint venture are as follows:

Name	Investment cost RMB'000	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Hollard-D. Phone (Beijing) Technology Development Co., Ltd.	2,500	PRC/Mainland China	50	50	50	Technology research and consulting service

The investment in a joint venture is directly held by the Company.

21. AVAILABLE-FOR-SALE INVESTMENTS

Group and Company	As at 31 December 2014 RMB'000	2013 RMB'000
Unlisted equity investments, at cost	**7,055**	–

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

22. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

Group	Provisions RMB'000
Gross deferred tax assets at 1 January 2013	12,217
Deferred tax credited to the statement of profit or loss during the year	10,013
Gross deferred tax assets at 31 December 2013 and 1 January 2014	22,230
Deferred tax credited to the statement of profit or loss during the year	5,634
At 31 December 2014	27,864

22. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

Company	Provisions RMB'000
Gross deferred tax assets at 1 January 2013	382
Deferred tax charged to the statement of profit or loss during the year	899
Gross deferred tax assets at 31 December 2013 and 1 January 2014	1,281
Deferred tax credited to the statement of profit or loss during the year	2,237
At 31 December 2014	3,518

There were no significant unrecognised deferred tax assets in respect of deductible temporary differences and unused tax credits as at 31 December 2014 and 2013.

23. INVENTORIES

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Merchandise for resale	**1,953,644**	1,631,916
Consumable supplies	**1,573**	1,541
	1,955,217	1,633,457
Less: provision against inventories	**(19,191)**	(16,390)
	1,936,026	1,617,067

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Merchandise for resale	**187,289**	121,571
Less: provision against inventories	**(2,050)**	(1,216)
	185,239	120,355

24. TRADE AND BILLS RECEIVABLE

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bills receivable	**–**	340
Trade receivables	**1,762,514**	1,318,133
	1,762,514	1,318,473
Less: impairment for trade receivables	**(86,819)**	(65,974)
	1,675,695	1,252,499

The Group grants different credit periods to customers. The Group's retail sales to consumers are cash sales. Credit periods are offered to customers of volume sales of telecommunications devices and accessories. The credit period offered to unincorporated customers is considered on a case-by-case basis. The Group maintains strict control over and closely monitors its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are unsecured and non-interest-bearing.

Endorsed bills receivable

The Group endorsed certain bills receivable(the "Endorsement") accepted by banks in the PRC (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers at 31 December 2014 with an aggregate carrying amount of RMB185,110,000 (2013: RMB457,315,000). The Derecognised Bills have maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are immaterial.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

24. TRADE AND BILLS RECEIVABLE *(Continued)*

Trade receivables factoring

As part of its normal business, the Group entered into a trade receivables factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss if any trade debtors have defaulted. In the opinion of the Directors, the Group has retained substantially all risk and rewards regarding to trade receivables. Accordingly, it has not derecognised the full carrying amounts, and the proceeds from the Arrangement are recorded as bank borrowings. The original carrying value of trade receivables transferred under the Arrangement that have not been settled as at 31 December 2014 amounted to RMB10,000,000 (2013: RMB60,000,000), and the proceeds from the Arrangement in the same amount are recorded as bank borrowings.

Company	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
Bills receivable	**30,000**	271,000
Trade receivables	**237,957**	31,617
	267,957	302,617
Less: impairment for trade receivables	**(11,660)**	(1,772)
	256,297	300,845

Endorsed bills receivable

The Company endorsed certain Derecognised Bills to certain of its suppliers in order to settle the trade payables due to such suppliers at 31 December 2014 with an aggregate carrying amount of RMB82,677,000 (2013: nil). The Derecognised Bills have maturities ranging from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Company if the PRC banks default. In the opinion of the Directors, the Company has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

The maximum exposure to loss from the Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Company's Continuing Involvement in the Derecognised Bills are immaterial.

During the year, the Company has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

24. TRADE AND BILLS RECEIVABLE *(Continued)*

Endorsed bills receivable *(Continued)*

An aged analysis of the balance of trade and bills receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**1,299,643**	875,828
91 to 180 days	**199,757**	199,128
181 to 365 days	**145,387**	145,604
Over 1 year	**30,908**	31,939
	1,675,695	1,252,499

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**251,996**	296,365
91 to 180 days	**3,431**	2,781
181 to 365 days	**639**	687
Over 1 year	**231**	1,012
	256,297	300,845

The movements in the provision for impairment of trade receivables are as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January	**65,974**	29,662
Impairment losses recognised *(note 9)*	**21,710**	37,497
Amount written off as uncollectible	**(865)**	(1,185)
At 31 December	**86,819**	65,974

24. TRADE AND BILLS RECEIVABLE *(Continued)*

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January	**1,772**	174
Impairment losses recognised	**9,888**	1,598
At 31 December	**11,660**	1,772

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**1,281,406**	884,533
Past due but not impaired:		
Less than 90 days	**201,289**	198,478
91 to 180 days	**105,676**	81,426
181 to 365 days	**59,994**	57,294
Over 1 year	**27,330**	30,428
	1,675,695	1,252,159

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**225,578**	25,582
Past due but not impaired:		
Less than 90 days	**378**	2,829
91 to 180 days	**341**	357
181 to 365 days	**–**	125
Over 1 year	**–**	952
	226,297	29,845

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Prepayments	**793,552**	544,324
Deposits and other receivables	**106,675**	128,491
	900,227	672,815
Less: impairment for other receivables	**(5,446)**	(6,553)
	894,781	666,262

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Prepayments	**156,934**	61,816
Deposits and other receivables	**7,092**	34,001
Dividend receivables	**20,000**	20,000
	184,026	115,817
Less: impairment for other receivables	**(362)**	(2,137)
	183,664	113,680

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in the provision for impairment of other receivables are as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January	**6,553**	7,821
Impairment losses recognised *(note 9)*	**–**	1,322
Impairment losses reversed *(note 9)*	**(1,107)**	(2,590)
At 31 December	**5,446**	6,553

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January	**2,137**	815
Impairment losses recognised	**–**	1,322
Impairment losses reversed	**(1,775)**	–
At 31 December	**362**	2,137

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
Cash and bank balances	**335,298**	301,939
Time deposits	**355,382**	514,070
	690,680	816,009
Less: pledged time deposits–		
pledged for bank borrowings	**168,180**	208,846
pledged for bank acceptance notes	**187,202**	305,224
Cash and cash equivalents, denominated in RMB	**335,298**	301,939

Company	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
Cash and bank balances	**185,402**	105,473
Time deposits	**192,524**	158,180
	377,926	263,653
Less: pledged time deposits–		
pledged for bank borrowings	**120,756**	110,220
pledged for bank acceptance notes	**71,768**	47,960
Cash and cash equivalents, denominated in RMB	**185,402**	105,473

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

27. BALANCES WITH RELATED PARTIES

The amounts due from/to related companies of the Group and subsidiaries of the Company are trade in nature, interest-free and repayable on demand.

28. TRADE AND BILLS PAYABLE

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables	**445,540**	545,434
Bill payables	**257,969**	533,031
	703,509	1,078,465

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables	**186,249**	221,002
Bill payables	**198,678**	100,593
	384,927	321,595

An aged analysis of the outstanding trade and bills payable as at the end of the reporting period, based on the invoice date is as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**649,015**	1,004,864
91 to 180 days	**26,182**	33,295
181 to 365 days	**20,547**	29,644
Over 1 year	**7,765**	10,662
	703,509	1,078,465

28. TRADE AND BILLS PAYABLE *(Continued)*

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**312,895**	217,526
91 to 180 days	**71,430**	103,190
181 to 365 days	**–**	–
Over 1 year	**602**	879
	384,927	321,595

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

29. OTHER PAYABLES AND ACCRUALS

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Advances from customers	**89,849**	136,076
Payroll and welfare payable	**60,220**	39,875
Accrued expenses	**38,882**	40,403
Other payables	**106,817**	99,854
	295,768	316,208

Company	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Advances from customers	**6,789**	2,017
Payroll and welfare payable	**59**	339
Accrued expenses	**1,667**	5,868
Other payables	**29,046**	47,928
	37,561	56,152

30. INTEREST-BEARING BORROWINGS

Group	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
Bank loans:		
Unsecured, repayable within one year	**1,446,387**	271,000
Secured, repayable within one year	**457,085**	485,949
Guaranteed by the controlling shareholders	**–**	941,804
	1,903,472	1,698,753
The bank loans bear interest at rates per annum in the range of	**5.60% to 7.80%**	5.60% to 7.80%

Certain of the Group's bank loans are secured by:

(i) pledged of trade receivables, which had a carrying value at the end of the reporting period of RMB10,000,000 (2013: RMB60,000,000);

(ii) pledged deposits, which had an aggregate carrying value at the end of the reporting period of RMB168,180,000 (2013: RMB208,846,000); and

(iii) mortgages by the Group's properties, which had an aggregate carrying value at the end of the reporting period of RMB18,889,000 (2013: RMB20,241,000).

Company	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
Bank loans:		
Unsecured, repayable within one year	**1,013,002**	271,000
Secured, repayable within one year *(i)*	**276,085**	343,771
Guaranteed by the controlling shareholders, repayable within one year	**–**	708,803
	1,289,087	1,323,574
The bank loans bear interest at rates per annum in the range of	**5.60% to 7.53%**	5.60% to 7.80%

(i) Certain of the Company's bank loans are secured by pledged deposits, which had an aggregate carrying value at the end of the reporting period of RMB120,756,000 (2013: RMB110,220,000).

31. SHARE CAPITAL

Shares

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Issued, authorised and fully paid:		
667,000,000 (2013: 500,000,000) ordinary shares	**666,667**	500,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Shared capital**
	RMB'000	RMB'000
At 1 January 2013 and 1 January 2014	500,000,000	500,000
Rights issue	167,000,000	166,667
At 31 December 2014	667,000,000	666,667

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

32. RESERVES *(Continued)*

Company

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	33,205	21,982	98,067	153,254
Total comprehensive income for the year	–	–	115,503	115,503
Dividends paid to shareholders	–	–	(200,000)	(200,000)
Transfer from retained profits	–	11,550	(11,550)	–
At 31 December 2013 and 1 January 2014	33,205	33,532	2,020	68,757
Total comprehensive income for the year	–	–	46,322	46,322
Issue of shares	534,834	–	–	534,834
Share issue expenses	(43,755)	–	–	(43,755)
Transfer from retained profits	–	(4,632)	4,632	–
At 31 December 2014	524,284	28,900	52,974	606,158

Statutory reserve funds

Pursuant to the relevant PRC laws and regulations, Sino-foreign equity joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of Directors, of their profit after income tax, as determined in accordance with the PRC accounting rules and regulations, to the reserve funds, the enterprise expansion fund and the employee bonus and welfare fund. These funds are restricted as to use.

In accordance with the relevant PRC laws and regulations, each of the PRC domestic companies is required to transfer 10% of their profit after income tax, as determined in accordance with the PRC accounting regulations, to the statutory common reserve fund, until the balance of the fund reaches 50% of its registered capital of these companies. Subject to certain restrictions as set out in the relevant PRC laws and regulations, the statutory common reserve fund may be used to offset against accumulated losses, if any.

Distributable reserves

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP.

In accordance with the Company Law of the PRC, profit after tax of the PRC companies can be distributed as dividends after the appropriation to the statutory reserve funds as set out above.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are for terms ranging from one to five years.

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within a year	**319,764**	331,281
In the second to fifth years, inclusive	**575,242**	653,978
After five years	**158,743**	199,492
	1,053,749	1,184,751

34. COMMITMENTS

At the end of the year, neither the Group nor the Company had any significant commitments.

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
A joint venture entity:		
Sales of goods	**–**	13
Purchases of goods	**250**	51
A fellow subsidiary:		
Sales of goods	**444**	–
Purchases of goods	**845**	–
Service income	**4,983**	–

The transaction prices were determined based on the prices that the Group transacted with independent third party customers and suppliers.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

The Company's controlling shareholders had guaranteed bank loans made to the Group as at 31 December 2013, as detailed in note 30. In preparation for the Company's IPO on the Stock Exchange of Hong Kong Limited, during the year the Group revised the clauses of the bank loans to lift the guarantee of the controlling shareholders. Afterwards, these bank loans became unsecured bank loans.

(c) Outstanding balances with related parties:

Details of the Group's outstanding balances with related parties are set out in note 27.

(d) Compensation of key management personnel of the Group:

Group	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances, bonuses and other expenses	**6,094**	5,412
	6,094	5,412

Further details of Directors' and the chief executive officer's emoluments are included in note 10.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	As at 31 December			
	2014			2013
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Total RMB'000**	Loans and receivables RMB'000
Available-for-sale investments	**–**	**7,055**	**7,055**	–
Trade and bills receivable	**1,675,695**	**–**	**1,675,695**	1,252,499
Financial assets included in prepayments, deposits and other receivables	**101,229**	**–**	**101,229**	121,938
Due from a related party	**2,170**	**–**	**2,170**	5,300
Pledged deposits	**355,382**	**–**	**355,382**	514,070
Cash and cash equivalents	**335,298**	**–**	**335,298**	301,939
	2,469,774	**7,055**	**2,476,829**	2,195,746

Financial liabilities

	Financial liabilities at amortised cost As at 31 December	
	2014 RMB'000	2013 RMB'000
Trade and bills payable	**703,509**	1,078,465
Financial liabilities included in other payables and accruals	**106,817**	99,854
Due to a related party	**1,739**	1,701
Interest-bearing borrowings	**1,903,472**	1,698,753
	2,715,537	2,878,773

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Company

Financial assets

	As at 31 December			
	2014			2013
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000
Available-for-sale investments	–	7,055	7,055	–
Trade and bills receivable	256,297	–	256,297	300,845
Financial assets included in prepayments, deposits and other receivables	6,730	–	6,730	31,864
Due from a related party	–	–	–	13,210
Due from subsidiaries	1,857,171	–	1,857,171	1,334,452
Pledged deposits	192,524	–	192,524	158,180
Cash and cash equivalents	185,402	–	185,402	105,473
	2,498,124	7,055	2,505,179	1,944,024

Financial liabilities

	Financial liabilities at amortised cost As at 31 December	
	2014 RMB'000	2013 RMB'000
Trade and bills payable	384,927	321,595
Financial liabilities included in other payables and accruals	29,046	47,928
Due to related parties	–	2,500
Due to subsidiaries	349,591	368,550
Interest-bearing borrowings	1,289,087	1,323,574
	2,052,651	2,064,147

37. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivable, financial assets included in prepayments, deposits and other receivables, amounts due from subsidiaries, amounts due from related parties, trade and bills payable, financial liabilities included in other payables and accruals, amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of interest-bearing bank loans has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of interest-bearing loans at the end of the reporting period approximated to their corresponding carrying amount due to their short term maturities.

As at 31 December 2014, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group was RMB7,055,000 (2013: nil) and that of the Company was RMB7,055,000 (2013: nil), respectively. All of them are unlisted equity investments in China held by the Group.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivable and trade and bills payable as well as other receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

Group	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2014	**100**	**(4,862)**
	(100)	**4,862**
2013	100	(8,341)
	(100)	8,341

Foreign currency risk

The Group has no transactional currency exposures.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Company's and the Group's other financial assets, which comprise cash and cash equivalents and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Company's and the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

31 December 2014	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**Total RMB'000**
Interest-bearing borrowings	**–**	**792,236**	**1,167,139**	**1,959,375**
Trade and bills payable	**–**	**680,983**	**22,526**	**703,509**
Financial liabilities included in other payables and accruals	**–**	**86,862**	**19,955**	**106,817**
Due to related parties	**–**	**1,739**	**–**	**1,739**
	–	**1,561,820**	**1,209,620**	**2,771,440**

31 December 2013	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
Interest-bearing borrowings	–	942,985	797,326	1,740,311
Trade and bills payable	29,644	1,015,526	33,295	1,078,465
Financial liabilities included in other payables and accruals	5,323	80,658	13,873	99,854
Due to related parties	–	1,701	–	1,701
	34,967	2,040,870	844,494	2,920,331

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company

31 December 2014	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**Total RMB'000**
Interest-bearing borrowings	**–**	**517,456**	**811,944**	**1,329,400**
Trade and bills payable	**–**	**293,114**	**91,813**	**384,927**
Financial liabilities included in other payables and accruals	**–**	**28,996**	**50**	**29,046**
Due to subsidiaries	**–**	**349,591**	**–**	**349,591**
	–	**1,189,157**	**903,807**	**2,092,964**

31 December 2013	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Total RMB'000
Interest-bearing borrowings	–	768,496	634,295	1,402,791
Trade and bills payable	879	217,526	103,190	321,595
Financial liabilities included in other payables and accruals	2,509	23,439	21,980	47,928
Due to related parties	–	2,500	–	2,500
Due to subsidiaries	–	368,550	–	368,550
	3,388	1,380,511	759,465	2,143,364

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank loans, less cash and cash equivalents. Capital represents total equity.

During the year, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of the reporting periods are as follows:

Group	**As at 31 December**	
	2014	2013
	RMB'000	RMB'000
Interest-bearing loans	**1,903,472**	1,698,753
Less: cash and cash equivalents	**(335,298)**	(301,939)
Net debt	**1,568,174**	1,396,814
Total equity	**2,421,203**	1,443,523
Net debt and total equity	**3,989,377**	2,840,337
Gearing ratio	**39%**	49%

39. EVENT AFTER THE REPORTING PERIOD

On 9 March 2015, the Company is in a preliminary stage of considering the feasibility of issuing long-term bonds. As at the date of the financial statements, no definitive legally binding agreement or contract has been entered into by the Company.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 25 March 2015.