中國信息科技發展有限公司
China Information Technology Development Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8178)

ANNUAL REPORT 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company's website http://www.chinainfotech.com.hk and will remain on the "Latest Company Report" page on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Kui Shing, Danny
(Chairman and Chief Executive Officer)
(Appointed on 26 March 2015)
Mr. Tse Chi Wai
Ms. Wu Jingjing
Mr. Wong Chi Yung (Appointed on 20 April 2015)
Mr. Takashi Togo (Appointed on 20 April 2015)
Mr. Hu Zhuoer (Retired on 30 June 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Hing Man (Appointed on 24 April 2015)
Mr. May Tai Keung, Nicholas (Appointed on 24 April 2015)
Dr. Chen Shengrong (Appointed on 30 January 2015)
Dr. Sun Guofu (Resigned on 24 April 2015)
Mr. Ng Kwok Fai (Resigned on 24 April 2015)
Mr. Chen Zhongfa (Resigned on 30 January 2015)

COMPANY SECRETARY

Mr. Tse Chi Wai

COMPLIANCE OFFICER

Mr. Tse Chi Wai

AUTHORISED REPRESENTATIVES

Mr. Wong Kui Shing, Danny
Mr. Tse Chi Wai

NOMINATION COMMITTEE

Mr. Hung Hing Man *(Chairman)*
(Appointed on 24 April 2015)
Mr. May Tai Keung, Nicholas (Appointed on 24 April 2015)
Dr. Chen Shengrong (Appointed on 30 January 2015)
Mr. Chen Zhongfa (Resigned on 30 January 2015)
Dr. Sun Guofu (Resigned on 24 April 2015)
Mr. Hu Zhuoer (Retired on 30 June 2015)

REMUNERATION COMMITTEE

Mr. May Tai Keung, Nicholas *(Chairman)*
(Appointed on 24 April 2015)
Mr. Hung Hing Man (Appointed on 24 April 2015)
Dr. Chen Shengrong (Appointed on 30 January 2015)
Mr. Ng Kwok Fai (Resigned on 24 April 2015)
Dr. Sun Guofu (Resigned on 24 April 2015)
Mr. Chen Zhongfa (Resigned on 30 January 2015)

AUDIT COMMITTEE

Mr. Hung Hing Man *(Chairman)*
(Appointed on 24 April 2015)
Mr. May Tai Keung, Nicholas (Appointed on 24 April 2015)
Dr. Chen Shengrong (Appointed on 30 January 2015)
Mr. Ng Kwok Fai (Resigned on 24 April 2015)
Dr. Sun Guofu (Resigned on 24 April 2015)
Mr. Chen Zhongfa (Resigned on 30 January 2015)

AUDITOR

ZHONGHUI ANDA CPA Limited

LEGAL ADVISOR

Conyers Dill & Pearman (As to Cayman Island law)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited
DBS Bank (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite No. 5A, 9/F., Sino Plaza
255-257 Gloucester Road
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KYI-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

GEM STOCK CODE

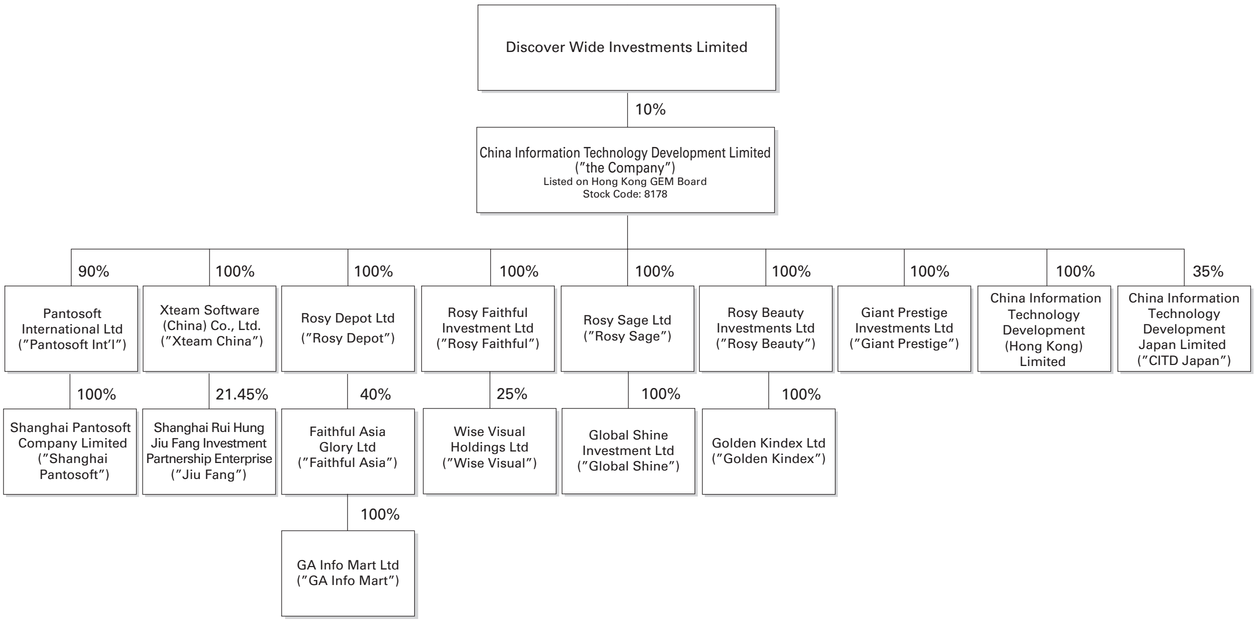
8178

WEB-SITE ADDRESS

www.chinainfotech.com.hk

Simplified Corporate Structure

At 30 March 2016



Note: Place of operations:

Shanghai Pantosoft Company Limited	:	Shanghai
Xteam Software (China) Co., Ltd	:	Beijing
China Information Technology Development (Hong Kong) Limited	:	Hong Kong
Shanghai Rui Hung Jiu Fong Investment Partnership Enterprise	:	Shanghai
Wise Visual Holdings Ltd	:	Beijing
Global Shine Investment Ltd	:	Hong Kong
Golden Kindex Ltd	:	Hong Kong
Faithful Asia Glory Ltd	:	Hong Kong
Giant Prestige Investments Ltd	:	Hong Kong
China Information Technology Development Japan Limited	:	Japan

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I present herewith the results of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

BUSINESS REVIEW AND PROSPECTS

2015 was a year of transformation for the Company in its corporate development strategies. The ever-evolving technology development, the keen competition in the industry and the gloomy macro-economic condition had alerted the Company and its management to consider refining the business strategies for healthy and sustainable development of the Company. Having the vision to diversify the business risk and business scope, the Company had made certain important steps in 2015 to leverage various valuable business opportunities.

Subsequent to the disposal of Wisdom Elite in late 2014, currently Pantosoft has become the sole revenue generating subsidiary of the Group. The Group has increased its investment in promoting sales of products of Pantosoft and the efforts are paying off and the business of Pantosoft has been improving.

During the year, the Group also acquired interests in two associates in the field of:

(i) big data analysis

It primarily focuses on business intelligence, big data, facilities management, financial technology solutions consulting and implementation. It is also engaged in IT outsourcing and secondment assignments on business intelligence, IT cloud infrastructure, networking, application programming, mobile solution and technical support services.

(ii) surveillance monitoring

It primarily focuses on solutions in big data and analytics for business intelligence and carrying on the principal business of developing and providing intelligent video recording surveillance system for security, safety alarm such as fire detection, business intelligence and process improvement.

The Company has also signed a joint venture agreement with Nihon Unisys, Ltd., a market leader in the field of system integration in Japan, with a business objective to promoting and selling Japanese products and related businesses (including and not limited to advertising and consulting services) in the PRC and as well as the ASEAN Countries.

More importantly, to broaden the business scope and diversify business of the Group and open up new income source, the Group acquired certain PRC office properties with a floor area of approximately 10,500 square meters that are located in the Tianhe area of Guangzhou, the PRC (the "Acquisition"). This Acquisition allows the Group to extend its business footprints into the asset acquisition, management and consultancy services industry in the PRC as well as to build business network in the PRC. Furthermore, the Group to refurbish the PRC office properties and occupy the same as the Group's future headquarters in the PRC to tie up the existing and new businesses together and completes the whole strategic business development plan of the Group. In this nurturing ground where different businesses of the Group will be located, the resources and different knowledge gained from various businesses of the Group can be more efficiently utilised and shared. Together with the experience and knowledge of the Group in the IT field, the Group believes that the Acquisition can help further to equip the Group to further expand its existing and future businesses in the PRC and the ASEAN Countries. The Acquisition has been approved in the extraordinary general meeting held on 10 March 2016. Details of the Acquisition are set out in the announcement dated 25 November 2015 and the circular dated 23 February 2016.

Chairman's Statement

Envisaging that by cooperating with Nihon Unisys will enable the Company to gain innovative and advanced knowledge in Japan. In addition, the Company will be able to expand the business network through knowledge in Japan. With the PRC Properties acquired, the heartland of the Company, where the Company can explore the opportunities to utilize the aforesaid knowledge and business network gained in the cooperation with Nihon Unisys to develop its existing IT business such as software development and system integration as well as development of mobile games and e-commerce. Besides, with the PRC Properties, the Company will be able to set up a centralized server system and IT development base in the PRC Properties. The Company also intends to provide comprehensive one-stop IT consultation and incubator service to new startup companies such as business networking and mentoring consultation services to the enterprises which are interested in entering into the IT business. The Company can provide shared workspace for these clients to start up their IT business. With the knowledge and technology the Company possesses, the Company will also provide IT consultation and development support services to the clients when the clients request so.

With the foundation laid in 2015, the Company will, step by step, put the improvements into realization. The effort made in the year 2015 demonstrates the determination to improve and reform the business structure of the Company. The business structure of the Company has been more complete upon the corporate actions done in 2015. The Company is fueled up and equipped and to expand the Group's footprint in the PRC market with the new headquarter and the joint venture arrangement described in the above, together with the existing business and other new IT related projects to come in future.

APPRECIATION

Last but not the least, I would like to take this opportunity to thank all the management and staff members for their dedicated efforts and continuing contribution during the year to the Group. I look forward to growing the business of the Group together with my team, and bringing the Group to a new next-level and strive for better results and to increase value for our shareholders.

By Order of the Board
Wong Kui Shing, Danny
Chairman and Chief Executive Officer

30 March 2016

Management Discussion and Analysis

BUSINESS REVIEW

In February 2015, the Company disposed of all its bonds investment in the principal amount of USD6.4 million (equivalent to approximately HK$49,623,000) through the open market at a total consideration of approximately USD6,499,000 (equivalent to approximately HK$50,391,000). The bonds disposal provided the Group with a good opportunity to realise the bonds investment with a positive investment return and to minimize its exposure to the impacts of financial market turbulence. More details on bonds disposal had been disclosed in the relevant announcement of the Company dated 4 February 2015. The realised proceeds remain as working capital for the Company.

In April 2015, the Company and Mr. Cheng Shing Tak entered into an agreement, pursuant to which the Company had acquired 40% interest in Faithful Asia Group Limited ("Faithful Asia") at the consideration of HK$80 million. Faithful Asia, together with its subsidiaries, primarily focuses on business intelligence, big data, facilities management, financial technology solutions consulting and implementation. It is also engaged in IT outsourcing and secondment assignments on business intelligence, IT cloud infrastructure, networking, application programming, mobile solution and technical support services. More details on the acquisition of Faithful Asia had been disclosed in the relevant announcement of the Company dated 20 April 2015.

In May 2015, the Company and IWT Group Limited entered into an agreement, pursuant to which the Company had acquired 25% interest in Wise Visual Holdings Limited ("Wise Visual") at the consideration of HK$80 million. Wise Visual, together with its subsidiaries, primarily focuses on solutions in big data and analytics for business intelligence and carrying on the principal business of developing and providing intelligent video recording surveillance system for security, safety alarm such as fire detection, business intelligence and process improvement. More details on the acquisition had been disclosed in the relevant announcement of the Company dated 7 May 2015.

In June 2015, the Company placed 539,088,000 new shares at HK$0.188 per share to certain independent placees under general mandate and fetched a net proceed of approximately HK$98 million. Approximately HK$36 million of the net proceeds has been used for deposits for the acquisition of the entire interest of Joyunited Investments Limited (the "Acquisition") and the remaining HK$62 million for general working capital of the Group and reserved to pay the remaining balance of the consideration for the Acquisition.

In July 2015, the Company had decided not to proceed on the acquisition of further 24% of the partnership interest of Shanghai Rui Hung Jiu Fang Investment Partnership Enterprise. Details of which is set in the announcement dated 2 July 2015.

In October 2015, the Company placed 646,800,000 new shares at HK$0.10 per share to certain independent placees under general mandate and fetched a net proceed of approximately HK$62.8 million. As at the date of this report, the net proceeds will be reserved to pay the remaining balance of the consideration for the Acquisition.

In November 2015, the Company, Mr. Wong Kui Shing, Danny, the Chairman and Chief Executive Officer of the Company and Nihon Unisys, Ltd.("Nihon Unisys"), an independent third party, entered into an agreement, pursuant to which the parties agreed to jointly establish China Information Technology Development Limited ("CITD Japan") in Japan with intention to promote and sell the Japanese products in the PRC, Hong Kong and countries which are members of the Association of Southeast Asia Nations Countries. More details on the formation of the joint venture had been disclosed in the relevant announcement of the Company dated 13 November 2015.

Management Discussion and Analysis

In November 2015, Giant Prestige Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into an agreement with three independent third parties (the "Vendors") pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued share capital of the Joyunited Investments Limited ("Joyunited") and all obligations, liabilities and debts owing or incurred by the Joyunited to the Vendors on or at any time prior to the completion at the aggregate consideration of RMB178 million (equivalent to HK$215,380,000) (the "Acquisition"). The transactions were duly passed as ordinary resolutions of the Company at the extraordinary general meeting held on 10 March 2016. More details on the Acquisition had been disclosed in the relevant announcement dated 25 November 2015 and the circular dated 23 February 2016.

In December 2015, the Company and Kingston Securities Limited entered into the placing agreement, pursuant to which, subject to the approval of the shareholders of the Company at the extraordinary general meeting on 7 April 2016, the Company will place up to 1,830,792,000 new shares of the Company to not less than six independent placees at a price of HK$0.13 each on a best effort basis and raise a maximum net proceeds of approximately HK$230 million. It was expected that the net proceed will be: HK$73 million for the refurbishment of and operation of the business in the PRC Properties, the Company would have approximately HK$69 million for the general working capital and approximately HK$88 million for the projects that are currently in progress. More details on the placement had been disclosed in the relevant announcement of the Company dated 8 December 2015 and the circular dated 18 March 2016.

Other than the above, during the period under review, revenue from provision of information technology related services in the People's Republic of China ("PRC") remained as staple income of the Group.

OUTLOOK AND PROSPECT

Subsequent to the disposal of Wisdom Elite Holdings Limited ("Wisdom Elite") in 2014, the Group will focus more on development of the Shanghai Pantosoft Company Limited ("Pantosoft") operation, and to broaden the scope of investment in the IT field as planned.

The Group received net proceeds of approximately HK$85 million from the disposal of Wisdom Elite. It is the Company's intention to apply those funds to acquire projects with good potential in e-education administration, other IT areas and other new technology applications, and to provide general working capital to the Group. In April 2015, the Company had applied HK$80 million to acquire 40% equity interest in Faithful Asia, which is a comprehensive IT service provider.

As discussed in the prospectus for the open offer dated 13 February 2014, among other matters, the Company intended to apply approximately HK$181 million on investments in certain IT projects in 2014, namely:–

(1) City emergency management ("CEM") system in the areas of automated air and water pollution level monitoring;

(2) Automated control and monitoring system for new steel refining technology ("ACM");

(3) Medical related information technology system ("MRS"); and

(4) Other medium to small size projects of electronic business platforms.

Management Discussion and Analysis

The CEM project did not proceed. Alternatively, the Company had made a HK$80 million investment on 7 May 2015 to acquire 25% equity interest in Wise Visual, a company that focus on solutions in big data and analytics for business intelligence and carrying on the principal business of developing and providing intelligent video recording surveillance system for security, safety alarm such as fire detection, business intelligence and process improvement.

The Company is monitoring the progress of ACM and MRS projects and will move forward with the investments when those projects are proven to be commercially viable. The two projects together calls for investment of approximately HK$69 million. The Company will apply the remaining funds in the area of electronic business platform investments and the Group's general working capital.

The Company had completed two placements of shares in June and October 2015 respectively and raised net proceeds of approximately HK$160,800,000. The Company also looks forward to completing another announced placing of shares to raise net proceeds of approximately HK$230 million. Acquisition of Joyunited calls for a total outlay of approximately HK$215,380,000. The Company is also prepared to invest HK$73 million to renovate and convert the PRC office properties acquired pursuant to the Joyunited transaction to turn those properties into the PRC headquarter of the Group and an advanced IT centre to facilitate future development of the Group's businesses. The remaining HK$102,420,000 will equip the Group with resources to invest in promising IT projects and to strengthen the working capital of the Group.

The Group looks forward to expand its operation scale with plans as discussed in the above and to derive profits there from in future.

FINANCIAL REVIEW

The followings are the financial reviews on the continuing operations.

Revenue

The Group's revenue from continuing operations for 2015 amounted to approximately HK$27,793,000, increased by 20.3% from approximately HK$23,097,000 in 2014. The increase in revenue as compared to the same period of the year 2014 was mainly due to the increase in sales revenue of e-campus applications by Pantosoft amounted to approximately HK$4,700,000.

Cost of sales and service

The Group had a total cost of sales and services from continuing operations of approximately HK$15,186,000 for 2015, which decreased by 4.4% compared with approximately HK$15,882,000 in 2014. The decrease was due to reduced research and development expenses charged to cost of sales as the e-campus applications became more matured.

Gross profit

The gross profit of the Group from continuing operations in 2015 amounted to approximately HK$12,607,000 which increased by approximately HK$5,392,000 compared with approximately HK$7,215,000 in 2014. The gross profit margin was 45.4% compared with 31.2% in 2014. The increase of gross profit margin was mainly attributable to the e-campus software became more matured and lesser research and development charges were required.

Management Discussion and Analysis

Other income and gains

During the financial year ended 31 December 2015, the Group generated other income and gains from continuing operations of approximately HK$3,814,000 (2014: approximately HK$5,922,000) which comprised: (i) bank interest income amounted to approximately HK$16,000 (2014: approximately HK$20,000); (ii) loans interest income amounted to approximately HK$828,000 (2014: nil); (iii) investment income from held-to-maturity investments and financial assets at fair value through profit or loss investments amounted to approximately HK$249,000 (2014: approximately HK$1,802,000); (iv) reversal of impairment loss on other receivables amounted to nil (2014: approximately 2,967,000); (v) reversal of impairment loss on trade receivables amounted to approximately HK$400,000 (2014: nil); (vi) government grants amounted to approximately HK$911,000 (2014: approximately HK$356,000); (vii) waived other payable amounted to approximately HK$305,000 (2014: approximately HK$315,000) and (viii) other miscellaneous items in an aggregate amounted of approximately HK$1,105,000 (2014: approximately HK$462,000).

Selling and distribution expenses

The Group's selling and distribution expenses from continuing operations in 2015 amounted to approximately HK$12,690,000, which increased by 140.9% compared with approximately HK$5,267,000 in 2014. The increase was mainly due to increased staff cost and increase in expenses incurred to explore new markets.

Administrative expenses

Administrative expenses of the Group from continuing operations in 2015 were approximately HK$22,614,000, increased by 23.6% comparing to approximately HK$18,292,000 in 2014. The increase was mainly attributable to increase in staff cost and traveling expenses to explore new markets.

Other expenses

Other expenses of the Group from continuing operations were approximately HK$3,608,000 for 2015 compared to approximately HK$1,140,000 for the previous year, which comprised: (i) impairment of intangible assets amounted to approximately HK$2,191,000 (2014: nil); (ii) impairment of investment in an joint venture amounted to approximately HK$1,281,000 (2014: nil); (iii) impairment provision on certain other receivables amounted to approximately nil (2014: approximately HK$33,000); (iv) impairment provision on trade receivables amounted to approximately nil (2014: approximately HK$795,000) and (v) other miscellaneous expenses in an aggregate amount of approximately HK$136,000 (2014: approximately HK$312,000).

Loss on disposal of a subsidiary

During the year, the Group disposed of its equity interests in China Luck, which holds 7.254% investment in Sterile Doctor LLC ('SD"). SD is a company specializing in the development and sale of environmentally friendly sterilization technology products. The original acquisition cost was HK$15,632,000 and the disposal price was HK$12,480,000. SD has not been contributing as the management might have expected therefore management decided to realize the investment therein to apply funds on profitable alternatives in future.

Fair value loss on financial assets

As at 31 December 2015, the Group held an investment portfolio comprising of marketable securities that are listed on the Stock Exchange. The mark to market loss for the portfolio amounted to approximately HK$23,973,000.

Finance costs

Finance costs of the Group from continuing operations for 2015 were approximately HK$360,000, a decrease of approximately HK$14,000 comparing to approximately HK$374,000 in 2014. Finance costs were mainly attributed to finance lease interest expenses for a motor vehicle of Pantosoft of approximately HK$45,000 and margin finance interest for purchase of securities of approximately HK$280,000 in 2015. All the finance costs were attributed to loan interest incurred by China Luck in 2014. The loan was fully repaid in June 2014.

Impairment loss of an associate

As of the 2015 financial year end, the Group performed a year end goodwill impairment test on its investment in those associates. As a result of change in macro-economic climate, especially the more conservative outlook on the growth of the PRC market, and taking into consideration the updated projections on future performance of the those associates, an impairment provision of approximately HK$22,597,000 was made against the goodwill attributable to Wise Visual.

Share of results of a joint venture

Full provision was made against investment on 21.45% partnership interest in Jiu Fang. Please refer to Note 19(c) of the financial statements for more details.

Loss attributable to owners

The Group's loss attributable to owners of the Company from continuing operations was approximately HK$105,462,000 for 2015 (2014: approximately HK$11,927,000). The Group's loss attributable to owners of the Company for 2015 was significantly higher than that for 2014 as a result of (i) share of loss of a joint venture and impairment of investments in a joint venture of approximately HK$30,696,000; (ii) share of results of associates and impairment loss of an associates of approximately HK$25,764,000; (iii) fair value loss on financial assets at fair value through profit or loss of approximately HK$23,973,000; (iv) loss on disposal of a subsidiary of approximately HK$3,152,000; and (v) written off of other intangible assets of approximately HK$2,192,000.

Management Discussion and Analysis

FINANCIAL POSITION

Liquidity and financial resource

As at 31 December 2015, cash and bank balances held by the Group decreased from approximately HK$207,622,000 as of 31 December 2014 to approximately HK$119,229,000.

As at 31 December 2015, the Group's total borrowings and finance lease amounted approximately HK$937,000 (2014: HK$720,000). The gearing ratio (calculated as total borrowings and finance lease over total equity) of the Group was 0.003 (2014: 0.002).

For the year ended 31 December 2015, the Group had capital expenditure of approximately HK$11,308,000 (2014: HK$836,000) for addition of property, plant and equipment and approximately HK$160 million (2014: HK$ nil) for acquisition of associates.

Capital structure

In June 2015, the authorised share capital of the Company was increased from HK$400 million to HK$800 million by creation of an additional 4,000 million new shares of HK$0.10 each.

In June 2015 and October 2015, 539,088,000 and 646,800,000 new ordinary shares were issued to certain independent placees under general mandate pursuant to the terms and conditions of the placing agreements dated 13 May 2015 and 23 September 2015 respectively and raised net proceeds of approximately HK$161,558,000. Detail of movements in share capital is set out in note 31 to the financial statements.

Exposures to exchange rate fluctuation and hedging activities

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Employees and remuneration policies

The total number of full-time employees hired by the Group maintained at 138 as of 31 December 2015. (2014: 136 employees). Total expenses on employee benefits amounted to approximately HK$29,106,000 for the year ended 31 December 2015 (2014: HK$18,737,000). The increase in staff cost was due to more staff have been employed to expand the operation of Pantosoft during the year and more senior management have been employed to explore new markets. The management believes the remuneration packages offered by the Group to its employees are competitive.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Kui Shing, Danny, aged 56, holds a Bachelor of Arts degree from the University of Hong Kong. He is currently the executive director, member of the executive committee of Ceneric (Holdings) Limited (Stock Code: 542) and a non-executive director of Kong Shum Union Property Management (Holding) Limited (Stock Code: 8181). He was also a vice chief executive officer of HL Technology Group Limited (Stock Code: 1087) ("HL Technology") from 27 June 2015 to 24 September 2015. He is currently a non-executive director of HL Technology commencing from 25 September 2015. He was a former executive director and managing director of See Corporation Limited (Stock Code: 491). In addition, Mr. Wong was a former executive director of SMI Holdings Group Limited (Stock Code: 198) and China Oil and Gas Group Limited (Stock Code: 603). He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. Mr. Wong joined the Group on 26 March 2015.

Mr. TSE Chi Wai, aged 48, was appointed an executive director on 15 August 2011. He is also the financial controller and company secretary of the Company. Mr. Tse graduated from the University of Hong Kong in 1989 with a bachelor degree in Social Science Studies. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse has extensive experience in auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse is also an executive director of Jih Sun Financial Holding Company Limited, the shares of which are listed in Taiwan and an independent non-executive director of Sunac China Holdings Limited (Stock Code: 1918); China Environmental Technology Holdings Limited (Stock Code: 646) and Great Water Holdings Limited (Stock Code: 8196). Mr. Tse joined the Group in May 2010.

Ms. WU Jingjing, aged 46, graduated from the English Department of the Xian Air-force Engineering College in 1991. She had worked with the Citic Group, the Beijing Branch of Industrial and Commercial Bank Corporation of China, Beijing Xintiandi Electronic Information Technology Research Institute and Beijing Fongzheng Xintiandi Property Management Company Limited. She is a director of the Beijing Jiahe Zhiye Technology Company Limited since August 2013. Ms. Wu has vast experience in information technology service provision and corporate management. Ms. Wu joined the Group on 28 November 2014.

Mr. WONG Chi Yung, aged 32, started his career in an international accounting firm for over 2 years focusing on assurance and advisory business services. Mr. Wong holds a bachelor degree of business administration in Management of Organizations and Finance from The Hong Kong University of Science and Technology. He is a nephew of Mr. Wong Kui Shing, Danny, who is the Chairman and Chief Executive Officer of the Company. Mr. Wong was a non-executive director of China Oil Gangran Energy Group Holdings Limited (Stock Code: 8132) from 3 June 2011 to 20 December 2013. He had also been engaged as an operation controller in a company listed on the main board of Stock Exchange, which is mainly engaged in the cinema business in the PRC. Mr. Wong joined the Group on 20 April 2015.

Mr. TOGO Takashi, aged 51, holds a bachelor degree of Economics from Hitotsubashi University in Japan. Mr. Togo is currently a non-executive director of Sau San Tong Holdings Limited (Stock Code: 8200). He had served as an executive director and chief executive officer of Get Holdings Limited (Former Name: M Dream Inworld Limited) (Stock Code: 8100) since 31 May 2011 to 17 May 2012. He has over 11 years' experience in foreign equities investment. He was the investment manager of several investment funds in Japan including Yasuda Trust & Banking Corporation Limited and Fuji Investment Management Company Limited. He also specializes in merger and acquisitions, his clients cover major reputable Japan corporations. Mr. Togo has been serving as the chief executive officer of a consultancy firm in Japan since 2000. He is also currently participating in a few big property projects in Tokyo and Osaka. Mr. Togo joined the Group on 20 April 2015.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUNG Hing Man, aged 45, holds a master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung was an independent non-executive director of Ping An Securities Group (Holdings) Limited (Former Name: Madex International (Holdings) Limited) (Stock Code: 231) and REX Global Entertainment Holdings Limited (Stock Code: 164). Mr. Hung joined the Group on 24 April 2015.

Mr. MAY Tai Keung, Nicholas, aged 54, holds a Bachelor of Arts degree in Economics from Macquarie University and a master's degree in Commerce from University of New South Wales. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of accounting, finance and general management experience. Currently, Mr. May is a consultant in accounting, tax, internal control and finance. Mr. May had worked at the audit department of Deloitte Touche Tohmatsu. After leaving Deloitte Touche Tohmatsu, he had worked at senior management level in a number of sizeable private enterprises and listed groups including Hopewell Holdings Limited (Stock Code: 0054) as group financial controller and Hopewell Highway Infrastructure Limited (Stock Code: 0737) as an alternate director; and China Resources Property Limited as chief financial officer and internal audit director. He was also an independent non-executive director of Wealth Glory Holdings Limited (stock code: 8269) from September 2013 to July 2014. Mr. May joined the Group on 24 April 2015.

Dr. CHEN Shengrong, aged 33, obtained a doctorate degree in Business Administration from the Pacific States University of the USA in 2011. She was an audit manager with Baker Tilly China Certified Public Accountants and had been the vice general manager of New Times Securities Company Limited in charge of risk control. Since August 2014, Dr. Chen serves as the vice president of finance of Skyslink New Energy Asset Management Limited. Dr. Chen has extensive experience in internal control of enterprises, risk control in investment businesses, project risk evaluation and assets restructuring management. Dr. Chen joined the Group on 30 January 2015.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. HU Zhuoer, aged 50, chief operation officer, graduated from Shanghai University of Finance and Economics with a bachelor's degree in science in 1986, obtained a master's degree in Finance from Peking University in 2000 and obtained the qualification of Senior Engineer in 2007. Mr. Hu had served in the Ministry of Finance and was a deputy director and then director of the State Administration of Taxation and a party constitution member and deputy director of the Chengdu Municipal Office of the State Administration of Taxation. During his term of office in the State Administration of Taxation, he mainly engaged in technology and equipment management, IT construction and planning, international exchanges on technology, etc. During his service in the Chengdu Municipal Office of the State Administration of Taxation, he was mainly responsible for tax audit, the Golden Taxation project, tax collection for large enterprises, etc. Mr. Hu has extensive experience in eGovernment planning and construction, tax reform implementation and governance and government affair restructuring and innovation. Mr. Hu joined the Group as an executive director on 25 August 2009 and retired on 30 June 2015. Upon his retirement from directorship Mr. Hu remains as the chief operation officer of the Group.

Mr. CHEN Wenwei, aged 45, is the general manager of Xteam Software (China) Company Limited and Shanghai Pantasoft Company Limited. Mr. Chen graduated from Huazhong University of Science and Technology and obtained a EMBA from the Beijing University. He had been an assistant engineer with the North China Institute of Computing Technology for computing technology, manager of the Beijing Strong Technical Industry Company, assistant general manager of Beijing Strong Technical Industry Company, partner of Taineng Technology Investment Company Limited, etc. He has extensive experiences in market development, business investment and channel management. Mr. Chen joined the Group in March 2012.

Report of the Directors

The directors present their report and the audited consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 32 to 35.

The directors do not recommend the payment of a final dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 98. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the share capital and share options of the Company during the year are set out in note 32 and note 33 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had no reserve available for distribution to shareholders (including share premium account, foreign currency translation reserve and retained earnings). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business, in accordance with the Company's Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 31.9% of the total sales for the year and sales to the largest customer included therein amounted to 9.4%. Purchases from the Group's five largest suppliers accounted for 69.5% of the total purchases for the year and purchase from the largest supplier included therein amounted to 28.9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wong Kui Shing, Danny *(Chairman and Chief Executive Officer)* (appointed on 26 March 2015)
Mr. Tse Chi Wai
Ms. Wu Jingjing
Mr. Wong Chi Yung (appointed on 24 April 2015)
Mr. Takashi Togo (appointed on 24 April 2015)
Mr. Hu Zhuoer (retired on 30 June 2015)

DIRECTORS *(Continued)*

Independent non-executive directors:

Mr. Hung Hing Man (appointed on 24 April 2015)
Mr. May Tai Keung, Nicholas (appointed on 24 April 2015)
Dr. Chen Shengrong (appointed on 30 January 2015)
Mr. Ng Kwok Fai (resigned on 24 April 2015)
Dr. Sun Guofu (resigned on 24 April 2015)
Mr. Chen Zhongfa (resigned on 30 January 2015)

In accordance with articles 86(3), 87(1) and 87(2) of the Company's articles of association, one-third of the directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Hung Hing Man, Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company (the "Remuneration Committee"). Further details of the Remuneration Committee are set out in the corporate governance report on page 25 of the annual report.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Except for matters relating to and disclosed for the joint venture agreement dated 13 November 2015 entered into among the Company, Mr. Wong Kui Shing, Danny, an executive Director, Chairman and Chief Executive Officer, and Nihon Unisys, Ltd. in relation to the formation of China Information Technology Development Japan Limited; none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), were as follows:

(1) Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Kui Shing, Danny	Through controlled corporation	388,131,449	10%

(2) Long positions in share options of the Company:

Nil

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At the date of this report, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Discover Wide Investments Limited		Directly beneficially owned	388,131,449	10%
Mr. Wong Kui Shing, Danny	*(a)*	Through controlled corporation	388,131,449	10%

Notes:

(a) Mr. Wong Kui Shing, Danny was deemed to be interested in the 388,131,449 shares by virtue of his controlling interests in Discover Wide Investments Limited.

Save as disclosed above, as at the date of this report, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company during the year.

COMPETING INTERESTS

During the year and up to the date of this report, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 22 to 29.

AUDITORS

ZHONGHUI ANDA CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mr. Wong Kui Shing, Danny
Chairman and Chief Executive Officer

Hong Kong
30 March 2016

Corporate Governance Report

INTRODUCTION

The Company has complied with the Corporate Governance Code Provisions as set out in Appendix 15 of the GEM Listing Rules (the "Code") for the year ended 31 December 2015, except for the following:

Code Provision A.2.1

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Hu Zhuoer ("Mr. Hu") resigned as Chief Executive Officer with effect from 20 October 2015 and following his resignation, Mr. Wong Kui Shing, Danny ("Mr. Wong"), the chairman of the company (the "Chairman"), was appointed as Chief Executive Officer on the same date.

As Mr. Wong now serves as both the Chairman and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible.

Code Provision A.2.7

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

The board meetings of the Company held during the year had included the participation of the executive directors, yet the non-executive directors (including independent non-executive directors) could freely provide their independent opinion to the Board.

The Company will endeavor to arrange the meetings for the Chairman with the the non-executive director (including the independent non-executive directors) so as to comply with the requirement of Code Provision A.2.7.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term.

None of the non-executive directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1. Nonetheless, in accordance with the articles of association of the Company, all non-executive directors are subject to retirement by rotation. The Company considers that there are sufficient measures to ensure the corporate governance standard of the Company is not less exacting than the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Directors have confirmed that they have complied with the GEM Listing Rules throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The board of directors, which currently comprises eight directors, is responsible for corporate strategy, annual, interim and quarterly results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters of the Company. Major corporate matters that are specifically delegated by the board of directors to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The composition of the Board, details of backgrounds and qualifications of all directors are set out in the "Corporate Information" and "Biographical Details of Directors and Senior Management" sections of this annual report. All directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience, knowledge and execution ability to hold the position so as to carry out his duties effectively and efficiently.

All directors have participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that they are well informed and remain relevant with respect to their contributions to the Board.

Corporate Governance Report

BOARD MEETING

During the year of 2015, the board held totally twenty three meetings. The attendance of each director at board meetings is as follows:

Name of director	Attendance/Number of meetings held
Executive directors:	
Mr. Wong Kui Shing, Danny *(Chairman and Chief Executive Officer)* (appointed on 26 March 2015)	13/19
Mr. Hu Zhuoer (retired on 30 June 2015)	12/14
Mr. Tse Chi Wai	22/23
Ms. Wu Jingjing	19/23
Mr. Wong Chi Yung (appointed on 20 April 2015)	16/18
Mr. Takashi Togo (appointed on 20 April 2015)	7/18

Name of director	Attendance/Number of meetings held
Independent non-executive directors:	
Mr. Hung Hing Man (appointed on 24 April 2015)	13/15
Mr. May Tai Keung, Nicholas (appointed on 24 April 2015)	13/15
Dr. Chen Shengrong (appointed on 30 January 2015)	18/23
Mr. Ng Kwok Fai (resigned on 24 April 2015)	4/7
Dr. Sun Guofu (resigned on 24 April 2015)	6/7
Mr. Chen Zhongfa (resigned on 30 January 2015)	0/0

NON-EXECUTIVE DIRECTORS

The Board fulfilled the requirement of appointing at least three independent non-executive directors and they represented at least one-third of the Board as stipulated by the GEM Listing Rules. It met the requirement of having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders.

The Company has received from each independent non-executive director an annual confirmation for independence pursuant to Rule 5.09 of the GEM Listing Rules. The independent non-executive directors have confirmed that they are independent.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rule.

During the year under review, members of the Remuneration Committee are Mr. May Tai Keung, Nicholas (committee chairman), Mr. Hung Hing Man and Dr. Chen Shengrong. All of the Remuneration Committee members are independent non-executive directors.

Its main role and function included the determination of specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board on the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year of 2015, one Remuneration Committee meeting was held. The attendance of each member is set out below:

Name of member	**Attendance/Number of meetings held**
Mr. May Tai Keung, Nicholas (appointed on 24 April 2015)	0/1
Mr. Hung Hing Man (appointed on 24 April 2015)	0/1
Dr. Chen Shengrong (appointed on 30 January 2015)	1/1
Mr. Chen Zhongfa (resigned on 30 January 2015)	0/1
Mr. Ng Kwok Fai (resigned on 24 April 2015)	0/1
Dr. Sun Guofu (resigned on 24 April 2015)	1/1

EMOLUMENTS OF SENIOR MANAGEMENT

The emoluments of each senior management were as follows:

	2015	2014
	HK$'000	HK$'000
Mr. Hu Zhuoer (in the capacity as a senior management)	**466**	–
Mr. Chen Wenwei	**108**	168

The remuneration of the senior management for the year ended 31 December 2015 and 2014 fell within the range of nil to HK$1,000,000.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy or, subject to authorisation by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their respective professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business of the Board taken as a whole.

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with Code Provisions A.5.1 to A.5.6 of Appendix 15 of the GEM Listing Rules.

During the year under review, members of the nomination committee are Mr. Hung Hing Man (committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. A majority of the nomination committee members are independent non-executive directors of the Company.

The nomination committee of the Company (the "Nomination Committee") is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment, re-appointment and succession of directors.

The Company recognises and embraces the benefits of having a diversed Board, and notes increasing diversity at Board level as an essential element in maintaining a competitive advantage. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. In reviewing Board composition, the Nomination Committee will consider a number of factors, including professional knowledge, skills, experience and diversity of perspectives which are appropriate to the Company's business model and specific needs. In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year of 2015, three nomination committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/Number of meetings held
Mr. Hung Hing Man (appointed on 24 April 2015)	0/0
Mr. May Tai Keung, Nicholas (appointed on 24 April 2015)	0/0
Dr. Chen Shengrong (appointed on 30 January 2015)	2/2
Mr. Chen Zhongfa (resigned on 30 January 2015)	0/1
Dr. Sun Guofu (resigned on 24 April 2015)	2/2
Mr. Hu Zhuoer (retired on 30 June 2015)	3/3

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the auditor's remuneration for audit services was HK$480,000 and for non-audit service assignments was HK$250,000 all of which was paid to ZHONGHUI ANDA CPA Limited in connection with the circular and issuance of comfort letter on capital sufficiency for acquisition of Joyunited Investments Limited.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rule.

During the year under review, members of the audit committee are Mr. Hung Hing Man (committee chairman), Mr. May Tai Keung, Nicholas and Dr. Chen Shengrong. All of the audit committee member are independent non-executive directors.

The duties of the audit committee of the Committee include supervising the financial reporting procedure and reviewing the consolidated financial statements of the Group, examining and monitoring the internal control system adopted by the Group and reviewing the relevant work of the Group's external auditor.

During the year under review, five audit committee meetings were held. The attendance of each member is set out below:

Name of member	Attendance/Number of meetings held
Mr. Hung Hing Man (appointed on 24 April 2015)	4/5
Mr. May Tai Keung, Nicholas (appointed on 24 April 2015)	4/5
Dr. Chen Shengrong (appointed on 30 January 2015)	5/5
Mr. Ng Kwok Fai (resigned on 24 April 2015)	1/1
Dr. Sun Guofu (resigned on 24 April 2015)	1/1
Mr. Chen Zhongfa (resigned on 30 January 2015)	0/0

Corporate Governance Report

COMPANY SECRETARY

As at 31 December 2015, the company secretary of the Company, Mr. Tse Chi Wai, who is also an executive director, fulfilled the requirement under Rules 5.14 and 5.15 of the GEM Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of directors. He has attained not less than fifteen hours of relevant professional training during the year. His biography is set out in the "Directors and Senior Management" section of this annual report.

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Shareholders may put forward their enquiries about the Company to the Board or the company secretary at the Company's head office in Hong Kong.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2015.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors' responsibilities for the consolidated financial statements and the responsibilities of the external auditors to the shareholders are set out on page 30 to 31. The directors of the Company have confirmed that the preparation of the Group's consolidated financial statements is in compliance with the relative regulations and applicable accounting standards.

Corporate Governance Report

INTERNAL CONTROLS

The Board has the ultimate responsibility to maintain a sound and effective risk management and internal control systems for the Group to safeguard the shareholders' investment and the Group's assets and to ensure strict compliance with relevant laws, rules and regulations. The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems and reporting to the Board. The scope of risk management and internal control relates to areas including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

During the year, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee. No material internal control aspects of any significant problems were noted. Both the Audit Committee and the Board were satisfied that the internal control system of the Group has been functioned effectively during the year under review.

Independent Auditor's Report

中汇
ZHONGHUI

To the shareholders of
China Information Technology Development Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Information Technology Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 97, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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 then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Practising Certificate Number P06084
Hong Kong, 30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CONTINUING OPERATIONS			
REVENUE	6&7	**27,793**	23,097
Cost of sales and service		**(15,186)**	(15,882)
Gross profit		**12,607**	7,215
Other income and gains	8	**3,814**	5,922
Selling and distribution expenses		**(12,690)**	(5,267)
Administrative expenses		**(22,614)**	(18,292)
Other expenses		**(3,608)**	(1,140)
Loss on disposal of a subsidiary	37	**(3,152)**	–
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(23,973)**	321
Finance costs	9	**(360)**	(374)
Share of results of associates		**(3,167)**	–
Impairment loss of an associate	18	**(22,597)**	–
Share of results of a joint venture	19(c)	**(29,415)**	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	10	**(105,155)**	(11,615)
Income tax expenses	12	**(531)**	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(105,686)**	(11,615)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	13	**–**	12,976
(LOSS)/PROFIT FOR THE YEAR		**(105,686)**	1,361
Attributable to:			
Owners of the Company			
Loss from continuing operations		**(105,462)**	(11,927)
Profit from discontinued operations		**–**	12,976
		(105,462)	1,049
Non-controlling interests			
(Loss)/profit from continuing operations		**(224)**	312
		(224)	312
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE	15		
– From continuing and discontinued operations (Hong Kong cents)		**(3.34)**	0.04
– From continuing operations (Hong Kong cents)		**(3.34)**	(0.49)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
(LOSS)/PROFIT FOR THE YEAR		**(105,686)**	1,361
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Share of other comprehensive (loss)/income of a joint venture		**(398)**	76
Exchange differences on translation of foreign operations		**273**	(772)
Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	*37*	**–**	(13,624)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(125)**	(14,320)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(105,811)**	(12,959)
Attributable to:			
Owners of the Company		**(105,575)**	(13,196)
Non-controlling interests		**(236)**	237
		(105,811)	(12,959)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**12,916**	2,780
Other intangible assets	*17*	**–**	431
Investment in associates	*18*	**128,265**	–
Investment in a joint venture	*19*	**–**	31,594
Prepayments	*23*	**36,225**	–
Available-for-sale financial assets	*20*	**–**	15,632
Total non-current assets		**177,406**	50,437
CURRENT ASSETS			
Inventories	*21*	**487**	82
Trade receivables	*22*	**5,555**	5,848
Prepayments, deposits and other receivables	*23*	**5,536**	5,885
Financial assets at fair value through profit or loss	*24*	**60,301**	50,035
Derivative financial asset	*25*	**10,610**	–
Bank and cash balances	*26*	**119,229**	207,622
Total current assets		**201,718**	269,472
CURRENT LIABILITIES			
Trade payables	*27*	**5,374**	3,371
Other payables and accruals	*28*	**5,266**	4,066
Income tax payables		**8,832**	8,784
Other loans	*29*	**495**	–
Finance lease payables	*30*	**237**	251
Total current liabilities		**20,204**	16,472
NET CURRENT ASSETS		**181,514**	253,000

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**358,920**	303,437
NON-CURRENT LIABILITIES			
Finance lease payables	*30*	**205**	469
Total non-current liabilities		**205**	469
NET ASSETS		**358,715**	302,968
CAPITAL AND RESERVES			
Share capital	*32*	**388,136**	269,547
Reserves	*35*	**(28,115)**	34,491
Equity attributable to owners of the Company		**360,021**	304,038
Non-controlling interests		**(1,306)**	(1,070)
TOTAL EQUITY		**358,715**	302,968

Approved by the Board of Directors on 30 March 2016

Wong Kui Shing, Danny
Director

Tse Chi Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to owners of the Company							
		Share Capital	**Share premium account**	**Foreign currency translation reserve**	**PRC reserve funds**	**(Accumulated losses)/ Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Notes		*(note 35(a)(ii))*	*(note 35(a)(iii))*	*(note 35(a)(iv))*				
At 1 January 2014		89,849	1,204,135	17,373	7,826	(1,198,645)	120,538	(976)	119,562
Profit for the year		–	–	–	–	1,049	1,049	312	1,361
Other comprehensive (loss)/income for the year:									
– Share of other comprehensive income of a joint venture		–	–	76	–	–	76	–	76
– Exchange differences on translation of foreign operations		–	–	(697)	–	–	(697)	(75)	(772)
– Reclassification adjustment for cumulative amount of exchange differences upon disposal of subsidiaries	*37(b)*	–	–	(13,624)	–	–	(13,624)	–	(13,624)
Total comprehensive profit/(loss) for the year		–	–	(14,245)	–	1,049	(13,196)	237	(12,959)
Issue of new shares	*32*	179,698	17,970	–	–	–	197,668	–	197,668
Transaction costs attributable to issue of new shares	*32*	–	(2,562)	–	–	–	(2,562)	–	(2,562)
Capital injection by a non-controlling shareholder of a subsidiary	*42(a)*	–	–	–	–	–	–	1,259	1,259
Gain on equity transaction with non-controlling shareholder of a subsidiary	*42(a)*	–	–	–	–	1,590	1,590	(1,590)	–
Share premium reduction (note i)		–	(1,193,300)	–	–	1,193,300	–	–	–
Disposal of subsidiaries		–	–	–	(6,982)	6,982	–	–	–
At 31 December 2014 and 1 January 2015		269,547	26,243*	3,128*	844*	4,276*	304,038	(1,070)	302,968
Loss for the year		–	–	–	–	(105,462)	(105,462)	(224)	(105,686)
Other comprehensive (loss)/income for the year:									
– Share of other comprehensive loss of a joint venture		–	–	(398)	–	–	(398)	–	(398)
– Exchange differences on translation of foreign operations		–	–	285	–	–	285	(12)	273
Total comprehensive loss for the year		–	–	(113)	–	(105,462)	(105,575)	(236)	(105,811)
Issue of new shares	*32*	118,589	47,441	–	–	–	166,030	–	166,030
Transaction costs attributable to issue of new shares	*32*	–	(4,472)	–	–	–	(4,472)	–	(4,472)
At 31 December 2015		388,136	69,212*	3,015*	844*	(101,186)*	360,021	(1,306)	358,715

Notes:

* These reserve accounts comprise the consolidated reserve of approximately HK$(28,115,000) (2014: approximately HK$34,491,000) in the consolidated statement of financial position.

(i) Pursuant to a special resolution passed by the shareholders at the Company's annual general meeting on 27 June 2014, it was agreed that both the share premium account and the accumulated losses account be reduced by the same amount of approximately HK$1,193.3 million.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(105,155)**	(11,615)
From discontinued operations		**–**	13,632
Adjustments for:			
Share of results of associates		**3,167**	–
Impairment loss of an associate	*18*	**22,597**	-
Share of results of a joint venture	*19(c)*	**29,415**	–
Finance costs	*9*	**360**	374
Bank interest income	*8*	**(16)**	(2,032)
Investment income from held-to-maturity investments	*8*	**–**	(112)
Investment income from financial assets at fair value through profit or loss	*8*	**(249)**	(1,690)
Loss on disposal of held-to-maturity investments	*10*	**–**	171
Loss/(gain) on disposal of subsidiaries	*10, 37(a)*	**3,152**	(8,564)
Loan interest income	*8*	**(828)**	–
Loss/(gain) on disposal of property, plant and equipment	*10, 8*	**72**	(85)
Fair value loss/(gain) on financial assets at fair value through profit or loss	*10*	**23,973**	(321)
Depreciation	*10, 16*	**857**	938
Amortisation of other intangible assets	*10, 17*	**114**	161
Written off of intangible assets	*10*	**2,192**	–
Impairment of investment in a joint venture	*10, 19*	**1,281**	–
Impairment of other receivables	*10*	**–**	33
Reversal of impairment loss on other receivables	*8*	**–**	(2,967)
Impairment of trade receivables	*10*	**–**	795
Reversal of impairment of trade receivable	*8*	**(400)**	–
Waiver of other payables	*8*	**(305)**	(315)
Operating cash flows before working capital change		**(19,773)**	(11,597)
(Increase)/decrease in inventories		**(410)**	160
Decrease in amounts due from contract customers		**–**	4,445
Decrease/(increase) in trade receivables		**371**	(3,205)
Decrease/(increase) in prepayments, deposits and other receivables		**1,006**	(435)
Changes in financial assets at fair value through profit or loss		**(34,239)**	(31,896)
Increase/(decrease) in trade payables		**2,189**	(66)
Increase in amounts due to contract customers		**–**	114
Increase/(decrease) in other payables and accruals		**1,643**	(1,369)
Cash used in from operations		**(49,213)**	(43,849)
Interest paid		**(325)**	(374)
Mainland China income tax paid		**–**	(174)
Net cash used in operating activities		**(49,538)**	(44,397)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	*16, 39*	**(11,308)**	(116)
Proceeds from disposal of property, plant and equipment		**102**	275
Purchase of intangible assets	*17*	**(1,875)**	–
Purchase of held-to-maturity investments		**–**	(50,447)
Proceeds from disposal of held-to-maturity investments		**–**	3,122
Refund from/purchase of a joint venture	*19*	**500**	(31,518)
Acquisition of associates		**(164,639)**	–
Deposit/payment for acquisition of a subsidiary	*41(b), 38*	**(36,225)**	(9,360)
Disposals of subsidiaries	*37*	**12,480**	70,546
Capital injection in an associate		**–**	(2,640)
Decrease in time deposits with maturity of more than three months when acquired		**–**	44,230
Interest received	*8*	**16**	2,032
Investment income from held-to-maturity investments	*8*	**–**	112
Investment income from financial assets at fair value through profit or loss	*8*	**249**	1,690
Grant of loans		**(30,000)**	–
Repayment of loans received		**30,000**	–
Net cash (used in)/generated from investing activities		**(200,700)**	27,926
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholder of a subsidiary	*42(a)*	**–**	1,259
Other loans raised	*29*	**460**	–
Net proceeds from issue of new shares	*32*	**161,558**	195,106
Repayment of short-term loans		**–**	(1,264)
Repayment of finance lease payables		**(238)**	–
Net cash generated from financing activities		**161,780**	195,101
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(88,458)**	178,630
Cash and cash equivalents at beginning of year		**207,421**	29,338
Effect of foreign exchange rate changes		**65**	(547)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**119,028**	207,421
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits		**119,028**	207,421
Time deposits		**201**	201
Cash and cash equivalents as stated in the consolidated statement of financial position		**119,229**	207,622
Less: Time deposits with maturity of more than three months when acquired		**(201)**	(201)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**119,028**	207,421

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The address of its principal place of business is Suite No. 5A, 9/F., Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were principally engaged in the development and sale of computer software and hardware, the provision of system integration and related support services in the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangement *(Continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land and building	50 years
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Furniture, fixtures and equipment	18% – 30%
Motor vehicles	10% – 20%

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Golf club membership

Golf club membership is stated at cost less any accumulated impairment losses and is amortised on the straight-line basis over their estimated useful life of 10 years. Impairment is reviewed annually or when there is any indication that the golf club membership has suffered an impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in consolidated profit or loss when there is an objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments *(Continued)*

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in consolidated profit or loss.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is an objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in consolidated profit or loss. Interest calculated using the effective interest method is recognised in consolidated profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in consolidated profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in consolidated profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in consolidated profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in consolidated profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

(b) from the rendering of services, on the percentage of completion basis;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except investments, derivative financial assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Provisions and contingent liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities *(Continued)*

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS

Key sources of estimation uncertainty

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

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

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

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Provision for impairment of trade receivables and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Percentage of completion of service contracts

The Group recognises revenue according to the percentage of completion of the individual contract of services. The Group's management estimates the percentage of completion of service contracts based on the actual cost incurred over the total budgeted cost, or completion of a physical portion of the contract work, as appropriate, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each service contract as the contract progresses.

(d) Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. KEY ESTIMATES AND CRITICAL JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Fair value of derivatives and other financial instruments

As described in note 5, the management of the Group uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, management estimated the expected amount of the guarantee received based on current available information. If the inputs and estimates applied in the model are different, the carrying amount of those derivatives may change.

(g) Investment in associates

Determining whether investment in associates are impaired requires an estimation of the recoverable amount of the associates which are determined based on fair value less costs of disposal by using the income approach. The fair value calculation requires the Group to estimate the future cash flows expected to arise from the associates, suitable discount rates and the proceeds on ultimate disposal of the associates. Where the actual future cash flows are less than or more than expected or upon the management's revision of estimated cash flows due to change in conditions, facts and circumstances, a material impairment loss or reversal of impairment loss may arise.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Joint control assessment

The Group holds 21.45% of the voting rights of its joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

(b) Classification of joint arrangements

The Group's joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk (2014: debt security price risk). The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2015, if the share prices of the investments increase/decrease by 10%, loss after tax for the year would have been HK$5,035,000 lower/higher, arising as a result of the fair value gain/loss of the investments.

At 31 December 2014, if the interest rate had increased/decreased by 1% with all other variables held constant and the Group's financial assets at fair value through profit or loss moved according to the historical correlation with the interest rate, the fair value of these financial assets at fair value through profit or loss would decrease/increase by 5%.

The consolidated profit after tax for the year would increase/decrease as a result of gains/losses on security classified as at fair value through profit or loss.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and investments, included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established securities broker firms and issuers in Hong Kong.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015				
Trade payables	5,374	–	–	–
Other payables and accruals	3,990	–	–	–
Other loans	495	–	–	–
Finance lease payables	263	215	–	–
	10,122	215	–	–
At 31 December 2014				
Trade payables	3,371	–	–	–
Other payables and accruals	3,041	–	–	–
Finance lease payables	279	524	–	–
	6,691	524	–	–

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities as at 31 December 2015, the Group's operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2015, the Group's bank deposits of approximately HK$201,000 (2014: approximately HK$201,000), short term loans of HK$495,000 (2014: HK$nil) and finance lease of approximately HK$442,000 (2014: approximately HK$720,000) bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

At 31 December 2015, the Group's exposure to interest-rate risk arises from its bank deposits of approximately HK$118,985,000 (2014: approximately HK$207,371,000). These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2015, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss (2014: profit) after tax for the year would have been approximately HK$23,000 (2014: approximately HK$24,000) higher (2014: lower), arising mainly as a result of lower interest income from bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss (2014: profit) after tax for the year would have been approximately HK$595,000 (2014: approximately HK$1,037,000) lower (2014: higher), arising mainly as a result of higher interest income on bank deposits.

(f) Categories of financial instruments

	2015	2014
	HK$'000	HK$'000
Financial assets:		
Available for-sale financial assets	**–**	15,632
Financial assets at fair value through profit or loss		
– Held for trading	**60,301**	50,035
Derivative financial asset	**10,610**	–
Loans and receivables (including bank and cash balances)	**129,076**	218,373
Financial liabilities:		
Financial liabilities at amortised costs	**9,859**	6,412

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	**60,301**	–	–	60,301
Derivative financial asset	**–**	–	10,610	10,610
At 31 December 2014				
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed debt securities in Hong Kong	**50,035**	–	–	50,035

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair values *(Continued)*

(a) Disclosures of level in fair value hierarchy *(Continued)*

Disclosures of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	**Valuation technique and key inputs**	**Significant unobservable inputs**	**Fair value 2015** HK$'000
Profit guarantees	Discounted cash flow, future guarantee received are estimated based on the weighted average of all possible outcomes and discounted at a rate that reflects the weighted average cost of capital of the companies of 15.53%	Expected amount of the guarantee received estimated by the management of the Group (Note)	10,610

Note: If the expected amount of the guarantee received to the valuation model had been 5% increased/decreased while all other variables were held constant, the carrying amounts of derivative financial instrument would increase/decrease by approximately HK$531,000.

Reconciliation of assets measured at fair value based on level 3:

Description	**Derivative financial asset 2015** HK$'000
At beginning of year	–
Addition	10,610
At end of year	10,610

6. OPERATING SEGMENT INFORMATION

The Group has two reportable segments as follows:

– the software development and system integration segment engages in (i) the sale of computer hardware; (ii) the provision of software development services; (iii) the provision of system integration services; and (iv) the provision of technical support and maintenance services; and

– the in-house developed products segment engages in the lease of in-house developed computer hardware.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include bank interest income, investment income, finance costs as well as head office and corporate expenses. Segment assets do not include investment in associates and a joint venture and other unallocated head office and corporate assets. Segment liabilities do not include others loans, income tax payables and other unallocated head office and corporate liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Continuing operations						Discontinued operations			
	Software development and system integration		In-house developed products		Total		Software development and system integration		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**27,793**	23,097	**–**	–	**27,793**	23,097	**–**	24,598	**27,793**	47,695
Other income and gains	**2,022**	541	**305**	–	**2,327**	541	**–**	–	**2,327**	541
	29,815	23,638	**305**	–	**30,120**	23,638	**–**	24,598	**30,120**	48,236
Reconciliation:										
Bank interest income					**16**	20	**–**	2,012	**16**	2,032
Loans interest income					**828**	–	**–**	–	**828**	–
Investment income from held-to maturity investments					**–**	112	**–**	–	**–**	112
Investment income from financial assets at fair value through profit or loss					**249**	1,690	**–**	–	**249**	1,690
Reversal of impairment loss on other receivables					**–**	2,967	**–**	–	**–**	2,967
Unallocated gains					**394**	592	**–**	–	**394**	592
Revenue, other income and gains					**31,607**	29,019	**–**	26,610	**31,607**	55,629
Segment (loss)/profit	**(7,091)**	(5,247)	**234**	(105)	**(6,857)**	(5,352)	**–**	3,056	**(6,857)**	(2,296)
Reconciliation:										
Bank interest income					**16**	20	–	2,012	**16**	2,032
Loans interest income					**828**	–	**–**	–	**828**	–
Investment income from held-to maturity investments					**–**	112	–	–	**–**	112
Investment income from financial assets at fair value through profit or loss					**249**	1,690	–	–	**249**	1,690
Reversal of impairment loss on other receivables					**–**	2,967	–	–	**–**	2,967
Unallocated gains					**394**	592	–	–	**394**	592
(Loss)/Gain on disposal of subsidiaries					**(3,152)**	–	–	8,564	**(3,152)**	8,564
Corporate and other unallocated expenses					**(15,840)**	(11,420)	–	–	**(15,840)**	(11,420)
Fair value (loss)/gain on financial assets at fair value through profit or loss					**(23,973)**	321	–	–	**(23,973)**	321
Loss on disposal of held-to-maturity investments					**–**	(171)	–	–	**–**	(171)
Share of results of associates					**(3,167)**	–	**–**	–	**(3,167)**	–
Impairment loss of an associate					**(22,597)**	–	**–**	–	**(22,597)**	–
Share of results of a joint venture					**(29,415)**	–	**–**	–	**(29,415)**	–
Impairment of investment in a joint venture					**(1,281)**	–	**–**	–	**(1,281)**	–
Finance costs					**(360)**	(374)	–	–	**(360)**	(374)
(Loss)/profit before tax					**(105,155)**	(11,615)	–	13,632	**(105,155)**	2,017

6. OPERATING SEGMENT INFORMATION *(Continued)*

	Continuing operations						Discontinued operations			
	Software development and system integration		In-house developed products		Total		Software development and system integration		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**12,857**	14,036	**483**	570	**13,340**	14,606	**–**	–	**13,340**	14,606
Reconciliation:										
Corporate and other unallocated assets					**365,784**	305,303	**–**	–	**365,784**	305,303
Total assets					**379,124**	319,909	**–**	–	**379,124**	319,909
Segment liabilities	**(8,455)**	(6,516)	**–**	(310)	**(8,455)**	(6,826)	**–**	–	**(8,455)**	(6,826)
Reconciliation:										
Corporate and other unallocated liabilities					**(11,954)**	(10,115)	**–**	–	**(11,954)**	(10,115)
Total liabilities					**(20,409)**	(16,941)	**–**	–	**(20,409)**	(16,941)
Other segment information:										
Depreciation on:										
Segment assets	**167**	77	**–**	–	**167**	77	**–**	199	**167**	276
Corporate and other unallocated assets					**690**	662	**–**	–	**690**	662
					857	739	**–**	199	**857**	938
Amortisation of other intangible assets on:										
Corporate and other unallocated assets					**114**	161	**–**	–	**114**	161
Bank interest income#	**5**	4	**2**	2	**7**	6	**–**	2,012	**7**	2,018
Impairment of trade receivables	**–**	795	**–**	–	**–**	795	**–**	–	**–**	795
Income tax expenses					**531**	–	**–**	656	**531**	656
Capital expenditure* on:										
Segment assets					**93**	788	**–**	28	**93**	816
Corporate and other unallocated assets					**11,215**	20	**–**	–	**11,215**	20
					11,308	808	**–**	28	**11,308**	836

* Capital expenditure consists of additions to equipments, motor vehicles and, land and building.

\# The amounts of bank interest income exclude non-operating segment.

6. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	Revenue		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**79,388**	9
PRC except Hong Kong	**27,793**	23,097	**98,018**	34,796
United States	**–**	–	**–**	15,632
Consolidated total	**27,793**	23,097	**177,406**	50,437

In presenting the geographical information, revenue is based on the locations of the customers.

Information about major customers

No external customers contributed over 10% of the Group's total revenue from continuing operations for the years ended 31 December 2015 and 2014.

7. REVENUE

The Group's revenue which represents (1) an appropriate proportion of contract revenue from the provision of software development and system integration services, net of value-added tax, business tax and government surcharges; (2) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; and (3) an appropriate proportion of contract revenue from the provision of the technical support and maintenance services, net of business tax and government surcharges are as follows:

	2015	2014
	HK$'000	HK$'000
Provision of software development and system integration services	**23,646**	22,409
Sale of computer hardware	**1,789**	327
Provision of technical support and maintenance services	**2,358**	24,959
	27,793	47,695
Representing:		
Continuing operations	**27,793**	23,097
Discontinued operations (note 13)	**–**	24,598
	27,793	47,695

8. OTHER INCOME AND GAINS

	2015 HK$'000	2014 HK$'000
Bank interest income	**16**	2,032
Loans interest income	**828**	–
Investment income from held-to-maturity investments	**–**	112
Investment income from financial assets at fair value through profit or loss	**249**	1,690
Gain on disposal of property, plant and equipment	**–**	85
Foreign exchange gains	**–**	163
Government grant	**911**	356
Waiver of other payables	**305**	315
Reversal of impairment loss on other receivables	**–**	2,967
Reversal of impairment loss on trade receivables	**400**	–
Others	**1,105**	214
	3,814	7,934
Representing:		
Continuing operations	**3,814**	5,922
Discontinued operations (note 13)	**–**	2,012
	3,814	7,934

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2015 HK$'000	2014 HK$'000
Interest on short term loan	**280**	–
Interest on other loans	**35**	374
Interest on finance lease payables	**45**	–
	360	374

No finance costs were incurred by the discontinued operations for the years ended 31 December 2015 and 2014.

10. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	2015	2014
	HK$'000	HK$'000
Cost of inventories sold	**2,387**	1,246
Cost of services provided	**12,799**	14,636
Depreciation	**857**	739
Amortisation of other intangible assets*	**114**	161
Minimum lease payments under operating leases in respect of land and buildings	**2,701**	2,780
Auditors' remuneration	**480**	430
Employee benefit expense (including directors' remuneration – note 11):		
Salaries, allowances and benefits in kind	**26,375**	16,610
Pension schemes contribution	**2,731**	2,127
	29,106	18,737
Impairment of investment in a joint venture**	**1,281**	–
Written off of other intangible assets**	**2,192**	–
Impairment of other receivables**	**–**	33
Impairment of trade receivables**	**–**	795
Foreign exchange differences, net	**30**	(163)
Loss on disposal of held-to-maturity investments**	**–**	171
Fair value loss on financial assets at fair value through profit or loss	**23,973**	–
Loss on disposal of a subsidiary	**3,152**	–
Loss on disposal of property, plant and equipment*	**72**	–

* The amortisation of other intangible assets is included in "Administrative expenses" of the consolidated statement of profit or loss.

** These items are included in "Other expenses" of the consolidated statement of profit or loss.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

(a) Directors' emoluments

	Note	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension schemes contribution HK$'000	Total remuneration HK$'000
Year ended 31 December 2015					
Executive directors:					
Mr. Wong Kui Shing, Danny	*(i)*	**92**	**810**	**14**	**916**
Mr. Tse Chi Wai		**120**	**845**	**18**	**983**
Ms. Wu Jingjing		**120**	**300**	**–**	**420**
Mr. Wong Chi Yung	*(ii)*	**84**	**167**	**8**	**259**
Mr. Takashi Togo	*(ii)*	**84**	**167**	**–**	**251**
Mr. Hu Zhuoer	*(iii)*	**60**	**423**	**15**	**498**
		560	**2,712**	**55**	**3,327**
Independent non-executive directors:					
Dr. Chen Shengrong	*(iv)*	**110**	**–**	**–**	**110**
Mr. Hung Hing Man	*(v)*	**82**	**–**	**–**	**82**
Mr. May Tai Keung, Nicholas	*(v)*	**82**	**–**	**–**	**82**
Mr. Ng Kwok Fai	*(vi)*	**40**	**–**	**–**	**40**
Dr. Sun Guofu	*(vi)*	**40**	**–**	**–**	**40**
Mr. Chen Zhongfa	*(vii)*	**10**	**–**	**–**	**10**
		364	**–**	**–**	**364**
Total		**924**	**2,712**	**55**	**3,691**
Year ended 31 December 2014					
Executive directors:					
Mr. Hu Zhuoer		113	957	30	1,100
Mr. Tse Chi Wai		113	975	17	1,105
Ms. Wu Jingjing		11	27	–	38
		237	1,959	47	2,243
Independent non-executive directors:					
Mr. Ng Kwok Fai		113	–	–	113
Dr. Sun Guofu		113	–	–	113
Mr. Chen Zhongfa		113	–	–	113
		339	–	–	339
Total		576	1,959	47	2,582

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Note:

(i) Appointed as an executive director on 26 March 2015.

(ii) Appointed as an executive director on 20 April 2015.

(iii) Retired as an executive director on 1 July 2015.

(iv) Appointed as an independent non-executive director on 30 January 2015.

(v) Appointed as an independent non-executive director on 24 April 2015.

(vi) Resigned as an independent non-executive director on 24 April 2015.

(vii) Resigned as an independent non-executive director on 30 January 2015.

During the year, no emoluments were paid by the Group to any of the directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Employees' emoluments

The five highest paid individuals in the Group during the year included three (2014: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2014: three) individuals are set out below:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowances and benefits in kind	**1,404**	2,113
Pension schemes contribution	**49**	12
	1,453	2,125

The remuneration of the two non-director, highest paid employees for the year ended 31 December 2015 (2014: three) fell within the range of nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSES

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2015 (2014: 16.5%).

No provision for PRC corporate income tax is required since the Group has no assessable profit for the year ended 31 December 2015.

The PRC corporate income tax was provided at the rate of 25% for the year ended 31 December 2014.

12. INCOME TAX EXPENSES *(Continued)*

	2015 **HK$'000**	2014 HK$'000
Current income tax expenses:		
Hong Kong	**531**	–
Mainland China	**–**	1,267
Overprovision in prior years	**–**	(611)
	531	656
Representing:		
Continuing operations	**531**	–
Discontinued operations	**–**	656
	531	656

The reconciliation between the income tax expense from continuing operations and the product of loss before tax from continuing operations multiplied by tax rates applicable to profit or loss in the respective countries is as follows:

	2015 **HK$'000**	2014 HK$'000
Loss before taxation	**(105,155)**	(11,615)
Tax calculated at domestic tax rates applicable to profit or loss in the respective countries	**(18,188)**	(3,566)
Tax effect of income that is not taxable	**(1)**	(517)
Tax effect of expenses that are not deductible	**1,803**	2,007
Tax effect of tax losses not recognised	**8,673**	2,280
Tax effect of utilisation of tax losses not previously recognised	**(860)**	(204)
Tax effect of share of results of associates	**522**	–
Tax effect of impairment loss of an associate	**3,729**	–
Tax effect of share of results of a joint venture	**4,853**	–
Tax charge for the year	**531**	–

13. DISCONTINUED OPERATIONS

(a) Disposal of Wisdom Elite Holdings Limited ("Wisdom Elite") in 2014

On 10 July 2014, the Company entered into a sale and purchase agreement, (the "Disposal") with Beijing Enterprises Group Information Limited (BEGIL), pursuant to which the Company conditionally agreed to dispose, and BEGIL conditionally agreed to acquire the 100% issued share capital of Wisdom Elite at a consideration of Renminbi ("RMB") 72 million (equivalent to HK$89.37 million). BEGIL is a connected person of the Company under the GEM Listing Rules. As such, the Disposal was subject to the independent shareholders' approval requirement. On 19 September 2014, the Disposal, as an ordinary resolution, was approved by the independent shareholders in an extraordinary general meeting.

Wisdom Elite is an investment holding company which holds the entire registered capital of Beijing Enterprises VST Software Technology Co., Limited ("VST"). VST is engaged in the development, operation and maintenance of e-government systems of 北京市人力資源和社會保障局 (Beijing Human Resources and Social Security Bureau) and 北京市國土資源局 (Beijing Municipal Bureau of Land and Resources).

The Disposal was completed on 29 September 2014. Upon completion of the Disposal, Wisdom Elite and VST ceased to be subsidiaries of the Company and their results, assets and liabilities and cash flows ceased to be consolidated to that of the Group since then.

(b) The profit for the year from the discontinued operations is analysed as follows:

	2015	2014
	HK$'000	HK$'000
Profit arising from discontinued operations	–	4,412
Gain on disposal of subsidiaries (note 37(b))	–	8,564
	–	12,976

13. DISCONTINUED OPERATIONS *(Continued)*

(c) The results of the discontinued operations which have been included in consolidated profit or loss, are as follows:

	Period from 1 January 2014 to 29 September 2014 Wisdom Elite HK$'000
REVENUE	24,598
Cost of sales and service	(11,523)
Gross profit	13,075
Other income and gains	2,012
Selling and distribution expenses	(1,597)
Administrative expenses	(8,422)
Profit before tax	5,068
Income tax expenses	(656)
Profit for the period	4,412
Gain on disposal of subsidiaries, net of income tax	8,564
Profit for the period from discontinued operations	12,976

(d) During the year ended 31 December 2014, the disposed subsidiaries generated approximately HK$3,248,000 in respect of operating activities, paid approximately HK$48,313,000 in respect of investing activities and paid approximately HK$nil in respect of financing activities.

14. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2015 and 2014.

15. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

From continuing and discontinued operations

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss (2014: profit) for the year attributable to owners of the Company of approximately HK$105,462,000 (2014: profit of approximately HK$1,049,000) and the weighted average number of ordinary shares of 3,153,304,324 (2014: 2,424,693,908) in issue during the year.

From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$105,462,000 (2014: approximately HK$11,927,000) and the denominator used is the same as that detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

From discontinued operations

Basic earnings per share from the discontinued operations for the year ended 31 December 2014 was HK$0.53 cents per share, and was calculated based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK$12,976,000 and the denominators used were the same as those detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earning per share is presented for the years ended 31 December 2015 and 2014 as there were no dilutive potential ordinary shares outstanding for the years.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:					
1 January 2014	–	485	8,297	5,557	14,339
Exchange realignment	–	(2)	(37)	(26)	(65)
Additions	–	–	223	613	836
Disposal	–	–	(260)	(919)	(1,179)
Written off	–	–	(1,421)	–	(1,421)
Disposal of subsidiaries	–	–	(2,185)	(1,417)	(3,602)
At 31 December 2014 and 1 January 2015	–	483	4,617	3,808	8,908
Exchange realignment	–	(20)	(219)	(219)	(458)
Additions	9,156	15	220	1,917	11,308
Disposal	–	–	(228)	(402)	(630)
At 31 December 2015	9,156	478	4,390	5,104	19,128
ACCUMULATED DEPRECIATION:					
1 January 2014	–	485	6,649	2,985	10,119
Exchange realignment	–	(2)	(29)	(13)	(44)
Provided during the year	–	–	334	604	938
Eliminated on disposals	–	–	(162)	(827)	(989)
Written off	–	–	(1,421)	–	(1,421)
Disposal of subsidiaries	–	–	(1,781)	(694)	(2,475)
At 31 December 2014 and 1 January 2015	–	483	3,590	2,055	6,128
Exchange realignment	–	(20)	(174)	(123)	(317)
Provided during the year	15	1	259	582	857
Eliminated on disposals	–	–	(133)	(323)	(456)
At 31 December 2015	15	464	3,542	2,191	6,212
CARRYING AMOUNTS:					
At 31 December 2015	9,141	14	848	2,913	12,916
At 31 December 2014	–	–	1,027	1,753	2,780

Note: The land and building are situated in Hong Kong.

17. OTHER INTANGIBLE ASSETS

	Golf club membership HK$'000
COST:	
At 1 January 2014, 31 December 2014 and 1 January 2015	**1,614**
Additions	**1,875**
Written off	**(3,489)**
At 31 December 2015	**–**
ACCUMULATED DEPRECIATION:	
1 January 2014	**1,022**
Provided during the year	**161**
At 31 December 2014 and 1 January 2015	**1,183**
Provided during the year	**114**
Written off	**(1,297)**
At 31 December 2015	**–**
CARRYING AMOUNTS:	
At 31 December 2015	**–**
At 31 December 2014	**431**

The Group acquired two golf club memberships from a golf club. The golf club memberships were written off since the golf club was closed down due to environmental issues.

18. INVESTMENT IN ASSOCIATES

	2015 **HK$'000**	2014 HK$'000
Unlisted investment in the British Virgin Islands		
Share of net assets	**43,887**	–
Goodwill	**106,975**	–
	150,862	–
Impairment losses	**(22,597)**	–
	128,265	–

18. INVESTMENT IN ASSOCIATES *(Continued)*

Notes: (Continued)

(a) Details of the Group's associates at 31 December 2015 are as follows:

Company name	Place of registration and operations	Percentage of ownership interest/ voting power/ profit sharing	Principal activity
Wise Visual Holdings Limited ("Wise Visual")	British Virgin Islands	25%	Developing and providing intelligent video recording surveillance system for security and safety alarm
Faithful Asia Group Limited ("Faithful Asia")	British Virgin Islands	40%	Business intelligence, big data, facilities management, financial technology solutions consulting and implementation

(b) The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

	Wise Visual 2015 HK$'000	Faithful Asia 2015 HK$'000
At 31 December		
Non-current assets	165,988	42,277
Current assets	10,120	1,941
Current liabilities	(10,070)	(1,751)
Non-current liabilities	(47,278)	(6,976)
Net assets	118,760	35,491
Group's share of net assets and carrying amount of interests	29,690	14,197
Goodwill	52,326	54,649
Group's share of carrying amount of interests	82,016	68,846
Year ended 31 December:		
Revenue	11,221	4,000
Loss and total comprehensive loss for the period	(9,041)	(2,265)

As at 31 December 2015, the bank and cash balances of the Group' associates in the PRC denominated in Renminbi ("RMB") amounted to HK$73,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

19. INVESTMENT IN A JOINT VENTURE

	2015	2014
	HK$'000	HK$'000
Unlisted investments in the PRC		
Share of net assets	**–**	29,813
Goodwill	**–**	1,781
	–	31,594

Notes:

(a) On 6 September 2013, the Company, Bloom Faith Holdings Limited ("Bloom Faith") and Shenzhen Qian Ti Investment Limited, both are independent third parties, have entered into an the agreement pursuant to which the Company has conditionally agreed to purchase 21.45% partnership interest in Shanghai Rui Hung Jiu Fang Investment Partnership Enterprise ("Jiu Fang") for the consideration of RMB25 million (equivalent to approximately HK$31,518,000). The acquisition was completed on 16 April 2014. Jiu Fang is principally engaged in investments, investment consultancy, investment management and business consultation.

(b) HK$500,000 was refunded by Bloom Faith during the year ended 31 December 2015.

(c) Jiu Fang has been trying to collect the prepayment for purchasing base wine of approximately RMB120 million from Sichuan Yibing Gaozhou Jiye Limited Company ("Gaojiu"). Gaojiu had indicated reluctance to pay the prepayment in full back to Jiu Fang. In view of the uncertainty as to whether ultimately Jiu Fang can collect the prepayment from Gaojiu, partially or in full, the Board considered it conservative to fully provide an impairment provision against the realization of assets in relation to the Group's investment in the joint venture. During the year, the Company made an impairment provision and share of loss of HK$31 million to address the aforesaid uncertainty. The movements of investment in a joint venture are as follows:

	2015	2014
	HK$'000	HK$'000
At 1 January	**31,594**	–
Investment cost in a joint venture	**–**	31,518
Refunded during the year	**(500)**	–
Share of results of a joint venture	**(29,415)**	–
Share of other comprehensive income	**(398)**	76
Impairment provision	**(1,281)**	–
At 31 December	**–**	31,594

19. INVESTMENT IN A JOINT VENTURE *(Continued)*

Notes: (Continued)

(d) Details of the Group's joint venture at 31 December 2015 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing
Shanghai Rui Hung Jiu Fang Investment Partnership Enterprise	PRC	RMB110,000,000	21.45%

(e) The following tables show information of Jiu Fang which are material to the Group. Investment in Jiu Fang is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of Jiu Fang.

	2015 **HK$'000**	2014 HK$'000
At 31 December:		
Non-current assets	**–**	151,649
Current assets	**1**	2
Current liabilities	**(11,966)**	(12,663)
Net (liabilities)/ assets	**(11,965)**	138,988

19. INVESTMENTS IN A JOINT VENTURE *(Continued)*

Notes: (Continued)

(e) *(Continued)*

	2015	2014
	HK$'000	HK$'000
Year ended 31 December:		
Revenue	**–**	–
Interest income	**–**	–
Impairment of prepayment	**(149,626)**	–
Interest expense	**–**	–
Income tax expense	**–**	–
Loss for the year	**(149,626)**	–
Other comprehensive (loss)/income	**(1,327)**	333
Total comprehensive (loss)/income for the year	**(150,953)**	333
Cash and cash equivalents included in current assets	**1**	2
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	**–**	–

The Group has not recognised loss for the year amounting to approximately HK$2,680,000 (2014: HK$nil) for Jiu Fang. The accumulated losses not recognised were approximately HK$2,680,000 (2014: HK$nil).

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	HK$'000
Unlisted equity securities, at cost	**–**	15,632

As at 31 December 2014, the Group had a 7.254% equity interest in Sterile Doctor LLC, a company specializing in the development and sales of environmental friendly sterilization technology products which was held by the Company's indirectly and directly wholly-owned subsidiaries.

21. INVENTORIES

	2015	2014
	HK$'000	HK$'000
Finished goods and merchandises	**487**	82

22. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**9,370**	11,506
Impairment	**(3,815)**	(5,658)
	5,555	5,848

Notes:

(a) The Group has granted credit terms to its customers, ranging from 30 to 90 days. In certain cases, the Group would request payment in advance from the customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

(b) The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2015 HK$'000	2014 HK$'000
Within 1 month	**878**	3,566
1 to 2 months	**294**	761
2 to 3 months	**–**	–
Over 3 months	**4,383**	1,521
	5,555	5,848

(c) An aged analysis of the trade receivables as at the end of the reporting period that are neither individually nor collectively considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**242**	1,648
Less than 1 month past due	**975**	1,987
1 to 3 months past due	**140**	702
Over 3 months to 1 year past due	**2,421**	1,213
Over 1 year past due	**1,777**	298
	5,555	5,848

Receivables that were neither past due nor impaired mainly relate to several major 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 Group does not hold any collateral or other credit enhancements over these balances.

22. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(d) The movements in the provision for impairment of trade receivables during the year are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**5,658**	4,884
Impairment during the year recognised in consolidated profit or loss	**–**	795
Amount written off as uncollectible	**(1,212)**	–
Reversal of impairment loss	**(400)**	–
Exchange realignment	**(231)**	(21)
At 31 December	**3,815**	5,658

The above provision for impairment of trade receivables is the provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Prepayments	*(a)*	**37,469**	982
Deposits and other receivables		**11,109**	12,179
		48,578	13,161
Impairment	*(b)*	**(6,817)**	(7,276)
		41,761	5,885
Analysed as:			
Non-current portion			
Prepayments	*(a)*	**36,225**	–
		36,225	–
Current portion			
Prepayments		**1,244**	982
Deposits and other receivables		**4,292**	4,903
		5,536	5,885
		41,761	5,885

Notes:

(a) Included in prepayment was an amount of HK$36,225,000 for acquiring 100% equity interests of Joyunited Investments Limited ("Joyunited"), which is holding properties situated outside Hong Kong.

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

Notes: (Continued)

(b) The movements in the provision for impairment of prepayments, deposits and other receivables during the year are as follows:

	2015	2014
	HK$'000	HK$'000
At 1 January	**7,276**	10,222
Impairment during the year recognised in profit or loss	**–**	33
Write-back of impairment	**–**	(2,967)
Written off of impairment	**(278)**	–
Exchange realignment	**(181)**	(12)
At 31 December	**6,817**	7,276

The above provision for impairment of prepayments, deposits and other receivables is the provision for individually impaired prepayments, deposits and other receivables. The Group and the Company do not hold any collateral or other credit enhancements over these balances.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	HK$'000	HK$'000
Bonds, at fair value listed in Hong Kong		
Bonds with fixed interest of 3.625% and maturity date of 16 January 2023	–	6,208
Bonds with fixed interest of 4% and maturity date of 3 December 2022	–	6,077
Bonds with fixed interest of 6.375% and maturity date of 26 September 2017	–	6,383
Bonds with fixed interest of 3.125% and maturity date of 23 January 2019	–	7,819
Bonds with fixed interest of 4% and maturity date of 14 May 2019	–	7,775
Bonds with fixed interest of 5.25% and maturity date of 25 April 2019	–	8,043
Bonds with fixed interest of 2.75% and maturity date of 10 April 2019	–	7,730
Equity securities listed in Hong Kong	**60,301**	–
	60,301	50,035

The carrying amounts of the above financial assets are classified as follows:

Held for trading	**60,301**	50,035

The investments included above as at 31 December 2015 represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of the listed equity securities are determined based on the quoted market prices.

The investments included above as at 31 December 2014 represent investments in bonds that offer the Group the opportunity for return through interest income and fair value gains.

The fair values of bonds are based on current bid prices.

25. DERIVATIVE FINANCIAL ASSET

	2015	2014
	HK$'000	HK$'000
Fair value of the profit guarantees	**10,610**	–

The profit guarantees are obtained as part of the acquisition of an associate for which details are set out in notes 18.

26. BANK AND CASH BALANCES

	2015	2014
	HK$'000	HK$'000
Cash and bank balances other than time deposits	**119,028**	207,421
Time deposits	**201**	201
	119,229	207,622

Note:

(a) As at 31 December 2015, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$5,977,000 (2014: approximately HK$6,216,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

(b) Time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

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

	2015	2014
	HK$'000	HK$'000
Within 1 month	**1,776**	1,433
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**3,598**	1,938
	5,374	3,371

28. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Accruals	**2,464**	1,595
Receipts in advance	**1,276**	1,025
Other payables	**1,526**	1,446
	5,266	4,066

29. OTHER LOANS

At 31 December 2015, other loans represent amount due to a company controlled by management of a subsidiary. The loans are unsecured, interest bearing at 10% per annum on the unpaid principal and repayable on demand.

30. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Within one year	**263**	279	**237**	251
In the second to fifth years, inclusive	**215**	524	**205**	469
	478	803	**442**	720
Less: Future finance charges	**(36)**	(83)	**–**	–
Present value of lease obligations	**442**	720	**442**	720
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(237)**	(251)
Amount due for settlement after 12 months			**205**	469

30. FINANCE LEASE PAYABLES *(Continued)*

The Group leased a motor vehicle. The lease term is three years. At 31 December 2015, the average effective borrowing rate was 7%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of the lease term, the Group has title of the motor vehicle.

All finance lease payables are denominated in RMB.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

31. DEFERRED TAX

The Group has tax losses arising in Hong Kong of approximately HK$15,789,000 (2014: approximately HK$13,722,000) that are available indefinitely, and in Mainland China of approximately HK$28,873,000 (2014: approximately HK$19,648,000) that are available for a maximum of five years, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is considered not probable that taxable profits will be available against which tax losses can be utilised.

At the end of the reporting period, there is no temporary differences associated with undistributed earnings of subsidiaries and joint ventures for which deferred tax liabilities have not been recognised (2014: HK$nil).

32. SHARE CAPITAL

		Number of shares		Share capital	
		2015	2014	**2015**	2014
	Note			**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each (2014: HK$0.10 each)					
Authorised:					
At the beginning of the year		**4,000,000,000**	1,000,000,000	**400,000**	100,000
Increase in authorised share capital	*(a)*	**4,000,000,000**	3,000,000,000	**400,000**	300,000
At the end of the year		**8,000,000,000**	4,000,000,000	**800,000**	400,000

32. SHARE CAPITAL *(Continued)*

Ordinary shares of HK$0.10 each
(2014: HK$0.10 each)

		Number of shares		Share capital	
		2015	2014	**2015**	2014
	Note			**HK$'000**	HK$'000
Issued and fully paid:					
At the beginning of the year		**2,695,471,908**	898,490,636	**269,547**	89,849
Open offer	*(b)*	**–**	1,796,981,272	**–**	179,698
Placing	*(c)*	**1,185,888,000**	–	**118,589**	–
At the end of the year		**3,881,359,908**	2,695,471,908	**388,136**	269,547

Notes:

(a) By an ordinary resolution passed on 30 June 2015, the authorised ordinary share capital of the Company was increased from HK$400,000,000 to HK$800,000,000 by the creation of 4,000,000,000 shares of HK$0.10 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) The Company issued and allotted 1,796,981,272 ordinary shares of HK0.10 each at an issue price of HK$0.11 per ordinary share on the basis of two offer shares for every one share held on 10 February 2014, the record date of the open offer. The open offer was completed on 6 March 2014. Net proceeds from such issue amounted to approximately HK$195,106,000, out of which approximately HK$179,698,000 and approximately HK$15,408,000 were recorded in share capital and share premium respectively.

(c) On 13 May 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a total of 539,088,000 placing shares to 6 independent placees at a price of HK$0.188 per placing share. The placing agreements was completed on 1 June 2015. The net proceeds of approximately HK$98,623,000 were raised from the placing.

On 23 September 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, a total of 646,800,000 placing shares to 6 independent placees at a price of HK$0.1 per placing share respectively. The placing agreements was completed on 23 September 2015. The net proceeds of approximately HK$62,935,000 were raised from the placing.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves) and includes some forms of subordinated debts.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive directors, full-time employees of the Group, advisers and consultants of the Group. The Scheme became effective on 3 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and yet to be granted under the Scheme is currently limited to 30% of the shares of the Company in issue at any time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in the Scheme in any 12-month period up to the date of the grant is limited to 1% of the aggregate number of issued shares of the Company at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors at their discretion, and commences on the date upon which the options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were outstanding, granted, exercised under the Scheme during the years ended 31 December 2015 and 2014.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of Financial Position of the Company

	2015 **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS		
Other intangible assets	**–**	431
Investments in subsidiaries	**674**	24,481
Investment in a joint venture	**–**	31,518
Total non-current assets	**674**	56,430
CURRENT ASSETS		
Due from subsidiaries	**265,782**	–
Prepayments, deposits and other receivables	**1,129**	2,304
Financial assets at fair value through profit or loss	**–**	50,035
Cash and cash equivalents	**91,689**	199,700
Total current assets	**358,600**	252,039
CURRENT LIABILITIES		
Other payables and accruals	**749**	461
Income tax payables	**530**	–
Total current liabilities	**1,279**	461
NET CURRENT ASSETS	**357,321**	251,578
NET ASSETS	**357,995**	308,008
CAPITAL AND RESERVES		
Share capital	**388,136**	269,547
Reserves	**(30,141)**	38,461
	357,995	308,008

35. RESERVES

(a) Group

(i) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(ii) Share premium account
Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iii) Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

(iv) The PRC reserve funds
The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries. None of the Group's PRC reserve funds as at 31 December 2015 and 2014 were distributable in the form of cash dividends.

35. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	(Accumulated losses/) retained earnings HK$'000	Total HK$'000
At 1 January 2014	1,193,268	(1,196,501)	(3,233)
Profit for the year and total comprehensive income for the year	–	26,286	26,286
Issue of new shares	17,970	–	17,970
Transaction costs attributable to issue of new shares	(2,562)	–	(2,562)
Share premium reduction	(1,193,300)	1,193,300	–
At 31 December 2014 and 1 January 2015	15,376	23,085	38,461
Loss for the year and total comprehensive income for the year	–	(111,571)	(111,571)
Issue of new shares	47,441	–	47,441
Transaction costs attributable to issue of new shares	(4,472)	–	(4,472)
At 31 December 2015	58,345	(88,486)	(30,141)

36. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of ownership interest	Principal activities
Shanghai Pantosoft Company Limited#	PRC	HK$17,200,000	90	Development and sale of computer software, and provision of system integration and related services
China Information Technology Development (Hong Kong) Limited	Hong Kong	HK$100	100	Office management

\# Registered as wholly foreign-owned enterprises under the PRC law until 13 June 2036

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

37. DISPOSALS OF SUBSIDIARIES

(a) Disposal of China Luck International Limited ("China Luck")

On 20 November 2015, the Group disposed the equity interest in China Luck.

Net assets at the date of disposal were as follows:

	HK$000
Available-for-sale financial assets	15,632
Net assets disposed of	15,632
Loss on disposal of a subsidiary	(3,152)
Total consideration satisfied by cash	12,480
Net cash inflow arising on disposal:	
Cash consideration received	12,480

37. DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposal of Wisdom Elite

As referred to in note 13 to the financial statements, on 29 September 2014, the Group disposed the equity interest in Wisdom Elite.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,127
Goodwill	12,000
Held-to-maturity investments	63,084
Inventories	37
Amounts due from contract customers	849
Amounts due from the Group	6,687
Prepayments, deposits and other receivables	907
Bank and cash balances	14,906
Trade payables	(327)
Amounts due to contract customers	(2,856)
Other payables and accruals	(1,130)
Income tax payables	(1,052)
Net assets disposed of	94,232
Release of foreign currency translation reserve	(13,624)
Direct cost to the disposal	198
Gain on disposal of subsidiaries	8,564
Total consideration	89,370
Total consideration satisfied by:	
Cash	85,650
Waiver of loan balances	3,720
	89,370
Net cash inflow arising on disposal:	
Cash and cash equivalents disposed of	(14,906)
Cash consideration received	85,650
Cash paid for direct cost	(198)
	70,546

38. ACQUISITION OF A SUBSIDIARY

On 28 May 2014, the Group further acquired 60% of the equity interest in China Luck and took over the loan to China Luck of US$1.2 million (equivalent to approximately HK$9,359,000) from Favour Time for the consideration of approximately US$1.25 million (equivalent to approximately HK$9,734,000 which comprised assumption of the loan principal of US$1,200,000 (equivalent to approximately HK$9,359,000), interest element calculated at approximately 8% per annum thereon and amounted to approximately US$48,000 (equivalent to approximately HK$374,000); and the nominal value of the shares issued by China Luck to Favour Time of US$150 (equivalent to approximately HK$1,000).

The fair value of the identifiable assets and liabilities of China Luck acquired as at its date of acquisition is as follows:

	HK$'000
Net assets acquired:	
Available-for-sale financial asset	15,535
	15,535
Satisfied by:	
Cash paid for the nominal value of the shares	1
The loan taken over by the Group	9,359
Total consideration transferred	9,360
Fair value of 40% equity interests in China Luck	6,175
	15,535
Net cash outflow arising on acquisition:	
Cash paid for the nominal value of the shares	1
The loan taken over by the Group	9,359
Cash and cash equivalents acquired	–
	9,360

China Luck contributed approximately HK$nil and HK$12,000 to the Group's revenue and loss for the year ended 31 December 2014 respectively for the period between the date of acquisition and the year ended 31 December 2014.

If the acquisition had been completed on 1 January 2014, total Group revenue from continuing operations for the year would have been HK$23,097,000, and loss for the year from continuing operations would have been HK$11,627,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

39. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment during the year of approximately HK$nil (2014: HK$720,000) were financed by finance leases.

40. OPERATING LEASE COMMITMENTS

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**2,414**	2,053
In the second to fifth year inclusive	**503**	1,187
	2,917	3,240

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years (2014: two years) and rentals are fixed over the lease terms and do not include contingent rentals.

41. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2015	2014
	HK$'000	HK$'000
Intangible assets		
Contracted but not provided for	**–**	475
Partnership interest		
Contracted but not provided for (note (a))	**–**	34,796
Acquisition of 100% of a subsidiary		
Contracted but not provided for (note (b))	**176,738**	–

41. CAPITAL COMMITMENTS *(Continued)*

(a) On 6 June 2014, the Vendors, entered into an agreement, pursuant to which the Company has agreed to purchase 24% of the partnership interest in the Target Partnership from the Vendors, for the Consideration of RMB28,000,000 (equivalent to approximately HK$34,796,000). Completion will take place upon the nominee of the Company becoming the record holder of the sale interest.

The Vendors and the Company entered into a supplemental agreement on 31 December 2014 whereby the parties mutually agreed to extend the long stop date of the Agreement from 31 December 2014 to 30 June 2015. Since not all of the conditions precedent were fulfilled on or before 30 June 2015, the acquisition did not proceed.

(b) On 25 November 2015, Giant Prestige Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into an agreement with 3 independent third parties ("Vendors") pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell 100% of the issued share capital of the Joyunited and all obligations, liabilities and debts owing or incurred by the Joyunited to the Vendors on or at any time prior to the completion at the aggregate consideration of RMB178,000,000 (equivalent to HK$212,963,000). Deposit of RMB30,000,000 (equivalent to HK$36,225,000) was paid to the Vendors.

42. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

(a) On 6 October 2014, a company controlled by senior management of a subsidiary acquired 10% equity interest of Pantosoft International Limited at a consideration of RMB1,000,000 (equivalent to approximately HK$1,259,000). A gain of approximately HK$1,590,000 was recognised.

(b) On 13 November 2015, the Company, Mr. Wong Kui Shing ("Mr. Wong"), the chairman and Chief Executive Officer of the Group and Nihon Unisys, Ltd.("Nihon Unisys"), an independent third party, entered into an agreement, pursuant to which the parties agreed to jointly establish China Information Technology Development Limited ("CITD Japan") in Japan with intention to promote and sell the Japanese products in the PRC, Hong Kong and countries which are members of the Association of Southeast Asia Nations Countries.

Pursuant to the agreement, the Company, Mr. Wong and Nihon Unisys owned CITD Japan 35%, 31% and 34% respectively. The total investment amount in CITD Japan will be JPY30 million (equivalent to approximately HK$1.95 million). The Company, Mr. Wong and Nihon Unisys shall contribute the amount of JPY10.5 million (equivalent to approximately HK$682,500), JPY9.3 million (equivalent to approximately HK$605,000) and JPY10.2 million (equivalent to approximately HK$663,000) respectively.

43. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016.

Five Year Financial Summary

31 December 2015

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published annual report and audited financial statements is set out below:

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**27,793**	23,097	18,333	56,414	90,337
Loss before tax from continuing operations	**(105,155)**	(11,615)	(20,345)	(6,692)	(28,242)
Income tax expenses	**(531)**	–	–	(1,160)	(2,620)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(105,686)**	(11,615)	(20,345)	(7,852)	(30,862)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	12,976	10,636	(131)	28,040
(Loss)/profit for the year	**(105,686)**	1,361	(9,709)	(7,983)	(2,822)
Attributable to:					
Owners of the Company	**(105,462)**	1,049	(9,066)	(7,986)	(1,284)
Non-controlling interests	**(224)**	312	(643)	3	(1,538)
	(105,686)	1,361	(9,709)	(7,983)	(2,822)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**379,124**	319,909	143,666	237,830	240,131
TOTAL LIABILITIES	**(20,409)**	(16,941)	(24,104)	(85,029)	(132,382)
NET ASSETS	**358,715**	302,968	119,562	152,801	107,749
Equity attributable to:					
Owners of the Company	**360,021**	304,038	120,538	134,475	89,521
Non-controlling interests	**(1,306)**	(1,070)	(976)	18,326	18,228
	358,715	302,968	119,562	152,801	107,749