Futong
富通

Futong Technology Development Holdings Limited
富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 465

ANNUAL REPORT 2015

企业级信息产品及解决方案提供商

Contents

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 2015 (the "Year").

Due to the prolonged sluggish performance of the global economy, coupled with the slowdown of China's economic growth, the GDP growth of the nation only reached 6.9% in 2015. The overall business environment continued to be challenging which was a result of various domestic and overseas uncertainties. Many large enterprises have adopted a wait-and-see attitude towards business development and have started to suspend large-scale projects, at the same time being more cautious when allocating resources towards IT projects. Fortunately, the Chinese government's constant promotion of the use of domestic-branded IT products has stimulated the demand for domestic-branded products among local enterprises. This has propelled the Huawei product business segment of the Group to new heights during the Year, with turnover surging by 36%.

In order to capture the opportunities arising from the sales of domestic-branded products, the Group continued to intensively develop and promote its own brand of software and hardware products during the Year under review. In addition to employing quality young engineers, the Group also utilized their technical competence and creativity on the optimization and development of software and hardware. This further enriched our product mix and improved our value-added services, allowing us to explore new sources of revenue.

The gradual maturing of cloud computing and big data applications in technology, products and business models has also unleashed inherent business opportunities. Besides from cooperating with domestic and foreign renowned manufacturers, the Group has also developed its own software, hardware and cloud computing solutions with state-of-the-art technology. During the Year, the Group established a big data department to fully explore the opportunities in the market, aiming at providing one-stop IT solutions and services for our valued customers.

In recent years, the Group has strategically shifted its focus from distributing enterprise IT products to providing value-added services based on a customer-centric approach, while also maintaining the optimal combination of solutions and products. During the Year, although the Group's overall performance was affected to a certain extent within the transitional period, the management believes this business restructuring requires more time and effort, and remains fully confident that our business restructuring will ultimately succeed.

The macro-economic environment in 2016 will remain challenging, yet China's IT industry will undoubtedly expand rapidly. Moreover, the management expects major enterprises to restart their IT resource procurement projects in 2016. Therefore, we are optimistic about the business prospects for the coming year. In the future, the Group will continue to serve loyal customers such as leading companies in major Chinese industries and government authorities, and will also strive to further expand its customer base by targeting domestic small-to-medium-sized enterprises, local second-tier banks and financial institutions. These potential customer bases will present unprecedented business opportunities to the Group.

In addition, with more stringent requirements for information security imposed by domestic government authorities, it is expected that the government will continue to support domestic brands. Therefore, the Group will continue to invest and develop its self-branded product lines, make full use of the newly established big data department, develop more high-end product lines, generate the most value for customers, and ultimately promote the Group's long-term growth.

Leveraging years of industry experience accumulated in China, an extensive sales network and strong relationships with world-renowned IT suppliers, the Group has gained long-term support from numerous corporate customers. Facing future opportunities and challenges, we will continue to utilize our competitive advantages based on our solid business foundation, follow market trends, flexibly adjust product lines, develop new businesses, products and services in a timely manner, and promote the steady development of business.

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, 22 March 2016

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 in its field. The Group is also engaged in the research, development and sales of a series of its self-branded enterprise IT software and hardware products. Globally renowned enterprises such as IBM, Huawei, Oracle, Sugon, SAP etc., have been important partners of the Group for many years.

The requirements of the PRC government for independence and ability to control IT products continued to affect the sales volume of traditional foreign-branded products. Nevertheless, it has also brought about opportunities for the sales of renowned domestic-branded products, and the sales mix of the Group has been shifting between the two. Furthermore, the Group has been making tremendous efforts to further develop its self-branded IT products, and at the same time promote these products to customers in order to adapt to the changes in the market environment and to open up new sources of income.

Sales of IBM's products

For the year ended 31 December 2015, revenue from the sales of IBM's hardware and software products, including enterprise servers, system storage products and software, and which are often bundled with value-added services, amounted to approximately RMB1,002.4 million (2014: approximately RMB1,596.3 million), a decrease of approximately 37.2%. The drop in sales of IBM's products was mainly due to the continuation of the PRC government's policy of promoting the use of domestic-branded enterprises IT products for the reason of information security concerns. Furthermore, the keen competition in the low-end x86 enterprise server sector also reduces the market share of the relevant IBM product series in the PRC.

The sales of IBM's products and provision of related services remained as the Group's primary revenue generator, accounting for approximately 39.2% of the Group's total revenue for the year ended 31 December 2015 (2014: approximately 51.5 %).

Revenue from sales of IBM's enterprise servers amounted to approximately RMB681.0 million (2014: approximately RMB1,097.5 million), a decrease of approximately 37.9% as compared with last year. Revenue from sales of IBM's system storage products and related services amounted to approximately RMB135.8 million (2014: approximately RMB215.9 million), a decrease of approximately 37.1%. Sales of IBM's software and related services amounted to approximately RMB185.6 million (2014: RMB282.9 million), a decrease of approximately 34.4%.

Sales of Huawei's products

With the continuing advance of domestic IT products, the growing market demand for these products due to the PRC Government policy as mentioned above and the increase in market acceptance and recognition of Huawei's products, revenue from sales of Huawei's products has continued to grow, becoming the second major revenue sources of the Group for the year. This business included the sales of servers, storage and IT security solutions which, after a strong growth of 98.0% last year, still recorded a considerable increase of approximately RMB179.7 million or 36.2% to approximately RMB676.2 million for the year (2014: approximately RMB496.5 million). These sales accounted for approximately 26.4% of the Group's total revenue (2014: approximately 16.0%).

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 2015, sales of Oracle's products and related services amounted to approximately RMB313.9 million (2014: approximately RMB429.0 million), a decrease of approximately 26.8% as compared with last year. These sales accounted for approximately 12.3% of the Group's total revenue (2014: approximately 13.8%).

Sales of other products

Other sources of revenue for the Group included sales of products of Sugon, EMC, VMware, SAP, self-branded products and other IT products and accessories. Revenue from these income sources amounted to approximately RMB262.1 million, a decrease of approximately RMB44.0 million or 14.4% (2014: approximately RMB306.1 million). The revenue from sales of Sugon's products recorded an increase of RMB100.5 million, nevertheless, the revenue from sales of EMC and Apple's products has declined.

Provision of services

During the year ended 31 December 2015, the Group continued to strengthen and restructure its IT technical support service team aiming to bolster the Group's IT service capabilities in the PRC to better meet the rapidly changing needs of end-users. The revenue contributed from the provision of services during the year continued to grow by around RMB30.7 million or 11.2% as compared to the corresponding period in 2014, reaching approximately RMB304.1 million (2014: approximately RMB273.4 million) and representing approximately 11.9% of the Group's total revenue (2014: approximately 8.8%).

FINANCIAL REVIEW

Revenue

For the year under review, the revenue of the Group amounted to approximately RMB2,558.7 million (2014: approximately RMB3,101.3 million), a decrease of approximately 17.5% as compared to the corresponding period in 2014. It was mainly due to the decrease in sales of products of IBM, Oracle, EMC and Apple, nevertheless, while the considerable increase in sales of Huawei's products has helped offset to some extent the revenue drop. 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 continue featuring more prominently in the sales mix of the Group.

Gross profit

Gross profit of the Group amounted to approximately RMB233.4 million for the year ended 31 December 2015 (2014: approximately RMB288.9 million), a decrease of approximately 19.2% compared to the corresponding period in 2014. The gross profit margin was approximately 9.1%, maintained at the similar level as last year (2014: approximately 9.3%).

Other income, other gains and losses

It comprises mainly of interest income on bank deposits, foreign exchange gain/loss, government grants and impairment loss on trade receivables. The net gain from other income, other gains and losses amounted to approximately RMB0.7 million for the year under review (2014: approximately RMB0.4 million). During the year, there was approximately RMB12.0 million lesser provision of impairment loss on trade receivables was made as compared to last year, the decrease in such provision was mainly attributable to the Group's stringent control on the collectability review of the customers prior to the entering of the sales transactions. Furthermore, there was an increase in government grants of approximately RMB3.0 million from relevant local government bodies for the purpose of giving support to the Group's operation. Nevertheless, there was a significant decrease in foreign exchange gains of approximately RMB10.4 million as compared to last year, from a net gain of approximately RMB4.3 million to a net loss of approximately RMB6.2 million, as the PRC government was promoting the nationalisation of Renminbi ("RMB") and the PBOC announced a one-off devaluation of the RMB central-parity fixing and a reform to the daily fixing mechanism in August 2015, the exchange rate of RMB against United States dollars ("USD") devaluated quite significantly in the second half of 2015; and there was also a decrease in interest income of approximately RMB4.8 million as a result of less pledged deposits were placed to the banks for obtaining bank borrowings during the year.

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately RMB9.0 million or 6.7%, from approximately RMB134.9 million for the year ended 31 December 2014 to approximately RMB125.9 million for the year under review. The decrease was mainly due to the decrease in staff cost of approximately RMB4.9 million and general decreases in other operating costs such as transportation and entertainment expenses.

Administrative expenses

Administrative expenses of the Group decreased by approximately RMB3.2 million or 6.9%, from approximately RMB46.3 million for the year ended 31 December 2014 to approximately RMB43.1 million for the year. The decrease was mainly due to the decrease in bank charges of approximately RMB4.9 million as there were structuring and handling fees incurred in relation to certain bank borrowings during last year, while there were no such fees incurred during the year under review.

Finance costs

Finance costs of the Group significantly decreased by approximately RMB18.0 million or 31.3% from approximately RMB57.4 million to approximately RMB39.4 million for the year ended 31 December 2015. The decrease was mainly due to the improvement in cash flow of the Group and less borrowings were needed during the year.

Income tax expenses

With reference to the tax issue mentioned in the 2015 interim report under the section "Management Discussion and Analysis" with heading "Income Tax Expenses", Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang"), a PRC subsidiary of the Company, has received a notice of tax matter dated 27 May 2015 issued from the relevant tax authority in China for suspending its entitlement to the preferential income tax rate of 15% that was obtained in December 2014 when the qualification of Advanced and New Technology Enterprises of Futong Dongfang was restored on 12 December 2014 and originally applicable to calendar year 2014 onwards for the three consecutive years. Subsequently, Futong Dongfang has filed five lawsuits during the year under review, against the relevant tax authorities (a) to revoke the Notice of Tax Matters dated 22 April 2014 issued from Beijing City National Tax Bureau of Haidian District which claimed that Futong Dongfang has obtained false special value-added tax invoices from one vendor for offsetting tax during the period 2009 to 2010, and to recover the penalty and extra corporate income tax paid by Futong Dongfang as a result of such incident (the "Penalty and Extra Tax"); and (b) to request reinstating its entitlement to the preferential income tax rate of 15% and all other related matters. On 1 February 2016, the relevant court has issued notices of administrative decision and notices of administrative compensation decision, informing Futong Dongfang that owing to the occurrence of certain circumstances which resulted in suspension of the legal proceedings during the process of the legal proceedings, the cases have been suspended. Futong Dongfang will continue to negotiate with the relevant tax authorities to recover the Penalty and Extra Tax, and to reinstate its entitlement to the preferential income tax rate. Further disclosures related to this tax issue are set out in note 9(a)(iv) and note 32 to the financial statements.

Futong Dongfang has used an income tax rate of 25% to calculate its income tax provision for the calendar year 2015. The Group has also used an income tax rate of 25% to recalculate the deferred taxation of Futong Dongfang, and approximately RMB9.0 million additional deferred tax assets were credited to the income tax expenses due to the adjustment of the 10% income tax rate difference on the deductible temporary difference.

Profit for the year attributable to owners of the Company

For the year ended 31 December 2015, the profit attributable to owners of the Company amounted to approximately RMB23.7 million (2014: approximately RMB34.4 million), decreasing by 31.1%. The decrease was primarily due to the decrease in revenue, however, the Group has implemented stringent cost control over its operating expenses, especially the finance costs which have been greatly reduced this year. All these cost control measures partially offset the decline in profits.

Liquidity and financial resources

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2015, the Group had total assets of approximately RMB1,779.3 million and net assets of approximately RMB571.7 million (31 December 2014: approximately RMB2,046.7 million and approximately RMB558.3 million, respectively). The Group's bank balances and cash amounted to approximately RMB341.8 million as at 31 December 2015 (approximately RMB278.4 million as at 31 December 2014). As at 31 December 2014, the Group had invested in certain principal guaranteed short-term investments amounting to approximately RMB42.6 million which has been pledged to obtain short-term bank borrowings, while there was no such short-term investments as at 31 December 2015. Bank borrowings amounted to approximately RMB463.3 million (31 December 2014: approximately RMB748.4 million). 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 2015, approximately 7.2% (31 December 2014: approximately 7.0%) of total bank borrowings were at fixed interest rates.

As at 31 December 2015, bank loans of the Group were advanced in RMB and USD while cash and cash equivalents were held at RMB, USD and Hong Kong dollars.

Pledge of assets

As at 31 December 2015, certain assets of the Group with carrying value of approximately RMB186.3 million (31 December 2014: approximately RMB281.1 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 2015 was approximately 9.3% (as at 31 December 2014 was 54.7%). This ratio was calculated as total bank borrowings less bank balances and cash, 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 USD and Hong Kong dollars.

As at 31 December 2015, the Group did not enter into any hedging arrangements. The management will continue to monitor closely its foreign currency exposure and will consider hedging significant foreign currency exposure when necessary.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.8 cents per share for the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on 24 May 2016. The proposed final dividend will be paid on or about 8 June 2016, following the approval by the shareholders in the 2016 annual general meeting ("2016 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 2016 AGM

Latest time for lodging transfers:	4:00 pm on Tuesday, 10 May 2016
Closure of register of members:	Wednesday, 11 May to Friday, 13 May 2016 (both dates inclusive)
Record date:	Friday, 13 May 2016
Date of 2016 AGM:	Friday, 13 May 2016

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers:	4:00 pm on Thursday, 19 May 2016
Closure of register of members:	Friday, 20 May to Tuesday, 24 May 2016 (both dates inclusive)
Record date:	Tuesday, 24 May 2016
Payment date for final dividend:	on or about Wednesday, 8 June 2016

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 2016 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar, 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 2016 AGM of the Company will be held on Friday, 13 May 2016. Notice of 2016 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 508 (31 December 2014: 520) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB107.0 million (2014: approximately RMB106.5 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 efforts are mutually beneficial to the Group and its employees.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and/or comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme"and note 27 to the consolidated financial statements.

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 2015, 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, approximately RMB10.2 million for general working capital purposes of the Group, and approximately RMB1.8 million for the investment in research and development of self-branded software and hardware enterprises IT products. 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 announcement of the Company dated 11 November 2015 in relation to the change in use of proceeds.

OUTLOOK

The relatively sluggish global economy and slowdown in economic growth in the PRC continued to affect the business of the Group for the year 2015, while the strengthening of the national policy to encourage the use of domestic-branded enterprises IT products provided us with opportunities to boost the sales of certain domestic-branded IT products but at the same time also led to a decline in sales of certain traditional foreign-branded products.

In regards to the slowdown of economic growth and the uncertain market conditions in the PRC, many PRC enterprises have adopted a wait-and-see attitude and scaled back their IT equipment procurement during the year 2015. However, the management expects these enterprises to resume their procurement plans in 2016, and hence we take a more optimistic view about the business prospects in 2016.

Looking ahead, the Group will strengthen the co-operation and work even closer with the domestic IT business partners to build up a firmer relationship and trust with them as we endeavour to provide a wider range of IT products and solutions to cater for the different needs of our customers.

The Group will further broaden its customer base in the coming years, particularly focusing on the small and medium-sized enterprises, second-tier local banks and financial institutions in the PRC. The potential market of these customer segments is huge and believed to be under the phase of IT development and their demand for IT products should be relatively high and recurring. This definitely will present business opportunities to generate new sources of income for the Group.

To address customers' demands and based on the pace of IT industry development, the Group will leverage its own long-standing competitive advantages and technologies and continue to invest in and develop its self-branded enterprise IT products and services. These efforts will be in line with the actual needs of its customers, as the Group constantly optimizes its product designs, and proactively responds to the national policy on the encouragement of domestic, independent, and secure IT equipment.

The Group will continue to focus our efforts on cost control measures and cash flow management to enhance the overall operational cost structure, and also place emphasis on the risk management of each business cycle, so as to strengthen its financial position, while safeguarding and maximizing the interests of the shareholders as a whole.

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (陳健先生), aged 55, 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 strategic development and the Group's business direction, and overseeing the self-developed products business. He has over 26 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 45, was appointed as an executive Director and vice chairlady of the Company on 29 July 2009, and was appointed as the chief executive officer of the Company on 13 November 2015, 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, overseeing the distribution and system integration businesses. She has over 22 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 50, 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, Landsea Green Properties Co., Ltd., Red Star Macalline Group Corporation Ltd., China Goldjoy Group Limited, FSE Engineering Holdings Limited and Ten Pao Group Holdings Limited, the shares of which are listed on the Stock Exchange. Besides, Mr. Lee was also an independent non-executive director of Yuexiu REIT Asset Management Limited (which manages the Yuexiu Real Estate Investment Trust) and Far East Holdings International Limited.

Mr. Yuan Bo (袁波先生), aged 53, was appointed as an independent non-executive Director on 5 November 2009. He is the founder and managing director of 百碩同興科技(北京)有限公司 (Bayshore Consulting and Services Co., Ltd.). 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. 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 69, 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. Zhao Wei (趙偉先生), aged 44, 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 system integration, system software and non-financial institutions 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 60, 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 financial institutions, PICC, EMC and integrated data services. He graduated from 北京廣播電視大學 (Beijing Open University).

Mr. Qian Ruo Chen (錢若塵先生), aged 43, 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 Huawei of the Group. He graduated from 北京科技大學 (University of Sciences and Technology Beijing).

Mr. Xie Hui (謝輝先生), aged 46, 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 domestic-branded servers and products. He graduated from 北京航空航天大學 (Beihang University), majoring in mechanical and electrical engineering.

Mr. Zou Jun (鄒均先生), aged 50, 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 41, 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 self-developed products, IT technical and solutions business and also in charge of the marketing department. 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 47, 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, public relations department and financial 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 43, 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 37, 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.

The Board is also responsible for performing the corporate governance function of the Company. During the year ended 31 December 2015, the Board has performed the duties and monitored the Company's compliance with the CG Code. The Board has also reviewed the Company's policies and practice on corporate governance.

COMPLIANCE WITH THE CODE

During the year ended 31 December 2015, the Board considered that the Company had applied the principles of 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 deviations from code provision A.2.1 (the "Code") during the period from 1 January 2015 to 13 November 2015 in which Mr. Chen Jian ("Mr. Chen") acted as both the chairman of the Company ("Chairman") and chief executive officer of the Company ("Chief Executive Officer") until 13 November 2015.

The Company did not follow code provision A.2.1 of the Code during the above-mentioned period because the Board believed that appointing Mr. Chen as both the Chairman and the Chief Executive Officer was conductive to a strong and consistent leadership, which enabled the Group to implement decisions and business strategies promptly and efficiently. The Board considered that the arrangement will not impair the balance of power and authority between the Board and the management of the Company as the proper balance of power and authority was ensured by the operations of the Board, which comprised experienced and high calibre individuals. Furthermore, the Board met regularly to discuss major issues affecting the operations of the Group and made collective decisions by majority voting to ensure power was not concentrated in any one individual.

Pursuant to the announcement of the Company dated 13 November 2015, Mr. Chen has resigned as Chief Executive Officer with effect from 13 November 2015. After Mr. Chen's resignation as Chief Executive Officer, he will remain as Chairman and an executive Director. The Board also announced that Ms. Zhang Yun ("Ms. Zhang"), an executive Director, has been appointed as Chief Executive Officer with effect from the same date.

Accordingly, the appointment of Ms. Zhang as the Chief Executive Officer and the continuing tenure of Mr. Chen as the Chairman will comply with the Code. The Board considers that the appointment of Ms. Zhang as Chief Executive Officer will demonstrate a clear division of the responsibilities between the Chairman and the Chief Executive Officer. Furthermore, Mr. Chen's resignation as Chief Executive Officer will allow him to focus on his role as Chairman of the Company.

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".

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 resigned as Chief Executive Officer on 13 November 2015)*
Ms. Zhang Yun *(Vice Chairlady and was appointed as Chief Executive Officer on 13 November 2015)*

Independent non-executive Directors

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

During the year ended 31 December 2015, 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 11 to 13 of this annual report.

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 2015.

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.

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 15 December 2015, a briefing session was organized for Directors to update the Directors on the new requirements under Listing Rules regarding environmental, social and governance reporting, risk management and internal control systems. During the year ended 31 December 2015, the Directors also participated in the following trainings:

Directors	Types of training (notes)
Executive Directors	
Mr. Chen Jian	C
Ms. Zhang Yun	A and 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, risk management and internal control systems.

The audit committee held three meetings during the year ended 31 December 2015, at which the financial results and reports, financial reporting and compliance procedures, risk management and 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 the Company.

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 two meeting during the year ended 31 December 2015 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, who is also the Chief Executive Officer of the Company.

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 2015, to review the nomination procedures and process for the nomination of Directors, 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 2015 are set out as below:

	No. of meetings attended/held				
	Annual general meeting	Board meetings	Audit committee meetings	Remuneration committee meetings	Nomination committee meeting
No. of meetings	**1**	**5**	**3**	**2**	**1**
Executive Directors					
Mr. Chen Jian	1/1	5/5	*1/3	2/2	*1/1
Ms. Zhang Yun	1/1	5/5	*3/3	*1/2	1/1
Independent non-executive Directors					
Mr. Lee Kwan Hung	1/1	5/5	3/3	2/2	1/1
Mr. Yuan Bo	1/1	5/5	3/3	2/2	1/1
Mr. Ho Pak Tai Patrick	1/1	5/5	3/3	2/2	1/1

* Attended on voluntary basis

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 2015.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu has been appointed as the external auditors of the Company for the year ended 31 December 2015. The audit committee has the same view with the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

For the year ended 31 December 2015, the total remuneration in respect of services provided by the external auditors of the Company amounted to approximately RMB2,400,000, which can be analysed as follows:

	RMB'000
Audit services	2,000
Consultancy services on environmental, social and governance, risk management and internal control systems	400

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 2015, 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 2015 are set out on pages 43 to 100 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 41 to 42 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 2015.

Corporate Social Responsibilities

Over the years, while creating product value and fulfilling its economic responsibilities, the Group does not forget its corporate social and environmental responsibilities, and strives to obtain satisfaction among customers, suppliers, employees, environment, society and other stakeholders.

PROVIDE QUALITY, SAFE PRODUCTS AND SERVICES, ENHANCE CUSTOMER SATISFACTION

The Group has consistently committed to enhance user experience in products and services. We have established a healthy and effective model of cooperation with IBM, Oracle, Huawei and other international leading IT manufacturers. Relying on the product, service, technical capabilities and the advantages of the brand of the manufacturers, in terms of value-added distribution, we provide system integration value-added services ranging from pre-sales technical program advice to after-sales product installation, tuning, optimization, operation and maintenance, and provide customers with a more comprehensive, high quality and convenient services. Meanwhile, for the distribution business, we actively improve downstream channel system by regularly organizing marketing activities, participating in exhibitions and printing brochures and other means to promote our products and services to customers, thereby further consolidating and exploring national channel partners, and establishing a good sales system.

In respect of our self-branded products and services, we have implemented strict product development management policy in accordance with relevant international and national guidelines for IT products and services management, and continue to increase investment in research and development. By the end of 2015, we have 9 self-developed software intellectual property rights, all of which have passed the software product tests by relevant authorities. Among them, "Cloudoors Fingerprint Information Identification Authentication System V1.0" obtained the "Computer Information System Security Product Sales License" issued by the Network Security Bureau of the Ministry of Public Security to provide customers with security intelligence products; We have passed the ISO27001 IT information security management system certification, ISO20000 IT service management system certification and CMMI level 3 certification to provide customers with safe and high quality service; In order to enhance the brand awareness and the usability of our own products, we actively communicate with various vertical industries, participate in a number of user market activities, invite experts to participate in seminars, and actively improve and optimize our self-branded product features; During the process of serving customers, we strictly comply with the Customer Information Act and its provisions, and require employees to use customer information only for providing customers with better products, services and for technical purposes. Except for customer consent or law requirement, it is prohibited from disclosure or providing customer information to third-party.

In respect of customer service, in order to provide more convenient, high quality and high efficiency services to users, we continue to broaden the business network. By the end of 2015, we have deployed about 20 subsidiaries and offices, with service network coverage to the whole country. The Group awarded the "30 Years of Trust · User Satisfaction Survey · Excellence Enterprise Award" in the user satisfaction survey held by China Center for Information Industry Development (CCID) in 2015; The Group awarded the "Cloud Computing Outstanding Solution/Product Yun-Fan Award 2014-2015" during the Cloud Computing Conference in Cloud China 2015; In "the Most Influential IT Restructure Service Provider Ranking in China 2015" issued by CIWEEK, the Group ranked no. 15 in the consolidated ranking column and ranked no.5 in the innovation capability column.

CARRY OUT RESPONSIBLE PROCUREMENT, ZERO TOLERANCE TO BRIBERY AND CORRUPTION

After years of environmental and social responsibility practice, the Group has noted that promoting self-sustainable development is not enough. It should be cooperated with the suppliers to embark on a green development path. For instance, we chose Sugon not only because the products provided conform with the procurement requirements of the Group, but also because its products have obtained ISO4001 environmental management system certification, China Environmental Labeling Product Certification (HJ2507-2011), China Energy Conservation Product Certification (CQC3135-2011) and other environmental certifications, providing customers with more energy-efficient and environmentally friendly products.

The Group always upholds the integrity of operation, abides by the laws, regulations and business ethics, and holds "zero tolerance" attitude towards bribery and corruption behaviour. We have clearly stated in the "Employee Handbook", concerning the prohibition of bribery and Group's requirements and penalties of bribery. We provide training for new employees and require them to sign "code of conduct declaration", committing to their own behaviour and self-restraint. We also combine with the anti-corruption requirements of IBM, Oracle and other manufacturing partners, organize staff to participate in online anti-corruption tests held by the manufacturers, and implement these requirements in daily operation.

PEOPLE-ORIENTED, DEDICATE TO STAFF

The Group has consistently adhered to "people-oriented" philosophy, providing fair and equal employment environment for staff, and focusing on nurturing the capability and quality of our staff. This philosophy provides personnel security for the Group to enhance core competitiveness.

We strictly comply with national and local laws and regulations and the rules and regulations of the Group to conduct staff entry and resignation procedures, ensuring employment legal compliance. In view of the job nature of employees, the Group has implemented standard working hours to reasonably arrange overtime work for job requirements, provide overtime compensation to staff legally and arrange compensatory leave for staff. Targeted training is carried out to new staff and professionals to nurture expertise for the Group.

We have a comprehensive remuneration and benefits system to provide staff with competitive remuneration packages. Through internal promotion, rewards and salary adjustment mechanism, the performance of staff is closely linked with remuneration and personal development, ensuring that outstanding staff can enjoy more incentives and recognition. While providing welfare to staff in accordance with national laws and standards, we also provide a variety of staff benefits and reasonable assurance on the interests of staff.

We actively create a healthy and safe working environment for our staff. The Group renovated its Beijing office in 2015, further improving illumination, increasing the coverage and replacement frequency of office plants, and ongoing improving the qualities of indoor air and drinking water. In order to prevent occupational hazards and protect occupational health of employees, regular staff body check is scheduled every year. Staff can understand their own physical conditions for timely prevention and treatment.

We pay attention to staff care, and strive to improve well-being of staff. We actively organized various cultural and sports activities, such as Futong sports day, group travel, Futong Annual Meeting and other activities. Everyone's active participation enhanced the cohesion of Futong members, stimulated their combatant spirit, and they can experience and reward unlimited joy and emotion.

PROMOTE ENERGY CONSERVATION AND EMISSION REDUCTION, ACTIVE ENVIRONMENTAL PROTECTION

The Group promotes environmental-friendly operation and is committed to energy conservation and emission reduction, thus contributing to environmental protection. We have formulated a series of rules and regulations to reduce resource consumption and emission, including the enhancement of office waste recycle and usage, advocacy of paperless green office, green operation, energy conservation and emission reduction, low carbon healthy travel, and reasonable use of official vehicles. Employees are required to actively implement these measures in daily production and operation.

In addition, after reviewing our own energy usage, we found out the areas with large energy consumption and higher efficiency in energy conservation, and capital has been invested to carry out targeted energy saving. In 2015, the Beijing headquarter of the Group was renovated. In order to reduce greenhouse gas emissions, the original incandescent tubes were replaced by LED lights. There were approximately 600 lamps originally with a total of 21,600 watts. After LED light replacement, it has been reduced to 9,000 watts while retaining the original number of lamps, which is a significant reduction in energy consumption. It is estimated that the annual electricity saving will be 10,843KWh, reducing greenhouse gas emission by 6.55 tons.

Directors' Report

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 43 to 100 of this annual report.

The Board recommends the payment of a final dividend for the year ended 31 December 2015 of HK2.8 cents (2014: HK4.0 cents) per share.

Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or about 8 June 2016 to shareholders whose names appear on the register of members of the Company on 24 May 2016.

SUMMARY OF 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 101 of this annual report.

SUPPLEMENTAL INFORMATION FOR BUSINESS REVIEW

A fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year, an analysis using financial key performance indicators and an indication of likely future development in the Group's business are set out in "Management Discussion and Analysis" section with headings "Business Review", "Financial Review" and "Outlook" on pages 4 to 5, pages 5 to 8 and page 10 of this annual report, respectively. A discussion on "Corporate Social Responsibility" is included on pages 23 to 25.

Principal Risks and Uncertainties Facing the Group

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses, the Directors believe that the factors set out below are considered to be the principal risks faced by the Group. They do not comprise all of the risks associated with our business and are not set out in priority order, and we acknowledge that additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

Reliance on a small number of key suppliers and products

The Group is an authorized distributor of certain enterprise IT products in the PRC for such as IBM, Huawei and Oracle. The Group's five largest suppliers (on group basis) accounted for approximately 87.1% and 78.9% of the Group's total purchases for each of the years ended 31 December 2015 and 31 December 2014, respectively.

Reliance on a small number of suppliers generally involves several risks, including the possibility of defective products from a supplier which does not provide warranty indemnity, loss of market share of supplier's products, failure of supplier's products to keep updates on IT technology change or consumer preference and a shortage of product supply. Furthermore, some of the non-exclusive distribution agreements with certain of the Group's major suppliers are renewed annually and some of the distribution arrangements may be terminated by the suppliers. If there are significant price fluctuations for such products, any supplier fails to satisfy the requirements of the Group or the Group's relationship with such supplier is terminated or deteriorated for any reason, the Group's revenue and profitability could be materially and adversely affected.

The Group may not be able to keep updates on IT technology change, its suppliers' technologies and consumer preference

The market for the products of the Group's suppliers is characterized by rapidly-changing IT technology and introduction of new products. The demand for enterprise IT products and services are also subject to business cycles, which may rise or fall along with overall economic growth and business investment environment. The success of the Group will depend upon its technical know-how on these new IT technologies, product features and implementation methods, its ability to respond and adapt quickly to IT technology change and business cycles, as well as its capability to understand the changing needs, preferences and requirements of its customers. If the Group fails to keep updates on IT technology change and introduction of new products, or keep pace with new developments and trends in the IT market and the demands of its customers, its ability to respond effectively to customer demands may be affected, which may undermine the Group's future development and have an adverse impact on the Group's business and financial results.

Inventory risks

The inventory of the Group consists mainly of IT products and other components. These comprised approximately 21.2% and 13.7% of the Group's current assets as at the years ended 31 December 2015 and 31 December 2014 respectively.

In practice, the Group maintains its inventory at a certain level with reference to its sales plan. As such, if there is any sudden change in the demand of enterprise IT products, the Group may face an inventory risk if stock levels are not properly monitored or managed. Should the Group fail to manage its inventory properly, provisions will have to be made for slow-moving stocks, which may adversely affect the Group's profitability.

Trade and other receivables and liquidity risks

Trade and other receivables accounted for approximately 46.7% and 57.1% of the Group's total assets as at the year ended 31 December 2015 and 31 December 2014 respectively. There may be a risk of delay in payment by the Group's customers from their respective credit period, which in turn may result in an impairment loss provision. There is no assurance that the Group will be able to fully recover its receivables from the customers or their settlements are made on a timely manner. In the event the settlements from the customers are not made in full or not on a timely manner, the financial position, profitability and cash flow of the Group may be adversely affected.

Furthermore, the Group is generally required to purchase its products from its suppliers first before it sells to its customers. This means that the Group will generally have to pay its suppliers first before it collects payment from its customers. There is a risk that any mismatch between the time the Group sources its products and the time it collects payment from its customers may affect the Group's liquidity if it is not managed properly. If the Group is unable to maintain a sufficient level of liquidity in its business operations, its financial condition and performance may also be adversely affected.

Foreign exchange considerations

The exchange rates for RMB against foreign currencies, including US$ and HK$, are susceptible to movements based on external factors and there can be no assurance that RMB may not be subject to devaluation. As the Group's revenue and purchases are primarily denominated in RMB and US$, fluctuations in exchange rates may adversely affect the value of the Group's net assets and earnings. Furthermore, the Group may incur foreign currency denominated borrowings which may expose the Group to currency risk. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect the Group's results of operations. Although the Group may, from time to time, enter into hedging transactions to mitigate its foreign currency exchange risk exposure, the effectiveness of such hedges may be limited and the Group may not be able to successfully hedge its exposure.

Reduced spending on enterprise IT products and services may affect the Group's business

The Group's business and revenue growth not only depends on the Group's ability to attract customers to purchase its enterprise IT products and services, but also on the level of spending on enterprise IT products, systems and solutions of its customers.

Furthermore, the general health of the PRC economy will also have an effect on the level of spending on enterprise IT products and services of consumers in the PRC as a whole. Any general economic, business or industry conditions that cause customers or potential customers to reduce or delay their investments in enterprise IT products and services could harm the Group's business. If there is a significant downturn in the PRC market or a significant reduction in consumer demand in the PRC for products or services offered by the Group, the Group's business may be adversely affected.

Political and economic policies of the PRC government could affect the Group's business

With the commencement of the PRC government's efforts to reform the Chinese economic system in the late 1970s, the PRC government has placed increasing emphasis on the utilization of market forces to develop the PRC economy. Over the last four decades, the PRC government's reform measures have resulted in the PRC economy experiencing significant growth and social progress. However, any revision or modification to the economic and political strategies and policies of the PRC government could have a material adverse effect on the overall development of the IT products and services market in the PRC. With all of the Group's main operating assets and customers located in China, the Group's operations and financial results could be adversely affected by any stagnation in the development of this market in the PRC. There is no guarantee that the PRC government will not impose economic and regulatory controls that would harm the Group's business.

Compliance with the Relevant Laws and Regulations

The Group strives to comply in all material respects with the relevant laws and regulations which are regarded as having a significant impact on the Group, and has not come across incidence of material breach or non-compliance during the year under review.

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 26(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 45 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB335.0 million.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2015 are set out in note 25 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers, on individual entity basis, accounted for approximately 12.1% of the total revenue for the year and sales to the largest customer, on individual entity basis, included therein amounted to approximately 3.1%. Purchases from the Group's five largest suppliers, on individual entity basis, accounted for approximately 87.1% of the total purchases for the year and purchases from the largest supplier, on individual entity basis, included therein amounted to approximately 32.3%.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued share of the Company) has any 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

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. Ms. Zhang Yun and Mr. Yuan Bo will retire by rotation. All of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 11 to 13 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 37 to 39 and pages 92 to 94 of this annual report respectively. Save for the above, no other Director or entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or 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 2015, 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 Ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Beneficial owner/interest in controlled corporations	219,054,000 (Notes 1, 2, 3 and 4)	70.38
Zhang Yun	Beneficial owner/interest in controlled corporation	42,869,650 (Notes 2 and 5)	13.77

(ii) Long positions in the underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of underlying shares held	Approximate percentage of the Company's issued share capital (%)
Lee Kwan Hung	Beneficial owner	600,000 (Note 6)	0.19
Yuan Bo	Beneficial owner	600,000 (Note 6)	0.19
Ho Pak Tai Patrick	Beneficial owner	600,000 (Note 6)	0.19

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

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

Notes:

1. 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.

2. 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..

3. 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..

4. 1,040,000 shares of the Company are held by Mr. Chen Jian in his personal interest.

5. 238,000 shares of the Company are held by Ms. Zhang Yun in her personal interest.

6. 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 2015.

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 basis of eligibility of any of the eligible persons to the grant of share options shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The Share Option Scheme became effective on 11 November 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. 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. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share.

The details of the principal terms and conditions of the Share Option Scheme were summarised in the section headed "Share Option Scheme" in Appendix VI to the prospectus of the Company dated 24 November 2009 (the "Prospectus").

On 15 June 2011, 1,900,000 share options were granted by the Company under the Share Option Scheme. As at 22 March 2016, being the date of this annual report of the Company ("Annual Report Date"), there were 900,000 options outstanding.

On 24 August 2015, 900,000 share options were granted by the Company under the Share Option Scheme. As at the Annual Report Date, there were 900,000 options outstanding.

On 18 January 2016, 2,200,000 share options were granted by the Company under the Share Option Scheme. As at the Annual Report Date, there were 2,200,000 options outstanding.

The total number of outstanding share options as at the Annual Report Date was 4,000,000 which represent approximately 1.3% of the total number of issued shares of the Company as at that date.

As at the Annual Report Date, the total number of shares of the Company available for issue pursuant to the grant of further options under the Share Option Scheme is 26,000,000 shares, representing approximately 8.35% of the total number of issued shares of the Company as at the Annual Report Date.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

				Number of share options					
Category	**Date of grant**	**Exercise period**	**Exercise price** HK$	**Outstanding as at 1 January 2015**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2015**
Directors									
Mr. Lee Kwan Hung	15 June 2011	15 December 2011-14 June 2021	1.81 (Note 2)	300,000	–	–	–	–	300,000
	24 August 2015	24 August 2015-23 August 2025	1.172 (Note 3)	–	300,000	–	–	–	300,000
Mr. Yuan Bo	15 June 2011	15 December 2011-14 June 2021	1.81 (Note 2)	300,000	–	–	–	–	300,000
	24 August 2015	24 August 2015-23 August 2025	1.172 (Note 3)	–	300,000	–	–	–	300,000
Mr. Ho Pak Tai Patrick	15 June 2011	15 December 2011-14 June 2021	1.81 (Note 2)	300,000	–	–	–	–	300,000
	24 August 2015	24 August 2015-23 August 2025	1.172 (Note 3)	–	300,000	–	–	–	300,000
Sub-total				900,000	900,000	–	–	–	1,800,000
Employees	15 June 2011	15 December 2011-14 June 2021 (Note 1)	1.81 (Note 2)	1,000,000	–	–	(1,000,000)	–	–
Total				1,900,000	900,000	–	(1,000,000)	–	1,800,000

Notes:

1. The options are exercisable from 15 December 2011 to 14 June 2021 (both days inclusive) subject to the following vesting periods.

   (1) up to 30% of the options commencing on 15 December 2011;

   (2) up to 60% of the options commencing on 15 December 2012; and

   (3) up to 100% of the options commencing on 15 December 2013.

2. The closing price of the shares of the Company on the date of grant was HK$1.8.

3. The closing price of the shares of the Company on the date of grant was HK$0.9.

Details of the value of share options granted are set out in note 27 to the consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS UNDER THE SFO

(A) Substantial shareholders

As at 31 December 2015, 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 ordinary 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
Ms. Zhang Xin (Note 3)	Interest of spouse	219,054,000	70.38

(B) Other persons

As at 31 December 2015, save for the person or entities disclosed in sub-section (A) above, 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 ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Rich World Development Ltd. (Note 4)	Beneficial owner	21,435,100	6.89
Mr. 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. 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.

4. 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..

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 2015.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year, save as those disclosed in the Prospectus and the announcement of the Company dated 21 December 2015, 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.

The information relating to the Directors' interest in a competing business was disclosed in the Prospectus and the announcement of the Company dated 21 December 2015. There is no change in details on the information relating to the Directors' interest in a competing business, which was previously disclosed in the Prospectus and the announcement of the Company dated 21 December 2015.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions during the year ended 31 December 2015 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 北京深思軟件股份有限公司 (Beijing Deep Thought Software Co., Ltd.) ("Beijing Deep Thought") – Purchase and sales of goods and provision of services	15,000	10,344

Reference is made to the continuing connected transactions as set out in the announcement of the Company dated 8 May 2013 in relation to the purchase and supply agreement entered into between the Company and Beijing Deep Thought on 8 May 2013 in relation to the sale and purchase of enterprise IT products and related IT services ("2013 Purchase and Supply Agreement"). On 21 December 2015, the Company entered into the purchase and supply agreement in relation to the sale and purchase of enterprise IT products and related IT services ("2015 Purchase and Supply Agreement") with Beijing Deep Thought, pursuant to which the Group agreed to supply and purchase enterprise IT products and related IT services to and from Beijing Deep Thought on such terms and conditions and at such prices to be determined from time to time and on a case by case basis after arm's length negotiations provided that (a) in respect of products and services supplied by the Group, 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 Group to purchasers who are independent third party for such IT products and related IT services of comparable quantity, and such price shall be determined with reference to the prevailing market price; (b) in respect of products and services purchased by the Group, 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 Group than those offered by Beijing Deep Thought to its third party purchasers who are independent of it and its connected person for such IT products and related IT services of comparable quantity, and such price shall be determined with reference to the prevailing market price; (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 relevant member of the Group, or such longer period as the parties may agree; and (d) the purchase price payable by the relevant member of the Group in respect of purchases shall be payable by such member of the Group within 90 days after the date of the relevant invoice issued by Beijing Deep Thought, or such longer period as the parties may agree.

In determining if the prices charged by the Group are on normal commercial terms and on terms which are no more favourable to Beijing Deep Thought than those offered by the Group to purchasers who are independent third parties, the Group shall compare the prices of similar goods and/or services and terms offered by the Group to at least two independent third parties purchasers with that to Beijing Deep Thought on a periodic basis. The Group would sell enterprise IT products and related IT services to Beijing Deep Thought only if the terms offered to Beijing Deep Thought are no more favourable than those offered to the independent third parties in respect of the similar goods and/or services.

In determining if the prices paid by the Group are on normal commercial terms and on terms which are no less favourable to the Group than those offered by Beijing Deep Thought to its third party purchasers who are independent of it and its connected persons, the Group shall obtain quotations from at least two independent third parties for similar goods and/or services on a periodic basis, and also obtain at least two quotations from Beijing Deep Thought with regard to the quotations made by Beijing Deep Thought to its third party purchasers who are independent of it and its connected person, and make comparisons. The Group would purchase enterprise IT products and related IT services from Beijing Deep Thought only if the terms offered by Beijing Deep Thought are (a) no less favourable than those stated in the quotations given by the independent third parties in respect of the similar goods and/or services; and (b) no less favourable than those offered by Beijing Deep Thought to its third party purchasers who are independent of it and its connected person.

Beijing Deep Thought is owned as to approximately 72.89% by Mr. Chen Jian, a Controlling Shareholder and an executive Director and is a connected person of the Company. The transactions contemplated under the 2013 Purchase and Supply Agreement and 2015 Purchase and Supply Agreement constitute continuing connected transaction of the Company. Beijing Deep Thought is an existing supplier and customer of the Group.

The Group is principally engaged in the provision of enterprises IT infrastructure products, IT services and solutions in the PRC. The Group is pursuing to expand its exposure in the IT solutions, products and technical support services market in the PRC. As may be requested from the Group's customers, the Group may occasionally source enterprise IT products which are not among the products distributed by the Group from other suppliers. As Beijing Deep Thought is a distributor of some IT products which are not offered by the Group, the Group has been purchasing those IT products from Beijing Deep Thought upon request from its customers.

The Directors believe that through business cooperation with Beijing Deep Thought, the Group's sales and distribution network coverage can be further extended, which is beneficial to the business development and operating results of the Group.

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.

The Directors also confirm the above continuing connected transactions also constitute related party transactions under the accounting standards, details of which are set out in note 29 to the financial statements. Related party transactions set out in note 29 to the financial statements other than those transactions disclosed above are not considered to be connected transactions under Chapter 14A of the Listing Rules.

The Company has complied with the relevant requirements in accordance with Chapter 14A of the Listing Rules.

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 14 to 22 of this annual report.

AUDITORS

Messrs Deloitte Touche Tohmatsu was appointed as auditors of the Company for the year ended 31 December 2015.

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, 22 March 2016

Deloitte.
德勤

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 43 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with 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

22 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**2,558,663**	3,101,298
Cost of sales and services		**(2,325,246)**	(2,812,397)
Gross profit		**233,417**	288,901
Other income and gains	7	**12,105**	18,443
Other losses	7	**(11,448)**	(18,028)
Selling and distribution expenses		**(125,856)**	(134,884)
Administrative expenses		**(43,120)**	(46,333)
Profit from operations		**65,098**	108,099
Finance costs	8(a)	**(39,441)**	(57,405)
Gain recognised on disposal of interests in an associate	17	**94**	–
Share of loss of associates	17	**(1,730)**	(3,717)
Profit before tax		**24,021**	46,977
Income tax expenses	9(a)	**(715)**	(12,852)
Profit for the year and total comprehensive income for the year	8	**23,306**	34,125
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**23,674**	34,363
Non-controlling interests		**(368)**	(238)
		23,306	34,125
Earnings per share			
– Basic and diluted (RMB)	13	**0.08**	0.11

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	At 31 December 2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	14	**27,762**	29,050
Other intangible assets	15	**2,509**	–
Interest in associates	17	**11,724**	13,993
Deferred tax assets	18(a)	**36,097**	23,232
Total non-current assets		**78,092**	66,275
Current assets			
Inventories	19	**360,680**	271,019
Trade and other receivables	20	**831,230**	1,169,550
Short term investments	21	**–**	42,550
Pledged deposits	22	**167,472**	218,888
Bank balances and cash	23	**341,823**	278,414
Total current assets		**1,701,205**	1,980,421
Current liabilities			
Trade and other payables	24	**740,820**	737,311
Bank borrowings	25	**463,331**	748,356
Tax payable		**3,399**	2,689
Total current liabilities		**1,207,550**	1,488,356
Net current assets		**493,655**	492,065
NET ASSETS		**571,747**	558,340
CAPITAL AND RESERVES			
Share capital	26(a)	**27,415**	27,415
Reserves		**538,667**	524,892
Attributable to owners of the Company		**566,082**	552,307
Non-controlling interests		**5,665**	6,033
TOTAL EQUITY		**571,747**	558,340

The consolidated financial statements on pages 43 to 100 were approved and authorised for issue by the board of directors on 22 March 2016 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 2015

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000 (note 26(b))	Merger reserve RMB'000 (note 26(b))	Share options reserve RMB'000	Statutory reserves RMB'000 (note 26(b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	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 27)	–	–	–	–	–	–	–	–	–
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**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**23,674**	**23,674**	**(368)**	**23,306**
Transfer of equity-settled share-based payment (note 27)	**–**	**–**	**–**	**(579)**	**–**	**579**	**–**	**–**	**–**
Recognition of equity-settled share-based payment (note 27)	**–**	**–**	**–**	**228**	**–**	**–**	**228**	**–**	**228**
Appropriations	**–**	**–**	**–**	**–**	**289**	**(289)**	**–**	**–**	**–**
Dividends (note 12)	**–**	**–**	**–**	**–**	**–**	**(10,127)**	**(10,127)**	**–**	**(10,127)**
At 31 December 2015	**27,415**	**81,538**	**219**	**751**	**69,702**	**386,457**	**566,082**	**5,665**	**571,747**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	**24,021**	46,977
Adjustments for:		
Interest income	**(6,496)**	(11,314)
Loss on disposal of property, plant and equipment	**2**	464
Research and development costs recognised as an expense	**450**	–
Finance costs	**39,441**	57,405
Depreciation	**6,348**	7,402
Amortisation of other intangible assets	**130**	–
Share of loss of associates	**1,730**	3,717
Gain on deemed disposal of partial interest in an associate	**(94)**	–
(Write-back) write-down of inventories	**(7,694)**	192
Impairment loss on trade receivables	**5,122**	17,250
Write-down of trade receivables	**112**	–
Foreign exchange gains, net	**(7,029)**	(258)
Recognition of share-based payment expenses	**228**	–
Operating cash flows before movements in working capital	**56,271**	121,835
Decrease in trade and other receivables	**333,086**	148,825
(Increase) decrease in inventories	**(81,967)**	215,840
Increase (decrease) in trade and other payables	**7,357**	(306,185)
Cash generated by operations	**314,747**	180,315
Income tax paid	**(12,870)**	(19,937)
Net cash generated by operating activities	**301,877**	160,378
INVESTING ACTIVITIES		
Interest received	**6,496**	11,314
Proceeds on disposal of property, plant and equipment	**–**	544
Payment for property, plant and equipment	**(5,062)**	(4,716)
Research and development costs paid	**(3,089)**	–
Purchase of short term investments	**–**	(42,550)
Withdrawal of short term investments	**42,550**	–
Net cash flow of disposal of an associate	**633**	4,299
Net cash generated by/(used in) investing activities	**41,528**	(31,109)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**839,123**	1,405,037
Repayment of bank borrowings	**(1,124,148)**	(1,447,805)
Interest paid	**(43,289)**	(52,855)
Withdrawal of pledged bank deposits	**177,088**	399,155
Placement of pledged bank deposits	**(125,672)**	(415,853)
Dividends paid	**(10,127)**	(12,257)
Net cash used in financing activities	**(287,025)**	(124,578)
Net increase in cash and cash equivalents	**56,380**	4,691
Cash and cash equivalents at beginning of the year	**278,414**	273,465
Effect of foreign exchange rate changes	**7,029**	258
Cash and cash equivalents at end of the year, represented by bank balances and cash	**341,823**	278,414

1. GENERAL INFORMATION

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")

The Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The application of the above amendments to 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.

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[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
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[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]

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 2019
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after a date to be determined
6 Effective for annual periods beginning on or after 1 January 2017

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 requirements by introducing a "fair value through other comprehensive income" (FVTOCI) 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:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under 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 credit 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 mechanisms currently available in IAS 9. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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*

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. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("CO").

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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 *Inventories* 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

The results and assets and liabilities of an associate 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Service income is recognised when services are provided.

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which that are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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 expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 recognised 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference on monetary items are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

Short-term employee benefits

A liability is recognised for benefits accruing to employee in respect of wages and salaries annual leave and sick leave, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27 to the Group's consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to retained profits. 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.

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 of income or expense that are taxable or deductible in other years and items that 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 statement of financial position and the corresponding tax bases 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 differences 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any). Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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

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.

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.

The amount recognised as a provision is 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the reporting periods. 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 financial asset, 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, loan receivables, pledged bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

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

For certain categories of loans and receivables, 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 average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other 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 and other 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.

For loans and receivables measured at the amortised cost, if, in a subsequent period, the amount of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Financial liabilities

The Group's financial liabilities including trade and other payables, short term debentures, mid-term debentures, long-term corporate bonds and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial assets and recognise a collateralised borrowing for proceeds received.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgments, 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 2015, the carrying amount of inventories is RMB360,680,000 (31 December 2014: RMB271,019,000).

(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 2015, the carrying amount of trade receivable is RMB736,514,000, net of allowance for doubtful debts of RMB40,067,000 (31 December 2014: carrying amount of RMB1,055,700,000, net of allowance for doubtful debts of RMB34,945,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iii) Deferred tax assets

As at 31 December 2015, a deferred tax assets of RMB36,097,000 (31 December 2014: RMB23,232,000) 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.

(iv) After sales service costs

After sales service cost is accrued for those contracts of which subsequent maintenance services are considered probable and is determined by considering the class of obligations as a whole. Management estimates such cost based on the maintenance services history of its customers and made reference to comparable market prices for procurement of similar services.

During the year, the Group accrued RMB49,358,000 (2014: RMB47,608,000) of these after sales service costs. As at 31 December 2015, accrual of these after sales service costs is RMB49,575,000 (31 December 2014: RMB51,683,000).

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	
	2015	2014
	RMB'000	RMB'000
Sales of goods	**2,254,533**	2,827,869
Provision of services	**304,130**	273,429
	2,558,663	3,101,298

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 2015 and 2014.

7. OTHER INCOME, GAINS AND OTHER LOSSES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Other income and gains		
Interest income	**6,496**	11,314
Government grants (note)	**4,922**	1,918
Foreign exchange gains	**–**	4,281
Others	**687**	930
	12,105	18,443
Other losses		
Loss on disposal of property, plant and equipment	**(2)**	(464)
Impairment loss on trade receivables	**(5,122)**	(17,250)
Write-off of trade receivables	**(112)**	–
Foreign exchange losses	**(6,152)**	–
Others	**(60)**	(314)
	(11,448)	(18,028)

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.

8. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	**39,441**	57,405
(b) Staff costs (including directors):		
Salaries and allowances	**96,430**	96,157
Contributions to retirement benefit schemes	**10,391**	10,384
Equity-settled share-based payment	**228**	–
	107,049	106,541

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 RMB10,391,000 (2014: RMB10,384,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2015. As at 31 December 2014 and 2015, the amount due but not paid to the schemes is insignificant.

(c) Other items:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Depreciation	**6,348**	7,402
Amortisation of other intangible assets	**130**	–
Research and development costs recognised as an expense	**450**	–
Auditors' remuneration	**2,447**	2,166
Cost of inventories recognised as an expense (note 19(b))	**2,062,864**	2,572,577

9. INCOME TAX EXPENSES

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**6,421**	6,207
	6,421	6,207
Current tax – PRC income tax		
Provision for the year	**4,541**	3,424
Additional provision (note (iv))	**2,618**	3,242
	7,159	6,666
Deferred tax		
Change in tax rate (note (iv) and note 18(a))	**(9,025)**	–
Credit for the year (note 18(a))	**(3,840)**	(21)
	715	12,852

(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 Group 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 year 2014 onwards. According to the notice, the subsidiary has made additional provision of RMB2,618,000 for income tax using income tax rate of 25% for the calendar year 2014 and calculated income tax using income tax rate of 25% for the calendar year 2015. And the subsidiary has recognised an addition of RMB9,025,000 to deferred income tax assets due to the change of tax rate. The subsidiary has filed lawsuits against the relevant tax authorities.

9. INCOME TAX EXPENSES *(Continued)*

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**24,021**	46,977
Tax calculated at applicable tax rate of 25%	**6,005**	11,744
Effect of different tax rates	**(3,682)**	(3,143)
Effect of concessionary tax rates	**–**	(1,411)
Tax effect of share of loss of associates	**433**	929
Tax effect of deductible temporary difference not recognised	**(962)**	(167)
Tax effect of tax loss not recognised	**3,120**	561
Utilisation of deductible temporary differences previously not recognised	**–**	(3)
Tax effect of expenses not deductible for tax purpose	**2,208**	1,100
Tax effect on deferred tax balances due to the change in income tax rate from 15% to 25%	**(9,025)**	–
Additional provision	**2,618**	3,242
Income tax expenses	**715**	12,852

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the five 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 2015					
Executive directors					
Chen Jian	**–**	**1,906**	**–**	**107**	**2,013**
Zhang Yun	**–**	**2,215**	**–**	**142**	**2,357**
Independent non-executive directors					
Lee Kwan Hung	**208**	**–**	**–**	**–**	**208**
Yuan Bo	**215**	**–**	**–**	**–**	**215**
Ho Pak Tai Patrick	**208**	**–**	**–**	**–**	**208**
	631	**4,121**	**–**	**249**	**5,001**

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 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

Mr. Chen Jian was also the Chief Executive of the Company until 13 November 2015 and his emoluments disclosed above include those for services rendered by him as the Chief Executive until 13 November 2015.

Ms. Zhang Yun has been appointed as the Chief Executive of the Company with effect from 13 November 2015 and her emoluments disclosed above include those for services rendered by her as the Chief Executive for the period from 13 November to 31 December 2015.

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, two (31 December 2014: three) are directors and the chief executive for the year ended 31 December 2015, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining three (31 December 2014: two) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and allowances	**2,742**	1,878
Contribution to retirement benefits schemes	**122**	79
	2,864	1,957

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the three (31 December 2014: two) individuals with the highest emoluments are within the following band:

	2015 Number of individuals	2014 Number of individuals
HK$1,000,001 to HK$1,500,000	**3**	2

12. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognised as distribution during the year:		
2014 final dividend: HK4.0 cents, equivalent to RMB3.2 cents (2013 final dividend: HK5.0 cents, equivalent to RMB4.0 cents) per share	**10,127**	12,257

Subsequent to the end of the reporting period, a final dividend of HK2.8 cents (approximately equivalent to RMB2.3 cents) per share in respect of the year ended 31 December 2015 (2014: final dividend of HK4.0 cents (approximately equivalent to RMB3.2 cents per share), totaling approximately HK$8,715,000 (approximately RMB7,089,000) (2014: HK$12,450,000 approximately RMB10,127,000) 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:

	2015 RMB'000	2014 RMB'000
Earnings for the purpose of basic and diluted earnings per share	**23,674**	34,363

	'000	'000
Number of ordinary shares for the purpose of basic and diluted earnings per share	**311,250**	311,250

The computation of diluted earnings per share does not assume the exercise of the Company's share options (as set out in note 27) because the ordinary shares deemed to be issued for no consideration in respect of the share options have immaterial impact on basic earnings per share.

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 2014	24,353	4,813	23,092	5,803	58,061
Derecognised upon liquidation of a subsidiary	–	–	(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
Additions	–	2,127	2,935	–	5,062
Disposals	–	–	(36)	–	(36)
At 31 December 2015	24,353	8,753	25,614	5,803	64,523
Accumulated depreciation					
At 1 January 2014	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	–	–	(393)	–	(393)
Elimination on disposals	–	–	(1,879)	–	(1,879)
At 31 December 2014	4,699	4,458	16,693	4,597	30,447
Charge for the year	795	923	3,958	672	6,348
Elimination on disposals	–	–	(34)	–	(34)
At 31 December 2015	5,494	5,381	20,617	5,269	36,761
Net book values					
At 31 December 2015	18,859	3,372	4,997	534	27,762
At 31 December 2014	19,654	2,168	6,022	1,206	29,050

(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%

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

(b) Leasehold land and buildings which are held for own use are situated in the PRC under medium-term lease.

(c) At 31 December 2015, leasehold land and buildings with net book value of RMB18,859,000 (31 December 2014: RMB19,654,000) have been pledged as security for the Group's bills payables (see note 24(b)).

15. OTHER INTANGIBLE ASSETS

During the current year, the Group spent RMB3,089,000 to research and develop cloud computing and system monitoring projects of which a total of RMB2,639,000 internally generated development costs have been recognised as intangible assets by the Group. During the year, the Group has obtained software copyright registration certificates issued by National Copyright Administration of the People's Republic of China ("中華人民共和國國家版權局") for completed projects with capitalized development costs of RMB1,356,000. The development costs for these completed projects are amortised on a straight-line basis at 20% per annum. The amortisation charges for the current year is RMB130,000.

16. 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 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Principal activities
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
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

16. 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 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Principal activities
Futong Cloud Technology (HK) Company Limited (notes (vii))	Hong Kong	HK$1,000,000	–	100	–	100	Investment holding
Futong Transcend Technology (HK) Company Limited (notes (vii))	Hong Kong	HK$1,000,000	–	100	–	100	Investment holding
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
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
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
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 (vi))	The PRC	RMB4,000,000	–	–	–	81	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	–	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	–	100	Provision of enterprise IT products and IT services

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

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

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) Shenyang Etong Dongfang Computer System Services Co., Ltd has been closed out in March 2015. The liquidation process was completed at the end of August 2015.

(vii) The entity was established in 2014. The registered capital of the entity has not been fully paid by the date of issuance of these consolidated financial statements.

17. INTEREST IN ASSOCIATES

	2015 **RMB'000**	2014 RMB'000
Cost of investment in associates, unlisted	**26,025**	26,673
Share of accumulated losses	**(14,047)**	(12,680)
Loss on deemed disposal	**(254)**	–
	11,724	13,993

17. INTEREST IN ASSOCIATES *(Continued)*

As at 31 December 2015, the Group had interests in the following associates:

Name of company	Place of establishment	Registered capital/share capital 2015	Registered capital/share capital 2014	Proportion ownership interest/ voting power held by the Company 2015 Directly %	2015 Indirectly %	2014 Directly %	2014 Indirectly %	Principal activities
數普金通數據技術有限公司 Centrin-FC Data Device Technology Co. Ltd. ("Centrin-FC") (notes (i), (ii) and (iii))	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 (v) and (vi))	Hong Kong	**HK$18,486,555**	HK$24,648,100	**–**	**49**	–	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), (ii) and (iv))	The PRC	**RMB15,000,000**	RMB20,000,000	**–**	**49**	–	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) Centrin-FC, formerly known as "中金富捷數據設備技術有限公司", changed its Chinese name to "數普金通數據技術有限公司" in March 2015.

(iv) In January 2015, Beijing Futong Jinxin has reduced the registered capital from RMB20,000,000 to RMB15,000,000.

17. INTEREST IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(v) In the prior year, the Group held a 40% interest in Futong Technology Advanced Business Service Limited ("Futong Technology") and accounted for the investment as an associate. In January 2015, Futong Technology issued 300 new ordinary shares to its shareholders in proportion to their existing shareholdings at the cash consideration of HK$1 each. The Group then disposed 3.25% of the interests in Futong Technology to another shareholder of Futong Technology for cash proceeds of HK$801,084 (equivalent to RMB633,000). This transaction has resulted in the Group recognising a gain of RMB94,000 in profit or loss, calculated as follows:

	RMB'000
Proceeds of disposal	633
Less: carrying amount of 3.25% investment in associate	539
Gain recognised	94

(vi) In April 2015, Futong Technology reduced its paid-up capital from HK$24,648,740 to HK$18,486,555 by buying-back and extinguishing 100 out of the 400 ordinary shares held by a shareholder. The capital reduction reduces the interests of the Group in Futong Technology. The Group recognised a deemed loss of RMB254,000. After capital reduction, the interests the Group held in Futong Technology increased from 36.75% to 49%.

Aggregate information of associates that are not individually material:

	2015 **RMB'000**	2014 RMB'000
The Group's share of loss and other comprehensive expense	**(1,730)**	(3,861)
Share of profit in disposed associate	**–**	144
	(1,730)	(3,717)
Aggregate carrying amount of the Group's interests in these associates	**11,724**	13,993

18. 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 2014	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
Credited/(charged) to profit or loss (note 9(a))	**1,745**	**2,863**	**8,257**	**12,865**
At 31 December 2015	**7,679**	**9,806**	**18,612**	**36,097**

(b) Deferred tax assets not recognised

As at 31 December 2015, the Group has not recognised deferred tax assets in respect of unutilised tax losses of approximately RMB24,010,000 (31 December 2014: RMB11,734,000) due to the unpredictability of future profit streams. The tax loss will be expired as follows:

	2015 RMB'000	2014 RMB'000
2016	**2,517**	2,663
2017	**4,991**	5,049
2018	**1,779**	1,779
2019	**2,243**	2,243
2020	**12,480**	–
	24,010	11,734

At the end of the reporting period, the Group has deductible temporary differences of RMB3,847,000 (31 December 2014: RMB666,000). 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.

18. 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 RMB298,271,000 (31 December 2014: RMB295,840,000) 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.

19. INVENTORIES

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

	2015	2014
	RMB'000	RMB'000
Trading stocks	**360,680**	271,019

(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:

	2015	2014
	RMB'000	RMB'000
Carrying amount of inventories sold	**2,070,558**	2,572,385
(Write-back) write-down of inventories	**(7,694)**	192
	2,062,864	2,572,577

20. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**776,581**	1,090,645
Less: allowance for doubtful debts	**(40,067)**	(34,945)
	736,514	1,055,700
Bills receivables	**44,463**	46,101
Prepayments (note (i))	**35,416**	42,720
Deposits (note (ii))	**13,310**	22,452
Other receivables	**1,527**	2,577
	831,230	1,169,550

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 30(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.

	2015 RMB'000	2014 RMB'000
Current	**585,842**	815,747
Less than 1 month past due	**33,483**	87,461
1 to 3 months past due	**46,419**	67,905
More than 3 months	**115,233**	130,688
Amounts past due	**195,135**	286,054
	780,977	1,101,801

20. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2015 RMB'000	2014 RMB'000
At 1 January	**34,945**	17,695
Impairment losses recognised on receivable	**5,234**	17,250
Amounts written off during the year as uncollectible	**(112)**	–
At 31 December	**40,067**	34,945

21. SHORT TERM INVESTMENTS

	2015 RMB'000	2014 RMB'000
Structured deposits	**–**	42,550

Structured deposits of 2014 represented investments in financial products issued by banks in the PRC which were principal-protected. The interest rates floated between 0.0% and 3.4%. The structured deposits were measured at amortised cost in the condensed consolidated financial statements. In the opinion of the directors, the amount of the change in the fair value of the structured deposits were insignificant on initial recognition and at the end of the relevant reporting period.

At 31 December 2015, the carrying amount of structured deposits which have been pledged as security for the borrowing is nil (31 December 2014: RMB42,550,000).

22. PLEDGED DEPOSITS

Pledged deposits represent deposits placed to banks as security for the banking facilities granted to the Group (see notes 25(c)), bills issued by the banks (see note 24(b)) and performance guarantee letters issued by the banks.

Pledged deposits carry interest at fixed rates which range from 0.01% to 1.5% (31 December 2014: 0.01% to 3.08%) per annum.

23. BANK BALANCES AND CASH

Bank balances and cash comprise of bank balances and cash.

At 31 December 2015, the balance included bank balances and cash in the PRC of approximate RMB303,311,000 (31 December 2014: RMB241,878,000). 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 0.35% (31 December 2014: 0.01% to 0.42%) per annum.

24. TRADE AND OTHER PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables	**342,316**	319,389
Bills payable	**234,463**	223,223
Receipts in advance	**142,506**	138,622
Other payables and accruals	**21,535**	56,077
	740,820	737,311

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.

	2015 **RMB'000**	2014 RMB'000
0 – 60 days	**215,497**	147,660
60 – 90 days	**6,736**	86,486
Over 90 days	**120,083**	85,243
	342,316	319,389

(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 RMB18,859,000 (2014: RMB19,654,000) and pledged deposit of RMB90,001,000 (2014: RMB90,668,000) as at 31 December 2015. The available unutilised facility for issuance of bills at 31 December 2015 was approximately RMB121,686,000 (2014: RMB137,957,000).

(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.

25. BANK BORROWINGS

(a) At 31 December 2015, the bank borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
On demand or within 1 year	**463,331**	748,356

(b) The bank borrowings were shown as follows:

	2015 RMB'000	2014 RMB'000
Unsecured bank borrowings	**173,331**	217,478
Secured bank borrowings	**290,000**	530,878
	463,331	748,356
Fixed-rate borrowings	**33,307**	52,478
Variable-rate borrowings	**430,024**	695,878
	463,331	748,356

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

	2015	2014
Fixed-rate borrowings	**2.39% to 4.35%**	7.2%
Variable-rate borrowings	**5.0% to 6.5%**	1.15% to 7.2%

No interests were capitalized for the year ended 31 December 2015 and 2014.

25. BANK BORROWINGS *(Continued)*

(c) The amounts of banking facilities and the utilisation at 31 December 2015 are set out as follows:

	2015 RMB'000	2014 RMB'000
Banking facilities		
– Unsecured	**203,307**	298,232
– Secured	**401,348**	611,527
	604,655	909,759
Amounts utilised	**463,331**	748,356

The secured banking facilities were secured by the following:

	2015 RMB'000	2014 RMB'000
Pledged deposits	**68,500**	122,080
Short-term investments	**–**	42,550
	68,500	164,630

At 31 December 2015, the Group's bank borrowings of RMB105,000,000 (31 December 2014: RMB239,828,000) (including RMB75,000,000 (31 December 2014: RMB219,828,000) 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 30(b).

26. CAPITAL AND RESERVES

(a) Share capital

Authorised and issued share capital

	2015		2014	
	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.

26. 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 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts was RMB334,966,000 (2014: RMB330,655,000).

(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.

27. 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 "2011 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 "2011 Grantees"), subject to acceptance of the 2011 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 2011 Share Options	HK$1.81 per Share
Closing price of the Shares on the date of grant	HK$1.80
Validity period of the 2011 Share Options	Ten (10) years, commencing on 15 June 2011
Vesting date of 2011 Share Options granted to independent non-executive directors of the Company ("Share Options A")	100% of the 2011 Share Options vested on 15 December 2011
Vesting date of 2011 Share Options granted to eligible employees of the Company ("Share Options B")	30%, 30% and 40% of the 2011 Share Options vested on each of 15 December 2011, 15 December 2012 and 15 December 2013, respectively

On 24 August 2015, the Company announces that a total of 900,000 share options (the "2015 Share Options") to subscribe for Shares of HK$0.10 each in the capital of the Company were granted by the Company to the independent non-executive directors of the Company (the "2015 Grantees"), subject to acceptance of the 2015 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 2015 Share Options	HK$1.172 per Share
Closing price of the Shares on the date of grant	HK$0.90
Validity period of the 2015 Share Options	Ten (10) years, commencing on 24 August 2015
Vesting date of 2015 Share Options granted to independent non-executive directors of the Company ("Share Options C")	100% of the 2015 Share Options vested on 24 August 2015

27. SHARE-BASED PAYMENT TRANSACTION *(Continued)*

The following table discloses movements of the 2011 Share Options and 2015 Share Options during the year:

Category	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2015
Share Options A	900,000	–	–	–	–	900,000
Share Options B	1,000,000	–	–	(1,000,000)	–	–
Share Options C	–	900,000	–	–	–	900,000
	1,900,000	900,000	–	(1,000,000)	–	1,800,000
Exercisable at the end of the year						1,800,000
Weighted average exercise price	HK$1.81					HK$1.49

The following table discloses movements of the 2011 Share Options during the prior 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

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

The fair values of Share Options A, Share Options B and Share Options C determined at the dates of grant using the Binomial Model option pricing model were RMB523,000 (equivalent to HK$630,000), RMB579,000 (equivalent to HK$706,000) and RMB231,000 (equivalent to HK$280,000) respectively.

27. SHARE-BASED PAYMENT TRANSACTION *(Continued)*

A total of 1,000,000 Share Options B granted by the Company to the eligible employees of the Company were forfeited during the current period due to resignation of the eligible employees (2014: nil). The corresponding amount was transferred to retained profits in current year.

The Group recognised the total expense of RMB228,000 for the year ended 31 December 2015 (2014: nil) in relation to Share Options C granted by the Company.

28. COMMITMENTS

	2015 **RMB'000**	2014 RMB'000
Minimum lease payments paid under operating leases during the year:		
Premises	**12,626**	11,834

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:

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**8,809**	12,936
After 1 year but within 5 years	**3,396**	8,213
	12,205	21,149

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.

29. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties.

(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
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by 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:

	2015 RMB'000	2014 RMB'000
Recurring transactions:		
Sales to		
Beijing Futong Jinxin	**5,542**	2,359
Beijing Deep Thought	**4,823**	558
Centrin-FC	**320**	46
	10,685	2,963
Provision of services to		
Beijing Futong Jinxin	**221**	204
Beijing Deep Thought	**604**	828
	825	1,032
Purchase from		
Centrin-FC	**9,761**	3,575
Beijing Deep Thought	**4,917**	2,992
Beijing Futong Jinxin	**4,784**	6,843
	19,462	13,410

29. 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:

	2015 **RMB'000**	2014 RMB'000
Trade receivables from (note (i)):		
Beijing Futong Jinxin	**1,553**	1,005
Centrin-FC	**301**	30
	1,854	1,035
Trade payables to (note (i)):		
Centrin-FC	**4,177**	2,468
Beijing Futong Jinxin	**4,158**	2,315
Beijing Deep Thought	**408**	–
	8,743	4,783
Other receivables from (note (i)):		
Futong Technology	**212**	156
Centrin-FC	**–**	100
	212	256
Other payables to (note (i)):		
Beijing Futong Jinxin	**866**	1,226
Beijing Deep Thought	**458**	–
	1,324	1,226
Advance payments to suppliers (note (i)):		
Beijing Futong Jinxin	**2,318**	434
Centrin-FC	**1,069**	252
	3,387	686
Receipts in advance (note (i)):		
Beijing Futong Jinxin	**2,171**	832
Beijing Deep Thought	**–**	80
	2,171	912

29. RELATED PARTY TRANSACTIONS *(Continued)*

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

Note:

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

(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:

	2015 RMB'000	2014 RMB'000
Salaries and allowances	**11,935**	13,471
Contribution to retirement benefits schemes	**599**	655
	12,534	14,126

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets classified as loans and receivables		
Trade and other receivables	**795,814**	1,126,830
Short-term investments	**–**	42,550
Pledged deposits	**167,472**	218,888
Bank balances and cash	**341,823**	278,414
Total	**1,305,109**	1,666,682
Financial liabilities at amortised cost		
Trade and other payables	**591,269**	553,047
Bank borrowings	**463,331**	748,356
Total	**1,054,600**	1,301,403

30. 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 2015, 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.

30. 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 2015, the Group has available unutilised short-term bank loan facilities of approximately RMB141,324,000 (31 December 2014: RMB161,403,000). Details of which are set out in note 25(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	60-90 days	90 days to 1 year	>1 years	Total undiscounted cash flows	Carrying amount at year end
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015							
Non – derivative financial liabilities							
Trade and other payables		**463,547**	**123,134**	**4,588**	**–**	**591,269**	**591,269**
Borrowings							
– fixed rate	3.5	**31,307**	**–**	**2,000**	**–**	**33,307**	**33,307**
– variable rate	5.6	**151,618**	**75,034**	**210,330**	**–**	**436,982**	**430,024**
		646,472	**198,168**	**216,918**	**–**	**1,061,558**	**1,054,600**
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

30. 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 22 and 25 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 25 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 2015 would decrease/increase by approximately RMB1,612,000 (2014: decrease/increase by RMB2,794,000). 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.

30. 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:

	2015		2014	
	USD	**HKD**	USD	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Assets				
Cash and equivalents	**395**	**669**	1,125	485
Trade receivable	**37,862**	**–**	55,346	–
Other receivable	**–**	**526**	–	532
Liabilities				
Trade payable	**(115,893)**	**–**	(164,305)	–
Other payable	**(119)**	**–**	(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.

	United States dollar		**Hong Kong dollar**	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**3,246**	10,599	(51)	(40)

30. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

(d) Currency risk *(Continued)*

Sensitivity analysis (Continued)

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.

31. 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	
	2015	2014
	RMB'000	RMB'000
ASSETS		
Unlisted investment in a subsidiary	**243,419**	243,419
Amounts due from subsidiaries	**121,354**	116,773
Bank balances and cash	**230**	216
Total assets	**365,003**	360,408
LIABILITIES		
Trade and other payables	**190**	123
Amount due to a subsidiary	**2,432**	2,215
Total liabilities	**2,622**	2,338
NET ASSETS	**362,381**	358,070
CAPITAL AND RESERVES		
Share capital	**27,415**	27,415
Reserves (note)	**334,966**	330,655
TOTAL EQUITY	**362,381**	358,070

Note: the movements of reserve during the year include: (1) profit for the year of the Company was RMB14,210,000 (2014: RMB14,211,000) for the year ended 31 December 2015, (2) the dividend declared and paid was RMB10,127,000 (2014: RMB12,257,000) and (3) expenses of RMB228,000 (2014: nil) in relation to share options for the year ended 31 December 2015 was recognised.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the current year, the lawsuits filed by a subsidiary of the Group (see note 9 for details) have been suspended by the local court due to the occurrence of certain circumstances which resulted in suspension of the legal proceedings. The subsidiary will continue to negotiate with the relevant tax authorities to reinstate its entitlement to the preferential income tax rate.

Summary of Financial Information

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**2,558,663**	3,101,298	3,699,123	3,571,089	2,450,960
Profit from operations	**65,098**	108,099	111,324	97,494	115,394
Finance costs	**(39,441)**	(57,405)	(52,964)	(41,557)	(29,062)
Gain recognised on disposal of interests in an associate	**94**	–	–	–	–
Share of loss of associates	**(1,730)**	(3,717)	(5,130)	(1,991)	(2,077)
Profit before tax	**24,021**	46,977	53,230	53,946	84,255
Income tax expenses	**(715)**	(12,852)	(11,164)	(13,091)	(14,249)
Profit for the year and total comprehensive income for the year	**23,306**	34,125	42,066	40,855	70,006
Profit for the year and total comprehensive Income for the year attributable to:					
– Owners of the Company	**23,674**	34,363	42,147	42,859	70,520
– Non-controlling interests	**(368)**	(238)	(81)	(2,004)	(514)
	23,306	34,125	42,066	40,855	70,006

	At 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**78,092**	66,275	77,964	86,008	89,879
Net current assets	**493,655**	492,065	458,508	420,738	397,261
NET ASSETS	**571,747**	558,340	536,472	506,746	487,140
Capital and reserves					
Share capital	**27,415**	27,415	27,415	27,415	27,415
Reserves	**538,667**	524,892	502,786	472,979	451,369
Total equity attributable to owners of the Company	**566,082**	552,307	530,201	500,394	478,784
Non-controlling interests	**5,665**	6,033	6,271	6,352	8,356
TOTAL EQUITY	**571,747**	558,340	536,472	506,746	487,140
Earnings per share					
– Basic and diluted (RMB)	**0.08**	0.11	0.14	0.14	0.23

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

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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
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