

An abstract graphic with a blue color scheme. On the left, there are vertical columns of binary code (0s and 1s). In the center, there are server racks. On the right, there is a globe with white lines representing a network or data flow.

2014
ANNUAL REPORT

企业级信息产品及解决方案提供商

Futong Technology Development Holdings Limited
富通科技发展控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 465

Contents

2	Chairman's Statement
4	Management Discussion and Analysis
12	Directors and Senior Management Profile
15	Corporate Governance Report
24	Directors' Report
34	Independent Auditor's Report
36	Consolidated Statement of Profit or Loss and Other Comprehensive Income
37	Consolidated Statement of Financial Position
38	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
41	Notes to the Consolidated Financial Statements
91	Summary of Financial Information
92	Corporate Information

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board of directors of Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present to all our shareholders the annual results of the Group for the year ended 31 December 2014 (the "Year").

China's economic growth in 2014 amounted to 7.4%, an average growth in line with market expectations despite its slowing trend. However, in respect of the structure of China's economic growth, it is noteworthy that the growth in service industry occupied a larger proportion than the manufacturing industry in GDP, showing that the value created from the services sector industry has been increasing. In recent years, the Group has shifted its business model from distributing enterprise IT products to satisfying customers' demand by providing value-added services combined with solutions and products, testimony that our development strategy closely aligned with the market trend. Our management believes this business restructuring needs more time and effort before the results take effect, thus, adjustment in our results is within our expectation. The Group maintains full confidence in the ultimate success in our business restructuring.

The Group keeps increasing its own advanced research and development capability. During the year under review, we have strengthened our commitment to enhancing this expertise, including employing quality and innovative young engineers. We have encouraged them to exercise their technical competence and creativity on the optimization and development of software and hardware to further enrich our product mix and improve our value-added service so as to gradually advance our own software and hardware development.

Besides, cloud computing and big data are becoming an increasingly important trend in respect to technology, product and business model. To meet the huge demand, the Group not only cooperates with domestic and overseas renowned manufacturers, but also develops its own software, hardware and cloud computing solutions with pioneering technology. The Group also proactively improves solutions for value-added services and has established a solution data center to create solutions and services that can satisfy clients' requirements.

As an enterprise that has been operating for more than 20 years in China's IT industry, our customers are market leaders in China's main industries as well as government authorities. Followed by the increasingly stringent requirements of mainland government authorities, the IT products and services provided by domestic brands will become more important. During the year under review, the Group proactively recommended domestic brands to our customers, among which, Huawei's products registered a massive sales growth, nearly doubling, with that company's servers, storage products and IT security solutions being particularly popular. The Group predicts that domestic brands will be favored in the market consistently, hence, we will continue to adjust our product and solutions mix to meet customers' requirements.

The macro-economic environment in 2015 remains challenging, yet there is no question about the potential of China's IT industry. Meanwhile, China's support for domestic brands is expected to strengthen. In view of this, the Group continues to allocate resources to expand sales of our own brand and domestic brands based on our solid business foundation and rapidly improve our services, in a bid to raise our products and services to a more professional level.



Chairman's Statement

Furthermore, the business opportunities presented by the trend towards cloud services and big data are tremendous. As a leading enterprise in the IT industry, the Group continues to provide more high-end products and services to enable the highest efficiency and productivity for our customers, which in turn should sustain our growth in the long-term.

Leveraging our operational presence and long history in China, the Group has established close relationships with many renowned global manufacturers. This strength combined with our advantages as a domestic enterprise, extensive industry experience, strong research and development capability as well as the combination of customer-oriented services and solutions, gives us confidence that we can bring the most customized services and products to our customers in China.

Finally, I would like to take this opportunity to express my sincere gratitude to our team for their efforts and contributions last year, and to all of our shareholders for their long-term trust and support.

Chen Jian

Chairman

Hong Kong, 20 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the provision of enterprise IT infrastructure products, services and solutions in the PRC where it is one of the industry leaders. The Group is also participating in the research and development and sales of a series of its self-branded enterprises IT software and hardware products. The globally renowned enterprises, IBM, Oracle, Huawei, EMC, Apple, and SAP etc., are important partners of the Group for many years.

Currently, the PRC Government's requirements of independence and ability to control of IT products has gradually become increasingly strict, and demands by customers regarding their IT systems are also maturing, which has led to the decline in sales revenue of items among products for which we act as agents. However, the Group has made timely adjustments by investing substantial manpower to carry out research and development as well as innovation of our self-branded software and hardware IT products, in order to adapt to the market changes.

Sales of IBM's products

For the year ended 31 December 2014, revenue from the sales of IBM's hardware and software products including enterprise servers, system storage products and middleware, and which are often bundled with value-added services, amounted to approximately RMB1,596.3 million (2013: approximately RMB2,204.8 million), a decrease of approximately RMB608.5 million or 27.6%. The drop in sales of IBM's products was mainly due to the effect of the restructuring brought about by the sale of the low-end x86 enterprise server business of IBM and the PRC government's policy of promoting the use of domestic branded of enterprise IT products due to information security concerns.

The sales of IBM's products and provision of related services remained as the Group's primary revenue generator, and accounted for approximately 51.5% of the Group's total revenue for the year ended 31 December 2014 (2013: approximately 59.6 %).

Revenue from sales of IBM's enterprise servers amounted to approximately RMB1,097.5 million (2013: approximately RMB1,483.6 million), a decrease of RMB386.1 million or 26.0% compared with last year. Revenue from sales of IBM's system storage products and related services recorded a decrease of approximately RMB69.9 million or 24.5% to approximately RMB215.9 million (2013: approximately RMB285.8 million). Sales of IBM's software and related services recorded a decrease of RMB152.5 million or 35.0% to approximately RMB282.9 million (2013: RMB435.4 million).

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the year ended 31 December 2014, sales of Oracle's products and related services amounted to approximately RMB429.0 million (2013: approximately RMB365.8 million), representing an increase of approximately RMB63.2 million or 17.3% as compared with last year. These sales accounted for approximately 13.8% of the Group's total revenue (2013: approximately 9.9%).

Sales of Huawei's products

With the continuing maturity in domestic IT products and the growing market demand for these products, revenue from sales of Huawei's products has continued to grow and is becoming one of the core revenue sources of the Group. This business included the sales of servers, storage and IT security solutions, which recorded a dramatic increase of approximately RMB245.7 million or 98.0% to approximately RMB496.5 million for the year (2013: approximately RMB250.8 million). These sales accounted for approximately 16.0% of the Group's total revenue (2013: approximately 6.8%).

Sales of EMC's products

For the year under review, the revenue derived from distribution of EMC's products, and the provision of related value-added services including software development, business consulting and implementation services based on EMC storage virtualisation and business continuity solutions amounted to approximately RMB122.7 million (2013: approximately RMB238.6 million), a decrease of approximately RMB115.9 million or 48.6% as compared to the corresponding period in 2013. The drop in the revenue from sales of EMC's products was because the Group has deliberately stopped the direct distribution of EMC's products and changed our direction by focusing on the value-added services and system integration with EMC products which are figured for our ultimate customers with even higher profit margins.

Sales of Apple's products

For the year 2014, revenue from sales of Apple's products amounted to RMB62.6 million (2013: RMB332.8 million). The Group has deliberately suspended the distribution of Apple's products during the year in line with the transformation of the Group. However, the Group continues seeking other cooperation opportunities to partner with Apple and other renowned IT leaders in the market to carry out other possible valued-added or customised IT services.

Sales of other products

Other sources of revenue for the Group included sales of other software and IT accessories. Revenue from these sources also recorded a significant increase of approximately RMB69.7 million or 136.4% to approximately RMB120.8 million for the year (2013: approximately RMB51.1 million).

Provision of services

During the year ended 31 December 2014, the Group continued to strengthen and restructure its IT technical support service team intending to bolster the Group's IT service capability in the PRC to better meet the rapidly changing needs of end-users. The revenue contributed from provision of services during the year continued to grow by around RMB18.2 million or 7.1% as compared to the corresponding period in 2013, reaching approximately RMB273.4 million (2013: approximately RMB255.2 million) and representing approximately 8.8% of the Group's total revenue (2013: approximately 6.9%).

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year under review, the revenue of the Group decreased by approximately RMB597.8 million or 16.2% as compared to the corresponding period in 2013, to approximately RMB3,101.3 million (2013: approximately RMB3,699.1 million). It was mainly due to the decrease in sales of products of IBM, Apple and EMC, nevertheless, the dramatic increase in sales of products of Huawei has helped to compensate for part of the loss in such sales. The management expected that in the aftermath of the PRC Government's policies of encouraging the use of domestic-branded IT products, these products will feature more prominently in the sales mix of the Group.

Gross profit

Gross profit of the Group increased by approximately RMB1.8 million or 0.6%, from approximately RMB287.1 million for the year ended 31 December 2013 to approximately RMB288.9 million for the year ended 31 December 2014. The gross profit margin also recorded an increase from 7.8% to 9.3%. Such improvements can be attributable to the Group's continues efforts in exploring the needs of each single customer through detailed communication, as well as our diversification of products to cater for the market changes.

Other income, gains and other losses

It comprises mainly of interest income on bank deposits, foreign exchange gain, government grants and impairment loss on trade receivables. The net gain from other income, gains and other losses decreased by approximately RMB9.1 million from approximately RMB9.5 million (the comparative figures for the year ended 31 December 2013 has been restated, the impairment loss on trade receivables of approximately RMB6.0 million was reclassified from administrative expenses to better reflect its nature) to approximately RMB0.4 million, it was mainly due to the decrease in foreign exchange gains of approximately RMB5.8 million as there was a lower appreciation of Renminbi against United States dollars ("USD") during the year as compared to the corresponding period in 2013. In view of the fluctuation in currency exchange rate between RMB and USD during the year, the Group decided to defer the inter-group trade receivables settlement via exchange of RMB to USD to settle the trade payables to avoid immediate exchange impact, as the Group believed that the acute fluctuation in RMB during the year was temporary and will recover gradually in a short period of time. Therefore, the Group has arranged the PRC subsidiaries to pledge the RMB deposits to the domestic banks as securities to obtain a cheaper source of USD financing in Hong Kong. Such financing arrangement benefits the Group in two ways, that the Group can enjoy a lower cost of financing and at the same time avoid the low exchange rate at that moment. The Group has obtained short-term bank borrowings under such arrangement amounted to approximately RMB322.1 million (original currency of USD52.4 million) during the year, and the outstanding balance of such borrowings as at 31 December 2014 amounted to RMB84.0 million (USD13.7 million), all these outstanding balances have been fully settled by the end of January 2015. Apart from the exchange rate factors, there was an increase in the impairment loss on trade receivables of approximately RMB11.3 million because the management would like to adopt a prudent position toward the collectability of trade receivables and at the same time imposed stringent control on the collectability review prior to the entering of the sales transactions. Nevertheless, it was partly compensated by the increase in interest income of approximately RMB6.7 million which was mainly due to the interest income earned from the pledged deposits as mentioned above.

Management Discussion and Analysis

Selling and distribution expenses

For the year ended 31 December 2014, the selling and distribution expenses of the Group amounted to approximately RMB134.9 million, an increase of approximately RMB2.0 million or 1.5% compared to the corresponding period in 2013. The increase was mainly due to the increase of staff cost of approximately RMB3.2 million in relation to the adjustment on the structure of the technical and sales teams to cope with the changes in the industry environment and customer demands.

Administrative expenses

Administrative expenses of the Group decreased by approximately RMB6.0 million or 11.5%, from approximately RMB52.4 million (restated, as mentioned under the heading “Other income, gains and other losses” above) for the year ended 31 December 2013 to approximately RMB46.3 million for the year. The decrease was mainly due to the decrease in staff cost and professional service fee of approximately RMB2.8 million and RMB1.6 million, respectively, other administrative expenses also decreased in general.

Finance costs

Finance costs of the Group increased by approximately RMB4.4 million or 8.4% from approximately RMB53.0 million for the year ended 2013 to approximately RMB57.4 million for the year ended 31 December 2014. The increase was mainly due to increase in the borrowing amounts during the year to support financing of the operations of the expanding business, many of the loans then borrowed were under the financing arrangement as described above under the heading “Other income, gains and other losses”, the relevant onshore deposits pledged also generated considerable interest income as an offset to the increase in the finance cost.

Income tax expenses

With reference to the tax issue mentioned in the 2014 interim report under the section “Management Discussion and Analysis” with heading “Income Tax Expenses”, the Group is pleased to announce that the qualification of Advanced and New Technology Enterprises of Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”) was restored on 12 December 2014. Pursuant to the relevant regulations, upon passing the review of Advanced and New Technology Enterprises, Futong Dongfang will be able to enjoy preferential tax policy of the state in relation to Advanced and New Technology Enterprises for three consecutive years commencing from the year 2014, and will pay the enterprise income tax at the preferential rate of 15%. Further disclosure related to this tax issue is set out in note 9(a)(iv) to the financial statements.

The increase of income tax expense of approximately RMB1.7 million for the year was mainly due to the corporate income tax short-fall of year 2013 paid in accordance with the standard corporate income tax rate 25% of approximately RMB3.2 million was not refunded by relevant tax bureau in relation to the tax issue.

Profit for the year attributable to owners of the Company

For the year ended 31 December 2014, the profit attributable to owners of the Company decreased by approximately RMB7.8 million or 18.5%, from approximately RMB42.1 million to approximately RMB34.4 million. The decrease was mainly due to the combined effects of the decrease in other income, gains and other losses and the increase in finance costs as above-mentioned.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2014, the Group had total assets of approximately RMB2,046.7 million and net assets of approximately RMB558.3 million (31 December 2013: approximately RMB2,376.3 million and approximately RMB536.5 million, respectively). The Group's cash and cash equivalents as at 31 December 2014 amounted to approximately RMB278.4 million (approximately RMB273.5 million as at 31 December 2013). The Group had invested in certain principal guaranteed short-term investments as at 31 December 2014 amounted to approximately RMB42.6 million (31 December 2013: nil) which has been pledged to obtain short-term bank borrowings. Pledged deposits amounted to approximately RMB218.9 million (31 December 2013: approximately RMB202.2 million) of which RMB128.1 million (31 December 2013: approximately RMB112.3 million) has been pledged for bank borrowings. Bank borrowings amounted to approximately RMB748.4 million (31 December 2013: approximately RMB791.1 million), among which RMB84.0 million (USD13.7 million) were short-term bank loans borrowed during the year under the arrangement as described under the heading "Other income, gains and other losses". Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 31 December 2014, approximately 7.0% (31 December 2013: approximately 9.5%) of total bank borrowings were at fixed interest rates.

As at 31 December 2014, bank loans of the Group were advanced in Renminbi and United States dollars while cash and cash equivalents were held at Renminbi, United State dollars and Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2014, certain assets of the Group with carrying value of approximately RMB281.1 million (31 December 2013: approximately RMB222.3 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 31 December 2014 was approximately 54.7 % (as at 31 December 2013 was 75.6%). As those deposits and short-term investments that have been pledged to the banks were for the purpose of obtaining the bank borrowings, and hence should be included as a factor to calculate the ratio, therefore, commencing from this year, this ratio was calculated as total bank borrowings less bank balances and cash, and relevant pledged deposits and short-term investments divided by total equity.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

Management Discussion and Analysis

As at 31 December 2014, the Group did not enter into any hedging arrangements. However, the management has performed some measures, which has been described under the heading “Other income, gains and other losses”, to avoid the immediate impact of acute fluctuation in RMB verse USD exchange rate during the year. The management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2014 to shareholders whose names appear on the register of member of the Company on 27 May 2015. The proposed final dividend will be paid on or about 10 June 2015, following approval by the shareholders in the 2015 annual general meeting (“2015 AGM”).

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed during the following periods:

To determine the identity of shareholders who are entitled to attend and vote at the 2015 AGM

Latest time for lodging transfers:	4:00 pm on Tuesday, 12 May 2015
Closure of register of members:	Wednesday, 13 May to Friday, 15 May 2015 (both dates inclusive)
Record date:	Friday, 15 May 2015
Date of 2015 AGM:	Friday, 15 May 2015

To determine the shareholders’ entitlement to the proposed final dividend

Latest time for lodging transfers:	4:00 pm on Thursday, 21 May 2015
Closure of register of members:	Friday, 22 May to Wednesday, 27 May 2015 (both dates inclusive)
Record date:	Wednesday, 27 May 2015
Payment date for final dividend:	on or about Wednesday, 10 June 2015

No transfer of shares will be registered during the above periods when the Company’s register of members is closed.

In order to be eligible for attending and voting at the 2015 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and the transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2015 AGM of the Company will be held on Friday, 15 May 2015. Notice of 2015 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company and dispatched to the shareholders of the Company in due course.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 520 (31 December 2013: 527) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB106.5 million (2013: approximately RMB107.1 million).

The Group's employees are remunerated by reference to industry practices and performance and experience of individual employees. Our main focus is to ensure that the Group remains competitive within the market it operates in, to ensure we attract and retain the right talent necessary to grow the business and maximise shareholders' value. We place great emphasis on the development of our people as we firmly believe they are the core to the Group. Through our ongoing training programme, we encourage them to develop their talents and to move up the organisation. We believe these will be mutually beneficial to the Group and its employees.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 31 December 2014, the Group had used approximately RMB10.7 million for set up of new branch offices, approximately RMB25.5 million for sourcing new enterprise IT products, approximately RMB15.3 million for establishment and expansion of IT solution support centres, approximately RMB10.2 million for set up of training centers and approximately RMB10.2 million for general working capital purposes of the Group. The remaining balance of the net proceeds was placed in bank deposit accounts. The Group will apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 24 November 2009 (the "Prospectus").

OUTLOOK

According to the latest forecast released in 2015 by Gartner, a global leading IT research and consultancy firm, global IT spending will reach US\$3.8 trillion, representing a growth of 2.4% compared to 2014. At the same time, cloud computing, and big data in terms of technology, products and business models have gradually matured, their development evolving from merely a concept to practical applications. Yet, accompanying this progress has been the information security incidents worldwide and exposure of hidden safety issues, hence, the security risks of information systems have become global in scale, which has also attracted the high concern of the PRC Government. Therefore, the requirements for security, independent and controllable management features of the enterprise IT products are constantly being upgraded.

Management Discussion and Analysis

The vigorous and ever-changing industry environment, is an opportunity but also a challenge to the Group in 2015. While we are rooted in the local community, we always think globally. In order to capture the historical opportunity presented by the increasing security demand of IT products in the PRC market, we will continue to actively participate in national industry innovation. Towards this direction, we are devoting efforts to the research and development of our self-branded software and hardware products, and the introduction of value-added services and IT solutions, which will become part of the core of our business. We are planning to make full use of the newly established solution data centre “E-lab,” and based on the in-depth communications and careful analysis of customer needs, to provide high quality customized services to our customers. In the face of the challenges of the era of cloud computing, the Group is fully seizing this opportunity by establishing the cloud computing products division to carry out independent research and development for the private cloud and related products. Last but not least, we will continue our close collaboration with well-known domestic and foreign manufacturers, to offer more diversified products and services to our customers.

The Group will continue to focus efforts on cost control measures and cash flow management to enhance the overall operational cost structure, so as to strengthen its financial position and maximize the interests of the shareholders as a whole.

Directors and Senior Management Profile

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (陳健先生), aged 54, was appointed as an executive Director and chairman of the Company on 29 July 2009, he is one of the co-founders of the Group. He is also the director of Futong Technology Co. Ltd. (“Futong BVI”), Etong Technology Holdings Limited (“Etong BVI”), Futong Technology (HK) Company Limited (“Futong HK”), Futong Technology Development Holdings (HK) Limited (“Etong HK”), Futong Cloud Technology (HK) Company Limited (“Futong Cloud HK”), Futong Transcend Technology (HK) Company Limited (“Futong Transcend HK”), Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”), Futong Times Technology Co., Ltd. (“Futong Times”), Beijing Etong Dongfang Technology Co., Ltd. (“Etong Dongfang”), Futong Cloud Technology Co., Ltd (“Futong Cloud”) and Futong Transcend Technology Co., Ltd. (“Futong Transcend”) which are subsidiaries of the Company. Mr. Chen is responsible for the overall strategic development of the Group’s business. He has over 25 years of experience in IT industry. Mr. Chen graduated from 中國人民解放軍通信工程學院 (Chinese People’s Liberation Army Communication Engineering University) with a bachelor’s degree in wireless communications engineering. He is the brother-in-law of Ms. Zhang Yun.

Ms. Zhang Yun (張昀女士), aged 44, was appointed as an executive Director and vice chairlady of the Company on 29 July 2009, she is one of the co-founders of the Group. She is also the director of Futong BVI, Etong BVI, Futong HK, Etong HK, Futong Cloud HK, Futong Transcend HK, Futong Dongfang, Futong Times, Etong Dongfang, Futong Cloud and Futong Transcend. Ms. Zhang is responsible for the Group’s operations development and overall daily operations. She has over 21 years of experience in IT industry. Ms. Zhang graduated from 華東交通大學 (East China Jiaotong University) with a bachelor’s degree, majoring in economics. She is the sister-in-law of Mr. Chen Jian.

Independent non-executive Directors

Mr. Lee Kwan Hung (李均雄先生), aged 49, was appointed as an independent non-executive director on 5 November 2009. Mr. Lee received his LL.B. (Honours) degree and Postgraduate Certificate in Laws from The University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. Mr. Lee was a senior manager of the Listing Division of the Stock Exchange between 1993 and 1994. Mr. Lee is a practising lawyer and a consultant of Messrs. Howse Williams Bowers. He is also an independent non-executive director of Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, Newton Resources Limited, Walker Group Holdings Limited, Tenfu (Cayman) Holdings Company Limited, China BlueChemical Limited and Landsea Green Properties Co., Ltd, the shares of which are listed on the Stock Exchange. Besides, Mr. Lee was also an independent non-executive director of New Universe International Group Limited, Yuexiu REIT Asset Management Limited (which manages the Yuexiu Real Estate Investment Trust) and Far East Holdings International Limited.

Directors and Senior Management Profile

Mr. Yuan Bo (袁波先生), aged 52, was appointed as an independent non-executive Director on 5 November 2009. He is currently the senior vice president of Camelot Information Systems Company Limited. Mr. Yuan graduated from 清華大學 (Tsinghua University) with a master degree, majoring in economics. He was the general manager of China Business Partner Operation Division of 國際商業機器 (中國) 投資有限公司 (IBM (China) Investment Co., Ltd.) in 1998. He also served as the chief executive officer of Hi Sun Technology Holding Limited (a subsidiary of Hi Sun Technology (China) Limited, shares of which are listed on the Stock Exchange) in 2002. Besides, he was the founder and managing director of 百碩同興科技(北京)有限公司 (Bayshore Consulting and Services Co., Ltd.) from 2003 to 2006. He was a non-executive director of Geong International Limited, a company whose shares are listed on the London Stock Exchange.

Mr. Ho Pak Tai Patrick (何柏泰先生), aged 68, was appointed as an independent non-executive Director on 5 November 2009. He is a fellow of the Hong Kong Institute of Bankers, an independent non-executive director of CCB International (Holdings) Ltd., a subsidiary of China Construction Bank Corporation, the shares of which are listed on the Stock Exchange, and he is the member of its audit and compliance committee. He has been appointed to the Board of Review under the Inland Revenue Ordinance of Hong Kong from January 2001 to December 2009. Mr. Ho holds a banking diploma from the Chartered Institute of Bankers, London in December 1980 and has been a fellow of the Chartered Institute since 1988. Mr. Ho had served as the chief executive and general manager of Jian Sing Bank Limited (subsequently known as China Construction Bank (Asia) Limited, a subsidiary of China Construction Bank Corporation) from 1996 until 2007 and was also a director of its board. Mr. Ho has extensive banking experience in credit administration and audit.

SENIOR MANAGEMENT

Mr. Qian Ruo Chen (錢若塵先生), aged 42, joined the Group in 2012. He is the vice president of Futong Times. He is responsible for overseeing the day-to-day operations of the business unit of IBM system integration of the Group. He graduated from 北京科技大學 (University of Sciences and Technology Beijing).

Mr. Zhao Wei (趙偉先生), aged 43, joined the Group in 2003. He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the business units for Oracle, SAP, non-financial institutions system integration and marketing department of the Group. He graduated from 北京理工大學 (Beijing Institute of Technology), majoring in electronic appliances.

Mr. Liu Hanping (劉漢平先生), aged 59, joined the Group in 2014. He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the Group's business units for system integration of EMC, financial institutions in the northern China and PICC. He graduated from 北京廣播電視大學 (Beijing Open University).

Mr. Zhuang Yi Feng (莊一峰先生), aged 46, joined the Group in 2008. He is the vice president of Futong Times. He is responsible for overseeing the day-to-day operations of the Group's business for Huawei. He graduated from 中國海洋大學 (Ocean University of China) with a bachelor degree in Electronics and Information System.

Directors and Senior Management Profile

Mr. Xie Hui (謝輝先生), aged 45, joined the Group in 2005. He is the vice president of Futong Dongfang and one of the co-founders of the Group. He is responsible for overseeing the day-to-day operations of the Group's business for Sugon products. He graduated from 北京航空航天大學 (Beihang University), majoring in mechanical and electrical engineering.

Mr. Dai Sihong (戴思弘先生), aged 45, joined the Group in 2010. He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day business operations of the Group's self-branded product, SUPPOOL and system integration business of financial institutions of eastern China. He holds a master degree in information systems focusing on E-commerce from Stevens Institute of Technology, Hoboken, New Jersey, USA.

Mr. Yu Lei (余雷先生), aged 46, joined the Group in 2014. He is the vice president of Futong Cloud. He is responsible for overseeing the day-to-day business operations of the Group's self-branded software "Cloudoor". He graduated from 北京計算機學院 (Beijing Computer Institute) (now known as 北京工業大學 – 計算機學院 (Beijing University of Technology-College of computer)) computer application and technology department, and obtained a bachelor's degree.

Mr. Zou Jun (鄒均先生), aged 49, joined the group in 2014. He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the Group's cloud computing business. Mr. Zou graduated from Macquarie University in Australia and holds a master degree in business administration.

Mr. Jin Wei (金微先生), aged 40, joined the group in 2014. He is the vice president of Futong Dongfang and the chief technical officer of the Group. He is responsible for overseeing the day-to-day operations of the Group's IT technical and solutions business. Mr. Jin graduated from 上海同濟大學 (Shanghai Tongji University) and obtained a bachelor's degree in Computer Science.

Ms. Chen Jing (陳靜女士), aged 46, joined the Group in 2005. She is the vice president of Futong Dongfang. She is responsible for overseeing the day-to-day operations of the Group's sales management department, logistics management department, IT management department, human resources department and public relations department. She graduated from 北京聯合大學 (Beijing Union University) with a bachelor degree majoring in mechanical engineering.

Mr. Siu Hin Leung (蕭顯良先生), aged 42, joined the Group in 2012. He is the financial controller of Futong HK. He is also the authorized representative and company secretary of the Company. He obtained a Bachelor of Arts with Honours Degree in Accountancy from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and financial management.

Mr. Ma Yan (馬岩先生), aged 36, joined the Group in 2012, and appointed as the financial controller of Futong Times in 2015. He obtained a bachelor degree in Accounting from the Beijing University of Technology, China. He is a member of the Chinese Institute of Certified Public Accountant. Prior to joining the Group, Mr. Ma worked as a practicing accountant in Deloitte Touche Tohmatsu for over 8 years in China.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices with a view of being a transparent and responsible organisation, which is open and accountable to the shareholders and for protection of shareholders' and stakeholders' rights and enhance shareholders' value. The Board believes that good corporate governance establishes a framework which is essential for and advantageous to the Group's effective management and sustainable business growth.

COMPLIANCE WITH THE CODE

Throughout the year ended 31 December 2014, the Company has applied the principles and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviation from the Code Provision A.2.1, which, with considered reasons for this deviation, is disclosed under the heading "Chairman and Chief Executive Officer" below.

The key corporate governance principles and practices adopted by the Company are set out below.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Board is collectively and ultimately responsible for the effective oversight of the management, and the strategic direction and performance of the Group. All Directors have full and direct access to the advices and services of the company secretary of the Company. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where they consider relevant and necessary to the discharge of their duties.

The Board has delegated to the management of the Group the authority and responsibilities for implementing the decisions and strategies approved by the Board and managing day-to-day operations of the Group under the leadership and guidance of the Board. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of the Group's major acquisitions and disposals, major capital investments, dividend policy, recommendation, appointment, retirement and remuneration policy of the Directors and senior management, and other significant operational and financial matters. The Board will review the delegation arrangements on a periodic basis to ensure they remain appropriate to the needs of the Group.

The Board has also established three Board committees, namely, the audit committee, the remuneration committee and the nomination committee, and delegated to these Board committees certain specific responsibilities as set out in their respective written terms of reference approved by the Board. Further details of these Board committees are set out under the heading "Board Committees".

Corporate Governance Report

The Company arranged induction programme for all newly appointed Directors and provided them with comprehensive corporate information and business briefings on their appointments to familiarise them with the Group's operations and business, as well as their responsibilities as a Director.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Composition of the Board

As at the date of this annual report, the Board comprises five Directors, including two executive Directors and three independent non-executive Directors. Members of the Board are:

Executive Directors

Mr. Chen Jian (*Chairman and Chief Executive Officer*)

Ms. Zhang Yun

Independent non-executive Directors

Mr. Lee Kwan Hung

Mr. Yuan Bo

Mr. Ho Pak Tai Patrick

During the year ended 31 December 2014, the Board's composition has at all time satisfied the requirements of Rule 3.10 and 3.10(A) of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors (representing at least one-third of the Board), and of whom at least one possess appropriate professional qualifications or accounting or related financial management expertise.

The Company has received confirmation from each of the independent non-executive Directors regarding his independence pursuant to the requirements set out in Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that all of the independent non-executive Directors to be independent.

The biographies of the Directors and their relationship with each other are set out under the section headed "Directors and Senior Management Profile" on pages 12 to 14 of this annual report.

Chairman and Chief Executive Officer

Mr. Chen Jian currently serves both the roles of the chairman and chief executive officer of the Company. Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this Code Provision.

The major duties of the chairman are to provide leadership to the Board and formulate, together with the Board, the business strategies and long-term objectives of the Group whilst the chief executive officer is responsible for implementing the decisions and strategies approved by the Board and managing day-to-day operations of the Group with the support of the executive Directors. The Board believes that appointing the same person as the chairman and chief executive officer is conducive to strong and consistent leadership, which enables the Group to implement decisions and business strategies promptly and efficiently. The Board considers that the present arrangement will not impair the balance of power and authority between the Board and the management of the Company given that there is a professional and independent non-executive element on the Board and a clear division and proper balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals. Furthermore, the Board meets regularly to discuss major issues affecting the operations of the Group and make collective decisions by majority voting to ensure power is not concentrated in any one individual. The Board will nevertheless review the present arrangement from time to time in light of prevailing circumstances.

Appointment and Re-election of Directors

The Board has established the nomination committee, which is responsible for identifying appropriate candidates with suitable skills and experience for consideration by the Board. Further details of the nomination committee are set out under the heading “Nomination Committee”. All independent non-executive Directors are appointed for an initial term of one year and subject to terms of renewal and termination after their first year of appointments. According to the articles of association of the Company, all Directors are subject to retirement by rotation at least once every three years and any new Directors appointed to fill a casual vacancy or as an addition to the Board shall retire at the first general meeting after appointment. The retiring Directors are eligible for re-election at the general meeting at which he/she retires.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions.

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code for the year ended 31 December 2014.

Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Notices of regular meetings are given to all Directors at least 14 days before the meeting is held, while notices of special Board meetings are given as soon as reasonable and practicable in the circumstances.

Corporate Governance Report

The company secretary is responsible for preparing the agenda and minutes for Board meetings. Agenda and discussion paper are provided to the Directors in advance of the meetings to allow them sufficient time to understand and consider the matters to be discussed in the meetings. The Directors may request to include matters in the agenda through the company secretary.

Draft Board meeting minutes containing detailed information of matters discussed, decisions reached, and any concerns raised or dissenting views expressed by the Directors at the meetings are dispatched to all Directors for their comments within a reasonable period of time after the meetings. Final version of Board meeting minutes are submitted to the Board for formal adoption after their comments. The adopted minutes are kept by the company secretary and are open for inspection by Directors upon their requests.

Induction and Continuing Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors' knowledge and skills.

Under code provision A.6.5, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. On 17 December 2014, a briefing session was organized for Directors to update the Directors on the new Hong Kong Companies Ordinance and other new accounting standards. During the year ended 31 December 2014, the Directors also participated in the following trainings:

Directors	Types of training (notes)
Executive Directors	
Mr. Chen Jian	C
Ms. Zhang Yun	C
Mr. Guan Tao (resigned on 30 April 2014)	C
Independent non-executive Directors	
Mr. Lee Kwan Hung	A, B and C
Mr. Yuan Bo	C
Mr. Ho Pak Tai Patrick	A and C

Notes

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals and updates relating to the Group's businesses, economy, general businesses, or Directors' duties and responsibilities, etc.

BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee, the nomination committee, with approved written terms of reference to explain their respective role and the authority delegated to them by the Board. The terms of reference and membership of the Board committees are disclosed in full on the Company's website and are also available upon request to the company secretary. The Board committees are provided with sufficient resources to discharge their duties, and as they considered necessary, they may obtain independent professional advice at the Company's cost on any matters within their terms of reference.

Audit Committee

The audit committee was established on 11 November 2009 and is regulated by written terms of reference approved by the Board. The audit committee comprises all three independent non-executive Directors, namely Mr. Ho Pak Tai Patrick (chairman of the audit committee), Mr. Lee Kwan Hung and Mr. Yuan Bo.

The principal roles and functions of the audit committee are:

- to oversee the relation with the external auditors, which includes making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- to review the Group's financial information, which includes monitoring the integrity of financial statements, the annual report and accounts, and half year report and reviewing significant financial reporting judgements contained therein; and
- to oversee the Group's financial reporting system and internal control procedures.

The audit committee held three meetings during the year ended 31 December 2014, at which the financial results and reports, financial reporting and compliance procedures, internal control matters and the independence and the appointment of the external auditors were reviewed and discussed.

Remuneration Committee

The remuneration committee was established on 11 November 2009 and is regulated by written terms of reference approved by the Board. The remuneration committee comprises all three independent non-executive Directors, namely Mr. Yuan Bo (chairman of the remuneration committee), Mr. Lee Kwan Hung and Mr. Ho Pak Tai Patrick, and one executive Director, Mr. Chen Jian, who is the chairman and chief executive officer of the Company.

Corporate Governance Report

The principal roles and functions of the remuneration committee are:

- to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to have the delegated responsibility to determine the specific remuneration package of all executive Directors and senior management; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The remuneration committee held one meeting during the year ended 31 December 2014 to review the remuneration packages of the Directors and senior management. Members of the remuneration committee were abstained from voting on resolutions related to his own remuneration package in the meeting.

The compensation structure for the Directors consists of the fixed and variable components. The fixed component mainly comprises salary, retirement benefit scheme contributions and other allowances which are determined with reference to factors including their skills, knowledge and experience, the time commitment, duties and responsibilities required of them and the prevailing market conditions. The variable component comprises bonuses and share options granted under the Company's share option scheme, which are performance-based incentives to the Directors and senior management for aligning the individual and corporate goals and objectives.

Nomination Committee

The nomination committee was established on 11 November 2009 with written terms of reference approved by the Board. The nomination committee comprises all three independent non-executive Directors, namely Mr. Lee Kwan Hung (chairman of the nomination committee), Mr. Yuan Bo and Mr. Ho Pak Tai Patrick, and one executive Director, Ms. Zhang Yun.

The principal roles and functions of the nomination committee are:

- to review the structure, size and diversity of the Board;
- to identify and nominate Board candidates for directorship;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on matters relating to the appointment, re-appointment, and succession planning for Directors in particular the chairman and chief executive officer.

The nomination committee held one meeting during the year ended 31 December 2014, to review the structure, size and diversity of the Board, assess the independence of the independent non-executive Directors and make recommendation to the Board on reappointment of Directors.

Summary of Board Diversity Policy

According to the Board diversity policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service in the Company etc. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

ATTENDANCE RECORDS AND MEETINGS

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2014 are set out as below:

	No. of meetings attended/held				
	Annual general meeting	Board meetings	Audit committee meetings	Remuneration committee meeting	Nomination committee meeting
No. of meetings	1	4	3	1	1
Executive Directors					
Mr. Chen Jian	1/1	4/4	*2	1/1	*1
Ms. Zhang Yun	1/1	4/4	*3	*1	1/1
# Mr. Guan Tao	1/1	1/1	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Lee Kwan Hung	1/1	4/4	3/3	1/1	1/1
Mr. Yuan Bo	1/1	4/4	3/3	1/1	1/1
Mr. Ho Pak Tai Patrick	1/1	4/4	3/3	1/1	1/1

* Attended on voluntary basis

Mr. Guan Tao resigned as director of the Company on 30 April 2014

COMPANY SECRETARY

Mr. Siu Hin Leung ("Mr. Siu") was appointed as the company secretary of the Company on 24 April 2012. The biographical details of Mr. Siu are set out under the section headed "Senior Management". He has taken not less than 15 hours of relevant professional training during the year ended 31 December 2014.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu has been appointed as the external auditors of the Company for the year ended 31 December 2014. The audit committee has the same view with the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

Corporate Governance Report

For the year ended 31 December 2014, the total remuneration in respect of services provided by the external auditors of the Company amounted to approximately RMB2,050,000, which can be analysed as follows:

	RMB'000
Audit services	2,000
Other services	50

INTERNAL CONTROLS

The Board is responsible for maintaining a sound internal control system and reviewing its effectiveness at least annually to safeguard the shareholders' investments and the Group's assets. During the year ended 31 December 2014, the Board was assisted by the audit committee in reviewing the effectiveness of the Group's internal control system with no material deficiencies identified. The Board and the audit committee have considered all material aspects, including financial, operational and compliance controls, risk management functions, as well as the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget in the review. The Board and the audit committee are satisfied that the Group's internal control system was effective and there was no significant area of concern which might affect the interests of the shareholders of the Company.

The Group will use its best endeavour to implement changes to further improve the Group's internal control system whenever necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is collectively responsible for preparing the consolidated financial statements which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flows. The audited consolidated financial statements of the Group for the year ended 31 December 2014 are set out on pages 36 to 90 of this annual report. In preparing these financial statements, the Directors have (i) selected appropriate accounting policies and applied them consistently; (ii) made prudent and reasonable judgements and estimates; and (iii) ensured that these financial statements were prepared on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibility of the external auditors on the Group's consolidated financial statements are set out in the section headed "Independent Auditor's Report" on pages 34 to 35 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of effective communication with the shareholders of the Company. The Company has established a number of communication channels to maintain an ongoing dialogue with its shareholders and enhancing the transparency of the Group. These include (i) holding annual and extraordinary general meetings to provide a forum for shareholders to communicate directly with the Board and the Board committees; (ii) distributing corporate documents and releasing announcements to disseminate the Group's latest information to the shareholders; and (iii) maintaining the Company's website to provide an electronic means of communication with the shareholders and the public.

Shareholders and other interested parties are welcome to access the Group's information from the Company's website at www.futong.com.hk. The Group's corporate information including terms of reference of the Board committees, the Group's financial reports, announcements and circulars are available on the website. In order to enhance shareholders' understanding of the Group's business performance and development, the Company will continue to improve its corporate disclosure on the Company's website and the communication with its shareholders.

SHAREHOLDERS' RIGHTS

Pursuant to Article 64 of the Articles, extraordinary general meeting may be convened on the requisition of one or more shareholder(s) holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

If a shareholder wishes to propose a person other than a retiring Director or the Director proposed for election as a Director at any general meeting (including the annual general meeting), the shareholder should lodge the notices with the Company Secretary at the Company's head office in Hong Kong at Rooms 929-935, 9th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The notices shall be lodged in the period commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting, provided that such period shall be at least seven days. The Company shall publish an announcement and/or issue a supplemental circular upon receipt of the notices from such shareholder in accordance with Rule 13.70 of the Listing Rules.

Shareholders' enquiries put to the Board or any proposals to be put forward at general meetings can be emailed to contact@futong.com.hk or by mail to:

Rooms 929-935, 9th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year ended 31 December 2014.

Directors' Report

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 36 to 90 of this annual report.

The Board recommends the payment of a final dividend for the year ended 31 December 2014 of HK4.0 cents (2013: HK5.0 cents) per share.

Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or about 10 June 2015 to shareholders whose names appear on the register of members of the Company on 27 May 2015.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and equity of the Group for the last five financial years is set out on page 91 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF THE SHARES

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 38 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB330.7 million.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2014 are set out in note 24 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers, on individual entity basis, accounted for approximately 19.7% of the total revenue for the year and sales to the largest customer, on individual entity basis, included therein amounted to approximately 8.5%. Purchases from the Group's five largest suppliers, on individual entity basis, accounted for approximately 78.9% of the total purchases for the year and purchases from the largest supplier, on individual entity basis, included therein amounted to approximately 32.7%.

None of the Directors 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) has any material beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Chen Jian

Ms. Zhang Yun

Mr. Guan Tao (resigned on 30 April 2014)

Independent non-executive Directors

Mr. Lee Kwan Hung

Mr. Yuan Bo

Mr. Ho Pak Tai Patrick

In accordance with the Company's articles of association, one-third of the Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company and any new Directors appointed to fill a casual vacancy or as an addition to the Board shall retire at the first general meeting after appointment. Mr. Chen Jian and Mr. Lee Kwan Hung will retire by rotation. All of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

The Company has received confirmations from each of the independent non-executive Directors regarding his independence pursuant to the requirements set out in Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that all of the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors, namely Mr. Chen Jian and Ms. Zhang Yun, has respectively entered into a service agreement with the Company for an initial term of three years commencing from 11 November 2009 and thereafter renewable automatically for successive terms of one year each, unless terminated by either the Company or the Directors by serving not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

Details of Directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACT

Details of the connected transactions and the related party transactions are set out on pages 31, 32 and pages 81 to 84 of this annual report respectively. Save for the above, no other Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in the shares of the Company:

Name of Director	Capacity/nature of interest	Number of shares/Underlying shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Interest in controlled corporations	218,014,000 (Notes 1, 2, 3)	70.04
Zhang Yun	Beneficial owner/interest in controlled corporation	42,869,650 (Note 2)	13.77
Lee Kwan Hung	Beneficial owner	300,000 (Note 4)	0.10
Yuan Bo	Beneficial owner	300,000 (Note 4)	0.10
Ho Pak Tai Patrick	Beneficial owner	300,000 (Note 4)	0.10

Directors' Report

(ii) Long positions in the shares of China Group Associates Limited:

Name of Director	Capacity/nature of interest	Number of shares held	Approximate percentage of the issued share capital (%)
Chen Jian	Beneficial owner	100	100.00

Notes:

- 153,947,250 of these shares are held by China Group Associates Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by China Group Associates Limited.
- 42,631,650 of these shares are held by Rich China Investments And Trading Ltd., the entire issued share capital of which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. By virtue of the SFO, both Mr. Chen Jian and Ms. Zhang Yun are deemed to be interested in the shares held by Rich China Investments And Trading Ltd..
- 21,435,100 of these shares are held by Rich World Development Ltd., the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by Rich World Development Ltd..
- These shares are derived from the interest in share options granted by the Company, details of which are set out in the section headed "SHARE OPTION SCHEME".

Save as disclosed above and those as disclosed under the heading "Discloseable Interests and Short Positions of Substantial Shareholders under the SFO" below, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board, which must not be more than 10 years from the date of the grant.

On 15 June 2011, 1,900,000 share options, which represents 0.61% of the issued share capital of the Company as at 31 December 2014, were granted by the Company under the Share Option Scheme and there were 1,900,000 options outstanding as at 31 December 2014.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Category	Number of share options					Outstanding as at 31 December 2014	Date of grant	Exercise period	Exercise price HK\$
	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
Directors									
Mr. Lee Kwan Hung	300,000	—	—	—	—	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Mr. Yuan Bo	300,000	—	—	—	—	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Mr. Ho Pak Tai Patrick	300,000	—	—	—	—	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Sub-total	900,000	—	—	—	—	900,000			
Employees									
	1,000,000	—	—	—	—	1,000,000	15 June 2011	15 December 2011- 14 June 2021 (Note 1)	1.81 (Note 2)
Total	1,900,000	—	—	—	—	1,900,000			

Directors' Report

Notes:

- The options are exercisable from 15 December 2011 to 14 June 2021 (both days inclusive) subject to the following vesting periods.
 - up to 30% of the options commencing on 15 December 2011;
 - up to 60% of the options commencing on 15 December 2012; and
 - up to 100% of the options commencing on 15 December 2013.
- The closing price of the shares of the Company immediately before the date of grant was HK\$1.8.

Details of the value of share options granted are set out in note 26 to the consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

As at 31 December 2014, the following persons or corporations (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or chief executive of the Company:

Long positions in the shares of the Company:

Name	Capacity/nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital (%)
China Group Associates Limited (Note 1)	Beneficial owner	153,947,250	49.46
Rich China Investments And Trading Ltd. (Note 2)	Beneficial owner	42,631,650	13.70
Rich World Development Ltd. (Note 3)	Beneficial owner	21,435,100	6.89
Ms. Zhang Xin (Note 4)	Interest of spouse	218,014,000	70.04
Li Xiaoyong	Beneficial owner	15,570,000	5.00

Notes:

1. China Group Associates Limited is a company incorporated in the British Virgin Islands ("BVI") with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of China Group Associates Limited.
2. Rich China Investments And Trading Ltd. is a company incorporated in the BVI with limited liability which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. Ms. Zhang Yun is the sole director of Rich China Investments And Trading Ltd..
3. Rich World Development Ltd. is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of Rich World Development Ltd..
4. Ms. Zhang Xin is the spouse of Mr. Chen Jian. Under the SFO, Ms. Zhang Xin is taken to be interested in the same number of shares in which Mr. Chen Jian is interested.

Save as disclosed above, there was no person or corporation, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO as at 31 December 2014.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year, save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions during the year ended 31 December 2014 require disclosure in this annual report of the Company:

Types of transactions	Annual cap RMB'000	Actual amount RMB'000
Connected transactions entered into with Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought") – Purchase and sales of goods and provision of services	15,000	4,378

Directors' Report

On 8 May 2013, the Company entered into a master purchase and supply agreement with Beijing Deep Thought, pursuant to which the Company will sell and purchase of enterprise IT products and related IT services to and from Beijing Deep Thought with a term commencing on 8 May 2013 and ending on 31 December 2015, and (a) in respect of products and services supplied by the Company, such terms and conditions of each contract or order shall be on normal commercial terms and on terms which are no more favourable to Beijing Deep Thought than those offered by the Company to independent third party purchasers for such IT products and services of comparable quantity; (b) in respect of products and services purchased by the Company, such terms and conditions of each contract or order shall be on normal commercial terms and on terms which are no less favourable to the Company than those offered by Beijing Deep Thought to its independent third party purchasers for such IT products and services of comparable quantity; (c) the purchase price payable by Beijing Deep Thought in respect of purchases shall be payable by Beijing Deep Thought within 30 days after the date of the relevant invoice issued by the Company; and (d) the purchase price payable by the Company in respect of purchases shall be payable by the Company within 90 days after the date of the relevant invoice issued by Beijing Deep Thought, or such longer period as the parties may agree.

Beijing Deep Thought is owned as to approximately 69.98% by a brother of Mr. Chen Jian, a controlling shareholder of the Company and an executive Director and is deemed to be a connected person of the Company.

The Directors confirm that save as disclosed above, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors have engaged the auditors of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, there are no other transactions of the Company which require disclosure in the annual report in accordance with the Listing Rules.

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 annual report.

CORPORATE GOVERNANCE

Report for the corporate governance practice adopted by the Company is set out on pages 15 to 23 of this annual report.

AUDITORS

Messrs Deloitte Touche Tohmatsu was appointed as auditors of the Company for the year ended 31 December 2014.

Messrs Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Messrs Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Futong Technology Development Holdings Limited

Chen Jian

Chairman

Hong Kong, 20 March 2015

Independent Auditor's Report



TO THE MEMBERS OF FUTONG TECHNOLOGY DEVELOPMENT HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Futong Technology Development Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 36 to 90, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



Independent Auditor's Report

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

OPINION

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

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

20 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Revenue	5	3,101,298	3,699,123
Cost of sales and services		(2,812,397)	(3,412,052)
Gross profit		288,901	287,071
Other income and gains	7	18,443	17,185
Other losses	7	(18,028)	(7,677)
Selling and distribution expenses		(134,884)	(132,902)
Administrative expenses		(46,333)	(52,353)
Profit from operations		108,099	111,324
Finance costs	8(a)	(57,405)	(52,964)
Share of losses of associates	16	(3,717)	(5,130)
Profit before tax		46,977	53,230
Income tax expenses	9(a)	(12,852)	(11,164)
Profit for the year and total comprehensive income for the year	8	34,125	42,066
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		34,363	42,147
Non-controlling interests		(238)	(81)
		34,125	42,066
Earnings per share			
– Basic and diluted (RMB)	13	0.11	0.14

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	At 31 December	
		2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	14	29,050	32,744
Interest in associates	16	13,993	22,009
Deferred tax assets	17(a)	23,232	23,211
Total non-current assets		66,275	77,964
Current assets			
Inventories	18	271,019	487,051
Trade and other receivables	19	1,169,550	1,335,625
Short term investments	20	42,550	–
Pledged deposits	21	218,888	202,190
Bank balances and cash	22	278,414	273,465
Total current assets		1,980,421	2,298,331
Current liabilities			
Trade and other payables	23	737,311	1,038,946
Bank borrowings	24	748,356	791,124
Tax payable		2,689	9,753
Total current liabilities		1,488,356	1,839,823
Net current assets		492,065	458,508
NET ASSETS		558,340	536,472
CAPITAL AND RESERVES			
Share capital	25(a)	27,415	27,415
Reserves		524,892	502,786
Attributable to owners of the Company		552,307	530,201
Non-controlling interests		6,033	6,271
TOTAL EQUITY		558,340	536,472

The consolidated financial statements on pages 36 to 90 were approved and authorised for issue by the board of directors on 20 March 2015 and are signed on its behalf by:

Chen Jian
Executive Director

Zhang Yun
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Share options reserve	Statutory reserves	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
		(note 25 (b))	(note 25 (b))		(note 25 (b))				
At 1 January 2013	27,415	81,538	219	1,015	66,338	323,869	500,394	6,352	506,746
Profit for the year and total comprehensive income for the year	-	-	-	-	-	42,147	42,147	(81)	42,066
Recognition of equity-settled share-based payment (note 26)	-	-	-	87	-	-	87	-	87
Appropriations	-	-	-	-	3,075	(3,075)	-	-	-
Dividends (note 12)	-	-	-	-	-	(12,427)	(12,427)	-	(12,427)
At 31 December 2013	27,415	81,538	219	1,102	69,413	350,514	530,201	6,271	536,472
Profit for the year and total comprehensive income for the year	-	-	-	-	-	34,363	34,363	(238)	34,125
Recognition of equity-settled share-based payment (note 26)	-	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-
Dividends (note 12)	-	-	-	-	-	(12,257)	(12,257)	-	(12,257)
At 31 December 2014	27,415	81,538	219	1,102	69,413	372,620	552,307	6,033	558,340

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	46,977	53,230
Adjustments for:		
Interest income	(11,314)	(4,566)
Loss on disposal of property, plant and equipment	464	243
Finance costs	57,405	52,964
Depreciation	7,402	8,249
Share of losses of associates	3,717	5,130
Loss on deemed disposal of partial interest in an associate	–	1,321
Write-down of inventories	192	8,340
Impairment loss on trade receivables	17,250	5,985
Foreign exchange gains, net	(258)	(1,950)
Recognition of share-based payment expenses	–	87
Operating cash flows before movements in working capital	121,835	129,033
Decrease (increase) in trade and other receivables	148,825	(348,839)
Decrease in inventories	215,840	8,883
Decrease in trade and other payables	(306,185)	(2,774)
Cash generated by/(used in) operations	180,315	(213,697)
Income tax paid	(19,937)	(13,326)
Net cash generated by/(used in) operating activities	160,378	(227,023)
INVESTING ACTIVITIES		
Interest received	11,314	4,566
Proceeds on disposal of property, plant and equipment	544	54
Addition to investment in an associate	–	(4,000)
Payment for property, plant and equipment	(4,716)	(4,057)
Purchase of short term investments	(42,550)	–
Net cash flow of disposal of an associate	4,299	–
Net cash used in investing activities	(31,109)	(3,437)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
Proceeds from new bank borrowings	1,405,037	1,025,656
Repayment of bank borrowings	(1,447,805)	(794,532)
Interest paid	(52,855)	(52,964)
Withdrawal of pledged bank deposits	399,155	103,857
Placement of pledged bank deposits	(415,853)	(127,848)
Dividends paid	(12,257)	(12,427)
Net cash (used in)/generated by financing activities	(124,578)	141,742
Net increase (decrease) in cash and cash equivalents	4,691	(88,718)
Cash and cash equivalents at beginning of the year	273,465	360,232
Effect of foreign exchange rate changes	258	1,951
Cash and cash equivalents at end of the year, represented by bank balances and cash	278,414	273,465

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION AND GROUP REORGANISATION

Futong Technology Development Holdings Limited (the “Company”) is a public limited company incorporated in Cayman Islands as an exempted company with limited liability. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”).

Its immediate parent and also ultimate parent is China Group Associates Limited (incorporated in the British Virgin Islands (the “BVI”). Its ultimate controlling party is Mr. Chen Jian, who is also the chairman and executive director of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the provision of enterprise IT infrastructure products, services and solutions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following new Interpretation and amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”):

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 1	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁶
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except for IFRS 9 and IFRS 15, the directors anticipate that the application of the above new standards, amendments to standards or interpretation will have no material impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

Key requirements of IFRS 9 are:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credits loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

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

IFRS 15 Revenue from Contracts with Customers

In 2014, IFRS15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

The principal accounting policies are set out below.

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale is accounted for using the equity method.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (Continued)

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services fee income

Services fee income is recognised when services are rendered to customers.

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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 added to 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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme which are defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 associated with investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

The measurement of deferred tax liabilities and assets 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the moving weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as held-to-maturity investments, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged deposit and bank balances and cash, are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial liabilities

Financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 the impairment loss, if any. When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions (Continued)

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassess these estimations at the end of each reporting period to ensure inventory is stated at the lower of cost and net realisable value.

As at 31 December 2014, the carrying amount of inventories is RMB271,019,000 (31 December 2013: RMB487,051,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Impairment of trade receivables

The management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassess the impairment of trade receivables at the end of each reporting period.

As at 31 December 2014, the carrying amount of trade receivable is RMB1,055,700,000, net of allowance for doubtful debts of RMB34,945,000 (31 December 2013: carrying amount of RMB1,234,453,000, net of allowance for doubtful debts of RMB17,695,000).

(iii) Deferred tax assets

As at 31 December 2014, a deferred tax assets of RMB23,232,000 (2013: RMB23,211,000) in relation to temporary differences have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period such a reversal takes place.

5. REVENUE

Revenue represents revenue arising on sale of enterprise IT products and provision of services for the year. The amount of each significant category of revenue recognised during the year is as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Sales of goods	2,827,869	3,443,914
Provision of services	273,429	255,209
	3,101,298	3,699,123

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. SEGMENT REPORTING

IFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the senior executive management of the Company, the chief operating decision maker, in order to allocate resources and to assess performance.

The chief operating decision maker considers that the operation of the Group constitutes a single operating segment as the revenue and profit are derived entirely from the provision of enterprise IT products and services to the customers in the PRC. Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to the senior executive management of the Company for the purpose of resources allocation and assessment of performance are same as the amounts reported under IFRSs.

The Group’s customer base is diversified and there are no customers whose transactions have exceeded 10% of the Group’s revenue in 2014 and 2013.

7. OTHER INCOME, GAINS AND OTHER LOSSES

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Other income and gains		
Interest income	11,314	4,566
Government grants (note)	1,918	2,173
Foreign exchange gains	4,281	10,044
Others	930	402
	18,443	17,185
Other losses		
Loss on disposal of property, plant and equipment	(464)	(243)
Impairment loss on trade receivables	(17,250)	(5,985)
Loss on deemed disposal of partial interest in an associate	–	(1,321)
Others	(314)	(128)
	(18,028)	(7,677)

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group’s operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

8. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	57,405	52,964
(b) Staff costs (including directors):		
Salaries and allowances	96,157	96,903
Contributions to retirement benefit schemes	10,384	10,109
Equity-settled share-based payment	–	87
	106,541	107,099

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a 13% to 22% of payroll costs (subject to a cap) to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

The total cost charged to income of RMB10,384,000 (2013: RMB10,109,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2014. As at 31 December 2013 and 2014, the amount due but not paid to the schemes is insignificant.

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
(c) Other items:		
Depreciation	7,402	8,249
Auditors' remuneration	2,166	2,208
Cost of inventories recognised as an expense (note 18(b))	2,572,577	3,198,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. INCOME TAX EXPENSES

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	6,207	4,209
	6,207	4,209
Current tax – PRC income tax		
Provision for the year	3,424	5,851
Additional provision (note (iv))	3,242	–
	6,666	5,851
Deferred tax		
Current year (note 17(a))	(21)	1,104
	12,852	11,164

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- (iii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.
- (iv) During the current year, a subsidiary of the Company operating in China has received a tax notice from relevant tax authority for suspending its entitlement to the preferential income tax rate of 15% that was originally applicable to calendar years 2013 and 2014 respectively upon a tax investigation and dispute regarding the compliance with certain regulations on managing VAT invoices that were prevailing in China in 2012. According to the notice, in the current year, the subsidiary has made an additional provision for income tax using income tax rate of 25% for calendar year 2013. In December 2014, the subsidiary has been granted with the qualification of high-tech enterprise for calendar year 2014 and, in the opinion of the directors of the Company, the subsidiary is subjected to a preferential income tax rate of 15% for calendar year 2014 upon the grant of the qualification. The subsidiary has submitted an application to and is in the progress of confirming the use of such preferential income tax rate with the relevant tax authority.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. INCOME TAX EXPENSES (Continued)

(b) Reconciliation between income tax expenses and profit before tax is as follows,

	2014 RMB'000	2013 RMB'000
Profit before tax	46,977	53,230
Tax calculated at applicable tax rate of 25%	11,744	13,308
Effect of different tax rates	(3,143)	(2,002)
Effect of concessionary tax rates	(1,411)	(3,109)
Tax effect of share of losses of associates	929	1,283
Tax effect of deductible temporary difference not recognised	(167)	–
Tax effect of tax loss not recognised	561	605
Utilisation of deductible temporary differences previously not recognised	(3)	(386)
Tax effect of expenses not deductible for tax purpose	1,100	1,465
Additional provision	3,242	–
Income tax expenses	12,852	11,164

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the six directors and the chief executive were as follows:

	Directors' fees RMB'000	Salaries and allowances RMB'000	Share-based payment RMB'000	Contribution to retirement benefits schemes RMB'000	Total RMB'000
Year ended 31 December 2014					
Executive directors					
Chen Jian	–	1,877	–	98	1,975
Zhang Yun	–	2,190	–	132	2,322
Guan Tao	–	662	–	43	705
Independent non-executive directors					
Lee Kwan Hung	205	–	–	–	205
Yuan Bo	205	–	–	–	205
Ho Pak Tai Patrick	205	–	–	–	205
	615	4,729	–	273	5,617

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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

	Directors' fees RMB'000	Salaries and allowances RMB'000	Share-based payment RMB'000	Contribution to retirement benefits schemes RMB'000	Total RMB'000
Year ended 31 December 2013					
Executive directors					
Chen Jian	-	1,650	-	81	1,731
Zhang Yun	-	2,033	-	113	2,146
Guan Tao	-	1,630	-	78	1,708
Independent non-executive directors					
Lee Kwan Hung	180	-	-	-	180
Yuan Bo	174	-	-	-	174
Ho Pak Tai Patrick	180	-	-	-	180
	534	5,313	-	272	6,119

Mr. Chen Jian is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Mr. Guan Tao resigned as executive director on 30 April 2014.

Neither the chief executive nor any of the directors waived any emoluments in the both years.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three are directors and the chief executive for the year ended 31 December 2014 and 2013, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining two individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	1,878	1,826
Contribution to retirement benefits schemes	79	73
	1,957	1,899

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the two individuals with the highest emoluments are within the following band:

	2014 Number of individuals	2013 Number of individuals
HK\$1,000,001 to HK\$1,500,000	2	2

12. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year: 2013 final dividend: HK5.0 cents, equivalent to RMB4.0 cents (2012 final dividend: HK5.0 cents, equivalent to RMB4.0 cents) per share	12,257	12,427

Subsequent to the end of the reporting period, a final dividend of HK4.0 cents (approximately equivalent to RMB3.2 cents) per share in respect of the year ended 31 December 2014 (2013: final dividend of HK5.0 cents (approximately equivalent to RMB4.0 cents per share), totaling approximately HK\$12,450,000 (approximately RMB9,806,000) (2013: HK\$15,563,000 approximately RMB12,257,000) based on the total number of issued ordinary shares as at the date of issuance of these consolidated financial statements, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings for the purpose of basic and diluted earnings per share	34,363	42,147
	'000	'000
Number of ordinary shares for the purpose of basic and diluted earnings per share	311,250	311,250

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

13. EARNINGS PER SHARE (Continued)

The computation of diluted earnings per share does not assume the exercise of the Company's share options (as set out in note 26) because the exercise price of those share options was higher than the average market price of the Company's shares for 2014 and 2013.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2013	24,353	3,962	26,317	5,932	60,564
Additions	-	851	2,159	1,047	4,057
Disposals	-	-	(5,384)	(1,176)	(6,560)
At 31 December 2013	24,353	4,813	23,092	5,803	58,061
Derecognised upon liquidation of a subsidiary (note d)	-	-	(920)	-	(920)
Additions	-	1,813	2,903	-	4,716
Disposals	-	-	(2,360)	-	(2,360)
At 31 December 2014	24,353	6,626	22,715	5,803	59,497
Accumulated depreciation					
At 1 January 2013	3,856	2,999	13,396	3,080	23,331
Charge for the year	355	879	5,748	1,267	8,249
Elimination on disposals	-	-	(5,142)	(1,121)	(6,263)
At 31 December 2013	4,211	3,878	14,002	3,226	25,317
Charge for the year	488	580	4,963	1,371	7,402
Derecognised upon liquidation of a subsidiary (note d)	-	-	(393)	-	(393)
Elimination on disposals	-	-	(1,879)	-	(1,879)
At 31 December 2014	4,699	4,458	16,693	4,597	30,447
Net book values					
At 31 December 2014	19,654	2,168	6,022	1,206	29,050
At 31 December 2013	20,142	935	9,090	2,577	32,744

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) The above items of property, plant and equipment, are depreciated on a straight-line basis at the following rates per annum after considering any residual value:

Leasehold land and buildings	– 2%
Leasehold improvements	– 33%-50%
Furniture, fittings and equipment	– 18%-33%
Motor vehicles	– 25%

- (b) Leasehold land and buildings which are held for own use are situated in the PRC under medium-term lease.
- (c) At 31 December 2014, leasehold land and buildings with net book value of RMB19,654,000 (31 December 2013: RMB20,142,000) have been pledged as security for the Group's bills payables (see note 23(b)).
- (d) Wuxi Etong Dongfang Computer System Services Co., Ltd has been closed out in August 2014. The liquidation process was completed at the end of September 2014.

15. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries are set out below.

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion ownership interest/ voting power held by the Company				Principal activities
			2014		2013		
			Directly %	Indirectly %	Directly %	Indirectly %	
Futong Technology Co., Ltd. ("Futong BVI")	The BVI	US\$50,000	100	–	100	–	Investment holding
Etong Technology Holdings Limited	The BVI	US\$1	–	100	–	100	Investment holding
Futong Technology IT Services Co., Ltd.	The BVI	US\$1	–	100	–	100	Investment holding
Futong Technology (HK) Company Limited	Hong Kong	HK\$1,000,000	–	100	–	100	Provision of enterprise IT products
北京富通東方科技有限公司 Futong Dongfang (notes (i) and (iii))	The PRC	RMB100,000,000	–	100	–	100	Provision of enterprise IT products and services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion ownership interest/ voting power held by the Company				Principal activities
			2014		2013		
			Directly %	Indirectly %	Directly %	Indirectly %	
富通時代科技有限公司 Futong Times Technology Co., Ltd. (notes (i) and (iii))	The PRC	RMB100,000,000	–	100	–	100	Provision of enterprise IT products and services
Futong Technology Development Holdings (HK) Limited ("Etong HK") (notes (iv) and (v))	Hong Kong	HK\$57,779,100	–	81	–	81	Provision of enterprise IT products
北京易通東方科技有限公司 Beijing Etong Dongfang Technology Co., Ltd., (notes (i) and (iii))	The PRC	RMB50,000,000	–	81	–	81	Provision of enterprise IT products
無錫易通東方計算機系統服務有限公司 Wuxi Etong Dongfang Computer System Services Co., Ltd. (notes (vi))	The PRC	RMB3,000,000	–	–	–	81	Provision of enterprise IT products
瀋陽易通東方計算機系統服務有限公司 Shenyang Etong Dongfang Computer System Services Co., Ltd. (notes (ii) and (iii))	The PRC	RMB4,000,000	–	81	–	81	Provision of enterprise IT products
Futong Cloud Technology (HK) Company Limited (notes (vii))	Hong Kong	HK\$1,000,000	–	100	–	–	Provision of enterprise IT products
Futong Transcend Technology (HK) Company Limited (notes (vii))	Hong Kong	HK\$1,000,000	–	100	–	–	Provision of enterprise IT products
富通雲騰科技有限公司 Futong Cloud Technology Co., Ltd. (notes (i), (iii) and (vii))	The PRC	RMB50,000,000	–	100	–	–	Provision of enterprise IT products and IT services
富通騰達科技有限公司 Futong Transcend Technology Co., Ltd. (notes (i), (iii) and (vii))	The PRC	RMB50,000,000	–	100	–	–	Provision of enterprise IT products and IT services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

15. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

- (i) These entities are wholly foreign-owned enterprises established in the PRC.
- (ii) This entity is a limited liability company established in the PRC.
- (iii) The English translation of the company name is for reference only. The official names of these entities are in Chinese.
- (iv) In the opinion of the directors of the Company, there is no subsidiary that has non-controlling interest that is material to the Group. Hence, no further financial information of non-wholly owned subsidiary is presented.
- (v) In accordance with the transitional provisions set out in section 37 of schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the company's share capital.
- (vi) Wuxi Etong Dongfang Computer System Services Co., Ltd has been closed out in August 2014. The liquidation process was completed at the end of September 2014.
- (vii) The entity was newly established in 2014. The registered capital of the entity has not been fully paid by the date of issuance of these consolidated financial statements.

16. INTEREST IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Cost of investment in associates, unlisted	26,673	31,994
Share of accumulated losses	(12,680)	(8,664)
Loss on deemed disposal	–	(1,321)
	13,993	22,009

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. INTEREST IN ASSOCIATES (Continued)

As at 31 December 2014, the Group had interests in the following associates:

Name of company	Place of establishment	Registered capital/share capital		Proportion ownership interest/voting power held by the Company				Principal activities
		2014	2013	2014		2013		
				Directly %	Indirectly %	Directly %	Indirectly %	
中金富捷數據設備技術有限公司 Centrin-FC Data Device Technology Co. Ltd. ("Centrin-FC") (notes (i) and (ii))	The PRC	RMB58,400,000	RMB58,400,000	-	32	-	32	Provision of enterprise IT products and services
富通金信有限公司 Futong Technology Advanced Business Service Limited ("Futong Technology") (notes (iii))	Hong Kong	HK\$24,648,100	HK\$100	-	40	-	40	Investment holdings
北京富通金信計算機系統服務有限公司 Beijing Futong Jinxin Computer System Service Co. Ltd. ("Beijing Futong Jinxin") (note (i) and (ii))	The PRC	RMB20,000,000	RMB20,000,000	-	40	-	40	Provision of enterprise IT products and services
北京富通經緯科技有限公司 Beijing Futong Jingwei Technology Co. Ltd. ("Beijing Futong Jingwei") (note (iv))	The PRC	RMB10,000,000	RMB10,000,000	-	-	-	40	Provision of enterprise IT products and services

Notes:

- (i) This entity is a limited liability company established in the PRC.
- (ii) The English translation of the company name is for reference only. The official name of this entity is in Chinese.
- (iii) In accordance with the transitional provisions set out in section 37 of schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the company's share capital.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

16. INTEREST IN ASSOCIATES (Continued)

Notes: (Continued)

- (iv) In the prior year, the Group held a 40% interest in Beijing Futong Jingwei and accounted for the investment as an associate. In October 2014, the Group disposed of all the interests in Beijing Futong Jingwei to a third party for proceeds of RMB4,299,000 (received in December 2014). This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	RMB'000
Proceeds of disposal	4,299
Less: cost of investment in associate	(4,000)
accumulated share of profits in associate in prior years	(155)
share of profit in associate during the current year	(144)
Gain recognised	–

Aggregate information of associates that are not individually material:

	2014 RMB'000	2013 RMB'000
The Group's share of loss and other comprehensive expense	(3,861)	(5,130)
Share of profit in disposed associate	144	–
	(3,717)	(5,130)
Aggregate carrying amount of the Group's interests in these associates	13,993	22,009

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. DEFERRED TAXATION

(a) Deferred tax assets recognised

Deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Write-down of inventories RMB'000	Impairment loss on trade receivables RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2013	4,475	1,713	18,127	24,315
Credited/(charged) to profit or loss (note 9(a))	1,527	1,675	(4,306)	(1,104)
At 31 December 2013	6,002	3,388	13,821	23,211
Credited/(charged) to profit or loss (note 9(a))	(68)	3,555	(3,466)	21
At 31 December 2014	5,934	6,943	10,355	23,232

(b) Deferred tax assets not recognised

As at 31 December 2014, the Group has not recognised deferred tax assets in respect of unutilised tax losses of approximately RMB13,886,000 (31 December 2013: RMB12,977,000) due to the unpredictability of future profit streams. The tax loss will be expired as follows:

	2014 RMB'000	2013 RMB'000
2015	2,152	2,152
2016	2,663	2,985
2017	5,049	5,337
2018	1,779	2,503
2019	2,243	–
	13,886	12,977

At the end of the reporting period, the Group has deductible temporary differences of RMB666,000 (31 December 2013: RMB7,997,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

17. DEFERRED TAXATION (Continued)

(c) Deferred tax liabilities not recognised

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB295,840,000 (31 December 2013: RMB286,344,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

18. INVENTORIES

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

	2014 RMB'000	2013 RMB'000
Trading stocks	271,019	487,051

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

	2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	2,572,385	3,190,230
Write-down of inventories	192	8,340
	2,572,577	3,198,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	1,090,645	1,252,148
Less: allowance for doubtful debts	(34,945)	(17,695)
	1,055,700	1,234,453
Bills receivables	46,101	39,130
Prepayments (note (i))	42,720	50,798
Deposits (note (ii))	22,452	8,702
Other receivables	2,577	2,542
	1,169,550	1,335,625

Notes:

- (i) Prepayments consist of advance payments made to suppliers for purchases of inventory and other prepaid expenses.
- (ii) Deposits consist of bidding deposits, utilities and rental deposits. Bidding deposits are deposits placed upon bidding of sales contracts and are refundable to the Group regardless of the outcome of the bids.
- (iii) Aging analysis

The Group allows an average credit period of 30-90 days to its trade customers. For certain major customers such as the state owned enterprises, the credit term will be negotiated by the management with the major customers on an individual basis. Further details of the Group's credit policy are set out in note 29(a). The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the relevant due date at the end of the reporting period.

	2014 RMB'000	2013 RMB'000
Current	815,747	933,392
Less than 1 month past due	87,461	136,420
1 to 3 months past due	67,905	98,455
More than 3 months	130,688	105,316
Amounts past due	286,054	340,191
	1,101,801	1,273,583

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. TRADE AND OTHER RECEIVABLES (Continued)

(a) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts:

	2014 RMB'000	2013 RMB'000
At 1 January	17,695	11,710
Impairment losses recognised on receivable	17,250	5,985
At 31 December	34,945	17,695

20. SHORT TERM INVESTMENTS

	2014 RMB'000	2013 RMB'000
Structured deposits	42,550	–

Structured deposits represent investments in financial products issued by banks in the PRC which are principal-protected with a maturity period of around 180 days at interest rates which are linked to specific exchange rates. The structured deposits are measured at amortised cost in the condensed consolidated financial statements. In the opinion of the directors, the fair values of the embedded derivatives in the structured deposits are insignificant on initial recognition and at the end of the reporting period. The structured deposits are totally settled in January 2015.

At 31 December 2014, the carrying amount of structured deposits which have been pledged as security for the borrowing is RMB42,550,000 (31 December 2013: nil).

21. PLEDGED DEPOSITS

Pledged deposits represent deposits placed to banks as security for the banking facilities granted to the Group (see notes 24(c)), bills issued by the banks (see note 23(b)) and performance guarantee letters issued by the banks.

Pledged deposits carry interest at fixed rates which range from 0.01% to 3.08% (31 December 2013: 0.01% to 3.25%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

22. BANK BALANCES AND CASH

Bank balances and cash comprise of bank balances and cash.

At 31 December 2014, the balance included bank balances and cash in the PRC of approximate RMB241,878,000 (31 December 2013: RMB250,100,000). The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Bank balances carry interest at variable rates which range from 0.01% to 0.42% (31 December 2013: 0.01% to 0.35%) per annum.

23. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	319,389	448,732
Bills payable	223,223	395,492
Receipts in advance	138,622	149,966
Other payables and accruals	56,077	44,756
	737,311	1,038,946

All of the above balances are expected to be settled within one year.

- (a) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2014 RMB'000	2013 RMB'000
0 – 60 days	147,660	425,659
60 – 90 days	86,486	5,516
Over 90 days	85,243	17,557
	319,389	448,732

- (b) Bills payable are normally issued with a maturity of not more than 120 days. The bills payable were secured by leasehold land and buildings with carrying amount of RMB19,654,000 (2013: RMB20,142,000) and pledged deposit of RMB90,668,000 (2013: RMB84,055,000) as at 31 December 2014. The available unutilised facility for issuance of bills at 31 December 2014 was approximately RMB137,957,000 (2013: RMB12,310,000).
- (c) The average credit period on purchases of goods was 30-90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

24. BANK BORROWINGS

(a) At 31 December 2014, the bank borrowings were repayable as follows:

	2014 RMB'000	2013 RMB'000
On demand or within 1 year	748,356	791,124

(b) The bank borrowings were shown as follows:

	2014 RMB'000	2013 RMB'000
Unsecured bank borrowings	217,478	264,815
Secured bank borrowings	530,878	526,309
	748,356	791,124
Fixed-rate borrowings	52,478	74,815
Variable-rate borrowings	695,878	716,309
	748,356	791,124

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Fixed-rate borrowings	7.2%	7.2%
Variable-rate borrowings	1.15% to 7.2%	4.58% to 7.3%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

24. BANK BORROWINGS (Continued)

(c) The amounts of banking facilities and the utilisation at 31 December 2014 are set out as follows:

	2014 RMB'000	2013 RMB'000
Banking facilities		
– Unsecured	298,232	270,000
– Secured	611,527	619,309
	909,759	889,309
Amounts utilised	748,356	791,124

The secured banking facilities were secured by the following:

	2014 RMB'000	2013 RMB'000
Pledged deposits	122,080	113,356
Short-term investments	42,550	–
	164,630	113,356

At 31 December 2014, the Group's bank borrowings of RMB239,828,000 (31 December 2013: RMB150,000,000) (including RMB219,828,000 (31 December 2013: RMB150,000,000) with a clause which entitles the bank an unconditional right to demand immediate repayment) are subject to the fulfilment of certain financial covenants, as are commonly found in lending arrangements with financial institutions, relating to certain ratio on the individual company's statement of financial position. If the financial covenants are breached, the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 29(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. CAPITAL AND RESERVES

(a) Share capital

Authorised and issued share capital

	2014		2013	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.1 each At 1 January and 31 December	2,000,000	200,000	2,000,000	200,000
Ordinary shares, issued and fully paid: At 1 January and 31 December	311,250	31,125	311,250	31,125
				RMB'000

Presented as

27,415

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

25. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ii) Merger reserve

Pursuant to the Reorganisation, the Company issued 999,999 ordinary shares of HK\$0.1 each to the then shareholders of Futong BVI in consideration of acquiring their equity interests held in Futong BVI. The difference between the then shareholders' total capital contributions to Futong BVI over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

(iii) PRC statutory reserves

Statutory surplus funds comprise statutory reserve fund and enterprise expansion fund. In accordance with relevant rules and regulation on enterprise established in the PRC, the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the statutory surplus fund, until the accumulated balance of the fund reaches 50% of their respective paid-in capital. The statutory surplus fund may be distributed to shareholders in the form of bonus issue. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC.

(c) Distributable reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts was RMB330,655,000 (2013: RMB328,701,000).

(d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group defines "capital" as including all components of equity.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. SHARE-BASED PAYMENT TRANSACTION

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 11 November 2009 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the board of directors shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

On 15 June 2011, the Company announces that a total of 1,900,000 share options (the "Share Options") to subscribe for shares of HK\$0.10 each in the capital of the Company (the "Shares") were granted by the Company to the independent non-executive directors and eligible employees of the Company (collectively, the "Grantees"), subject to acceptance of the Grantees, under the Company's share option scheme adopted by the Company on 11 November 2009. A summary of the grant is set out below:

Exercise price of Share Options	HK\$1.81 per Share
Closing price of the Shares on the date of grant	HK\$1.80
Validity period of the Share Options	Ten (10) years, commencing on 15 June 2011
Vesting date of Share Options granted to independent non-executive directors of the Company ("Share Options A")	100% of the Share Options vested on 15 December 2011
Vesting date of Share Options granted to eligible employees of the Company ("Share Options B")	30%, 30% and 40% of the Share Options vested on each of 15 December 2011, 15 December 2012 and 15 December 2013, respectively

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. SHARE-BASED PAYMENT TRANSACTION (Continued)

The following table discloses movements of the Share Options during the year:

Category	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2014
Share Options A	900,000	–	–	–	–	900,000
Share Options B	1,000,000	–	–	–	–	1,000,000
	1,900,000	–	–	–	–	1,900,000
Exercisable at the end of the year						1,900,000
Weighted average exercise price	HK\$1.81	–	–	–	–	HK\$1.81

The following table discloses movements of the Share Options during the prior year:

Category	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2013
Share Options A	900,000	–	–	–	–	900,000
Share Options B	1,000,000	–	–	–	–	1,000,000
	1,900,000	–	–	–	–	1,900,000
Exercisable at the end of the year						1,900,000
Weighted average exercise price	HK\$1.81	–	–	–	–	HK\$1.81

None of the share options were exercised during the current and prior year.

The fair values of Share Options A and Share Options B determined at the dates of grant using the Binomial Model option pricing model were RMB523,000 (equivalent to HK\$630,000) and RMB579,000 (equivalent to HK\$706,000) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. SHARE-BASED PAYMENT TRANSACTION (Continued)

The Group recognised the total expense of RMB87,000 for the year ended 31 December 2013 (2014: nil) in relation to share options granted by the Company.

27. COMMITMENTS

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating leases during the year: Premises	11,834	15,112

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	12,936	10,139
After 1 year but within 5 years	8,213	7,982
	21,149	18,121

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, all terms are renegotiated at the end of each period. None of the leases includes contingent rentals.

28. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

28. RELATED PARTY TRANSACTIONS (Continued)

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
北京深思软件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by close family member of Mr. Chen Jian, a director of the Company
Futong Technology	Associate of the Company
Centrin-FC	Associate of the Company
Beijing Futong Jinxin	Associate of the Company

* The English translation of the company names is for reference only. The official names of these entities are in Chinese.

(b) Significant related party transactions

Particulars of significant related party transactions during the year are as follows:

	2014 RMB'000	2013 RMB'000
Recurring transactions:		
Sales to		
Centrin-FC	46	397
Beijing Deep Thought	558	941
Beijing Futong Jinxin	2,359	–
	2,963	1,338
Provision of services to		
Beijing Futong Jinxin	204	3,474
Beijing Deep Thought	828	–
	1,032	3,474
Purchase from		
Beijing Futong Jinxin	6,843	4,443
Centrin-FC	3,575	1,087
Beijing Deep Thought	2,992	–
	13,410	5,530

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

28. RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts due from/(to) related parties

At the end of the reporting period, the Group had the following balances with related parties:

	2014 RMB'000	2013 RMB'000
Trade receivables from (note (i)):		
Beijing Futong Jinxin	1,005	–
Centrin-FC	30	292
Beijing Deep Thought	–	1,172
	1,035	1,464
Trade payables to (note (i)):		
Centrin-FC	2,468	689
Beijing Futong Jinxin	2,315	2,468
	4,783	3,157
Other receivables from (note (i)):		
Futong Technology	156	123
Centrin-FC	100	169
	256	292
Other payables to Beijing Futong Jinxin	1,226	986
Advance payments to suppliers:		
Beijing Futong Jinxin	434	–
Centrin-FC	252	–
	686	–
Receipts in advance:		
Beijing Futong Jinxin	832	2,277
Beijing Deep Thought	80	–
	912	2,277

Note:

- (i) Amount due from/to related parties are unsecured, interest free and expected to be recovered within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

28. RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors and chief executive as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	13,471	15,583
Contribution to retirement benefits schemes	655	684
Equity-settled share-based payment	–	43
	14,126	16,310

Total remuneration was included in “staff costs” (see note 8(b)).

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets classified as loans and receivables		
Trade and other receivables	1,126,830	1,284,827
Short-term investments	42,550	–
Pledged deposits	218,888	202,190
Bank balances and cash	278,414	273,465
Total	1,666,682	1,760,482
Financial liabilities at amortised cost		
Trade and other payables	553,047	851,124
Bank borrowings	748,356	791,124
Total	1,301,403	1,642,248

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments (Continued)

The Group's major financial instruments include trade and other receivable, short-term investments, pledged deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

(a) Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In addition, the Group reviews the recoverable amount of each individual receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is not significantly increased.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The credit risk on pledged deposits and liquid funds is limited because the counterparties are reputable banks with high credit ratings.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised short-term bank loan facilities of approximately RMB161,403,000 (31 December 2013: RMB98,185,000). Details of which are set out in note 24(c).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or 0-60 days RMB'000	60-90 days RMB'000	90 days to 1 year RMB'000	>1 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at year end RMB'000
At 31 December 2014							
Non – derivative financial liabilities							
Trade and other payables		470,243	76,105	6,699	–	553,047	553,047
Borrowings							
– fixed rate	7.2	25,958	7,619	19,418	–	52,995	52,478
– variable rate	5.6	110,114	140,866	461,281	–	712,261	695,878
		606,315	224,590	487,398	–	1,318,303	1,301,403
At 31 December 2013							
Non – derivative financial liabilities							
Trade and other payables		692,727	118,586	39,811	–	851,124	851,124
Borrowings							
– fixed rate	7.2	5,644	20,314	51,955	–	77,913	74,815
– variable rate	5.9	108,503	32,736	593,942	–	735,181	716,309
		806,874	171,636	685,708	–	1,664,218	1,642,248

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

(b) Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and pledged deposits (see notes 21 and 24 for details). It is the Group's policy to keep a majority of its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. In order to achieve this result, fixed-rate bank borrowings raised by the Group are short-term to minimise the fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 24 for details). Cash flow interest risk in relation to variable-rate bank balances is considered insignificant. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates published by People's Bank of China.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately RMB2,794,000 (2013: decrease/increase by RMB2,880,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to trade payables, trade receivables, bank borrowings and bank balances and cash that are denominated in foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2014		2013	
	USD RMB'000	HKD RMB'000	USD RMB'000	HKD RMB'000
Assets				
Cash and equivalents	1,125	485	228	404
Trade receivable	55,346	–	562	–
Other receivable	–	532	–	1,161
Liabilities				
Trade payable	(164,305)	–	(13,300)	–
Other payable	(1,341)	–	–	–
Bank borrowings	(144,714)	–	–	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

29. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

(d) Currency risk (Continued)

Sensitivity analysis (Continued)

	United States dollar		Hong Kong dollar	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	10,599	522	(40)	68

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(e) Fair values

The Group has no financial instruments measured at fair value on a recurring basis.

The fair value of financial assets and financial liabilities recorded at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

30. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2014 RMB'000	2013 RMB'000
ASSETS		
Unlisted investment in a subsidiary	243,419	243,419
Amounts due from subsidiaries	116,773	114,896
Bank balances and cash	216	215
Total assets	360,408	358,530
LIABILITIES		
Trade and other payables	123	200
Amount due to a subsidiary	2,215	2,214
Total liabilities	2,338	2,414
NET ASSETS	358,070	356,116
CAPITAL AND RESERVES		
Share capital	27,415	27,415
Reserves (note)	330,655	328,701
TOTAL EQUITY	358,070	356,116

Note: the movements of reserve during the year include: (1) profit for the year of the Company was RMB14,211,000 (2013: RMB10,021,000) for the year ended 31 December 2014 and (2) the dividend declared and paid was RMB12,257,000 (2013: RMB12,427,000).

Summary of Financial Information

	2014 RMB'000	Year ended 31 December			
		2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
Revenue	3,101,298	3,699,123	3,571,089	2,450,960	2,464,825
Profit from operations	108,099	111,324	97,494	115,394	101,193
Finance costs	(57,405)	(52,964)	(41,557)	(29,062)	(20,062)
Share of (losses) profits of associates	(3,717)	(5,130)	(1,991)	(2,077)	534
Profit before tax	46,977	53,230	53,946	84,255	81,665
Income tax expenses	(12,852)	(11,164)	(13,091)	(14,249)	(12,786)
Profit for the year and total comprehensive income for the year	34,125	42,066	40,855	70,006	68,879
Profit for the year and total comprehensive Income for the year attributable to:					
– Owners of the Company	34,363	42,147	42,859	70,520	69,369
– Non-controlling interests	(238)	(81)	(2,004)	(514)	(490)
	34,125	42,066	40,855	70,006	68,879
At 31 December					
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Assets and liabilities					
Non-current assets	66,275	77,964	86,008	89,879	86,876
Net current assets	492,065	458,508	420,738	397,261	349,778
NET ASSETS	558,340	536,472	506,746	487,140	436,654
Capital and reserves					
Share capital	27,415	27,415	27,415	27,415	27,415
Reserves	524,892	502,786	472,979	451,369	400,206
Total equity attributable to owners of the Company	552,307	530,201	500,394	478,784	427,621
Non-controlling interests	6,033	6,271	6,352	8,356	9,033
TOTAL EQUITY	558,340	536,472	506,746	487,140	436,654
Earnings per share					
– Basic and diluted (RMB)	0.11	0.14	0.14	0.23	0.22

Note: Since RMB is the functional currency of the group's operating entities, the presentation currency of the summary of financial information has been changed from HK\$ to RMB since the year ended 31 December 2011, comparative figures have been represented in RMB.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (*Chairman and Chief Executive Officer*)
Ms. Zhang Yun

Independent Non-executive Directors

Mr. Lee Kwan Hung
Mr. Yuan Bo
Mr. Ho Pak Tai Patrick

COMPANY SECRETARY

Mr. Siu Hin Leung, *HKICPA, FCCA*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units B1901 on level 19 and B2001
on level 20 of Tower B
Chaowaimen Office Center
No. 26 Chaowai Street
Chaoyang District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 929-935, 9th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
HSBC Bank (China) Company Limited
China Merchants Bank Co., Ltd.
Bank of Beijing
Bank of Hangzhou

LEGAL ADVISORS

As to Hong Kong law:
King & Wood Mallesons

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East,
Hong Kong

STOCK CODE

00465

WEBSITE

www.futong.com.hk