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ZTE

ZTE CORPORATION 中興通訊股份有限公司

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 763)*

2014 ANNUAL REPORT SUMMARY AND RESULTS ANNOUNCEMENT

1. IMPORTANT

1.1 The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of ZTE Corporation (“ZTE” or the “Company”) confirm that there are no false information and misleading statements in the 2014 annual report (the “Annual Report”) nor any material omissions therefrom, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.

The Annual Report containing all information required to be presented in accordance with Appendix 16 to the Rules (the “Hong Kong Stock Exchange Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) will be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk) and the Company’s website (www.zte.com.cn) in due course.

1.2 There are no Directors, Supervisors or senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of the Annual Report.

1.3 The Annual Report has been considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of Directors of the Company. Mr. Dong Lianbo, Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Xie Weiliang, Vice Chairman, to vote on his behalf. Mr. Wei Wei, Independent Non-executive Director, was unable to attend the Meeting due to work reasons and has authorised Mr. Tan Zhenhui, Independent Non-executive Director, to vote on his behalf. Mr. Chen Naiwei, Independent Non-executive Director, was unable to attend the Meeting due to work reasons and has authorised Ms. Qu Xiaohui, Independent Non-executive Director, to vote on his behalf.

1.4 The respective financial statements of ZTE Corporation and its subsidiaries (“the Group”) for the year ended 31 December 2014 were prepared in accordance with PRC Accounting Standards for Business Enterprises (“PRC ASBEs”) and with Hong Kong Financial Reporting Standards (“HKFRSs”) respectively, and had been audited by Ernst & Young Hua Ming LLP and Ernst & Young, and an unqualified auditors’ report has been issued by each of them.

1.5 During the year, there was no significant deficiency in internal control in relation to financial reporting of the Company, nor was any significant deficiency in internal control in relation to non-financial reporting identified.

- 1.6 Mr. Hou Weigui, Chairman of the Company, Mr. Wei Zaisheng, Chief Financial Officer of the Company and Mr. Shi Chunmao, Head of Finance Division of the Company, hereby declare that they warrant the truthfulness, accuracy and completeness of the financial reports contained in the Annual Report.
- 1.7 In view of the state of affairs of the Company, proposal for profit distribution and conversion from capital reserve of 2014: cash dividend of RMB2.0 for every 10 shares (before tax) based on the Company's total share capital of 3,437,541,278 shares as at 31 December 2014, creation of 2 shares for every 10 shares by way of conversion of capital reserve. The aforesaid matter shall require consideration and approval at the general meeting.

2. CORPORATE PROFILE

2.1 Corporate Information

Abbreviated name of stock	ZTE	
Stock code	000063 (A Shares)	763 (H Shares)
Abbreviated name of bond (code)	12中興01 (112090)	
Place of listing	Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered and office address	ZTE Plaza, Keji Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China	
Postal code	518057	
Principal place of business in Hong Kong	36/F, Tower Two, Time Square 1 Matheson Street, Causeway, Hong Kong	
Website	http://www.zte.com.cn	
E-mail	fengjianxiong@zte.com.cn	

2.2 Contact Persons and Correspondence

	Authorized representatives	Secretary to the Board of Directors/ Company Secretary	Securities Affairs Representatives
Name	Shi Lirong, Feng Jianxiong	Feng Jianxiong	Xu Yulong, Cao Wei
Address	No. 55, Keji Road South, Shenzhen, Guangdong Province, the People's Republic of China		
Tel	+86 755 26770282		
Fax	+86 755 26770286		
E-mail	fengjianxiong@zte.com.cn		

3. HIGHLIGHTS OF ACCOUNTING AND FINANCIAL INDICATORS

WHETHER THE COMPANY HAS MADE RETROSPECTIVE ADJUSTMENTS TO OR RESTATED ACCOUNTING DATA OF THE PREVIOUS YEAR BECAUSE OF CHANGES IN ACCOUNTING POLICIES OR FOR THE RECTIFICATION OF ACCOUNTING ERRORS

Yes No

3.1 Major accounting data of the Group for the past three years prepared in accordance with PRC ASBEs

Unit: RMB in millions

Item	For the year ended 31 December 2014	For the year ended 31 December 2013	Year-on-year change	For the year ended 31 December 2012 (Restated)
Operating revenue	81,471.3	75,233.7	8.29%	84,118.9
Operating profit	60.3	(1,493.1)	104.04%	(5,002.2)
Total profit	3,538.2	1,827.8	93.58%	(1,983.2)
Net profit attributable to shareholders of the listed company	2,633.6	1,357.6	93.99%	(2,840.9)
Net profit after extraordinary items attributable to shareholders of the listed company	2,072.0	73.0	2,738.36%	(4,190.5)
Net cash flows from operating activities	2,512.6	2,574.6	(2.41%)	1,550.0

Unit: RMB in millions

Item	As at 31 December 2014	As at 31 December 2013	Year-on-year change	As at 31 December 2012 (Restated)
Total assets	106,214.2	100,079.5	6.13%	107,446.3
Total liabilities	79,921.7	76,453.8	4.54%	84,853.5
Owners' equity attributable to shareholders of the listed company	24,878.6	22,532.7	10.41%	21,456.6
Share capital (<i>million shares</i>)	3,437.5	3,437.5	—	3,440.1

3.2 Major financial indicators of the Group for the past three years prepared in accordance with PRC ASBEs

Item	For the year ended 31 December 2014	For the year ended 31 December 2013	Year-on-year change	For the year ended 31 December 2012 (Restated)
Basic earnings per share (RMB/share) ^{Note 1}	0.77	0.39	97.44%	(0.83)
Diluted earnings per share (RMB/share) ^{Note 2}	0.77	0.39	97.44%	(0.83)
Basic earnings per share after extraordinary items (RMB/share) ^{Note 1}	0.60	0.02	2,900.00% Increased by 4.93 percentage points	(1.22)
Weighted average return on net assets (%)	11.10%	6.17%	Increased by 8.41 percentage points	(12.46%)
Weighted average return on net assets after extraordinary items (%)	8.74%	0.33%	Increased by 8.41 percentage points	(18.38%)
Net cash flows from operating activities per share (RMB/share) ^{Note 3}	0.73	0.75	(2.67%)	0.45

Item	As at 31 December 2014	As at 31 December 2013	Year-on-year change	As at 31 December 2012 (Restated)
Net asset per share attributable to shareholders of the listed company (RMB/share) ^{Note 3}	7.24	6.55	10.53% Decreased by 1.14 percentage points	6.24
Gearing ratio (%)	75.25%	76.39%		78.97%

Note 1: Basic earnings per share for the reporting period and 2013 was calculated on the basis of the total share capital as at the end of each period. Basic earnings per share for 2012 was calculated on the basis of the weighted average number of ordinary shares, namely the total share capital at the end of the period less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company;

Note 2: As share options granted by the Company have given rise to 2,543,000 and 1,767,000 potentially dilutive ordinary shares for the reporting period and 2013, respectively, diluted earnings per share has been calculated on the basis of basic earnings per share taking into account the said factor. As there was no Subject Share quota under the Phase I Share Incentive Scheme of the Company remaining in lock-up in 2012, diluted earnings per share was the same as basic earnings per share;

Note 3: Net cash flow from operating activities per share and net asset per share attributable to shareholders of the listed company for the reporting period and 2013 were calculated on the basis of the total share capital at the end of each period. The corresponding indicators for 2012 were calculated on the basis of the total share capital at the end of the period less 2,536,742 lapsed Subject Shares under the Phase I Share Incentive Scheme of the Company.

3.3 Extraordinary gains or losses items and amounts of the Group for the past three years prepared in accordance with PRC ASBEs

Unit: RMB in millions

Item	For the year ended 31 December 2014	For the year ended 31 December 2013	For the year ended 31 December 2012
Non-operating income	666.8	594.2	559.6
Gains/(Losses) from fair value change	148.3	204.0	(107.4)
Investment income	155.4	857.7	1,197.7
Less: Gains/(Losses) on disposal of non-current assets	35.7	18.1	19.4
Less: Other non-operating expenses	274.1	126.4	42.8
Less: Effect of income tax	99.1	226.7	238.1
Total	<u>561.6</u>	<u>1,284.7</u>	<u>1,349.6</u>

3.4 Accounting information prepared in accordance with HKFRSs

3.4.1 Major financial information of the Group for the past five years prepared in accordance with HKFRSs

Unit: RMB in millions

Results	Year ended 31 December				
	2014	2013	2012 (Restated)	2011	2010 (Restated)
Revenue	81,471.3	75,233.7	84,118.9	86,254.5	69,906.7
Cost of sales	(57,759.0)	(54,775.1)	(65,545.5)	(62,086.4)	(48,241.8)
Gross profit	23,712.3	20,458.6	18,573.4	24,168.1	21,664.9
Other income and gains	4,561.2	4,905.3	4,609.2	3,664.4	2,639.8
Research and development expenses	(9,008.5)	(7,383.9)	(8,829.2)	(8,492.6)	(7,092.0)
Selling and distribution expenses	(10,391.6)	(10,158.5)	(11,340.9)	(11,112.2)	(8,890.2)
Administrative expenses	(2,138.1)	(2,258.7)	(2,449.2)	(2,605.6)	(2,524.0)
Other expenses	(1,582.3)	(2,119.1)	(706.1)	(1,684.1)	(753.8)
Profit from operating activities	5,153.0	3,443.7	(142.8)	3,938.0	5,044.7
Finance costs	(1,561.7)	(1,650.4)	(1,888.5)	(1,374.2)	(728.6)
Share of profit and loss of jointly controlled entities and associates	(53.0)	34.5	48.1	71.3	44.1
Profit before tax	3,538.3	1,827.8	(1,983.2)	2,635.1	4,360.2
Income tax expense	(810.6)	(394.2)	(621.4)	(392.0)	(883.7)
Profit before non-controlling interests	2,727.7	1,433.6	(2,604.6)	2,243.1	3,476.5
Attributable to: Non-controlling interests	(94.1)	(76.0)	(236.3)	(182.9)	(226.3)
Attributable to: Shareholders of parent company	2,633.6	1,357.6	(2,840.9)	2,060.2	3,250.2

Unit: RMB in millions

Assets and liabilities	As at 31 December				
	2014	2013	2012 (Restated)	2011 (Restated)	2010
Total assets	110,254.6	102,473.0	109,911.5	107,784.1	85,509.2
Total liabilities	83,962.1	78,847.3	87,318.7	81,549.6	60,547.2
Non-controlling interests	1,413.9	1,093.0	1,136.3	2,057.1	1,868.1
Shareholders' equity attributable to parent company	24,878.6	22,532.7	21,456.5	24,177.4	23,093.9

3.4.2 Major financial indicators of the Group for the past five years prepared in accordance with HKFRSs

Item	2014	2013	2012 (Restated)	2011 (Restated)	2010
Basic earnings per share (RMB/share) ^{Note 1}	0.77	0.39	(0.83)	0.61	0.98
Net asset per share (RMB/share) ^{Note 2}	7.24	6.55	6.24	7.05	6.87
Fully diluted return on net assets (%)	10.59%	6.03%	(13.24%)	8.52%	14.07%

Note 1: Basic earnings per share for the reporting period and 2013 was calculated on the basis of the total share capital at the end of each period.

Note 2: Net asset per share attributable to shareholders of the listed company for the reporting period and 2013 was calculated on the basis of the total share capital at the end of each period.

3.5 The amounts of net profit and net assets of the Group for the year ended and as at 31 December 2014 calculated in accordance with PRC ASBEs are entirely consistent with those calculated under HKFRSs.

4. SHAREHOLDINGS OF THE SHAREHOLDERS AND FRAMEWORK OF CONTROL

4.1 Total number of shareholders, shareholdings of top ten shareholders and top ten holders that were not subject to lock-up as at the end of the year

	Total number of shareholders
As at 31 December 2014	There were 167,184 shareholders (comprising 166,820 were holders of A shares and 364 holders of H shares)
As at the close of trading on 19 March 2015, namely 5 trading days prior to the publication of this annual report summary and results announcement	There were 159,737 shareholders (comprising 159,377 holders of A shares and 360 holders of H shares)

Shareholdings of top 10 shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholdings	Total number of shares held as at the end of the reporting period (shares)	Increase/decrease during the reporting period (shares)	Number of shares held subject to lock-up (shares)	Number of shares pledged or frozen
1. Shenzhen Zhongxingxin Telecommunication Equipment Company Limited (“Zhongxingxin”)	State-owned corporation	30.78%	1,058,191,944	0	0	Nil
2. HKSCC Nominees Limited	Foreign shareholders	18.28%	628,334,340	+26,768	0	Unknown
3. Hunan Nantian (Group) Co., Ltd.	State-owned corporation	1.09%	37,450,609	0	0	Unknown
4. China Life Insurance Company Limited — Traditional — General Insurance Products — 005L — CT001 Shen	Others	0.66%	22,679,287	-2,017,098	0	Unknown
5. Qianhai Life Insurance Company Limited — Owned Funds Huatai Portfolio	Others	0.51%	17,605,008	+17,605,008	0	Unknown
6. Seventh Research Institute of China Mobile	State-owned corporation	0.46%	15,894,950	0	0	Unknown
7. NSSF Portfolio #113	Others	0.40%	13,711,011	-3,000,089	0	Unknown
8. CASIC Shenzhen (Group) Company Limited	State-owned corporation	0.35%	12,155,870	0	0	Unknown
9. ICBC — Bosera Select Stock Fund	Others	0.35%	11,999,656	+6,999,738	0	Unknown
10. China Life Insurance (Group) Company — Traditional — General Insurance Products	Others	0.34%	11,683,756	-8,278,028	0	Unknown

Shareholdings of top 10 holders of shares that were not subject to lock-up

Name of shareholders	Number of shares not subject to lock-up (shares)	Class of shares
1. Zhongxingxin	1,058,191,944	A share
2. HKSCC Nominees Limited	628,334,340	H share
3. Hunan Nantian (Group) Co., Ltd.	37,450,609	A share
4. China Life Insurance Company Limited — Traditional — General Insurance Products — 005L — CT001 Shen	22,679,287	A share
5. Qianhai Life Insurance Company Limited — Owned Funds Huatai Portfolio	17,605,008	A share
6. Seventh Research Institute of China Mobile	15,894,950	A share
7. NSSF Portfolio #113	13,711,011	A share
8. CASIC Shenzhen (Group) Company Limited	12,155,870	A share
9. ICBC — Bosera Select Stock Fund	11,999,656	A share
10. China Life Insurance (Group) Company — Traditional — General Insurance Products	11,683,756	A share

- Descriptions of any connected party relationships or concerted party relationships among the above shareholders
1. Zhongxingxin was a related party (as defined under Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange), but not a concerted party, of the 8th ranking shareholder among the top 10 shareholders and the top 10 holders of shares that were not subject to lock-up. Save as aforesaid, there were no connected party relationships or concerted party relationships between Zhongxingxin and other top 10 shareholders and other top 10 holders of shares that were not subject to lock-up listed above.
 2. China Life Insurance (Group) Company, fund manager of the 10th ranking shareholder among the top 10 shareholders, was the controlling shareholder of China Life Insurance Company Limited, fund manager of the 4th ranking shareholder.
 3. Save for the above, the Company is not aware of any connected party relationships or concerted party relationships among the top ten shareholders and the top ten holders of shares that were not subject to lock-up.

Description of involvement in financing and securities lending businesses of top 10 shareholders (if any) N/A

Note 1: During the year, there was no placing of new shares in the Company to any strategic investors or ordinary legal persons that required shareholding for a designated period.

Note 2: Shareholders holding 5% or above of the Company's shares — Changes in the shareholding of Zhongxingxin, controlling shareholder of the Company interested in 30.78% of the Company's shares, during the year are as follows:

Name of shareholder	Increase/ decrease (+/-) of number of shares held during the reporting period (shares)	Number of shares held at the end of the reporting period (shares)	Class of shares held	Number of shares subject to lock-up held at the end of the reporting period (shares)	Number of shares not subject to lock-up held at the end of the reporting period (shares)	Number of shares pledged or frozen (shares)
Zhongxingxin	0	1,058,191,944	A shares	0	1,058,191,944	Nil

Whether shareholders of the Company conducted any transactions on agreed repurchases during the reporting period

Yes No

The Company had no preferential shares.

4.2 Controlling shareholder of the Company

During the year, there was no change in the Company's controlling shareholder, details of which are as follows:

Name of controlling shareholder:	Zhongxingxin
Legal representative:	Xie Weiliang
Date of incorporation:	29 April 1993
Organisation number:	19222451-8
Registered capital:	RMB100 million
Scope of business:	Production of SPC switch cabinets, telephones and related parts and components, electronic products; import and export operations (in accordance with the requirements under document Shen Mao Guan Shen Zheng Zi No. 727); treatment of waste water, toxic fumes and noise and related technical services, research and technical development of environmental protection equipment; production of continuous monitoring smoke systems; manufacturing of mining equipment; manufacturing of power transmission and distribution and control equipment; computer systems integration; development of digital processing system technologies and technological research and development for related technical services.

As at the date of this annual report summary and results announcement, Zhongxingxin's 2014 annual audit work has yet to be completed. Unaudited data are as follows: operating revenue, net profit and net cash flow from operating activities of Zhongxingxin for 2014 amounted to approximately RMB356 million, RMB22 million and RMB-31 million, respectively. As at 31 December 2014, total assets and total liabilities amounted to approximately RMB6,487 million and RMB1,206 million, respectively. In future, Zhongxingxin will build an innovative investment group company engaged in diversified capital applications with a primary focus on innovative technologies and services in close tandem with principal economic activities in China.

During the year, Zhongxingxin did not hold any controlling or non-controlling stakes in other domestic or international listed companies.

4.3 The shareholders (or de facto controllers) of the Company's controlling shareholder

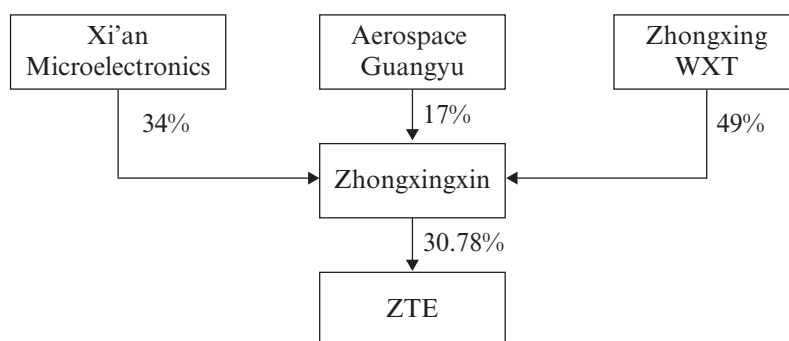
Zhongxingxin, the controlling shareholder of the Company, was jointly formed by Xi'an Microelectronics, Aerospace Guangyu and Zhongxing WXT, each holding a 34%, 17% and 49% stake in Zhongxingxin respectively. Zhongxingxin currently has 9 directors, of which 3 have been nominated by Xi'an Microelectronics, 2 by Aerospace Guangyu and 4 by Zhongxing WXT, representing 33.33%, 22.22% and 44.45% of the board of directors of Zhongxingxin, respectively. Therefore, no shareholder of Zhongxingxin has the right to control the financial and operating decisions of the Company whether in terms of shareholding or corporate governance structure. Therefore, the Company does not have any de facto controller and no party has effective control over the Company, whether by way of trust or other asset management. Details of these three shareholders are as follows:

Xi'an Microelectronics, a subsidiary of China Aerospace Electronics Technology Research Institute, is a large state-owned research institute established in 1965 with a start-up capital of RMB198,530,000. Its legal representative is Tian Dongfang and its organization number is H0420141-X. It is the only specialized research institute in China which integrates and complements the research, development and production of semiconductor integrated circuits, hybrid integrated circuits and computers.

Aerospace Guangyu, a subsidiary of CASIC Shenzhen (Group) Company, Limited, is a wholly state-owned enterprise established on 17 August 1989. The legal representative is Cui Yuping and the registered capital amounts to RMB17,950,000. Its organization number is 19217503-1. The scope of business includes aerospace technology products, machinery equipment, electrical appliances, apparatuses and instruments, electronic products, plastic products, chemical products, hoisting and transportation products, hardware and furniture, construction materials, magnetic materials, powder metallurgy, raw materials for textile, raw materials for chemical fibre, apparel, textile, sales of automobile; domestic trade; import and export operations; trade brokerage and agency; lease of owned properties.

Zhongxing WXT is a private enterprise incorporated on 23 October 1992. Its legal representative is Hou Weigui and its registered capital amounts to RMB10 million. Its organization number is 27941498-X. The scope of business includes the development and production of telecommunications and transmission equipment, ancillary equipment, computer and peripheral equipment (excluding restricted projects); investment in industrial operations (specific projects shall be separately reported).

The following diagram shows the shareholding and controlling relationships between the Company and its shareholders as at 31 December 2014:



4.4 Purchase, sale and redemption of securities

During the year, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in the Shareholdings of the Company's Directors, Supervisors, Senior Management and Annual Remuneration

The effective shareholdings in the issued share capital of the Company held by the Directors, Supervisors and senior management of the Company and annual remuneration at the end of the year are as follows:

No.	Name	Title	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the reporting period (shares)	Increase in the number of shares held during the period (shares)	Decrease in the number of shares held during the period (shares)	Number of A shares held at the end of the reporting period (shares)	Reason for the change	Total payable remuneration received from the Company during the reporting period (RMB in ten thousands)	Whether remuneration is received from shareholder entities
Directors of the Company														
1	Hou Weigui	Chairman	Incumbent	Male	73	3/2013	3/2016	1,297,472	—	—	1,297,472	—	240.2	No
2	Zhang Jianheng	Vice Chairman	Incumbent	Male	53	3/2013	3/2016	—	—	—	—	—	10.0	No
3	Xie Weiliang	Vice Chairman	Incumbent	Male	58	3/2013	3/2016	32,760	—	—	32,760	—	10.0	Yes
4	Wang Zhanchen	Director	Incumbent	Male	62	3/2013	3/2016	—	—	—	—	—	10.0	No
5	Zhang Junchao	Director	Incumbent	Male	61	3/2013	3/2016	32,760	—	—	32,760	—	10.0	No
6	Dong Lianbo	Director	Incumbent	Male	57	3/2013	3/2016	32,760	—	—	32,760	—	10.0	Yes
7	Shi Lirong	Director and President	Incumbent	Male	50	3/2013	3/2016	410,511	140,000	—	550,511	Note 1	382.8	No
8	Yin Yimin	Director	Incumbent	Male	51	3/2013	3/2016	632,833	—	—	632,833	—	91.6	No
9	He Shiyu	Director	Incumbent	Male	48	3/2013	3/2016	344,940	—	—	344,940	—	63.4	No
10	Qu Xiaohui	Independent Non-executive Director	Incumbent	Female	60	3/2013	7/2015	—	—	—	—	—	13.0	No
11	Wei Wei	Independent Non-executive Director	Incumbent	Male	49	3/2013	7/2015	—	—	—	—	—	13.0	No
12	Chen Naiwei	Independent Non-executive Director	Incumbent	Male	57	3/2013	7/2015	—	—	—	—	—	13.0	No
13	Tan Zhenhui	Independent Non-executive Director	Incumbent	Male	70	3/2013	3/2016	—	—	—	—	—	13.0	No
14	Richard Xike Zhang	Independent Non-executive Director	Incumbent	Male	44	6/2013	3/2016	—	—	—	—	—	13.0	No
Supervisors of the Company														
15	Xie Daxiong	Chairman of Supervisory Committee	Incumbent	Male	51	3/2013	3/2016	413,169	—	—	413,169	—	262.5	No
16	He Xuemei	Supervisor	Incumbent	Female	44	3/2013	3/2016	80,347	—	20,087	60,260	Note 1	52.0	No
17	Zhou Huidong	Supervisor	Incumbent	Male	38	3/2013	3/2016	78,158	—	19,540	58,618	Note 1	62.6	No
18	Xu Weiyang	Supervisor	Incumbent	Female	52	3/2013	3/2016	9,199	—	—	9,199	—	69.4	No
19	Chang Qing	Supervisor	Incumbent	Male	59	3/2013	3/2016	—	—	—	—	—	—	Yes
Senior Management of the Company														
20	He Shiyu ^{Note 2}	Executive Vice President	Resigned	Male	48	4/2013	1/2014	—	—	Note 2	—	—	—	—
21	Wei Zaisheng	Executive Vice President and Chief Financial Officer	Incumbent	Male	52	4/2013	3/2016	437,421	—	104,356	333,065	Note 1	236.8	No
22	Tian Wenguo	Executive Vice President	Incumbent	Male	45	4/2013	3/2016	204,877	—	51,219	153,658	Note 1	450.9	No
23	Qiu Weizhao	Executive Vice President	Incumbent	Male	51	4/2013	3/2016	385,414	—	96,000	289,414	Note 1	175.7	No
24	Fan Qingfeng	Executive Vice President	Incumbent	Male	46	4/2013	3/2016	482,500	—	120,625	361,875	Note 1	189.1	No
25	Zeng Xuezhong ^{Note 2}	Senior Vice President	Resigned	Male	41	4/2013	1/2014	427,600	—	101,900	325,700	Note 1	79.5	No
26	Zhao Xianming ^{Note 2}	Senior Vice President	Resigned	Male	48	4/2013	1/2014	323,905	—	80,976	242,929	Note 1	775.9	No
27	Chen Jie	Executive Vice President	Incumbent	Female	56	4/2013	3/2016	744,583	—	60,000	684,583	Note 1	315.3	No
28	Pang Shengqing	Senior Vice President	Incumbent	Male	46	4/2013	3/2016	421,402	—	—	421,402	—	197.5	No
29	Xu Huijun	Senior Vice President	Incumbent	Male	41	4/2013	3/2016	560,945	—	140,236	420,709	Note 1	432.5	No
30	Ye Weimin	Senior Vice President	Incumbent	Male	48	4/2013	3/2016	397,248	—	30,000	367,248	Note 1	103.8	No
31	Zhu Jinyun	Senior Vice President	Incumbent	Male	42	4/2013	3/2016	482,460	—	120,616	361,844	Note 1	84.9	No
32	Zhang Renjun	Senior Vice President	Incumbent	Male	45	4/2013	3/2016	—	—	—	—	—	165.7	No
33	Chen Jianzhou	Senior Vice President	Incumbent	Male	44	4/2013	3/2016	130,028	—	32,507	97,521	Note 1	165.1	No
34	Cheng Lixin	Senior Vice President	Incumbent	Male	48	4/2013	3/2016	3,000	—	—	3,000	—	461.9	No
35	Xiong Hui ^{Note 2}	Senior Vice President	Incumbent	Male	45	1/2014	3/2016	—	—	—	—	—	249.7	No
36	Zhang Zhenhui ^{Note 2}	Senior Vice President	Incumbent	Male	41	1/2014	3/2016	65,000	—	—	65,000	—	460.0	No
37	Feng Jianxiong	Secretary to the Board	Incumbent	Male	40	4/2013	3/2016	275,000	—	—	275,000	—	72.2	No
Total								8,706,292	140,000	978,062	7,868,230		5,956.0	

Note 1: Reduction or increase of shareholdings in accordance with “Rules Governing the Holding of Shares in the Company by Directors, Supervisors and Senior Management of Listed Companies and Changes Thereof”.

Note 2: At the Fourteenth Meeting of the Sixth Session of the Board of Directors of the Company held on 20 January 2014, the discontinuation by the Company of the employment of Mr. He Shiyou as Executive Vice President of the Company; the appointment of each of Mr. Zeng Xuezhong and Mr. Zhao Xianming as Executive Vice President of the Company and the removal of each of them from the office of Senior Vice President of the Company; and the appointment of each of Mr. Xiong Hui and Mr. Zhang Zhenhui as Senior Vice President of the Company were approved.

Note 3: None of the Company’s Directors, Supervisors and senior management held H shares in the issued share capital of the Company during the reporting period.

Share incentives granted to Directors, Supervisors and senior management during the reporting period

Applicable N/A

There was no change to the share options held by the Directors and senior management of the Company during the year. For details of the share options of the Company held by the Directors and senior management of the Company, please refer to the section headed “Material Matters — (V) Implementation and Impact of the Company’s Share Option Incentive Scheme” in the Annual Report. Supervisors of the Company did not hold any share options of the Company.

5.2 Interests of Directors, Supervisors and Chief Executive Officer in shares or debentures

The interests in shares of the Company held by Directors, Supervisors and Chief Executive Officer of the Company as at 31 December 2014 are set out in the section of this annual report summary and results announcement headed “5.1 Changes in the shareholdings of the Company’s Directors, Supervisors, senior management and annual remuneration.”

Save as disclosed above, as at 31 December 2014, none of the Directors, Supervisors and Chief Executive Officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded in the register to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Hong Kong 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 Hong Kong Listing Rules.

Save as disclosed above, as at 31 December 2014, none of the Directors, Supervisors or the Chief Executive Officer of the Company, or their respective spouses or children under the age of 18 had been granted or had exercised any rights to subscribe for the share capital or debentures of the Company or its associated corporations.

6. REPORT OF THE BOARD OF DIRECTORS

6.1 Business Review for 2014

1. Overview of the domestic telecommunications industry for 2014

In 2014, investment in equipment by domestic carriers continued to grow mainly in connection with the large-scale deployment of 4G networks and the construction of related ancillary facilities. The rapid development of the Mobile Internet coupled with the further penetration of 4G smart

phones was driving the commercialisation process of 4G networks. While the wireless, transmission and broadband sectors remained heavily favoured spots for equipment investment by carriers, Smart Pipe, Cloud Computing, Big Data and Smart City were also garnering increasing attention and investments.

2. *Overview of the global telecommunications industry for 2014*

Equipment investment by the global telecommunications industry experienced growth in 2014. The traditional telecommunications industry was facing more opportunities as well as more challenges in its development under the impact of the application of 4G technologies on all fronts, the integration of ICT industries and the trend of informatisation. In addition to focusing on the enhancement of 4G network performance and the development of next-generation broadband technologies, global carriers were also committing an increasing portion of their resources to operations based on the flow volume, value-added Big Data business, integrated innovative businesses and approaches for maintaining balance between security and privacy, in a bid to achieve effective transformation by exploring new opportunities for development.

3. *Operating Results of the Group for 2014*

The Group's overall operating revenue for 2014 increased by 8.3% to RMB81.47 billion as compared to 2013, primarily reflecting operating revenue growth for 4G system products in the domestic and international markets, routers and switches in the domestic and international markets, optical communication systems in the domestic market and 4G handsets in the domestic and international markets. In 2014, the continued growth in scale of the Group's domestic and international 4G system equipment business and domestic and international 4G handset business coupled with ongoing improvements in contract profitability resulted in growth in both sales volume and gross profit margin. In addition, the Group enhanced financial expenses control and mitigated the impact of exchange rate volatility on the Group's operations, resulting in the relatively substantial decrease in overall financial expenses. As a result of the aforesaid factors, the Group reported net profit attributable to shareholders of the listed company of RMB2.63 billion for 2014, representing a year-on-year growth of 94.0%. Basic earnings per share amounted to RMB0.77.

(1) *By market*

The domestic market

During the year, the Group reported operating revenue of RMB40.58 billion from the domestic market, accounting for 49.8% of the Group's overall operating revenue. The Group worked proactively in support of the network construction plans of domestic carriers as it established and implemented in depth its M-ICT Strategy and maintained its dominant market position through competitive innovative solutions. Moreover, the Group also made vigorous moves to roll out its operations in strategic emerging sectors such as Cloud Computing, Big Data and Smart City, with a view to ensuring positive development in the long term.

The international market

During the year, the Group reported operating revenue of RMB40.89 billion from the international market, accounting for 50.2% of the Group's overall operating revenue. The Group has formed comprehensive partnerships with mainstream global carriers as it continued to focus on major populous nations and mainstream global carriers and bolster its competitiveness on all fronts while securing stable operations and quality growth.

(2) *By product*

During the year, the Group reported operating revenue of RMB46.77 billion for carriers' networks. Operating revenue for handset terminals amounted to RMB23.12 billion. Operating revenue for telecommunications software systems, services and other products amounted to RMB11.58 billion.

Carriers' networks

In connection with wireless products, the Group persisted in prioritising innovation and pursued ongoing enhancement of product competitiveness, as it launched cutting-edge solutions, such as Cloud Radio, QCell, UBR and Magic Radio, and maintained relatively strong growth in the market created by the deployment of new 4G networks in the PRC and elsewhere. In the traditional 2G/3G markets, stable growth was achieved as the Group continued to optimise its market profile. In anticipation of future developments in wireless communications, the Group achieved substantial progress in the preliminary research of 5G technologies and became the first industry player to introduce the Pre-5G concept and conduct related field tests.

In connection with wireline and optical communications products, the Group achieved stable growth on the back of cutting-edge products and solutions launched following dedicated efforts in product innovation and solution operations.

In connection with Cloud Computing and IT products, the Cloud Computing and Big Data processing platforms developed by our Group remained cutting-edge products in the industry, as our Big Data processing platform and distributive data base made breakthroughs in the financial sector, while our data center products made breakthroughs in the domestic market.

Handset terminals

In line with the business philosophy of shifting to a more consumer-oriented and internet-driven approach, the Group optimised the distribution of its product types with a special emphasis on the development of boutique models and flagship series, while streamlining and new developments were conducted in many areas, such as surface design, quality control, brand building, channel operation and after-sales service. In 2014, smartphone products continued to account for an increasing percentage of the Group's total sales, underpinned by a substantial increase in the percentage share of 4G handsets.

Telecommunications software systems, services and other products

Operating revenue from the Group's telecommunications software systems, services and other products for the year reported year-on-year decline of 9.7%, attributable mainly to the decrease in operating revenue from international services.

The Group is also vigorously developing the market for government and corporate services in pursuit of sustainable development.

6.2 Discussion and analysis prepared under PRC ASBEs

The financial data below are extracted from the Group's audited financial statements prepared in accordance with PRC ASBEs. The following discussion and analysis should be read in conjunction with the Group's financial statements audited by Ernst & Young Hua Ming LLP and the accompanying notes thereto set out in the Annual Report.

6.2.1 Breakdown of indicators by industry, product and region segments for the year as compared to the previous year

	Operating revenue (RMB in millions)	Operating costs (RMB in millions)	Gross profit margin	Year-on-year increase/ decrease in operating revenue	Year-on-year increase/ decrease in operating costs	Year-on-year increase/ decrease in gross profit margin (percentage points)
Revenue mix						
I. By industry						
Manufacturing of communication equipment	81,471.3	55,760.1	31.56%	8.29%	4.96%	2.17
Total	81,471.3	55,760.1	31.56%	8.29%	4.96%	2.17
II. By product						
Carriers' networks	46,768.2	28,747.8	38.53%	14.92%	12.77%	1.17
Handset terminals ^{Note}	23,117.1	19,549.6	15.43%	6.52%	5.75%	0.62
Telecommunications software systems, services and other products	11,586.0	7,462.7	35.59%	(9.74%)	(18.41%)	6.85
Total	81,471.3	55,760.1	31.56%	8.29%	4.96%	2.17
III. By region						
The PRC	40,583.5	26,494.2	34.72%	13.88%	11.46%	1.42
Asia (excluding the PRC)	12,131.6	8,317.4	31.44%	(12.40%)	(20.36%)	6.85
Africa	6,174.2	3,902.4	36.80%	5.25%	(10.36%)	11.02
Europe, Americas and Oceania	22,582.0	17,046.1	24.51%	13.58%	17.10%	(2.27)
Total	81,471.3	55,760.1	31.56%	8.29%	4.96%	2.17

Note: Handset terminals include handsets, data cards, fixed terminals, etc.

(1) Analysis of change in revenue

The Group reported RMB81,471.3 million in operating revenue for 2014, improving by 8.29% as compared with last year. Operating revenue generated from the domestic business amounted to RMB40,583.5 million, increasing by 13.88% as compared with last year. Operating revenue generated from the international business also rose by 3.26%, as compared with last year, to RMB40,887.8 million.

Analysed by product segment, year-on-year growth of operating revenue was reported for carriers' networks and handset terminals, while decline was reported for telecommunication software systems, services and other products. The increase in operating revenue from the Group's carriers' networks for 2014 reflected mainly the increase in operating revenue from 4G system products, routers and switches in the domestic and international markets, as well as optical communication system products in the domestic market. The increase in operating revenue from the Group's handset terminals for 2014 reflected mainly the increase in operating revenue generated from 4G handsets in the domestic and international markets. The decrease in operating revenue from the Group's telecommunication software systems, services and other products for 2014 mainly reflected the decline in operating revenue from international services.

(2) *Changes in the scope of consolidation as a result of changes in equity interests in the Company's subsidiaries and analysis of operating revenue and operating costs for the comparable period last year*

Unit: RMB in millions

2014			2013 ^{Note}			Year-on-year increase/decrease in operating revenue	Year-on-year increase/decrease in operating costs	Year-on-year increase/decrease in gross profit margin (percentage points)
Operating revenue	Operating costs	Gross profit margin	Operating revenue	Operating costs	Gross profit margin			
81,471.3	55,760.1	31.56%	75,199.2	53,097.4	29.39%	8.34%	5.01%	2.17

Note: Figures of operating revenue and operating costs for 2013 have excluded operating revenue and operating costs of subsidiaries deconsolidated in 2014.

Anhui Yalong Communication Technology Company Limited (“Yalong”) was deconsolidated from the Group’s 2014 financial statements following the disposal of 100% equity interests in Yalong by Anhui Wantong Posts and Telecommunication Company Limited, a subsidiary of the Company, in April 2014. The operating revenue and operating cost attributable to Yalong in the 2013 consolidated financial statements amounted to RMB34.5 million and RMB28.5 million, respectively. Excluding operating revenue and operating cost attributable to Yalong in 2013, the Group’s operating revenue and operating cost for 2014 increased by 8.34% and 5.01%, respectively, as compared with last year. Gross profit margin improved by 2.17 percentage points as compared with last year.

6.2.2 Reasons for substantial changes in the Group’s principal business and its structure, profit mix and profitability of the principal business during the year

- (1) There was no substantial change in the principal business and its structure during the year as compared to the previous year.
- (2) Changes in the profit mix during the year as compared to the previous year are set out as follows:

For 2014, the Group reported operating profit of RMB60.3 million representing year-on-year growth of 104.04%, which was primarily attributable to growth in revenue and gross profit margin. Operating revenue improved 8.29% to RMB81,471.3 million, as compared with last year, which was primarily attributable to operating revenue growth for 4G system products in the domestic and international markets, routers and switches in the domestic and international markets, optical communication systems in the domestic market and 4G handsets in the domestic and international markets. Investment income declined 85.29% year-on-year to RMB134.5 million, reflecting mainly the decrease in investment income arising from the disposal of equity interests as compared with last year. The net amount of non-operating income and expense grew 4.73% to RMB3,477.9 million, reflecting mainly year-on-year growth in VAT rebate for software products.

- (3) Changes in the profitability (gross profit margin) of the principal business during the year as compared to the previous year are set out as follows:

The year saw growth in both sales volume and gross profit margin as a result of continued growth in scale of the Group's domestic and international 4G system equipment business and domestic and international 4G handset business coupled with ongoing improvements in contract profitability.

6.3 Discussion and analysis in accordance with HKFRSs

The financial data below are extracted from the Group's audited financial statements prepared in accordance with HKFRSs. The following discussion and analysis should be read in conjunction with the Group's financial statements audited by Ernst & Young and the accompanying notes as set out in the Annual Report.

Unit: RMB in millions

Profit or loss and other comprehensive income statement	2014	2013
Operating revenue:		
Carriers' networks	46,768.2	40,695.7
Handset terminals	23,117.1	21,702.1
Telecommunication software systems, services and other products	11,586.0	12,835.9
Total revenue	81,471.3	75,233.7
Cost of sales	(57,759.0)	(54,775.1)
Gross profit	23,712.3	20,458.6
Other income and gains	4,561.2	4,905.3
Research and development costs	(9,008.5)	(7,383.9)
Selling and distribution expenses	(10,391.6)	(10,158.5)
Administrative expenses	(2,138.1)	(2,258.7)
Other expenses	(1,582.3)	(2,119.1)
Profit from operating activities	5,153.0	3,443.7
Finance costs	(1,561.7)	(1,650.4)
Share of profit and loss of joint ventures and associates	(53.0)	34.5
Profit before tax	3,538.3	1,827.8
Income tax expense	(810.6)	(394.2)
Net profit	2,727.7	1,433.6
Attributable to:		
Non-controlling interests	(94.1)	(76.0)
Attributable to:		
Shareholders of parent company	2,633.6	1,357.6
Other comprehensive income	(333.6)	(279.3)
Comprehensive income	2,394.1	1,154.3
Dividend	687.5	103.1
Earnings per share — Basic	RMB0.77	RMB0.39
— Diluted	RMB0.77	RMB0.39

Revenue Analysis by Product and Geographic Region

The following table sets out the revenue attributable to the major product segments of the Group for the periods indicated, in monetary amount and as a percentage of the total operating revenue:

Unit: RMB in millions

Product segment	2014		2013	
	Revenue	As a percentage of operating revenue	Revenue	As a percentage of operating revenue
Carriers' networks	46,768.2	57.4%	40,695.7	54.1%
Handset terminals	23,117.1	28.4%	21,702.1	28.8%
Telecommunication software systems, services and other products	11,586.0	14.2%	12,835.9	17.1%
Total	81,471.3	100.0%	75,233.7	100.0%

The following table sets out the revenue of the Group attributable to the PRC, Asia (excluding the PRC), Africa, Europe, the Americas and Oceania for the periods indicated, in monetary amount and as a percentage of the total operating revenue:

Unit: RMB in millions

Region	2014		2013	
	Revenue	As a percentage of operating revenue	Revenue	As a percentage of operating revenue
The PRC	40,583.5	49.8%	35,636.0	47.4%
Asia (excluding the PRC)	12,131.6	14.9%	13,849.5	18.4%
Africa	6,174.2	7.6%	5,866.0	7.8%
Europe, the Americas and Oceania	22,582.0	27.7%	19,882.2	26.4%
Total	81,471.3	100.0%	75,233.7	100.0%

The Group reported RMB81,471.3 million in operating revenue for 2014, improving by 8.3% as compared with last year. Operating revenue generated from the domestic business amounted to RMB40,583.5 million, increasing by 13.9% as compared with last year. Operating revenue generated from the international business also rose by 3.3%, as compared with last year, to RMB40,887.8 million.

Analysed by product segment, year-on-year growth of operating revenue was reported for carriers' networks and handset terminals, while decline was reported for telecommunication software systems, services and other products. The increase in operating revenue from the Group's carriers' networks for 2014 reflected mainly the increase in operating revenue from 4G system products, routers and switches in the domestic and international markets, as well as optical communication system products in the domestic market. The increase in operating revenue from the Group's handset terminals for 2014 reflected mainly the increase in operating revenue

generated from 4G handsets in the domestic and international markets. The decrease in operating revenue from the Group's telecommunication software systems, services and other products for 2014 mainly reflected the decline in operating revenue from international services.

Cost of Sales and Gross Profit

The following tables set out (1) the cost of sales of the Group and cost of sales as a percentage of total operating revenue and (2) the Group's gross profit and gross profit margin for the periods indicated:

Unit: RMB in millions

Product segment	2014		2013	
	Cost of sales	As a percentage of product segment revenue	Cost of sales	As a percentage of product segment revenue
Carriers' networks	30,137.6	64.4%	26,612.8	65.4%
Handset terminals	19,603.5	84.8%	18,523.1	85.4%
Telecommunication software systems, services and other products	8,017.9	69.2%	9,639.2	75.1%
Total	57,759.0	70.9%	54,775.1	72.8%

Unit: RMB in millions

Product segment	2014		2013	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Carriers' networks	16,630.6	35.6%	14,082.9	34.6%
Handset terminals	3,513.6	15.2%	3,179.0	14.6%
Telecommunication software systems, services and other products	3,568.1	30.8%	3,196.7	24.9%
Total	23,712.3	29.1%	20,458.6	27.2%

Cost of sales of the Group for 2014 increased by 5.4% as compared to last year to RMB57,759.0 million. The Group's overall gross profit margin of 29.1% was 1.9 percentage points higher as compared to last year, reflecting mainly higher gross profit margins for carriers' networks, handset terminals and telecommunication software systems, services and other products.

Cost of sales of the Group's carriers' networks for 2014 amounted to RMB30,137.6 million, a 13.2% increase as compared to last year. The relevant gross profit margin was 35.6% versus 34.6% for last year. The increase in gross profit margin of carriers' networks mainly reflected growth in gross profit margin of 4G system products in the domestic and international markets, which accounted for a significant share in segment revenue.

Cost of sales of the Group's handset terminals for 2014 amounted to RMB19,603.5 million, an increase of 5.8% as compared to last year. The relevant gross profit margin was 15.2% versus 14.6% for last year. The improvement in gross profit margin for handset terminals was in tandem with the increase in gross profit margin for 4G handsets in the domestic and international markets.

Cost of sales of the Group's telecommunication software systems, services and other products for 2014 amounted to RMB8,017.9 million, decreasing by 16.8% as compared to last year. The relevant gross profit margin was 30.8%, compared to 24.9% for last year. The increase in gross profit margin for telecommunication software systems, services and other products was mainly attributable to improved gross profit margin for video and network terminals products, which accounted for a significant share in segment revenue.

Other Income and Gains

Other income and gains of the Group for 2014 amounted to RMB4,561.2 million, representing a 7.0% decrease compared to RMB4,905.3 million for 2013. The decrease reflected mainly gains resulting from the disposal of equity interests in Shenzhen ZNV Technology Co., Ltd. by the Group for the same period last year and the absence of such transaction for the current period.

Research and Development Costs

The Group's research and development costs for 2014 increased by 22.0% to RMB9,008.5 million from RMB7,383.9 million for 2013, and rose by 1.3 percentage points from 9.8% for 2013 to 11.1% for 2014 as a percentage of operating revenue, attributable mainly to the Group's increased investment in the research and development of products such as 4G, 5G, high-end routers and core critical chips for the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses for 2014 increased by 2.3% to RMB10,391.6 million from RMB10,158.5 million for 2013, reflecting mainly the combined effect of increased investments in the European and American markets and decreased investments in the African market for the period. Selling and distribution expenses as a percentage of operating revenue dropped by 0.7 percentage points to 12.8% for 2014, compared to 13.5% for 2013.

Administrative Expenses

Administrative expenses of the Group for 2014 decreased by 5.3% to RMB2,138.1 million, as compared to RMB2,258.7 million for 2013, mainly attributable to the Group's enhanced control over administrative expenses during the period. Administrative expenses as a percentage of operating revenue decreased by 0.4 percentage points from 3.0% for 2013 to 2.6% for 2014.

Other Expenses

Other expenses of the Group for 2014 decreased by 25.3% to RMB1,582.3 million, as compared to RMB2,119.1 million for 2013, reflecting mainly the decrease in bad debt provisions and the decrease in losses arising from exchange rate volatility for the period.

Profit From Operating Activities

The Group's profit from operating activities for 2014 increased to RMB5,153.0 million, as compared to RMB3,443.7 million for 2013, while the operating profit margin increased from 4.6% for 2013 to 6.3% for 2014, primarily as a result of higher overall gross profit margin and gross profit of the Group for the period.

Finance Costs

Finance costs of the Group for 2014 decreased by 5.4% to RMB1,561.7 million as compared to RMB1,650.4 million for 2013, reflecting mainly the Group's effort to strengthen treasury management, adjust its debt structure and vigorously explore low-cost financing channels in overseas markets for the period.

Income tax expense

The Group's income tax expense for 2014 was RMB810.6 million, which was 105.6% higher as compared to RMB394.2 million for 2013, reflecting mainly the increase in the Group's profit for the period.

Profit Attributable To Non-controlling Interests

The Group's profit attributable to non-controlling interests for 2014 amounted to RMB94.1 million, representing an increase of 23.8% as compared to RMB76.0 million for 2013, mainly attributable to the increase in the profit of certain subsidiaries of the Group for the period.

Other Comprehensive Income

Other comprehensive income of the Group for 2014 decreased by 19.4% to RMB-333.6 million, compared to RMB-279.3 million for 2013, mainly reflecting losses arising from change in the fair value of the Group's available-for-sale financial assets for the period compared to gains for the same period last year.

Capital Management Policy

The Group has adopted an appropriate capital management policy, whereby its working capital is mainly financed through its internal resources and bank loans. The Group confirms that sufficient funds are in place to meet its debt repayment obligations as due, capital expenditure and the requirements of normal production operations.

Debt-Equity Ratio and the Basis of Calculation

Debt-equity ratio is calculated by dividing interest-bearing liabilities by the sum of interest-bearing liabilities and equity (including non-controlling interests).

The Group's debt-equity ratio for 2014 was 55.0%, decreasing by 2.9 percentage points as compared to 57.9% for 2013. The decrease was mainly attributable to the increase in reserve from operating profit of the Group for the period.

Liquidity and Capital Resources

In 2014, the Group's development funds were financed mainly by cash generated from its operations and bank loans. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other contingent cash requirements.

Cash and cash equivalents of the Group as of 31 December 2014 amounted to RMB17,230.1 million.

Cash Flow Data

	<i>Unit: RMB in millions</i>	
	2014	2013
Net cash inflow from operating activities	1,101.9	446.9
Net cash outflow from investing activities	(2,022.3)	(1,171.0)
Net cash outflow from financing activities	(1,915.9)	(1,045.1)
Net decrease in cash and cash equivalents	(2,836.3)	(1,769.2)
Cash and cash equivalents at year-end	17,230.1	20,118.3

Operating Activities

The Group reported net cash inflow from operating activities of RMB1,101.9 million for 2014, compared to RMB446.9 million for 2013, mainly reflecting year-on-year increase in cash received from sales of goods and provision of services by RMB7,783.5 million, increase in other cash receipts relating to operating activities by RMB652.2 million, decrease in tax refund received by RMB853.5 million, increase in cash paid for the purchase of goods and services by RMB4,948.3 million, increase in cash payments to and on behalf of employees by RMB765.7 million, increase in payments of tax expenses by RMB806.3 million, increase in other cash payments relating to operating activities by RMB234.0 million, and increase in cash payments relating to dividend distribution or interest repayment by RMB173.0 million.

Investing Activities

The Group's net cash outflow from investing activities was RMB2,022.3 million for 2014 and RMB1,171.0 million for 2013, reflecting mainly cash received following the disposal of equity interests in Shenzhen ZNV Technology Co., Ltd. by the Group for the same period last year and the absence of such transaction for the current period.

Financing Activities

The Group's net cash outflow from financing activities for 2014 was RMB1,915.9 million, compared to RMB1,045.1 million for 2013, reflecting mainly the combined effect of the increase in cash paid for debt settlement by RMB17,248.6 million and the increase in cash received from borrowings by RMB16,142.5 million for the period.

Capital Expenditure

The following table sets out the Group's capital expenditure for the periods indicated. The following capital expenditure was funded by the Group's long-term bank loans, cash generated from operating activities and government grants.

Unit: RMB in millions

Capital Expenditure	2014	2013
Purchases of fixed assets and increase of construction in progress payments	1,007.1	904.1

The Group's capital expenditure for 2014 amounting to RMB1,007.1 million was mainly used for the construction work of Xi'an Research and Development Centre, Nanjing Research and Development Centre, staff quarters in Shenzhen and Nanjing, equipment installation projects and purchases of machinery and equipment, etc.

Indebtedness

Unit: RMB in millions

Item	31 December	
	2014	2013
Secured bank loans	606.6	890.3
Unsecured bank loans	20,474.2	19,838.3

Unit: RMB in millions

Item	31 December	
	2014	2013
Short-term bank loans	11,041.1	15,343.0
Long-term bank loans	10,039.7	5,385.6

Credit facilities available to the Group included long-term and short-term bank loans, which were mainly used as working capital. Of the Group's long-term loans, RMB loans were subject to fixed interest rates, while USD loans were subject to floating interest rates. The Group's borrowings were mainly denominated in USD, apart from certain RMB loans.

The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and financing settled in currencies other than RMB. The Group seeks to mitigate the impact of exchange rate volatility on its operations by managing its foreign exchange risks through business planning, consolidated hedging and financial instruments based on the principle of exposure management.

The Group's bank loans in 2014 increased by RMB352.2 million over previous year and were mainly applied to provide additional working capital.

Contractual Obligations

Unit: RMB in millions

Item	31 December 2014			
	Total	Less than 1 year	2-5 years	More than 5 years
Bank loans	21,080.8	11,041.1	10,039.7	—
Operating lease obligation	518.9	282.5	234.2	2.2

Contingent Liabilities

Unit: RMB in millions

Item	31 December	
	2014	2013
Guarantees given to banks in connection with borrowings to customers	63.7	46.3
Guarantees given to banks in respect of performance bonds	7,459.0	7,022.3
Total	7,522.7	7,068.6

Capital Commitments

The Group had the following capital commitments as of the dates indicated:

Unit: RMB in millions

Item	31 December	
	2014	2013
Land and buildings: Contracted, but not provided for	214.4	264.3
Investment in associates: Contracted, but not provided for	5.2	17.3
Land and buildings: Authorised, but not contracted	21,897.5	21,566.5

Details of the Subsidiaries, Joint Ventures and Associates of the Group

Details of the subsidiaries, joint ventures and associates of the Group as at 31 December 2014 are set out in Notes 20, 21 and 22 to the financial statements prepared in accordance with HKFRSs in the Annual Report.

Material Acquisitions and Disposals Related to Subsidiaries And Associates

No material acquisitions and disposals related to subsidiaries of the Group were conducted in 2014. Details of the progress of disposals related to subsidiaries of the Group in the previous years are set out in the section headed “Material Matters — (IV) Asset Transactions” in the Annual Report.

Prospects for New Business

Details of the prospects for new business of the Group are set out in the section headed “Chairman’s Statement — Future Prospects” in the Annual Report.

Employees

Details of the number of employees, training programmes, remuneration, remuneration policy, bonus and the share option scheme of the Group as at 31 December 2014 are set out in the sections headed “Directors, Supervisors, Senior Management and Employees,” “Corporate Governance Structure” and “Material Matters — (V) Implementation and Impact of the Company’s Share Option Incentive Scheme” in the Annual Report.

Charges On Assets

Details of the Group’s charges on assets as at 31 December 2014 are set out in Note 33 to the financial statements prepared under HKFRSs in the Annual Report.

Plans for Material Investments or Acquisition of Capital Assets

Details of the Group’s material investments and their performance and prospects as at 31 December 2014 are set out in the section headed “Material Matters — (IV) Asset Transactions” in the Annual Report.

Details of future plans for material investments or acquisition of capital assets are set out in the section headed “Report of the Board of Directors” in the Annual Report.

Market Risks

For details of the Group’s exposure to market risks, please refer to the section 6.5.2 in this annual report summary and results announcement.

6.4 Proposal for profit distribution and conversion from capital reserve of 2014

Audited net profit of the Company for the year 2014 calculated in accordance with PRC ASBEs amounted to RMB1,558,172,000. Together with undistributed profit of RMB128,756,000 carried forward at the beginning of the year and after deducting statutory surplus reserves of RMB155,817,000, profit available for distribution to shareholders amounted to RMB1,531,111,000.

Audited net profit of the Company for the year 2014 calculated in accordance with HKFRSs amounted to RMB1,616,476,000. Together with undistributed profit of RMB32,930,000 carried forward at the beginning of the year and after deducting statutory surplus reserves of RMB155,817,000, profit available for distribution to shareholders amounted to RMB1,493,589,000.

In accordance with the requirements of the Ministry of Finance of the People's Republic of China and the Articles of Association, profit available for distribution shall be the lower of profit available for distribution as calculated in accordance with PRC ASBEs and that calculated in accordance with HKFRSs. Therefore the amount of profit available for distribution is RMB1,493,589,000. The Board of Directors of the Company has recommended as follows:

Proposed profit distribution for 2014: Cash dividend of RMB2.0 for every 10 shares (before tax) based on the Company's total share capital of 3,437,541,278 shares as at 31 December 2014.

Proposed conversion from capital reserve for 2014: the creation of 2 shares for every 10 shares by way of conversion of capital reserve, representing a total increase of 687,508,255 shares based on the Company's total share capital of 3,437,541,278 shares as at 31 December 2014. Fractional entitlements shall be dealt with in accordance with relevant rules of the stock exchange and the clearing house of the place where the stocks of the Company are listed. As a result, the actual amount of share capital increased by conversion of capital reserve and the actual number of shares created in aggregate after implementation of the proposed conversion from capital reserve might be slightly different from the aforesaid estimates.

As for H shareholders, please refer to the circular, which will be delivered to H shareholders in due course, for withholding of income taxes on dividends paid to non-resident corporate shareholders and individual shareholders.

6.5 Business outlook for 2015 and risk exposures

6.5.1 Business outlook for 2015

Looking to 2015, the mobile inter-connection among all things will constitute the main theme underlying developments of the telecommunications industry. From traditional inter-personal communication, we have gradually progressed to communication between people and machines and communication between machines. Given the characteristic features of “omni-connection, omni-present cloud service and safe privacy,” the traditional telecommunications industry will face challenges as well as opportunities in its development. In connection with carriers' networks, large-scale deployment, capacity expansion, performance optimisation, and in-depth coverage of 4G networks will drive new demand for investments in the telecommunications industry, as the 4G era has started in most markets around the globe. Meanwhile, carriers will need to accelerate the construction of pipeline intelligentization and “creating value out of information” will become our new opportunities. In connection with government and corporate networks, there will be sophisticated integration between the telecommunications industries and traditional industries, as opportunities relating to government and corporate networks will abound in the information revolution triggered by emerging technologies such as Cloud Computing, Big Data and high-power wireless charge. In connection with handset terminals, the new generation of handset terminals will feature a higher level of smart functions, flexibility and integration. Next-generation voice control technologies and handset security will also constitute new strategic focuses.

To address the aforesaid challenges and opportunities in 2015, the Group will focus on the three mainstream markets of “carriers, government and corporate sectors and consumers” under the theme of “capitalising on opportunities arising from macro-restructuring to create value out of information”. Our business development will centre on “new sectors” such as smart voice, smart wireless charger, distributive on-grid power generation, big data platform and its applications, internet finance, and mobile payments, etc, seeking to achieve breakthroughs in profitability through innovations in technologies and business models.

6.5.2 Risk Exposures

(1) Country risk

Given the complex nature of international economic and political conditions, the Group will continue to be exposed to trade protection, debtors' risks, political risks or even warfare or the succession of political regimes in countries where the Group's projects are operated. As such, a very high level of operational and risk control capabilities is required. Currently, the Group conducts systematic management of country risks mainly through regular assessment, timely warning and proactive response.

(2) Risk associated with intellectual property rights

The Group has always attached great importance to product technology research and development as well as the management of intellectual property rights. We maintain our investment in technology research and development each year at approximately 10% of our sales revenue. Trademarks of the Group's products and services are all registered, and such products and services are all protected under relevant patent rights. While the Group has adopted stringent measures to protect its intellectual property rights, potential conflicts in intellectual property rights between the Group and other telecommunications equipment manufacturers, franchisee companies and carriers which partner with the Group cannot totally be ruled out. The Group will continue to drive the solution of related issues with an open-minded, cooperative and mutually beneficial approach.

(3) Exchange rate risk

The Group's consolidated financial statements are expressed in RMB. The exchange rate risk of the Group arises mainly from foreign exchange exposures associated with the sales, purchases and financing settled in currencies other than RMB. The Group seeks to mitigate the impact of exchange rate volatility on its operations by managing its foreign exchange risks through the use of measures such as the business planning, consolidated hedging and financial instruments based on the principle of exposure management.

(4) Interest rate risk

The interest rate risk of the Group is mainly associated with interest-bearing liabilities. Fluctuations in the interest rates of RMB or foreign currencies will result in changes in the total amount of interest payable by the Group and will therefore affect the Group's profitability. The Group seeks to lower its interest rate risk mainly by managing the structure of its interest-bearing liabilities.

(5) Credit risk

The Group provides one-stop communications solutions to its customers. With the swift expansion of its business, the Group is serving a large customer base with differing credit status, and its business will inevitably be affected by the varied credit profiles of these customers. The Group seeks to mitigate the aforesaid impact by adopting various credit management measures, such as international customer credit rating, customer credit limit management, credit risk assessment for projects, credit control against customers with faulty payment records, the purchase of credit insurance and the transfer of credit risks through appropriate financial instruments, etc.

7. COMPLIANCE OF THE CORPORATE GOVERNANCE CODE AND OTHER MATTERS

7.1 Compliance of the Corporate Governance Code

The Company had fully complied with all the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules during the period from 1 January to 31 December 2014.

7.2 Securities transactions by Directors and Supervisors

The Directors and Supervisors of the Company confirmed that the Company has adopted the Model Code. Upon due enquiry with all Directors and Supervisors of the Company, the Company is not aware of any information that reasonably indicates non-compliance with code provisions set out in the Model Code by Director or Supervisor during the year.

8. FINANCIAL REPORTS

8.1 The Audit Committee of the Company has reviewed, in association with the management, the accounting principles and standards adopted by the Group, and has investigated issues relating to auditing, internal control and financial reporting, including the review of the consolidated and company balance sheets at 31 December 2014 and the consolidated and company income statements, statements of changes in equity and cash flow statements for the year ended 31 December 2014 prepared by the Group in accordance with PRC ASBEs and the consolidated and company statements of financial position at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2014 prepared in accordance with HKFRSs.

8.2 Audit opinion

The consolidated and company balance sheets as at 31 December 2014, the consolidated and company income statements, statements of changes in equity and cash flow statements for the year ended 31 December 2014 prepared by the Group in accordance with PRC ASBEs have been audited by Ernst & Young Hua Ming LLP, who has issued a standard auditors' report with unqualified opinion (Ernst & Young Hua Ming (2015) SHENZI NO. 60438556_H01).

Ernst & Young issued an unqualified auditors' report following auditing in connection with the consolidated and company statements of financial position as at 31 December 2014, 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 ended 31 December 2014 prepared by the Group in accordance with HKFRSs.

8.3 Comparative financial statements

8.3.1 *Financial statements prepared in accordance with PRC ASBEs (Please see Appendix I)*

8.3.2 *Financial statements prepared in accordance with HKFRSs and notes thereto (Please see Appendix II)*

8.4 **Explanatory statement on changes in the accounting policies, accounting estimates, and auditing methods for the year in comparison with the last annual financial report.**

Applicable N/A

8.5 Explanatory statement on rectification of significant accounting errors for the year requiring retrospective restatement.

Applicable N/A

8.6 Explanation of changes to the scope of consolidated financial statement in comparison with the last annual financial report.

New subsidiaries established in 2014 included: tier-one subsidiaries 中興新能源汽車有限責任公司, 西安中興通訊終端科技有限公司, 中興健康科技有限公司, 深圳微品致遠信息科技有限公司 and 深圳市中興智谷科技有限公司; tier-two subsidiaries 河南中興網信科技有限公司, ZTE HK CORPORATION DOMINICAN REPUBLIC, SRL, 嘉興市興和創業投資管理有限公司, 淮安中興軟件技術有限公司, WEIXIANTONG INTERNATIONAL ANGOLA, LIMITADA, ZTE XIN (MACAO) LIMITED, 重慶中興網信科技有限公司, 江蘇中興豐創科技有限公司, ZTE CONGO S.A.R.L, ZTEICT International Co., Limited, 廣州中興軟創科技有限公司, ZTESOFT Deutschland GmbH, 北京中興軟創軟件有限公司 and 山西中興網信科技有限公司; tier-three subsidiaries 嘉興市興和股權投資合夥企業, 河南中興智慧產業發展有限公司 and ZTE Managed Services Southern Europe SL; and a tier-four subsidiary ZTE SERVICE ROMANIA SRL.

Anhui Wantong Posts and Telecommunication Company Limited, a subsidiary of the Company, has disposed of its 100% equity interests in Yalong. The date of equity interest disposal was 10 April 2014 and Yalong was deconsolidated from the Group as from April 2014.

8.7 Explanatory statement from the Board of Directors and the Supervisory Committee of the Company on the accountant's "qualified opinion" for the year.

Applicable N/A

By Order of the Board
Hou Weigui
Chairman

Shenzhen, the PRC
25 March 2015

As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyong; six non-executive directors, Hou Weigui, Zhang Jianheng, Xie Weiliang, Wang Zhanchen, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Richard Xike Zhang.

**APPENDIX 1: FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC
ASBES**

CONSOLIDATED BALANCE SHEET

(Prepared in accordance with PRC ASBES)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

Assets	2014	2013 (Restated)
Current assets		
Cash	18,115,874	20,903,035
Financial assets dealt with at fair value through current profit and loss	240,973	217,454
Bills receivable	2,086,771	3,500,671
Trade receivables	25,152,963	21,393,257
Factored trade receivables	3,160,705	3,338,801
Other receivables	2,159,677	1,729,163
Prepayments	682,778	751,405
Inventories	19,592,298	12,434,352
Amount due from customers for contract works	11,033,468	12,137,144
Total current assets	82,225,507	76,405,282
Non-current assets		
Available-for-sale financial assets	1,739,664	1,630,271
Long-term trade receivables	266,501	366,762
Factored long-term trade receivables	1,701,978	2,311,525
Long-term equity investments	461,316	478,037
Investment properties	2,004,465	1,855,246
Fixed assets	7,348,292	7,449,476
Construction in progress	262,863	177,423
Intangible assets	1,364,695	1,236,755
Deferred development costs	3,483,505	2,932,148
Deferred tax assets	1,284,493	1,353,033
Long-term deferred assets	53,287	70,942
Other non-current assets	4,017,630	3,812,597
Total non-current assets	23,988,689	23,674,215
TOTAL ASSETS	106,214,196	100,079,497

CONSOLIDATED BALANCE SHEET (CONTINUED)

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

Liabilities and shareholder's equity	2014	2013 (Restated)
Current liabilities		
Short-term loans	10,998,077	12,589,032
Bank advances on factored trade receivables	3,175,432	3,377,374
Financial liabilities dealt with at fair value through current profit and loss	70,604	67,779
Bills payable	10,381,688	8,498,021
Trade payables	19,244,400	16,492,534
Amount due to customers for contract works	3,825,106	3,682,564
Advances from customers	3,305,520	2,776,366
Salary and welfare payables	2,806,947	2,462,006
Taxes payable	(2,790,280)	(1,251,859)
Dividends payable	8,113	34,963
Other payables	7,531,970	8,478,144
Deferred income	451,507	408,845
Provisions	741,391	601,111
Long-term loans due within one year	6,174,257	2,753,925
Total current liabilities	65,924,732	60,970,805
Non-current liabilities		
Long-term loans	10,039,687	5,385,673
Bank advances on factored long-term trade receivables	1,701,978	2,311,525
Bonds payable	—	6,119,590
Provision for retirement benefits	115,450	95,806
Deferred tax liabilities	159,340	139,900
Deferred income	631,149	—
Other non-current liabilities	1,349,356	1,430,509
Total non-current liabilities	13,996,960	15,483,003
Total liabilities	79,921,692	76,453,808

CONSOLIDATED BALANCE SHEET (CONTINUED)

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

Liabilities and Shareholder's equity	2014	2013 (Restated)
Shareholders' equity		
Share capital	3,437,541	3,437,541
Capital reserves	8,724,754	8,545,701
Other comprehensive income	(464,275)	(100,703)
Surplus reserve	1,769,012	1,613,195
Retained profits	10,724,034	8,933,788
Proposed final dividends	687,508	103,126
	<hr/>	<hr/>
Total equity attributable to equity holders of the parent	24,878,574	22,532,648
Non-controlling interests	1,413,930	1,093,041
	<hr/>	<hr/>
Total shareholders' equity	26,292,504	23,625,689
	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	106,214,196	100,079,497
	<hr/>	<hr/>

Legal representative:
Hou Weigui

Chief Financial Officer:
Wei Zaisheng

Head of Finance Division:
Shi Chunmao

CONSOLIDATED INCOME STATEMENT

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013 (Restated)
Operating revenue	81,471,275	75,233,724
Less: Operating costs	55,760,104	53,125,904
Taxes and surcharges	1,331,243	1,079,532
Selling and distribution costs	10,259,165	10,003,850
Administrative expenses	2,031,445	2,202,267
Research and development costs	9,008,537	7,383,892
Finance expenses	2,100,977	2,460,303
Impairment losses	1,202,232	1,589,486
Add: Gains from changes in fair values	148,282	204,010
Investment income	134,474	914,406
Including: Share of profits and losses of associates and joint ventures	(53,043)	34,466
Operating profit/(loss)	60,328	(1,493,094)
Less: Non-operating income	3,787,643	3,465,428
Less: Non-operating expenses	309,749	144,491
Including: Loss on disposal of non-current assets	35,661	18,066
Total profit	3,538,222	1,827,843
Less: Income tax	810,492	394,207
Net profit	2,727,730	1,433,636
Attributable to:		
Owners of the parent	2,633,571	1,357,657
Non-controlling interests	94,159	75,979

CONSOLIDATED INCOME STATEMENT (CONTINUED)

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013 (Restated)
Other comprehensive income, net of tax	<u>(333,604)</u>	<u>(279,262)</u>
Other comprehensive income attributable to owners of the parent, net of tax	(363,572)	(301,911)
Other comprehensive income that cannot be reclassified to profit and loss in subsequent accounting periods		
Change in net liabilities arising from the re-measurement of defined benefit plans	(16,599)	7,040
Share of investee results in other comprehensive income under equity method which will not be reclassified to profit and loss in subsequent periods upon fulfillment of certain conditions	<u>3,090</u>	<u>—</u>
	(13,509)	7,040
Other comprehensive income will be reclassified to profit and loss in subsequent accounting periods		
Changes in the fair value of available-for-sale financial assets	(40,800)	149,231
Effective portion of cash flow hedging instruments	3,965	5,784
Exchange differences on translation of foreign operations	<u>(313,228)</u>	<u>(463,966)</u>
	(350,063)	(308,951)
Other comprehensive income attributable to non-controlling interests, net of tax	<u>29,968</u>	<u>22,649</u>
Total comprehensive income	<u>2,394,126</u>	<u>1,154,374</u>
Attributable to:		
Owners of the parent	<u>2,269,999</u>	<u>1,055,746</u>
Non-controlling interests	<u>124,127</u>	<u>98,628</u>
Earnings per share (RMB/share)		
Basic	<u>RMB0.77</u>	<u>RMB0.39</u>
Diluted	<u>RMB0.77</u>	<u>RMB0.39</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

		2014								
		Equity attributable to equity holders of the parent							Total	
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit	Proposed final dividends	Sub-total	Minority interests	shareholders' equity
I.	Current year's opening balance	3,437,541	8,545,701	(100,703)	1,613,195	8,933,788	103,126	22,532,648	1,093,041	23,625,689
II.	Changes during the year									
(I)	Total comprehensive income	—	—	(363,572)	—	2,633,571	—	2,269,999	124,127	2,394,126
(II)	Shareholder's capital injection and capital reduction									
1.	Capital injection from shareholders	—	—	—	—	—	—	—	253,500	253,500
2.	Equity settled share expenses charged to equity	—	178,241	—	—	—	—	178,241	—	178,241
3.	Capital reduction by shareholders	—	—	—	—	—	—	—	(48,990)	(48,990)
4.	Disposal of fractional shares	—	812	—	—	—	—	812	—	812
(III)	Profit appropriation									
1.	Appropriation to surplus reserves	—	—	—	155,817	(155,817)	—	—	—	—
2.	Distribution to shareholders	—	—	—	—	—	(103,126)	(103,126)	(7,748)	(110,874)
3.	Proposed final dividends	—	—	—	—	(687,508)	687,508	—	—	—
III.	Current year's closing balance	<u>3,437,541</u>	<u>8,724,754</u>	<u>(464,275)</u>	<u>1,769,012</u>	<u>10,724,034</u>	<u>687,508</u>	<u>24,878,574</u>	<u>1,413,930</u>	<u>26,292,504</u>

		2013 (Restated)								
		Equity attributable to equity holders of the parent							Total	
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit	Proposed final dividends	Sub-total	Minority interests	shareholders' equity
I.	Current year's opening balance	3,440,078	8,522,845	201,208	1,587,430	7,705,022	—	21,456,583	1,136,256	22,592,839
II.	Changes during the year									
(I)	Total comprehensive income	—	—	(301,911)	—	1,357,657	—	1,055,746	98,628	1,154,374
(II)	Shareholder's capital injection and capital reduction									
1.	Capital injection from shareholders	—	—	—	—	—	—	—	18,895	18,895
2.	Equity settled share expenses charged to equity	(2,537)	22,856	—	—	—	—	20,319	—	20,319
3.	Disposal of subsidiaries	—	—	—	—	—	—	—	(110,224)	(110,224)
4.	Capital reduction by shareholders	—	—	—	—	—	—	—	(48,990)	(48,990)
(III)	Profit appropriation									
1.	Appropriation to surplus reserves	—	—	—	25,765	(25,765)	—	—	—	—
2.	Distribution to shareholders	—	—	—	—	—	—	—	(1,524)	(1,524)
3.	Proposed final dividends	—	—	—	—	(103,126)	103,126	—	—	—
III.	Current year's closing balance	<u>3,437,541</u>	<u>8,545,701</u>	<u>(100,703)</u>	<u>1,613,195</u>	<u>8,933,788</u>	<u>103,126</u>	<u>22,532,648</u>	<u>1,093,041</u>	<u>23,625,689</u>

CONSOLIDATED CASH FLOW STATEMENT

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	88,611,704	81,718,914
Refunds of taxes	6,231,137	7,084,639
Cash received relating to other operating activities	2,421,604	1,768,549
Sub-total of cash inflows	<u>97,264,445</u>	<u>90,572,102</u>
Cash paid for goods and services	67,684,267	62,736,010
Cash paid to and on behalf of employees	12,372,398	11,606,711
Cash paid for all types of taxes	6,608,317	5,801,983
Cash paid relating to other operating activities	8,086,828	7,852,820
Sub-total of cash outflows	<u>94,751,810</u>	<u>87,997,524</u>
Net cash flows from operating activities	<u>2,512,635</u>	<u>2,574,578</u>
II. Cash flows from investing activities		
Cash received from sale of investments	1,314,820	987,347
Cash received from return on investment	155,642	183,098
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	72,015	5,955
Net cash received from the disposal of subsidiaries	289,890	1,318,667
Sub-total of cash inflows	<u>1,832,367</u>	<u>2,495,067</u>
Cash paid to acquisition of fixed asset, intangible assets and other long-term assets	2,067,604	2,336,926
Cash paid for acquisition of investments	1,387,493	1,820,312
Sub-total of cash outflows	<u>3,455,097</u>	<u>4,157,238</u>
Net cash flows from investing activities	<u>(1,622,730)</u>	<u>(1,662,171)</u>

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013
III. Cash flows from financing activities		
Cash received from capital injection	253,500	18,895
Including: Capital injection into subsidiaries by non-controlling interests	253,500	18,895
Cash received from borrowings	<u>39,500,323</u>	<u>23,357,872</u>
Sub-total of cash inflows	<u>39,753,823</u>	<u>23,376,767</u>
Cash repayment of borrowings	41,621,563	24,372,924
Cash payments for distribution of dividends, profits and for interest expenses	1,858,509	1,685,508
Including: Distribution of dividends, profits by subsidiaries to non-controlling interests	<u>34,598</u>	<u>157,567</u>
Sub-total of cash outflows	<u>43,480,072</u>	<u>26,058,432</u>
Net cash flows from financing activities	<u>(3,726,249)</u>	<u>(2,681,665)</u>
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>(51,790)</u>	<u>(772,103)</u>
V. Net increase in cash and cash equivalents	<u>(2,888,134)</u>	<u>(2,541,361)</u>
Add: cash and cash equivalents at beginning of year	<u>20,118,274</u>	<u>22,659,635</u>
VI. Net balance of cash and cash equivalents at the end of year	<u><u>17,230,140</u></u>	<u><u>20,118,274</u></u>

BALANCE SHEET

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

Assets	2014	2013 (Restated)
Current assets		
Cash	10,025,991	12,163,330
Financial assets dealt with at fair value through current profit and loss	53,390	69,300
Bills receivable	1,873,999	2,851,182
Trade receivables	36,620,720	34,030,487
Factored trade receivables	1,259,713	2,084,134
Prepayments	66,692	29,328
Dividend receivable	2,487,128	1,970,264
Other receivables	6,338,933	10,454,633
Inventories	12,353,923	7,056,518
Amount due from customers for contract works	7,799,190	7,029,635
Total current assets	78,879,679	77,738,811
Non-current assets		
Available-for-sale financial assets	373,555	373,555
Long-term trade receivables	5,480,245	4,517,856
Factored long-term trade receivables	1,287,954	1,968,052
Long-term equity investments	6,884,411	6,430,526
Investment properties	1,597,919	1,496,338
Fixed assets	4,458,748	4,751,559
Construction in progress	11,909	14,393
Intangible assets	515,110	451,947
Deferred development costs	846,625	665,650
Deferred tax assets	674,629	762,009
Long-term deferred assets	44,518	50,778
Other non-current assets	3,879,675	3,596,641
Total non-current assets	26,055,298	25,079,304
TOTAL ASSETS	104,934,977	102,818,115

BALANCE SHEET (CONTINUED)

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

Liabilities and shareholders' equity	2014	2013 (Restated)
Current liabilities		
Short-term loans	8,418,581	8,375,865
Financial liabilities dealt with at fair value through current profit and loss	17,587	12,575
Bank advances on factored trade receivables	1,274,440	2,122,707
Bills payable	12,389,807	10,250,993
Trade payables	31,214,686	34,200,975
Amount due to customers for contract works	2,654,158	2,496,029
Advances from customers	3,411,519	2,896,512
Salary and welfare payables	771,370	688,982
Taxes payable	(2,377,915)	(1,286,296)
Dividends payable	156	152
Other payables	19,020,951	17,178,123
Deferred income	191,584	80,401
Provisions	388,995	349,291
Long-term loans due within one year	6,131,185	—
Total current liabilities	83,507,104	77,366,309
Non-current liabilities		
Long-term loans	2,980,100	1,780,000
Bank advances on factored long-term trade receivables	1,287,954	1,968,052
Bonds payable	—	6,119,590
Provision for retirement benefits	115,450	95,806
Deferred tax liabilities	158,350	138,400
Other non-current liabilities	1,348,475	1,430,509
Total non-current liabilities	5,890,329	11,532,357
Total liabilities	89,397,433	88,898,666
Shareholders' equity		
Share capital	3,437,541	3,437,541
Capital reserves	8,740,683	8,561,630
Other comprehensive income	720,953	736,957
Surplus reserve	1,107,256	951,439
Retained profits	843,603	128,756
Proposed final dividends	687,508	103,126
Total shareholders' equity	15,537,544	13,919,449
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	104,934,977	102,818,115

INCOME STATEMENT

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013
Operating revenue	76,598,340	68,951,943
Less: Operating costs	64,426,341	58,380,388
Taxes and surcharges	733,974	628,622
Selling and distribution costs	6,522,405	6,012,345
Administrative expenses	1,224,755	1,323,247
Research and development costs	2,606,804	2,173,020
Finance expenses	1,404,784	2,061,598
Impairment losses	851,874	1,149,141
Add: Gains from changes in fair values	75,934	136,906
Investment income	2,017,647	1,910,787
Including: Share of profits and losses of associates and jointly-controlled entities	(58,304)	35,898
Operating profit/loss	920,984	(728,725)
Add: Non-operating income	848,779	898,979
Less: Non-operating expenses	137,504	50,200
Including: Loss on disposal of non-current assets	21,221	13,568
Total profit	1,632,259	120,054
Less: Income tax	74,087	(255,869)
Net profit	1,558,172	375,923
Other comprehensive income, net of tax		
Other comprehensive income that cannot be reclassified to profit and loss in subsequent accounting periods		
Change in net liabilities arising from the re-measurement of defined benefit plans	(16,599)	7,040
Other comprehensive income will be reclassified to profit and loss in subsequent accounting periods		
Exchange differences on translation of foreign operations	595	(943)
Other comprehensive income, net of income tax effect on respective items	(16,004)	6,097
Total comprehensive income	1,542,168	382,020

STATEMENT OF CHANGES IN EQUITY

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit/ (losses not made up for)	Proposed final dividends	Total shareholders' equity
I. Current year's opening balance	3,437,541	8,561,630	736,957	951,439	128,756	103,126	13,919,449
II. Changes during the year							
(I) Total comprehensive income	—	—	(16,004)	—	1,558,172	—	1,542,168
(II) Shareholder's capital injection and capital reduction							
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Equity settled share expenses charged to equity	—	178,241	—	—	—	—	178,241
3. Disposal of fractional shares	—	812	—	—	—	—	812
(III) Profit appropriation							
1. Appropriation to surplus reserves	—	—	—	155,817	(155,817)	—	—
2. Distribution to shareholders	—	—	—	—	—	(103,126)	(103,126)
3. Proposed final dividends	—	—	—	—	(687,508)	687,508	—
III. Current year's closing balance	<u>3,437,541</u>	<u>8,740,683</u>	<u>720,953</u>	<u>1,107,256</u>	<u>843,603</u>	<u>687,508</u>	<u>15,537,544</u>

	2013 (Restated)						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profit/ (losses not made up for)	Proposed final dividends	Total shareholders' equity
I. Current year's opening balance	3,440,078	8,538,774	730,860	925,674	(118,276)	—	13,517,110
II. Changes during the year							
(I) Total comprehensive income	—	—	6,097	—	375,923	—	382,020
(II) Shareholder's capital injection and capital reduction							
1. Capital injection from shareholders	—	—	—	—	—	—	—
2. Equity settled share expenses charged to equity	(2,537)	22,856	—	—	—	—	20,319
(III) Profit appropriation							
1. Appropriation to surplus reserves	—	—	—	25,765	(25,765)	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—
3. Proposed final dividends	—	—	—	—	(103,126)	103,126	—
III. Current year's closing balance	<u>3,437,541</u>	<u>8,561,630</u>	<u>736,957</u>	<u>951,439</u>	<u>128,756</u>	<u>103,126</u>	<u>13,919,449</u>

CASH FLOW STATEMENT

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013
I. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	68,927,313	66,576,915
Refunds of taxes	3,561,374	4,662,932
Cash received relating to other operating activities	2,097,732	1,333,177
Sub-total of cash inflows	<u>74,586,419</u>	<u>72,573,024</u>
Cash paid for goods and services	61,745,917	63,215,952
Cash paid to and on behalf of employees	4,332,398	4,035,264
Cash paid for all types of taxes	761,629	712,708
Cash paid relating to other operating activities	5,764,856	4,622,116
Sub-total of cash outflows	<u>72,604,800</u>	<u>72,586,040</u>
Net cash flows from operating activities	<u>1,981,619</u>	<u>(13,016)</u>
II. Cash flows from investing activities		
Cash received from sale of investments	21,300	21,300
Cash received from return on investments	145,189	49,700
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	62,395	4,606
Net cash received from the disposal of subsidiaries	291,233	1,375,693
Sub-total of cash inflows	<u>520,117</u>	<u>1,451,299</u>
Cash paid to acquisition of fixed asset, intangible assets and other long-term assets	611,424	937,565
Cash paid for acquisition of investments	541,684	264,674
Sub-total of cash outflows	<u>1,153,108</u>	<u>1,202,239</u>
Net cash flows from investing activities	<u>(632,991)</u>	<u>249,060</u>

CASH FLOW STATEMENT (CONTINUED)

(Prepared in accordance with PRC ASBEs)

(All amounts in RMB'000 unless otherwise stated) (English translation for reference only)

	2014	2013
III. Cash flows from financing activities		
Cash received from borrowings	<u>12,461,575</u>	<u>15,074,922</u>
Sub-total of cash inflows	<u>12,461,575</u>	<u>15,074,922</u>
Cash repayment of borrowings	14,409,081	17,088,287
Cash payments for distribution of dividends, profits and for interest expenses	<u>1,322,215</u>	<u>1,413,923</u>
Sub-total of cash outflows	<u>15,731,296</u>	<u>18,502,210</u>
Net cash flows from financing activities	<u>(3,269,721)</u>	<u>(3,427,288)</u>
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	<u>(119,476)</u>	<u>(328,755)</u>
V. Net increase in cash and cash equivalents	<u>(2,040,569)</u>	<u>(3,519,999)</u>
Add: cash and cash equivalents at beginning of year	<u>11,756,438</u>	<u>15,276,437</u>
VI. Net balance of cash and cash equivalents at the end of year	<u><u>9,715,869</u></u>	<u><u>11,756,438</u></u>

**APPENDIX 2: FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH HKFRSS
AND NOTES THERETO**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

(Prepared under Hong Kong Financial Reporting Standards)

Year ended 31 December 2014

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	81,471,275	75,233,724
Cost of sales	<u>(57,759,027)</u>	<u>(54,775,081)</u>
Gross profit	23,712,248	20,458,643
Other income and gains	4,561,228	4,905,336
Research and development costs	(9,008,537)	(7,383,892)
Selling and distribution expenses	(10,391,579)	(10,158,537)
Administrative expenses	(2,138,123)	(2,258,739)
Other expenses	(1,582,298)	(2,118,997)
Finance costs	(1,561,674)	(1,650,437)
Share of profits and losses of:		
Joint ventures	716	1,446
Associates	<u>(53,759)</u>	<u>33,020</u>
PROFIT BEFORE TAX	3,538,222	1,827,843
Income tax expense	<u>(810,492)</u>	<u>(394,207)</u>
PROFIT FOR THE YEAR	<u>2,727,730</u>	<u>1,433,636</u>
Attributable to:		
Owners of the parent	2,633,571	1,357,657
Non-controlling interests	<u>94,159</u>	<u>75,979</u>
	<u>2,727,730</u>	<u>1,433,636</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(Prepared under Hong Kong Financial Reporting Standards)
Year ended 31 December 2014

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges — effective portion of changes in fair value of hedging instruments arising during the year	3,965	5,784
Changes in fair value of available-for-sale investments	(28,570)	169,639
Exchange differences on translation of foreign operations	(295,834)	(461,725)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(320,439)	(286,302)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Share of investee results in other comprehensive income under equity method which will not be reclassified to profit and loss in subsequent periods upon fulfillment of certain conditions	3,434	—
Actuarial gains (loss) on defined benefit plans	(16,599)	7,040
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	(13,165)	7,040
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(333,604)	(279,262)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,394,126	1,154,374
Attributable to:		
Owners of the parent	2,269,999	1,055,746
Non-controlling interests	124,127	98,628
	2,394,126	1,154,374
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic	RMB0.77	RMB0.39
Diluted	RMB0.77	RMB0.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared under Hong Kong Financial Reporting Standards)

31 December 2014

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	7,664,442	7,697,841
Prepaid land lease payments	1,082,208	1,064,021
Intangible assets	3,741,514	3,081,233
Investment properties	2,004,465	1,855,246
Investments in joint ventures	67,607	66,891
Investments in associates	393,709	411,146
Available-for-sale investments	1,739,664	1,630,271
Long-term trade receivables	266,501	366,762
Factored long-term trade receivables	1,701,978	2,311,525
Deferred tax assets	1,284,493	1,353,033
Pledged deposits	3,744,472	3,396,897
Long-term prepayments, deposits and other receivables	273,158	415,700
	<hr/>	<hr/>
Total non-current assets	23,964,211	23,650,566
CURRENT ASSETS		
Prepaid land lease payments	24,478	23,649
Inventories	19,592,298	12,434,352
Amount due from customers for contract works	11,033,468	12,137,144
Trade and bills receivables	27,239,734	24,893,928
Factored trade receivables	3,160,705	3,338,801
Prepayments, deposits and other receivables	6,882,868	4,874,021
Derivative financial instruments	240,973	217,454
Pledged deposits	718,306	708,641
Time deposits with original maturity of over three months	167,428	76,120
Cash and cash equivalents	17,230,140	20,118,274
	<hr/>	<hr/>
Total current assets	86,290,398	78,822,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Prepared under Hong Kong Financial Reporting Standards)

31 December 2014

	31 December 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES		
Trade and bills payables	29,626,088	24,990,555
Amount due to customers for contract works	3,825,106	3,682,564
Other payables and accruals	15,598,327	15,311,007
Derivative financial instruments	70,604	67,779
Interest-bearing bank borrowings	11,041,149	15,342,957
Bank advances on factored trade receivables	3,175,432	3,377,374
Tax payable	489,141	557,059
Dividends payable	8,113	34,963
Bonds payable	6,131,185	—
	<hr/>	<hr/>
Total current liabilities	69,965,145	63,364,258
	<hr/>	<hr/>
NET CURRENT ASSETS	16,325,253	15,458,126
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Prepared under Hong Kong Financial Reporting Standards)

31 December 2014

	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	40,289,464	39,108,692
NON-CURRENT LIABILITIES		
Derivative financial instruments	881	4,286
Bonds payable	—	6,119,590
Interest-bearing bank borrowings	10,039,687	5,385,673
Bank advances on factored long-term trade receivables	1,701,978	2,311,525
Financial guarantee contract	3,689	3,689
Deferred tax liabilities	159,340	139,900
Provision for retirement benefits	115,450	95,806
Other non-current liabilities	1,975,935	1,422,534
Total non-current liabilities	13,996,960	15,483,003
Net assets	26,292,504	23,625,689
EQUITY		
Equity attributable to owners of the parent		
Issued capital	3,437,541	3,437,541
Reserves	20,753,525	18,991,981
Proposed final dividend	687,508	103,126
	24,878,574	22,532,648
Non-controlling interests	1,413,930	1,093,041
Total equity	26,292,504	23,625,689

Hou Weigui
Director

Shi Lirong
Director

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, (“HKICPA”), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, investment properties and certain equity investments, which have been measured at fair value. These 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 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. 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 HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies
Amendment to HKFRS 2 included in Annual Improvements 2010–2012 Cycle	Definition of Vesting Condition ¹
Amendment to HKFRS 3 included in Annual Improvements 2010–2012 Cycle	Accounting for Contingent Consideration in a Business Combination ¹
Amendment to HKFRS 13 included in Annual Improvements 2010–2012 Cycle	Short-term Receivables and Payables
Amendment to HKFRS 1 included in Annual Improvements 2011–2013 Cycle	Meaning of Effective HKFRSs

¹ Effective from 1 July 2014

Other than explained below regarding the impact of HKFRS 10, HKAS 32, HKAS 39, , HK(IFRIC) — Int 21, HKFRS 2, HKFRS 3, and HKFRS 13, the adoption of the above standards and interpretation has had no significant financial effect on these financial statements.

- (a) Amendments to HKFRS 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 HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 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 HKFRS 10.
- (b) The HKAS 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 HKAS 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.

- (c) The HKAS 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) HK(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 HKAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC) — Int 21.
- (e) The HKFRS 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 HKFRS 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 HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.
- (g) The HKFRS 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 HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 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 HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 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.

The amendments to HKFRS 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 HKFRS 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 HKFRS 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.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 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 HKFRS 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 HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 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 HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 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:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) The networks (communication system) segment includes wireless communications, wireline switch and access and optical and data communications.
- (b) The handset terminals segment engages in the manufacture and sale of mobile phone handsets and data card products.
- (c) The telecommunications software systems, services and other products segment represent the provision of telecommunications software systems such as operation support systems and the provision of fee-based services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, research and development costs, impairment losses, dividend income, share of profits and losses of associates and joint-controlled entities, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from the measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, pledged deposits, cash and cash equivalents, investments in joint ventures and associates, other receivables, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, other payables, bonds payable, tax payable, deferred tax liabilities, provision for retirement benefits and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2014	Networks <i>RMB'000</i>	Handset terminals <i>RMB'000</i>	Telecommuni- cations software systems, services and other products	Total <i>RMB'000</i>
			<i>RMB'000</i>	
Segment revenue:				
Telecommunications system contracts	46,768,231	—	11,553,352	58,321,583
Sale of goods and services	—	23,117,090	32,602	23,149,692
	<u>46,768,231</u>	<u>23,117,090</u>	<u>11,585,954</u>	<u>81,471,275</u>
Segment results	11,366,945	278,804	2,475,014	14,120,763
Bank and other interest income				433,604
Dividend income and unallocated gains				4,127,624
Corporate and other unallocated expenses				(13,529,052)
Finance costs				(1,561,674)
Share of profits and losses of associates and joint ventures				(53,043)
Profit before tax				<u>3,538,222</u>
Segment assets	36,161,825	17,874,444	8,958,415	62,994,684
Investments in joint ventures				67,607
Investment in associates				393,709
Corporate and other unallocated assets				<u>46,798,609</u>
Total assets				<u>110,254,609</u>
Segment liabilities	8,866,579	938,004	2,203,453	12,008,036
Corporate and other unallocated liabilities				<u>71,954,069</u>
Total liabilities				<u>83,962,105</u>
Other segment information:				
Impairment losses recognised in the statement of profit or loss	690,136	341,128	170,968	1,202,232
Depreciation and amortisation	1,048,090	518,061	259,645	1,825,796
Capital expenditure*	<u>1,570,928</u>	<u>776,495</u>	<u>389,167</u>	<u>2,736,590</u>

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

Year ended 31 December 2013	Networks <i>RMB'000</i>	Handset terminals <i>RMB'000</i>	Telecommuni- cations software systems, services and other products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Telecommunications system contracts	40,695,724	—	12,473,948	53,169,672
Sale of goods and services	—	21,702,058	361,994	22,064,052
	<u>40,695,724</u>	<u>21,702,058</u>	<u>12,835,942</u>	<u>75,233,724</u>
Segment results	9,208,655	17,946	1,797,837	11,024,438
Bank and other interest income				355,958
Dividend income and unallocated gains				4,549,378
Corporate and other unallocated expenses				(12,485,960)
Finance costs				(1,650,437)
Share of profits and losses of associates and joint ventures				34,466
Profit before tax				<u>1,827,843</u>
Segment assets	33,992,931	10,767,784	10,721,797	55,482,512
Investments in joint ventures				66,891
Investment in associates				411,146
Corporate and other unallocated assets				46,512,401
Total assets				<u>102,472,950</u>
Segment liabilities	8,626,156	800,876	2,720,797	12,147,829
Corporate and other unallocated liabilities				66,699,432
Total liabilities				<u>78,847,261</u>
Other segment information:				
Impairment losses recognised in the statement of profit or loss	859,791	458,506	271,189	1,589,486
Depreciation and amortisation	944,029	503,428	297,759	1,745,216
Capital expenditure	<u>1,453,649</u>	<u>775,196</u>	<u>458,500</u>	<u>2,687,345</u>

Geographical information

(a) Revenue from external customers

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
The PRC (place of domicile)	40,583,527	35,635,964
Asia (excluding the PRC)	12,131,576	13,849,495
Africa	6,174,187	5,866,115
Europe, Americas and Oceania	22,581,985	19,882,150
	<u>81,471,275</u>	<u>75,233,724</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
The PRC (place of domicile)	11,812,310	11,497,243
Asia (excluding the PRC)	1,198,456	990,114
Africa	375,623	328,789
Europe, Americas and Oceania	1,130,718	882,195
	<u>14,517,107</u>	<u>13,698,341</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets, investments in joint ventures and investments in associates.

5. REVENUE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue		
Telecommunications system contracts	58,321,583	53,169,672
Sale of goods	23,117,090	21,702,058
Rendering of services	32,602	361,994
	<u>81,471,275</u>	<u>75,233,724</u>

6. PROFIT BEFORE TAX

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cost of goods and services	48,363,247	39,205,492
Depreciation	975,691	967,593
Amortisation of land lease payments	23,050	21,138
Amortisation of intangible assets other than deferred development costs	86,262	210,671
Research and development costs:		
Deferred development costs amortised	740,793	545,814
Current year expenditure	9,559,894	7,869,106
Less: Deferred development costs	<u>(1,292,150)</u>	<u>(1,031,028)</u>
	<u>9,008,537</u>	<u>7,383,892</u>
Fair value (gains)/losses, net*:		
Derivative instruments	(17,976)	(174,829)
Equity investments held for trading	—	9,523
Investment properties	(130,306)	(38,704)
Impairment of trade receivables*	675,522	1,109,782
Provision for warranties	718,075	808,942
Write-down of inventories to net realisable value**	523,950	479,704
Impairment of items of property, plant and equipment	2,760	—
Minimum lease payments under operating leases on land and buildings	705,114	586,059
Contingent rental income in respect of operating leases	(79,403)	(114,309)
Auditors' remuneration	6,674	6,962
Staff costs (including directors', chief executives' and supervisors' remuneration in note 8):		
Wages, salaries, bonuses, allowances and welfare	11,550,588	9,652,692
Equity-settled share option expense	178,241	29,707
Retirement benefit scheme contributions:		
Defined benefit pension scheme	4,466	4,178
Defined contribution pension schemes	927,972	881,361
	<u>12,661,267</u>	<u>10,567,938</u>
Foreign exchange loss*	590,085	864,721
Loss on disposal of items of property, plant and equipment*	35,661	18,066
Gain on disposal of equity investment at fair value through profit or loss	—	(20,904)
Loss/(gain) on disposal of subsidiaries	4,933	(866,677)
Gain on deemed disposal of interest in an associate	(752)	—
(Gain)/loss on disposal of derivative financial instruments	(146,039)	30,548
Gain on disposal of available-for-sale investments	<u>(13,483)</u>	<u>(667)</u>

* The fair value losses, impairment of trade receivables, foreign exchange loss, loss on disposal of items of property, plant and equipment and loss on disposal of subsidiaries are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

** Write-down of inventories to net realisable value are included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans wholly repayable within five years	769,871	767,697
Interest on bank loans wholly repayable over five years	2,849	—
Interest on bonds cum warrants	—	13,866
Interest on bonds payable	263,595	263,597
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	1,036,315	1,045,160
Other finance costs:		
Finance costs on trade receivables factored and bills discounted	525,359	605,277
	<hr/>	<hr/>
	<u>1,561,674</u>	<u>1,650,437</u>

8. INCOME TAX

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current — Hong Kong	105,473	50,586
Current — Mainland China	461,709	402,177
Current — Overseas	155,330	75,872
Deferred	87,980	(134,428)
	<hr/>	<hr/>
Total tax charge for the year	<u>810,492</u>	<u>394,207</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Under the new enterprise income tax law of the PRC effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%.

As a hi-tech enterprise in Shenzhen, the Company has obtained the certificate as a national-grade hi-tech enterprise, with which the Company enjoyed an enterprise income tax rate of 15% for the years from 2014 to 2016.

9. DIVIDEND

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Proposed final — RMB0.2 (2013: 0.03) per ordinary share	<u>687,508</u>	<u>103,126</u>

The profit distribution proposal is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The basic earnings per share amount is computed by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 3,437,541,000 (2013: 3,437,541,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Earnings		
Profit for the year attributable to ordinary equity holders of the parent	<u>2,633,571</u>	<u>1,357,657</u>
	Number of shares	
	2014	2013
	<i>'000</i>	<i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation	3,437,541	3,437,541
Share options	<u>2,543</u>	<u>1,767</u>
Adjusted weighted average number of ordinary shares in issue	<u>3,440,084</u>	<u>3,439,308</u>

11. TRADE AND BILLS RECEIVABLES/LONG-TERM TRADE RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	31,902,826	29,094,859	41,929,625	40,070,718
Impairment	(4,396,591)	(3,834,169)	(3,189,235)	(2,822,430)
	27,506,235	25,260,690	38,740,390	37,248,288
Current portion	(27,239,734)	(24,893,928)	(38,494,719)	(36,881,669)
Long-term portion	266,501	366,762	245,671	366,619

Progress payment for telecommunications system contracts is normally made in accordance with the agreed payment schedule. The Group's trading terms with its major customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days and is extendable up to one year depending on customers' creditworthiness except for certain overseas customers. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk.

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

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	22,660,674	19,962,075	25,617,463	24,162,287
7 to 12 months	3,004,833	2,695,215	4,136,945	3,301,829
1 to 2 years	1,619,968	2,407,100	4,301,273	5,798,481
2 to 3 years	220,760	196,300	1,951,059	2,098,737
Over 3 years	—	—	2,733,650	1,886,954
	27,506,235	25,260,690	38,740,390	37,248,288
Current portion of trade and bills receivables	(27,239,734)	(24,893,928)	(38,494,719)	(36,881,669)
Long-term portion	266,501	366,762	245,671	366,619

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

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	3,834,169	2,979,412	2,822,430	2,085,831
Impairment losses recognised	758,331	1,167,414	414,912	840,290
Amount written off as uncollectible	(113,100)	(255,025)	(48,107)	(103,691)
Impairment losses reversed	(82,809)	(57,632)	—	—
At 31 December	<u>4,396,591</u>	<u>3,834,169</u>	<u>3,189,235</u>	<u>2,822,430</u>

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of RMB588,727,000 (2013: RMB590,288,000) with a carrying amount before provision of RMB588,727,000 (2013: RMB590,288,000). The individually impaired trade receivables relate to customers that were in financial difficulties and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	2,799,769	3,933,387	4,056,186	5,301,870
Less than one year past due	22,720,064	19,590,411	22,623,878	17,444,113
	<u>25,519,833</u>	<u>23,523,798</u>	<u>26,680,064</u>	<u>22,745,983</u>

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.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The balances due from subsidiaries, the controlling shareholder, joint ventures, associates and other related companies included in the above are as follows:

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Subsidiaries	—	—	26,778,531	25,020,281
The controlling shareholder	1,096	1,031	—	—
Joint ventures	418,061	81,048	417,976	80,971
Associates	6,963	10,553	2,770	—
Other related companies	157,968	94,862	142,027	89,928
	584,088	187,494	27,341,304	25,191,180

The balances are unsecured, non-interest-bearing and on credit terms similar to those offered to the major customers of the Group.

The Group has not pledged trade receivables, and pledged bills receivables of RMB44,028,000 (2013: RMB750,000,000 and RMB102,000,000) to secure the bank borrowings.

12. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	29,175,980	24,351,477	43,182,819	44,153,242
7 to 12 months	298,251	144,334	175,837	96,562
1 to 2 years	14,258	181,730	169,714	191,386
2 to 3 years	114,309	258,957	71,765	5,217
Over 3 years	23,290	54,057	4,358	5,561
	29,626,088	24,990,555	43,604,493	44,451,968

The balances due to subsidiaries, the controlling shareholder, joint ventures, associates and other related companies included in the above are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Subsidiaries	—	—	35,431,654	38,271,764
The controlling shareholder	53,879	56,507	—	—
Joint Ventures	20,669	1,433	—	—
Associates	2,171	56	—	—
Other related companies	179,761	216,768	1,741	1,515
	<u>256,480</u>	<u>274,764</u>	<u>35,433,395</u>	<u>38,273,279</u>

The balances are unsecured, non-interest-bearing and are repayable on demand.

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

13. EVENTS AFTER THE REPORTING PERIOD

The Company passed the “Resolution on the Proposed Registration and Issue of Perpetual Medium Term Note of the Company” at the First Extraordinary General Meeting of 2014 of the Company held on 15 October 2014 and approved the issue of perpetual medium term note with a size of not more than RMB9 billion (hereinafter referred to as the “Medium Term Note”) by the Company. On 27 January 2015, the Company completed the issue of 2015 Tranche I Medium Term Notes of RMB6 billion. On 6 February 2015, the Company completed the issue of 2015 Tranche II Medium Term Notes of RMB1.5 billion.

Pursuant to the profit distribution proposal recommended by the Board, cash dividend of RMB2 (before tax) for every 10 shares held will be paid on the basis of the total share capital of the Company of 3,437,541,278 shares as at 31 December 2014, and will also issue 2 bonus shares for every 10 shares held to shareholders whose name appear in the register as at the Record Date through an increase in registered capital by way of capitalisation of capital reserves. The profit distribution proposal is subject to approval by the annual general meeting of the Company.