Sino-i Technology Limited
中國數碼信息有限公司

(Incorporated in Hong Kong with limited liability)
（於香港註冊成立之有限公司）

Stock Code 股份代號：250

2015 ANNUAL REPORT 年報

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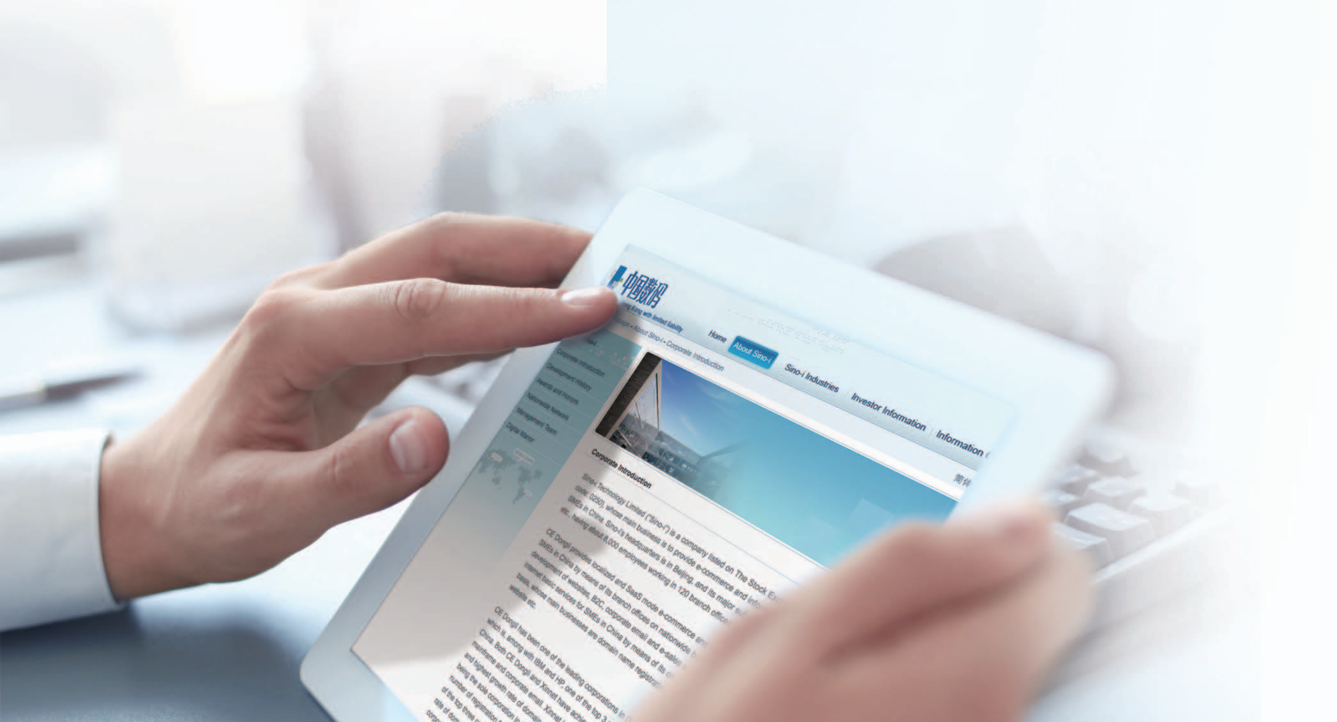

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CORPORATE INFORMATION

DIRECTORS

Executive
Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive
Mr. Wang Gang
Mr. Lam Bing Kwan

Independent Non-executive
Prof. Jiang Ping
Mr. Fung Wing Lap

COMPANY SECRETARY

Mr. Chiu Ming King

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISER

Gerry K.C. Wai & Co., Solicitors

REGISTERED OFFICE

12/F., The Octagon
No. 6 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRAR

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

STOCK CODE

250

PRINCIPAL BANKERS

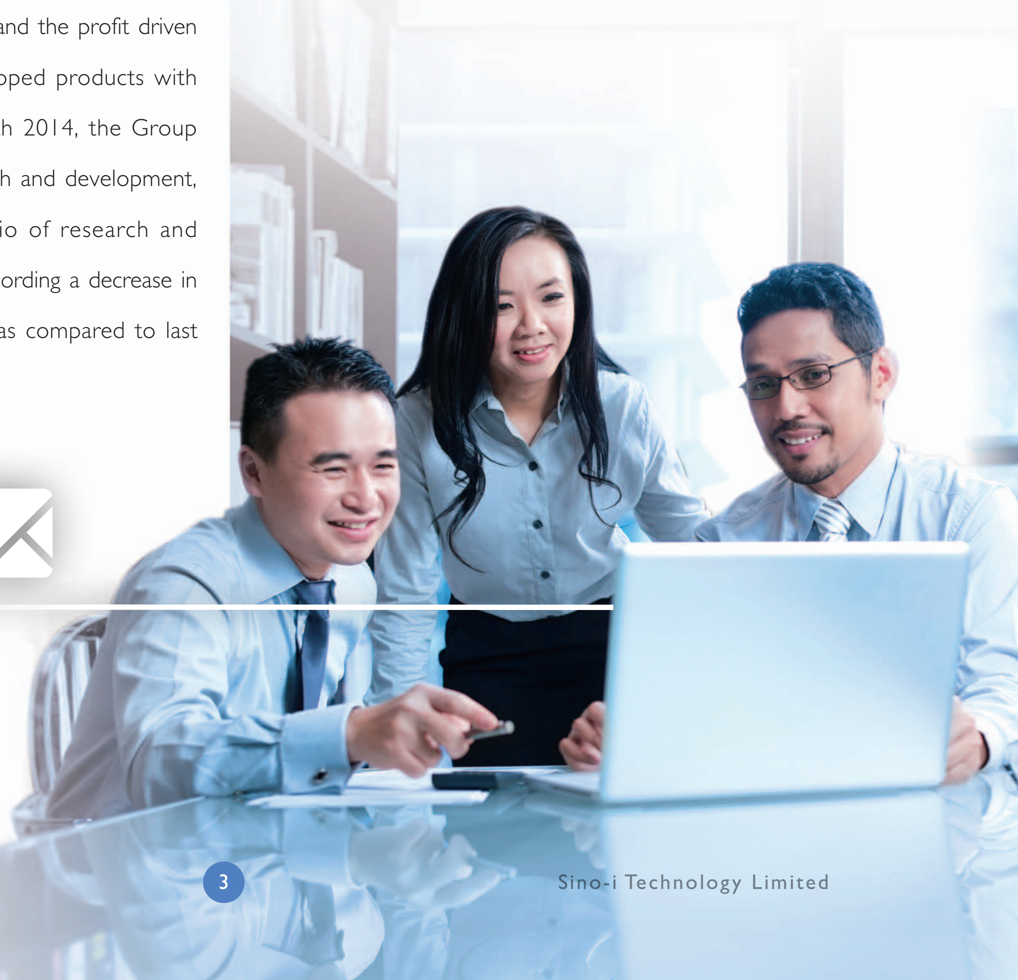
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

http://www.sino-i.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Sino-i Technology Limited (the "Company"), I present to the shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015. In 2015, the Company continued to focus on its corporate IT application services business through its key subsidiaries, namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"). During the year, revenue of the Group was approximately HK$808.3 million (2014: HK$784.8 million), representing an increase of approximately 3.0% year-on-year. The net profit before income tax was approximately HK$59.8 million (2014: net loss of HK$103.7 million). Profit-making for the year was mainly attributable to the Group's commitment on improvement of product mix in 2015 and the profit driven by the increase in sales of self-developed products with higher gross profit. As compared with 2014, the Group improved efficiency in product research and development, and increased the capitalization ratio of research and development expenditure, in return recording a decrease in research and development expenses as compared to last year. In addition, by improving assets efficiency, the depreciation and amortization expenses recorded a decrease as compared to 2014. Over the past year, the Chinese government has gradually offered more support to Small and Medium Enterprises ("SMEs") and vigorously pushed forward the application of information technology by enterprises. In the Report on the Work of the Government issued in March 2015, the State Council raised "Internet+" to national strategic level with a view to promote the complete connection and integration between information technology and all industries by implementing the "Internet+" strategic plan, and hence to facilitate overall economic transformation and upgrading. By constantly supporting the development of enterprises to create a brand new socio-economic formation, the impact of the "Internet+" plan on the whole society has entered an unprecedented stage.



CHAIRMAN'S STATEMENT

In view of the fact that there were few enterprise-level information technology products available due to the variety and complexity of the information needs from SMEs, the overall market was not yet mature in spite of a favorable policy environment. Therefore, the growth rate of the revenue was only 3.0% for the year. However, to our great joy, with the growing awareness of the role and value of information technology for SMEs and the attempt and application of information technology, the IT application services business designated for enterprise informatization has started to show an accelerated development trend. The Group believes that the leaping growth of the market has gradually been "counting down".

In the past decade, the Company remained adamant about providing corporate IT application services for SMEs in the PRC and striving for development of information technology. Thanks to its unremitting efforts, the Company has successfully established a second-to-none national business and services network in the industry, so as to address "the last kilometer" problems between service providers and corporate clients. In the meantime, in respect of product development, the Company has successfully launched a series of leading e-commerce products in the industry after long term exploration and promotion.

During the year, CE Dongli continued to push forward the comprehensive strategic adjustment and the establishment of information platform. While focusing on providing traditional businesses such as the establishment of websites and corporate communications for SMEs, CE Dongli laid emphasis on the promotion of new products in the mobile internet environment and actively researched and developed breakdown products in the industry and introduced to the market in succession. In the meantime, in light of the needs of enterprise network marketing, CE Dongli successfully launched a value-added service, through which the public in the PRC can easily access to the names, products and/or services of the corporate clients. Thanks to various factors such as the launch of value-added services, the optimization of product mix and cost savings, CE Dongli successfully achieved a turnaround during the year.

During the year, Xinnet faced fierce competition in the industry and recorded decrease in the income of domain name business. On the other hand, Xinnet actively expanded a variety of application and value-added products, including "New Freemail", "Cloud Server (馳雲服務器)" and "cloud computing", which resulted in a significant increase in the proportion of its sales of self-developed products. Benefiting from the optimization of product mix and cost savings, Xinnet recorded a significant improvement in results.

In the coming year, the Group will be committed to promoting the optimization of business models and the development of new products, so as to improve service quality and operational efficiency. In the meantime, as one of leading enterprises in the industry, it will make its utmost efforts to push forward the development of the industry.

Finally, I would like to express my gratitude to the shareholders' concern for and support to the Company, and also to the Board, management committee and all staff for their dedication and contribution.

Yu Pun Hoi
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the past decade, the Group remained adamant about providing corporate IT application services for SMEs in the PRC and striving for development of information technology. Yet the development of information technology for SMEs in the PRC was not a smooth one. From the perspective of demand side, on one hand, the overall informatization of numerous SMEs across the PRC remains at a low level due to poor external macroeconomic environment and intense competition, characteristics such as limited resources on hand, insufficient investments devoted in information technology and generally low knowledge and application level of information technology for SMEs in China become more prominent. On the other hand, these enterprises have more requirements for information technology products in terms of functions, performance and personalization. Corporate clients usually require its service providers to provide localized and face-to-face product promotions as well as long term and stable after-sales services due to complexity of enterprise-level products. From the perspective of supply side, in order to supply enterprise-level information technology products for SMEs in a large scale and in the long run, it is necessary for the suppliers to maintain a solid fundamental operating platform, and achieve a balance between standardization of operational efficiency and satisfying the personalization requirements of its clients. As a result, the development of information technology products is a difficult long term project which involves substantial preliminary costs. In addition, launching of new products and new applications requires long term promotion and building up a client base before they can receive attentions and interests from the clients. All of these put high requirements on investment strength, product development capabilities, technical skills and operational capacity of the service providers. Equally importantly, given the localized and face-to-face services requirements of the corporate clients, the difficulties in "the last kilometer" between enterprises and clients however present an almost insurmountable "natural moat" to success for the technology-oriented small and medium-sized service providers.

Thanks to the long term efforts devoted to information technology market for SMEs, the Group has successfully established a corporate e-commerce and product information operating system as well as an extensive business and services network, so as to address "the last kilometer" problems and to be well poised to achieve leapfrog development in corporate market in the future. During the year under review, with CE Dongli and Xinnet as its main business entities, the Group continued to focus on the development of its corporate IT application services business. In 2015, revenue of the Group was approximately HK$808.3 million (2014: HK$784.8 million), representing a growth of approximately 3.0% over the corresponding period last year. Net profit before income tax was approximately HK$59.8 million (2014: net loss of HK$103.7 million). Net assets attributable to the owners of the Company were approximately HK$1,741.2 million (2014: HK$1,708.9 million), representing a value of approximately HK$0.087 (2014: HK$0.086) per share.

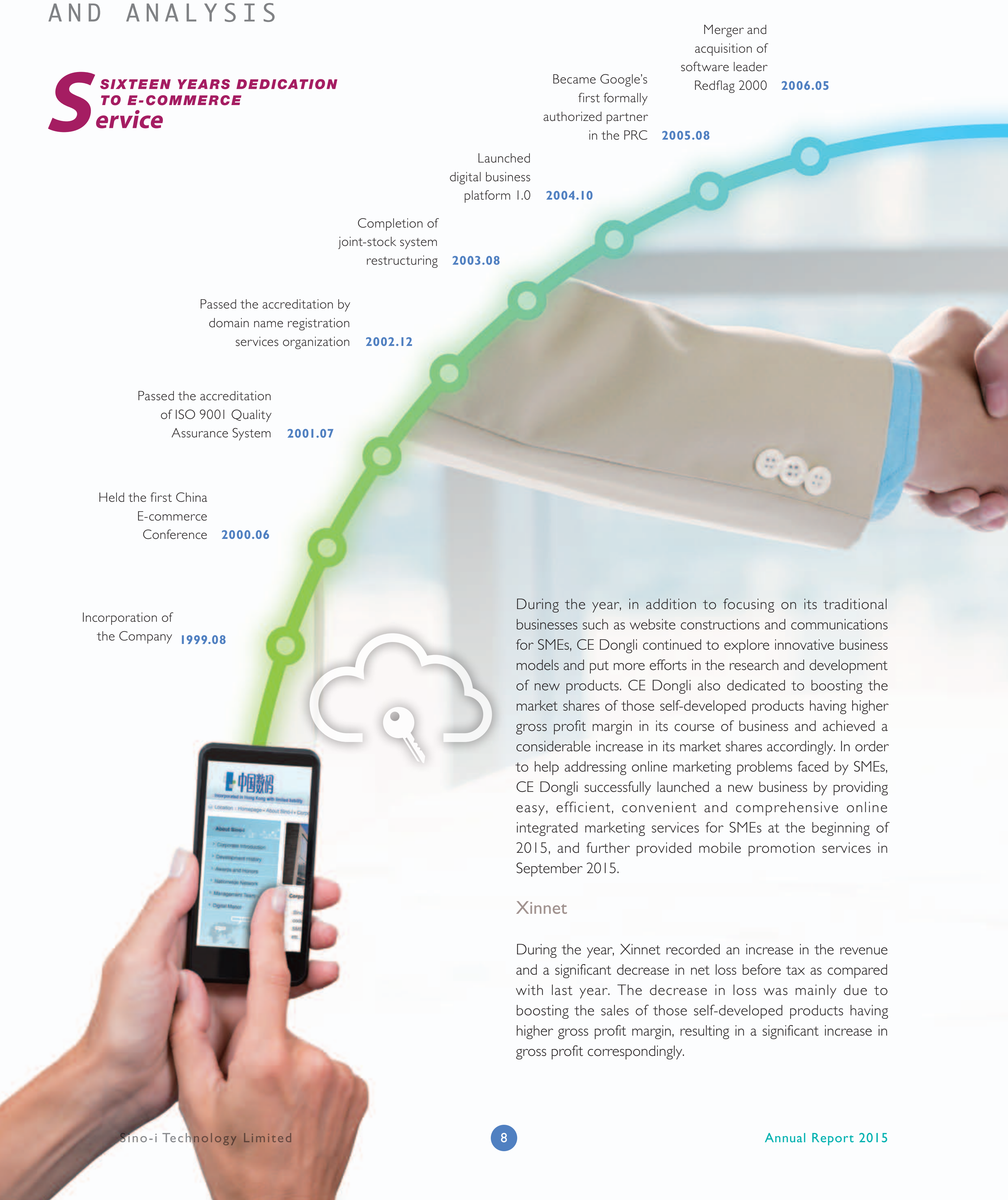
In 2015, the Group's corporate IT application services department focused on the innovation and upgrading of its self-developed products and development of new products. As compared with 2014, the Group managed to report a profit, which was mainly due to the adjustments to product structure by boosting the sales of those self-developed products having higher gross profit margin, in return recording an increase in gross profit of approximately HK$50.7 million in 2015. Furthermore, as compared with last year, the Company rised efficiency in product research and development, and increased the capitalization ratio of research and development expenditure, in return recording a decrease in research and development expenses of approximately HK$27.1 million as compared to last year. In addition, by improving of assets efficiency, the depreciation and amortization expenses recorded a decrease of approximately HK$73.9 million as compared to last year.

CE Dongli

During the year, the operating income of CE Dongli recorded an increase as compared with last year and it recorded a profit for the year as compared to the loss position for last year, successfully achieving a turnaround in its performance. The improvement in performance was mainly due to boosting the sales of those self-developed products having higher gross profit margin, in return recording a significant increase in gross profit as compared with last year. Furthermore, as compared with last year, the Group improved its efficiency in research and development and the proportion of its capitalized research and development expenses, in return recording a decrease in research and development expenses as compared with the corresponding period last year. In addition, by strengthening the management of its efficiency in asset utilization, the depreciation and amortization expenses recorded a significant decrease as compared with last year.

MANAGEMENT DISCUSSION AND ANALYSIS

SIXTEEN YEARS DEDICATION TO E-COMMERCE Service

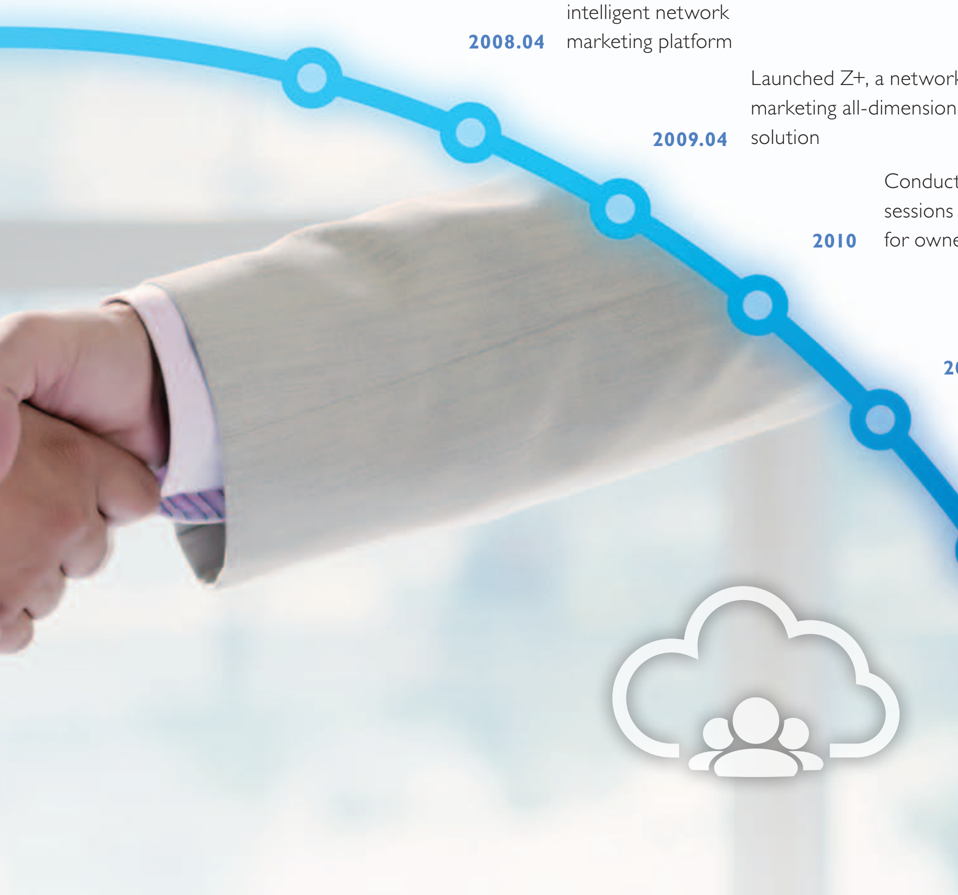


During the year, in addition to focusing on its traditional businesses such as website constructions and communications for SMEs, CE Dongli continued to explore innovative business models and put more efforts in the research and development of new products. CE Dongli also dedicated to boosting the market shares of those self-developed products having higher gross profit margin in its course of business and achieved a considerable increase in its market shares accordingly. In order to help addressing online marketing problems faced by SMEs, CE Dongli successfully launched a new business by providing easy, efficient, convenient and comprehensive online integrated marketing services for SMEs at the beginning of 2015, and further provided mobile promotion services in September 2015.

Xinnet

During the year, Xinnet recorded an increase in the revenue and a significant decrease in net loss before tax as compared with last year. The decrease in loss was mainly due to boosting the sales of those self-developed products having higher gross profit margin, resulting in a significant increase in gross profit correspondingly.

- **2007.07** Assisted IDC to publish the white paper of SaaS — Shortcut of information technology development for SMEs
- **2008.04** Launched 數商Z, an intelligent network marketing platform
- **2009.04** Launched Z+, a network marketing all-dimension solution
- **2010** Conducted over 400 training sessions of information technology for owners of SMEs nationwide
- **2011.11** Launched Zshop, an operating class on-line retail operation management platform for enterprises
- **2012.12** Launched Zmobile, a mobile customer terminal
- **2013.01** Formal launch of ZtouchS all-net marketing website
- **2015** Launched internet integrated marketing services



During the year, Xinnet continued its domain name registration business, cloud computing business and synergistic communication business, and actively developed various application and value-added products. As for its domain name registration business, Xinnet introduced new top-level domain products. As for its synergistic communication business, Xinnet continued to improve its services and renewal rate. However, due to progressive participation in internet-based services industry by domestic and international leading internet services providers, Renminbi depreciation which led to a rise in costs of domain names, together with booming mobile internet development, the competition of such industry in which Xinnet operated has been intensifying. Various suppliers have adopted dumping of domain names and cloud computing products at low prices as one of its major moves for tapping into and securing market shares in corporate information technology market. As such, brand names have become one of the major selection criteria for cloud computing products.

	2015 HK$million	2014 HK$million	Increased HK$million
Revenue	**808.3**	784.8	23.5
Net profit/(loss) before income tax	**59.8**	(103.7)	163.5

REVENUE OF THE GROUP

3.0%

HK$808.3 million

DURING THE YEAR UNDER REVIEW, THE GROUP CONTINUED TO FOCUS ON THE DEVELOPMENT OF ITS CORPORATE IT APPLICATION SERVICES BUSINESS

PROSPECTS

The management of the Company is optimistic towards the rapid development of corporate IT application services for SMEs in the PRC. The "Internet+" strategy has been creating a new ecological environment for the development of industries and businesses in the PRC. As the largest and most innovative group in the PRC, SMEs will gradually enjoy new business opportunities and vitality brought by "Internet+". Despite the development of such group has been adversely affected by the current economic downturn, SMEs will usher in a new development opportunity along with the adjustment and upgrading of industrial structure and consumption structure and macroeconomic bottom-out. The management believes that SMEs in the PRC will continue to increase its investment in information technology in the future. Although it still needs some time for market ramp-up and promotion, but enterprise-level IT application services business will enjoy extensive market space. Therefore, the Group will continue to cultivate and develop this market in the long run.

In the coming year, the Group will spare no effort in product upgrades and sales strategy optimization, accelerating the research and development and promotion of its new products, namely e-commerce solutions, domain name trading platform and domain name ecosystem, and expanding its overall market share through development and operation of market segments. The Group will also enhance its core competitiveness and consolidate its market position by continuous research and development in cloud computing technology and product optimization. Meanwhile, the Group will optimize its operating services, enhance its operating efficiency and increase its investment in information technology platform optimization so as to improve its service quality and operational efficiency.

FINANCIAL RESOURCES AND LIQUIDITY

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2015, net assets attributable to the owners of the Company amounted to approximately HK$1,741.2 million (2014: HK$1,708.9 million), including cash and bank balances of approximately HK$128.4 million (2014: HK$58.7 million) which were mainly denominated in Renminbi and Hong Kong dollars. As at 31 December 2015, the Group's aggregate borrowings were approximately HK$246.6 million (2014: HK$314.7 million), of which approximately HK$108.1 million (2014: HK$294.7 million) were bearing interest at fixed rates while approximately HK$138.5 million (2014: HK$20.0 million) were at floating rates.

As at 31 December 2015, the Group's gearing ratio, which is calculated as net debt divided by the total equity plus net debt, was approximately 6.28% (31 December 2014: 12.86%).

As at 31 December 2015, the Group's capital commitment was approximately HK$68.6 million (31 December 2014: HK$99.6 million).

As at 31 December 2015, the Group's contingent liabilities were approximately HK$36.7 million in connection with the guarantees given to secure credit facilities.

As at 31 December 2015, certain interests in leasehold land, buildings and intangible assets with a total net carrying value of approximately HK$608.7 million were pledged to secure the credit facilities granted to the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The Renminbi exchange rate is expected to fluctuate. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the year under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars, and may make appropriate foreign exchange hedging arrangements when necessary.

EMPLOYEES AND REMUNERATION POLICY

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave and etc.. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 31 December 2015, the Group had approximately 6,138 employees (2014: 6,576 employees). The salaries of and allowances for the employees for the year ended 31 December 2015 were approximately HK$606.0 million (2014: HK$608.1 million).

The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

CORPORATE SOCIAL RESPONSIBILITY

As an enterprise who seriously fulfilling its social responsibility, the Group understands that fulfilling social responsibility is long way to go. The Group adheres to the fulfilment of social responsibility and the principle of sustainable development. Through the integration of these concepts in its business, the Group achieves its social value and strengthens its corporate image.

PUBLIC WELFARE

The Group has established more than 70 branches throughout the nation, its over 6,000 employees has spared no efforts to participate all kinds of social welfare activities. CE Dongli, a subsidiary of the Group, was presented with the Responsible Brand Award at the 5th China Charity Festival jointly organized by several mainstream media in 2015. 2015 is the third year of the Group's micro public welfare campaign launching more than 30 public welfare projects, which attracted over tens thousands participants nationwide. The Group not only performed its corporate social responsibilities but had fun and attained achievement. The Group is dedicated to make a good effect on every micro public welfare project, whether sending holiday greetings to the children in the China Rehabilitation Center (國家康復中心) or donating equipment rooms to hillside schools, reverently and intently with a thankful heart all the time.

As an enterprise who committed to continuously making contributions in social welfare activities, the Group's social welfare concepts are to help more people by persisting in on doing ordinary things. In 2016, the Group will cooperate with China Charities Aid Foundation for Children to launch a social welfare project of computer rooms, allowing more children in the remote mountain areas to know the outside world via the Internet.

Together with the community and community organizations, the Group is willing to show our concerns with love and care and continues to make a contribution to the China's social development.

ENVIRONMENTAL PROTECTION

The Group strives to minimize the impact its business operations pose to the environment, and implements policies on environmental management and energy conservation. The Group is strongly committed to provide IT application services for SMEs in the PRC and pushed forward the application of information technology by enterprises, in order to promote awareness of environmental protection among its customers, suppliers and society. The Group engages participants from different walks of life with the aim of conserving the Earth's precious resources and creating a greener environment.

"Green office and low carbon lifestyle", which is actively initiated by the Group, encourages employees to use its best effort to save electricity, water, papers, and office supplies, prevent extravagance and waste, enhance the awareness of resources conservation, responsibility and environmental protection to create a good atmosphere of energy conservation and emission reduction.

CARE FOR STAFF

Staff is the most important resource and wealth of the Group. Upholding the philosophy of people-oriented and focusing on the target of "enterprises accompanying the growth of staff", the Group has been actively improving its management in the protection of staff's rights, occupational health and spiritual and cultural work of the staff.

The Group has strictly abided by labour laws, regulations and system where the enterprises are located and signed labour contract with the employees pursuant to law and paying social insurance contributions as scheduled. It also standardizes remuneration management to achieve a reasonable income growth for basic level employees.

The Group insists on the principles of fairness and impartiality. In order to build a platform for every employee to work or start business, the recruitment and use of staff recruitment efforts is based on capacity requirements. We have strictly complied with the laws and regulations regarding the protection to workers to improve continuously the working environment and working conditions for staffs; and offer equal and competitive compensation and benefits as well as equal opportunities for career development to every employee.

INTEGRITY AND COMPLIANCE

When building its outstanding reputation, the Group had abided by the conviction of compliance with the law and required personnel at all levels of the Group to strictly adhere to industry standards and provide comprehensive corporate governance ability in compliance with the law.

For the government, the Group makes its tax payments and complied with national laws and government regulatory requirement ; for the shareholders, the Group abides by professional ethics to maintain shareholders' equity, protects the interests of small and medium investors and standardizes information disclosure; for our customers, the Group protects basic rights of the customers, respect customers' privacy, strictly prohibits misleading price and fraud, actively responds to the complaints, provides customers with safe, high-quality products and services; for our employees, the Group complies with labor regulations on equal employment, remuneration, social insurance, overtime, paid leave, occupational health and safety, etc., and create a better working environment to promote career development of the employees; for our partners, the Group complies with industry standards and business ethics, abide by business commitments to carry out fair competition and for our suppliers, the Group monitors the quality of the suppliers by checking their operating licences and other certificates to manage any risks that might be caused by product default of the suppliers.

During the year, the Group had no serious violation of or non-compliance with applicable laws and rules. In the meantime, the Group will further enhance the awareness of integrity and compliance in all aspects to increase its level of scrutiny, and promote the healthy and stable development of the businesses.

REPORT OF THE DIRECTORS

The Board herein present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Company were principally engaged in corporate IT application services during the year.

SEGMENT INFORMATION

Particulars of the Group's revenue and segment information for the year are set out in notes 5 and 6 to the financial statements respectively.

BUSINESS REVIEW

A fair review of the Group's business during the year, description of principal risks and uncertainties that the Group may be facing and the probable future business development of each segment of the Company are provided in the Management Discussion and Analysis section on pages 6 to 11 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 44 to the financial statements. There is no important events affecting the Group occurred since the end of the financial year ended 31 December 2015. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five-Year Financial Summary section on page 116 of this annual report. In addition, discussions on the Group's environmental policies, relationships with its consumers and employees and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Corporate Social Responsibility section on pages 12 to 13.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 44.

The Board did not recommend the declaration of the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at 31 December 2015 are set out in notes 16 and 17 to the financial statements respectively.

BANK BORROWINGS

The Group's bank borrowings as at 31 December 2015 are set out in note 26 to the financial statements.

SHARE CAPITAL

During the year, details of the movements in share capital of the Company are set out in note 29 to the financial statements.

RESERVES

During the year, details of the movements in the reserves of the Company and the Group are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had no reserves available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers and purchases from the five largest suppliers for the year ended 31 December 2015 accounted for less than 30% of the Group's total revenue and purchases respectively.

DONATIONS

During the year, the Group did not make any donations.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 37 to the financial statements. Mr. Hu Bin agreed to waive emoluments of approximately HK$12,000 for the year ended 31 December 2015. Save as aforementioned, no director has waived or agreed to waive any emoluments for the year ended 31 December 2015.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2015, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

PENSION SCHEME

Details of retirement benefit plans in respect of the year are set out in note 36 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong
Mr. Wang Gang#
Mr. Lam Bing Kwan#
Prof. Jiang Ping*
Mr. Hu Bin* (Resigned on 3 February 2016)
Mr. Fung Wing Lap*

Non-executive directors
* Independent non-executive directors

A full list of the names of the Directors of the Group's subsidiaries can be found in the Company's website at www.sino-i.com under "Investor Information/Corporate Governance".

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company considers that such directors are independent to the Company.

In accordance with Article 94 of the Company's articles of association (the "Articles"), Mr. Yu Pun Hoi, Mr. Wang Gang and Mr. Fung Wing Lap shall retire from office by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors

Executive Directors

Mr. Yu Pun Hoi, aged 57, holding a degree of Doctor of Philosophy conferred by Peking University, was a director of the Company from October 1991 to October 1994, and re-joined the Board in January 1997. Mr. Yu is the chairman of the Board, and the chairman of nomination committee of the Company.

Mr. Yu is also the chairman of the board of directors, controlling shareholder, and the chairman of executive committee and nomination committee of Nan Hai Corporation Limited ("Nan Hai"), the listed holding company of the Company, and a director of a number of subsidiaries of Nan Hai.

Ms. Chen Dan, aged 47, graduated from Beijing Finance & Trade College with a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School, and is also a qualified lawyer in the PRC.

Ms. Chen joined the Group in October 2000. In February 2006, Ms. Chen has been appointed as an executive director and general manager of the Company. In March 2012, Ms. Chen has been appointed as a member of nomination committee of the Company.

Ms. Chen is also an executive director, executive committee member, nomination committee member and general manager of Nan Hai, and a director of a number of subsidiaries of the Company and Nan Hai.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Ms. Liu Rong, aged 44, graduated from the Law School of Anhui University with a Bachelor degree in Laws, and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in the PRC. In addition, Ms. Liu graduated from the International MBA School of National School of Development of Peking University in 2013. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu joined the Group in April 2002 and has been appointed as an executive director of the Company in March 2009. Ms. Liu is also responsible for the businesses in culture and media of Nan Hai.

Ms. Liu is also an executive director and executive committee member of Nan Hai, and a director of a number of subsidiaries of Nan Hai.

Non-executive Directors

Mr. Wang Gang, aged 60, graduated from Capital University of Economics and Business in the PRC with a Bachelor degree in Business Economics, and obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of Agricultural Bank of China for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

Mr. Wang joined the Group in December 2007 and has been appointed as an executive director of the Company in March 2009. In May 2012, Mr. Wang was re-designated as a non-executive director of the Company and Nan Hai.

Mr. Lam Bing Kwan, aged 66, graduated from the University of Oregon in the United States of America with a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

Mr. Lam joined the Board in October 1991, and was re-designated as a non-executive director in April 2002. Mr. Lam is also a non-executive director of Nan Hai, and an independent non-executive director of Lai Sun Development Company Limited, Lai Sun Garment (International) Limited, Lai Fung Holdings Limited and eForce Holdings Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors

Prof. Jiang Ping, aged 85, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, conducting lectures for doctoral degree class in civil and commercial laws. Prof. Jiang is also the honorary president of China Comparative Law Research Centre, the chairman of Beijing Arbitration Commission, and the honorary arbitrator in China International Economic and Trade Arbitration Commission.

In June 2006, Prof. Jiang joined the Board and has been appointed as a member of audit committee and remuneration committee of the Company. In March 2012, Prof. Jiang has been appointed as a member of nomination committee of the Company. Prof. Jiang is also an independent non-executive director, and a member of audit committee, remuneration committee and nomination committee of Nan Hai.

Mr. Fung Wing Lap, aged 55, graduated from The Hong Kong Polytechnic University in 1992. Mr. Fung is a fellow member of Association of International Accountants, an associate member of The Taxation Institute of Hong Kong, an associate member of Hong Kong Institute of Certified Public Accountants, and a certified public accountant (practising). Mr. Fung is an executive director of FCC and Partners CPA Limited.

Mr. Fung joined the Board in September 2004 and has been appointed as a member of audit committee and remuneration committee of the Company. In March 2012, Mr. Fung has been appointed as a member of nomination committee of the Company. Mr. Fung is also appointed as the chairman of audit committee of the Company in September 2013.

Biographical Details of Senior Management

Mr. Chen Ming Fei (aged 39)
General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

General Manager
北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited)

Mr. Chen has more than 10 years' sales, and possesses with acute insight in IT business, and has extensive and professional experiences in product creation, business strategy planning and business management. Prior to joining the Group, Mr. Chen worked in Vorwerk of Co. KG, a German company.

In 2000, Mr. Chen joined CE Dongli and was appointed as a national commercial director, sales deputy general manager, executive deputy general manager and business general manager. In January 2012, Mr. Chen was promoted to a general manager, responsible for operation management of CE Dongli. Mr. Chen was also the general manager of Xinnet, responsible for operation management of Xinnet. Mr. Chen is also a director of a number of subsidiaries of the Company.

Mr. Chen is also a member of executive committee of Nan Hai.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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 any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

	Number of shares				
Name of Director	**Personal interest**	**Corporate Interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	–	12,515,795,316 *(Note 1)*	–	12,515,795,316	62.85%
Fung Wing Lap	10,000	–	–	10,000	0.00005%

Notes:

1. Mr. Yu by means of his corporate interest controls the exercise of more than one-third of the voting power at general meetings of Nan Hai, the holding company of the Company. Those 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai. As such, Mr. Yu was taken to be interested in these shares for the purposes of Part XV of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Associated Corporations

As disclosed above, Mr. Yu is entitled to control the exercise of more than one-third of the voting power at general meetings of Nan Hai. As such, Mr. Yu is taken to be interested in the shares of the associated corporations of the Company within the meaning of Part XV of the SFO. Nan Hai is a company whose shares are listed on the Stock Exchange, and is an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2015, the interests of the directors of the Company in shares and underlying shares of Nan Hai were as follows:

Nan Hai

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate Interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi	–	36,096,430,679 *(Note 1)*	–	36,096,430,679	52.58%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Fung Wing Lap	15,756	–	–	15,756	0.00002%

Notes:

1. These 36,096,430,679 shares were collectively held by Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu.

Save as disclosed above, as at 31 December 2015, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

On 28 May 2012, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

Since the adoption of the Scheme and during the year ended 31 December 2015, no share options have been granted under the Scheme by the Company. A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(2) Participants

The participants include:

a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;

b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Invested Entity;

d. any customer of the Group or any Invested Entity;

e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;

f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the relevant class of shares of the Company in issue as at the date of approval of the Scheme and the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time. No share options may be granted under the Scheme and any other schemes of the Company if this will result in such limit exceeded. As at the date of this report, the number of shares available for issue in respect thereof is 1,991,450,487 shares representing approximately 10% of the total number of shares of the Company in issue.

SHARE OPTION SCHEME (Continued)

(4) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the share options granted to each participant under the Scheme and any other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the relevant class of shares of the Company in issue. Any further grant of share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme and to the relevant rules under the Listing Rules.

(5) The period within which the shares must be taken up under a share option

The period within which the shares must be taken up a share option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant share option.

(6) Minimum period for exercising a share option

The Board may at its discretion determine the minimum period for which a share option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

(8) Basis of determining the exercise price

The exercise price for shares under the Scheme shall be a price determined by the directors, but it must be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant.

(9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 May 2012 up to 28 May 2022.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Scheme disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for directors' and senior management's liabilities in respect of legal actions against its directors and senior management arising from corporate activities. The permitted indemnity provision is in force for the benefit of the directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any controlling shareholder had a material interest subsisted during the year ended 31 December 2015.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders or any of their subsidiaries during the year ended 31 December 2015.

CHANGE IN THE BOARD OF DIRECTORS

The change in the Board since the date of the Company's 2015 interim report is set out below:

Mr. Hu Bin has resigned as an independent non-executive director, the chairman of the remuneration committee, and the member of the audit committee and the nomination committee of the Company with effect from 3 February 2016.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

During the year ended 31 December 2015, there was no change to information which is required to be disclosed and has been disclosed by the Directors pursuant to rules 13.51(2) of the Listing Rules.

REMUNERATION POLICY

The Company remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave and etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code").

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in notes 25(c) and 42 to the financial statements, no transactions, arrangements, or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the financial year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2015, those persons (other than directors and chief executive of the Company) who had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	**Nature of interest**	**Number of shares in issue subject to long position**	**Approximate percentage of issued share capital of the Company**	*Notes*
CITIC Capital Holdings Limited	Corporate interest	10,200,000,000	51.22%	*1*
CITIC Capital Credit Limited	Security interest	10,200,000,000	51.22%	*1*
Nan Hai	Corporate interest	12,515,795,316	62.85%	2

Note:

1. CITIC Capital Credit Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited was taken to be interested in those shares in which CITIC Capital Credit Limited held a security interest.

2. Those 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of Nan Hai.

Save as disclosed above, as at 31 December 2015, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company and the Group are set out in note 42 to the financial statements.

Save for the transactions mentioned in the below section headed "Connected Transactions" which are subject to announcement, disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules, certain transactions mentioned under the note also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules but are exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

On 29 May 2009, the Company as lender and Nan Hai, the holding company and connected person of the Company, as borrower entered into a loan agreement (the "Loan Agreement") in relation to the loan in the principal amount of HK$1,645,530,000 advanced by the Company and/or its subsidiaries to Nan Hai (the "Loan"). The Loan was advanced for the settlement of the consideration payable to the Company pursuant to the sale and purchase agreement entered into between the Company and Nan Hai on 13 November 2007, in relation to the sale of 51% issued share capital of Listar Properties Limited by the Company to Nan Hai. The Loan Agreement was later supplemented by the first supplemental agreement, the second supplemental agreement and the third supplemental agreement dated 20 May 2011, 31 October 2012 and 9 May 2013 respectively, which among other things extended the repayment date for the outstanding principal and varied certain terms and provisions of the Loan Agreement.

On 30 April 2015, the Company as lender entered into a supplemental agreement with Nan Hai as borrower in relation to the extension of the repayment date for the outstanding principal for two years from 30 June 2015 to 29 June 2017. As at 31 December 2015, the outstanding principal and the accrued interests are approximately HK$1,317,149,000 and HK$53,408,000 respectively which are being secured by the share mortgage (by way of first fixed charge) dated 7 December 2012 executed by Nan Hai in respect of the 100% issued share capital of Nan Hai Development Limited, a wholly-owned subsidiary of Nan Hai. The Loan is subject to an interest rate of 8.0% per annum accrued daily during the extension period based on a 365-day year and shall be paid in arrears when the outstanding principal shall be repaid or prepaid.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year and up to the date of this annual report sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 31 to 41.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Fung Wing Lap, Prof. Jiang Ping and Mr. Hu Bin (resigned on 3 February 2016). The Audit Committee has reviewed with the auditor of the Company and management the accounting principles and practices adopted by the Group, the audited consolidated financial statements of the Group for the year ended 31 December 2015, and discussed the auditing, financial control, internal control and risk management systems.

AUDITOR

The financial statements for the year ended 31 December 2015 were audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO as auditor of the Company.

STRUCTURED AGREEMENTS

Reference is made to the joint announcements of the Company and its listed holding company, Nan Hai, dated 15 November 2013, 6 December 2013 and 31 July 2015 (collectively, the "Announcements") in relation to a discloseable transaction under which XWHT, an indirect wholly-owned subsidiary of the Company, by means of the Structured Agreements, shall be entitled to control over Xinnet's management, businesses and operations in substance in addition to recognize and receive all economic benefits of the business of Xinnet. All capitalized terms used hereinbelow shall have the same meanings as those defined in the Announcements unless otherwise stated in this annual report.

The Board hereby provides updated information in relation to the business operations of Xinnet through the Structured Agreements and the implications thereof as follows:

(a) Particulars and business activities of Xinnet:

Xinnet is a limited liability company established in the PRC and a wholly-owned subsidiary of ZQHT. Mr. Jiang is a PRC citizen, and an ultimate beneficial owner of 100% equity interest of ZQHT. Xinnet's main businesses are provision of virtual server hosting and maintenance services, provision of email services and registration of domain names in the PRC, which are all regarded as a kind of internet content services. Xinnet has obtained a valid licence for providing internet content services, issued by 北京市通信管理局 (Beijing Communications Administration).

(b) Summary of main terms of the Structured Agreement:

(1) Loan Agreement (dated 15 November 2013):

(i) Parties: XWHT as lender; and Mr. Jiang as borrower

(ii) Loan amount: RMB1,500,000

(iii) The loan is interest free, and has no maturity date for repayment. Mr. Jiang shall have no right to effect any early repayment unless having the written consent from XWHT.

STRUCTURED AGREEMENTS (Continued)

(b) Summary of main terms of the Structured Agreement: (Continued)

(2) Equity Pledge Agreement (dated 15 November 2013):

(i) Parties: XWHT as pledgee; ZQHT as pledgor; and Xinnet

(ii) Assets pledged: 80% equity interest of Xinnet, free from encumbrance, as first fixed charge to XWHT as security.

(iii) ZQHT shall not dispose of the pledged 80% equity interest to any other party without obtaining the written approval of XWHT.

(3) Management and Technology Services Agreement (dated 15 November 2013):

(i) Parties: XWHT; and Xinnet

(ii) XWHT shall provide certain exclusive management and technology services to Xinnet.

(iii) The Management and Technology Services Agreement is solely terminable by XWHT but not Xinnet. In return for the provision of the exclusive services, XWHT shall be entitled to receive a service fee which is equivalent to the net profit of Xinnet as per its yearly audited financial statements.

(4) Option Agreement (dated 15 November 2013):

(i) Parties: XWHT as grantee; ZQHT as grantor; and Xinnet

(ii) ZQHT shall grant an exclusive option to XWHT at an option price of RMB1.00 to acquire up to 100% equity interest in the registered capital of Xinnet (no limit on the number of times the option may be exercised by XWHT). The total subscription price for 100% equity interest of Xinnet shall be equivalent to the total loan amount (being RMB1,500,000) under the Loan Agreement, and the subscription price for each option exercised shall be paid by direct set off on a dollar-for-dollar basis against the outstanding loan amount under the Loan Agreement.

(5) Power of Attorney (dated 15 November 2013):

(i) Parties: ZQHT; and XWHT

(ii) It is an irrevocable power of attorney under which XWHT shall be the sole attorney of ZQHT. XWHT shall have full power, without having to obtain ZQHT's any further consent or approval, to exercise such rights in Xinnet as (a) all shareholder's rights and voting rights in accordance with the corporate memorandum of Xinnet; and (b) rights of nomination and appointment of legal representative, chairman of the board, directors, general manager and other senior management personnel of Xinnet.

The Loan Agreement, the Equity Pledge Agreement, the Management and Technology Services Agreement, the Option Agreement and the Power of Attorney shall be executed simultaneously with each other.

STRUCTURED AGREEMENTS (Continued)

(c) The significance of business activities of Xinnet to the Group:

By means of the Structured Agreements, the Group may engage in the business of virtual server hosting and maintenance in the PRC and such business may widen the spectrum of services of the Group. The widened services are expected to lead the Group to having not only a stronger foothold against its competitors in the PRC but also an achievement of efficiency and cost-effectiveness in provision of virtual server hosting and maintenance services to the customers of the Group.

(d) The financial impact of the Structured Agreements on the Group:

XWHT is a parent undertaking of Xinnet as XWHT has the right to control Xinnet by virtual of the Structured Agreements. As a result, the financial position and operating results of Xinnet and its subsidiary shall be consolidated in the XWHT's financial statements from the date on which XWHT gained control in Xinnet in accordance with the HKFRS.

During the year, revenue was approximately HK$122, 828,000 (2014: approximately HK$120,742,000); loss before income tax was approximately HK$35,727,000 (2014: approximately HK$52,340,000); and total assets were approximately HK$77,889,000 (2014: approximately HK$119,210,000).

The decrease in loss before income tax was mainly due to boosting the sales of those self-developed products having higher gross profit margin, resulting in a significant increase in gross profit correspondingly.

The decrease in total assets is mainly due to repay bank borrowings using the cash collected from receivables and the depreciation and amortization of non-current assets.

(e) The extent to which the Structured Agreements relate to requirement of applicable laws, rules and regulations other than the foreign ownership restriction:

In view of the PRC legal opinion, (i) the Structured Agreements have complied with the laws, rules and regulations in the PRC, and complied with the respective articles of association of XWHT, ZQHT and Xinnet; (ii) there is no law, rule or regulation specifically disallows foreign investors from using any structured agreement to gain control of or operate the business of Xinnet; and (iii) the Structured Agreements would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law.

STRUCTURED AGREEMENTS (Continued)

(f) Reasons for using the Structured Agreements and the risks associated therewith including actions taken to mitigate such risks:

Xinnet's main businesses are classified as value-added telecommunication services which is a kind of business restricted to foreign investors in the PRC. By virtue of 外商投資電信企業管理規定 (Provisions on the Administration of Foreign Investment Telecommunication Enterprises), foreign investors shall not have more than 50% in the equity interest of a PRC enterprise providing value-added telecommunication services.

The main businesses of Xinnet are considered as value-added businesses which widen the spectrum of services of the Group for its customers and in turn enhance the Group's competitiveness in the PRC market. As the Group is facing to the aforesaid restriction in equity interest of a PRC company, the Structured Agreements shall be regarded as a strategic arrangement by which the Group may fully and effectively control Xinnet, which in turn enables the Group to achieve the aforesaid purposes. In addition, the Structured Agreements offer flexibility to the Group in control of Xinnet — (a) control of its management, businesses and operations; and (b) owning of its 100% equity interest by exercising the call option under the Option Agreement when the restriction in having more than 50% equity interest of a PRC enterprise by foreign investors is removed or repealed.

In addition to the foreign ownership restriction under the prevailing applicable laws and regulations, the Structured Agreements do not violate any PRC laws, rules and regulations, and the execution of the Structured Agreements by the parties thereto does not violate any article of the contracting parties; and such prevailing provision and notice issued by the PRC authorities as (i)《外商投資電信企業管理規定》(Provisions on the Administration of Foreign Investment Telecommunication Enterprises) (amended in 2008) and《外商投資產業指導目錄》(Catalogue for Guidance of Foreign Investment Industries) (amended in 2015) issued by the State Council of the PRC, under which foreign investor shall not have more than 50% in a corporation providing value-added telecommunication services; and (ii)《關於加強外商投資經營增值電信業務管理的通知》(Notice of Strengthened Administration of Foreign Investment in and Operation of Value-Added Telecommunication Business) issued by the Ministry of Industry and Information Technology of the PRC in July 2006 under which a local PRC company holding an internet content provider licence shall not lease, transfer or sell the licence to foreign investors in any form, or provide any assistance to foreign investors to provide internet content services in the PRC, but such provision and notice are not governing or restricting the control of a PRC company through structured agreements.

Given the foregoing, the Structured Agreements shall be regarded as valid documents binding all parties thereto as at the date of this annual report. However, if any new applicable law or regulation were enacted in the future in the PRC, the validity and enforceability of the Structured Agreements might have been affected, and as a result, the structured agreements of controlling Xinnet would have been disruptive which in turn would have affected the business of the Group.

The Ministry of Commerce of the PRC has issued some kind of consultation paper (草案徵求意見稿) in respect of a bill namely《中華人民共和國外國投資法》(Foreign Investment Law of the PRC) (the "Bill") in January 2015, which is to be enacted into an act or statute. As per sections 15 and 18 thereof, foreign investment means foreign investors directly or indirectly conduct certain investment activities, e.g. through structured agreements or trust arrangement to control a PRC company or holding equity interest of a PRC company. Any foreign investment in any business under the catalogue of restricted investment shall apply for an access permit from foreign investment authority under the State Council of the PRC as per section 27 thereof. There is no indication in the Bill that contracts under the structured agreements would be void.

STRUCTURED AGREEMENTS (Continued)

(f) Reasons for using the Structured Agreements and the risks associated therewith including actions taken to mitigate such risks: (Continued)

Application for an access permit cited in the Bill could be viewed as a kind of administrative procedure rather than a prohibitive threshold, therefore, failure in obtaining the permit by fulfilling certain administrative procedures would not be very high. Mr. Jiang is not a connected person of the Group, the risk of direct conflict of interest with the Group will be very low. It is unlikely for Mr. Jiang setting up another entity conducting business having a direct competition with Xinnet's, otherwise, Mr. Jiang would not execute and procure the execution of the Structured Agreements by which Mr. Jiang has given up the businesses of Xinnet. As at the date of this annual report, the Group has not found that Mr. Jiang has carried out or involved in any business having a direct competition with the businesses of the Group. If Mr. Jiang or ZQHT breaches any obligations or undertakings under any Structured Agreements, the operations of Xinnet would not be affected as the position of the Group in controlling Xinnet has been fully secured by (a) full control of the board of directors of Xinnet; and (b) obtaining a charge of 100% equity interest in Xinnet (as per the provision of the Loan Agreement, the pledgor has further charged the remaining 20% equity interest in Xinnet as first fixed charge in favour of the pledgee in October 2014).

Since the Bill has yet been enacted into an act or statute, the sections or provisions thereof might be further modified and amended after the consultation period, it is uncertain any additional conditions imposing on foreign investors.

The Structured Agreements might be subject to scrutiny of the tax authorities in the PRC, and additional tax might be imposed, but the Group does not expect that such tax risk is high and will lead to any substantial financial impact on the Group.

(g) Material change in the Structured Agreements:

No Structured Agreement has been supplemented or modified since the date of execution of all such Structured Agreements.

(h) Unwinding of the Structured Agreements:

No Structured Agreement has been unwound since the date of execution all such Structured Agreements. None of the Structured Agreement is to be unwound until and unless the restriction on ownership by foreign investors is removed or not in force. In the event of such restriction in foreign investment is removed or not in force, XHWT will exercise its option under the Option Agreement to acquire the entire equity interest in Xinnet. Upon completion of formal acquisition of the entire equity interest in Xinnet, the Structured Agreements will then be unwound.

On behalf of the Board
Yu Pun Hoi
Chairman

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high corporate governance standard and unambiguous procedures to ensure the integrity, transparency and quality of disclosure in order to enhance its shareholders' value.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015, except for the deviations from Code Provisions A.2.1 and A.4.1. Explanations for such non-compliance are provided below.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code.

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be or in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The current Board is made up of seven directors including three executive directors, two non-executive directors and two independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 16 to 18 under the heading "Biographical Details of Directors and Senior Management". During the year ended 31 December 2015 and up to the date of this annual report, the Board consists of the following:

Executive Directors

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive Directors

Mr. Wang Gang
Mr. Lam Bing Kwan

Independent Non-executive Directors

Prof. Jiang Ping
Mr. Hu Bin (Resigned on 3 February 2016)
Mr. Fung Wing Lap

BOARD OF DIRECTORS (Continued)

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and monitoring its affairs. All directors should take decisions objectively in the best interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned senior management of the Company.

The Board has the full support of its board committees and the senior management of the Company to discharge its responsibilities.

To the best knowledge of the Company, the Board members do not have any financial, business and family or other material/ relevant relationship with each other. During the year, the Board held 4 meetings.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

During the year, the chairman held meetings with each of the non-executive directors and independent non-executive directors of the Company and obtained independent opinions relating to affairs of the Board and the Company without the presence of other executive Directors.

Non-executive Directors

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, during the year ended 31 December 2015, the Company has appointed three INEDs of whom Mr. Fung Wing Lap is a certified public accountant in Hong Kong.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Pursuant to Code Provision A.4.3, any further appointment of independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Prof. Jiang Ping has served as an independent non-executive director of the Company for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the requirement set out in Rule 3.13 of the Listing Rules and affirmed that Prof. Jiang Ping remains independent; (ii) the Nomination Committee of the Company has assessed and is satisfied of the independence of Prof. Jiang Ping; and (iii) the Board considers that Prof. Jiang Ping remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgement. Notwithstanding the length of his service, the Company believes that his valuable knowledge and experience in the Group's business will continue to benefit the Company and the shareholders as a whole.

Following the resignation of Mr. Hu Bin on 3 February 2016, there are currently two independent non-executive directors and members of the audit committee of the Company, while there is a vacancy for the chairman of the remuneration committee of the Company. Accordingly, as at the date of this report, the Company was temporarily unable to fulfill: (i) Rule 3.10(1) of the Listing Rules which requires the Board to have at least three independent non-executive directors; (ii) Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors to be at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules which requires the audit committee to have at least three members; and (iv) Rule 3.25 of the Listing Rules which requires the chairman of the remuneration committee to be an independent non-executive director; (v) Code Provision A.5.1 which stipulates that majority of the nomination committee shall be independent non-executive directors. The Company will make efforts to identify suitable candidates to fill the vacancies of the independent non-executive directors, the chairman of remuneration committee and members of the audit committee as soon as possible within three months from the effective date of the resignation of Mr. Hu Bin.

Directors' Training

According to the Code Provision A.6.5, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the directors.

From time to time, directors are provided with written materials to develop and refresh their professional skills on the latest development of applicable laws, rules and regulations for the purpose of assisting them in discharging their duties. The Company had received from each of the directors the confirmations on taking continuous professional training during the year.

BOARD COMMITTEES

The Board has established four board committees, namely Management Committee, Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Management Committee

The Company established a Management Committee on 11 July 2013. Management Committee was dismissed in January 2015, its functions was taken up by the Board.

BOARD COMMITTEES (Continued)

Management Committee (Continued)

The primary duties of the Management Committee included to vest with all the general powers of management and control of the daily operations of the Group; to establish unambiguous and effective levels of hierarchy and appropriate human resources management system for discharging different functions and duties effectively and efficiently for accomplishment of the Group's objectives set out by the Board; to establish an internal control system for safeguarding against operation or manpower deficiency or redundancy, including any unlawful or unethical activities which would affect the interest or reputation of any member of the Group; and to carry out corporate compliance and governance matters as per the Board's instructions.

During the year , no meeting of the Management Committee was held.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. During the year ended 31 December 2015, the Audit Committee consisted of all the INEDs as follows:

Mr. Fung Wing Lap *(Chairman of the Audit Committee)*	
Prof. Jiang Ping	
Mr. Hu Bin	(Resigned on 3 February 2016)

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reports and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

During the year, the Audit Committee held 2 meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited financial statements for the year ended 31 December 2014 and the unaudited interim results for the six months ended 30 June 2015, and discussed the auditing, financial control, internal control and risk management systems.

Remuneration Committee

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. During the year ended 31 December 2015, the Remuneration Committee consisted of all the INEDs as follows:

Mr. Hu Bin *(Chairman of the Remuneration Committee)*	(Resigned on 3 February 2016)
Prof. Jiang Ping	
Mr. Fung Wing Lap	

The primary duties of the Remuneration Committee is responsible for making recommendations to the Board on the establishing of formal and transparent procedures for developing remuneration policies and the remuneration packages of individual executive directors and senior management. It takes into consideration on salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

During the year, the Remuneration Committee held 1 meeting, in particular, to review and recommend to the Board the remuneration policies and the remuneration packages of the Company.

BOARD COMMITTEES *(Continued)*

Remuneration Committee (Continued)

For the year ended 31 December 2015, the emoluments paid or payable to members of senior management was within the following band:

Emolument band	**Number of individuals**	
	2015	2014
Nil–HK$1,000,000	**1**	2

Nomination Committee

The Company formulated written terms of reference for the Nomination Committee in accordance with the requirements of the Listing Rules. During the year ended 31 December 2015, the Nomination Committee consisted of the directors of the Company as follows:

Mr. Yu Pun Hoi *(Chairman of the Nomination Committee)*
Ms. Chen Dan
Prof. Jiang Ping*
Mr. Hu Bin* (Resigned on 3 February 2016)
Mr. Fung Wing Lap*

* INED

The primary duties of the Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become directors, assessing the independence of INEDs, and make recommendations to the Board on relevant of appointment of directors, and review the board diversity policy annually. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, when required, fulfilling the requirements for professional knowledge and industry experience of any proposed candidates.

During the year, the Nomination Committee held 1 meeting, in particular, to review and assessment of the independence of all INEDs of the Company; to consider and recommend to the Board for approval the list of retiring directors for re-election at the annual general meeting held on 1 June 2015 (the "2015 AGM"); to review the structure, size and composition of the Board.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy in relation to the nomination and appointment of new directors, which sets out the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee will give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and will review the board diversity policy, so as to develop and review measurable objectives for the implementing the board diversity policy and to monitor the progress on achieving these objectives.

The directors' biographical information is set out on pages 16 to 18 under the heading "Biographical Details of Directors and Senior Management. The Nomination Committee reviewed the board diversity policy and recommended the Board that the existing Board was appropriately structured and no change was required.

CORPORATE GOVERNANCE FUNCTIONS

The Board are responsible for performing the duties on corporate governance functions set out below:

a. To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b. To review and monitor the training and continuous professional development of directors and senior management;

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

d. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

e. To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The attendance record of each director at the Board, board committee meetings and general meetings of the Company held for the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of meetings					
Name of Director	Board Meeting	General Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Continuous Professional Development
Executive Directors						
Mr. Yu Pun Hoi	4	1	N/A	N/A	1	√
Ms. Chen Dan	4	2	N/A	N/A	1	√
Ms. Liu Rong	4	–	N/A	N/A	N/A	√
Non-executive Directors						
Mr. Wang Gang	4	1	N/A	N/A	N/A	√
Mr. Lam Bing Kwan	4	2	N/A	N/A	N/A	√
Independent Non-executive Directors						
Prof. Jiang Ping	4	–	2	1	1	√
Mr. Hu Bin	4	1	2	1	1	√
Mr. Fung Wing Lap	4	2	2	1	1	√
Number of meetings held during the year	4	2	2	1	1	

Mr. Hu Bin resigned as director of the Company with effect from 3 February 2016.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 42 and 43.

The remuneration paid to the external auditors of the Group in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to HK$2.8 million and HK$0.2 million respectively. The non-audit services include professional advice on transactions. An analysis of the remuneration paid to the external auditors of the Group is set out in note 8 to the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibilities and authorities to the senior management.

During the year under review, the Board and Audit Committee of the Company have conducted regular reviews of the effectiveness of the risk management and internal control procedures of the Group. The Board considers that, during the year, the existing internal control system has been operating in a healthy and effective manner in the finance, operation, compliance and risk management aspects.

Through putting in place proper risk management control over key businesses and carrying out regular reviews and updates, the Group strives to reduce the likelihood and effect of risks before they occur, and deal with problems effectively when they arise. While the Group's risk management is the responsibility of every management team member and is embedded in the daily operation of every business unit, our risk management process is based on a decentralized model with a centralized monitoring system. The Group's strategy is to maintain a streamlined risk management process to identify, analyze and mitigate various risks in an efficient and effective manner.

COMPANY SECRETARY

The Company engaged Mr. Chiu Ming King, the director of Corporate Services of Vistra Corporate Services (HK) Limited, external service provider, as its company secretary. His primary contact at the Company is Ms. Zhao Lei of the Finance Department of the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2015, Mr. Chiu has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge."

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene a general meeting ("GM")

As per Section 566 of the Companies Ordinance, Chapter 622 of the laws of Hong Kong ("Companies Ordinance"), the directors of the Company are required to call a GM if the Company has received requests to do so from the shareholders of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings.

The request:

(a) must state the general nature of the business to be dealt with at the GM;

(b) may include the text of a resolution that may properly be moved and is intended to be moved at the GM and may consist of several documents in like form;

(c) may be sent to the Company in hard copy form at 12/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, the registered office of the Company or in electronic form by email at info@sino-i.com;

(d) must be authenticated by the person or persons making it; and

(e) must be verified with the share registrar of the Company, and upon the share registrar's confirmation that the request is proper and in order, the Company Secretary will notify the Board to convene a GM by serving proper notice in accordance with the statutory requirements to all the registered shareholders of the Company. On the contrary, if the request has been verified as not in order, the requesting shareholders will be informed of this outcome and accordingly, a GM will not be convened as requested.

If the Board does not within 21 days from the date of the deposit of the requests proceed duly to convene a GM for a day not more than 28 days after the date on which the notice convening the GM is given, the requesting shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a GM which shall be convened in the same manner, as nearly as possible, as that in which GMs are to be convened by the Board, but any GM so convened shall not be held after the expiration of 3 months from the said date.

SHAREHOLDERS' RIGHTS (Continued)

2. Procedures for putting forward proposals at shareholders' meeting

Pursuant to Section 615(2) of the Companies Ordinance, the Company must give notice of a resolution if it has received requests from the following number of shareholders:

(a) the shareholders of the Company representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the AGM to which the requests relate; or

(b) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the requests relate.

The request (i) may be sent to the Company in hard copy form at the registered office of the Company, 12/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong or in electronic form by email at info@sino-i.com; (ii) must identify the resolution of which notice is to be given; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than 6 weeks before AGM to which the requests relate; or if later, the time at which notice is given of that meeting.

In addition, the request will be verified with the share registrar of the Company, and upon the share registrar's confirmation that the request is proper and in order, the Company Secretary will notify the Board for including the resolution in the agenda for the AGM.

Pursuant to Section 616 of the Companies Ordinance, the Company that is required under Section 615 to give notice of a resolution must send a copy of it at the Company's own expense to each shareholder of the Company entitled to receive notice of the AGM in the same manner as the notice of the meeting; and at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

3. Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the share registrar of the Company. Shareholders may at any time send their enquiries and concerns to the Board in writing at the Company's registered office at 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, or to the Company by email at info@sino-i.com. Shareholders may also make enquiries with the Board at the GM/AGM.

The details of the rights of shareholders of the Company can be found in the Company's website at www.sino-i.com.

INVESTOR RELATIONS

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group.

The Board adopted a Shareholders Communication Policy which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company.

The Company endeavours to disclose all material information about the Group to all interested parties on a timely basis. All such publications together with additional information of the Group are timely updated on the Company's website at www.sino-i.com.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year.

INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF SINO-I TECHNOLOGY LIMITED（中國數碼信息有限公司）
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-i Technology Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 115, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

BDO Limited
Certified Public Accountants

Yu Tsui Fong
Practising Certificate Number P05440
Hong Kong, 30 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Revenue	5(a)	**808,287**	784,763
Cost of sales and services provided		**(139,242)**	(166,437)
Gross profit		**669,045**	618,326
Other operating income	5(b)	**150,055**	151,118
Loss on disposal and dissolution of subsidiaries	34	**–**	(7,850)
Selling and marketing expenses		**(520,512)**	(530,341)
Administrative expenses		**(82,293)**	(77,896)
Other operating expenses		**(138,643)**	(238,879)
Finance costs	7	**(17,443)**	(18,165)
Share of results of an associate	17	**(368)**	–
Profit/(Loss) before income tax	8	**59,841**	(103,687)
Income tax expense	9	**(13,789)**	(14,562)
Profit/(Loss) for the year		**46,052**	(118,249)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**47,870**	(115,363)
Non-controlling interests	33	**(1,818)**	(2,886)
		46,052	(118,249)
		HK Cent	HK Cent
Earnings/(Loss) per share attributable to the owners of the Company during the year	11		
— Basic		**0.24**	(0.58)
— Diluted		**0.24**	(0.58)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Profit/(Loss) for the year	**46,052**	(118,249)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(16,651)**	(8,510)
Exchange differences on translation of investment in an associate	**(51)**	–
Exchange differences reclassified on disposal and dissolution of subsidiaries	**–**	12,576
	(16,702)	4,066
Total comprehensive income for the year	**29,350**	(114,183)
Total comprehensive income attributable to:		
Owners of the Company	**32,284**	(110,864)
Non-controlling interests	**(2,934)**	(3,319)
	29,350	(114,183)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**610,987**	637,794
Prepaid land lease payments under operating leases	14	**24,818**	26,532
Available-for-sale financial assets	15	**324**	324
Interests in associates	17	**8,109**	–
Goodwill	18	**81,961**	84,864
Other intangible assets	19	**63,249**	55,936
Deposits and other receivables	20	**703**	735
Loan to ultimate holding company	25(c)	**1,370,557**	1,466,005
		2,160,708	2,272,190
Current assets			
Trade receivables	21	**67,687**	19,462
Deposits, prepayments and other receivables	20	**206,884**	205,706
Time deposits maturing over three months	22	**12**	625
Cash and cash equivalents	22	**128,423**	58,073
		403,006	283,866
Current liabilities			
Trade payables	23	**72,626**	46,942
Other payables and accruals	24	**67,156**	119,506
Receipt in advance and deferred revenue		**179,094**	176,924
Provision for tax		**116,779**	104,184
Amount due to a director	25(a)	**14,898**	7,858
Amount due to a shareholder	25(b)	**1**	1
Amounts due to associates	25(d)	**9,677**	5,499
Bank borrowings, secured	26	**245,821**	313,547
Finance lease liabilities	27	**336**	431
		706,388	774,892
Net current liabilities		**(303,382)**	(491,026)
Total assets less current liabilities		**1,857,326**	1,781,164

As at 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000 (Re-presented)
Non-current liabilities			
Finance lease liabilities	27	**421**	756
Amount due to ultimate holding company	25(c)	**85,517**	37,018
Deferred tax liabilities	28	**7,554**	8,906
		93,492	46,680
Net assets		**1,763,834**	1,734,484
EQUITY			
Share capital	29	**240,597**	240,597
Reserves	31	**1,500,632**	1,468,348
Equity attributable to the Company's owners		**1,741,229**	1,708,945
Non-controlling interests	33	**22,605**	25,539
Total equity		**1,763,834**	1,734,484

Yu Pun Hoi
Director

Chen Dan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Cash flows from operating activities			
Profit/(Loss) before income tax		**59,841**	(103,687)
Adjustments for:			
Depreciation of property, plant and equipment		**47,138**	54,225
Annual charges of prepaid operating lease payments		**546**	557
Amortisation of other intangible assets		**9,728**	76,509
Gain on disposal of property, plant and equipment		**(19)**	(125)
Provision for impairment of trade receivables		**4,080**	888
Other receivables written off		**59**	–
Write-back of provision for impairment of trade receivables		**–**	(1,073)
Write-back of provision for impairment of other receivables		**(12,887)**	–
Property, plant and equipment written off		**55**	253
Reversal of other receivables written off		**–**	(2,297)
Bank interest income		**(283)**	(296)
Other interest income		**(105,865)**	(102,557)
Finance costs		**17,443**	18,165
Loss on disposal and dissolution of subsidiaries		**–**	7,850
Share of results of an associate		**368**	–
Operating profit/(loss) before working capital changes		**20,204**	(51,588)
Increase in trade receivables		**(54,734)**	(7,770)
Decrease in deposits, prepayments and other receivables		**5,832**	30,290
(Decrease)/Increase in trade payables, other payables and accruals		**(19,767)**	18,610
Increase in receipt in advance and deferred revenue		**10,390**	46,569
Cash (used in)/generated from operations		**(38,075)**	36,111
Income tax paid		**(1,901)**	(1,814)
Net cash (used in)/generated from operating activities		**(39,976)**	34,297

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Cash flows from investing activities			
Payments to acquire property, plant and equipment	13, 35(b)(c)	**(48,648)**	(31,764)
Proceeds from disposal of property, plant and equipment		**19**	319
Payments to acquire other intangible assets		**(19,850)**	(6,339)
Decrease in time deposits maturing over three months		**613**	12
Bank and other interest received		**329**	4,067
Repayment from ultimate holding company		**182,226**	–
Payment to acquire an associate		**(4,266)**	–
Net cash inflow arising from disposal and dissolution of subsidiaries	34	**–**	61
Net cash generated from/(used in) investing activities		**110,423**	(33,644)
Cash flows from financing activities			
Proceeds from bank borrowings		**253,634**	315,359
Repayments of bank borrowings		**(309,066)**	(226,620)
Repayments of finance lease liabilities		**(430)**	(386)
Increase in amount due to a director		**7,626**	4,397
Advance from/(Repayment to) ultimate holding company		**67,092**	(78,027)
Repayments to shareholders		**–**	(5,005)
Interest paid		**(17,443)**	(18,165)
Net cash generated from/(used in) financing activities		**1,413**	(8,447)
Net increase/(decrease) in cash and cash equivalents		**71,860**	(7,794)
Cash and cash equivalents at 1 January		**58,073**	65,762
Effect of foreign exchange rate changes, on cash held		**(1,510)**	105
Cash and cash equivalents at 31 December		**128,423**	58,073
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand	22	**128,423**	58,073

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to the Company's owners									
	Share capital HK$'000 (note 29)	**Share premium* HK$'000**	**Capital redemption reserve* HK$'000**	**Capital distribution reserve* HK$'000 (note 31(a))**	**General reserve* HK$'000 (note 31(b))**	**Exchange reserve* HK$'000**	**Retained profits* HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000 (note 33)**	**Total equity HK$'000**
At 1 January 2014	199,145	39,194	2,258	52,622	6,574	90,962	1,429,054	1,819,809	31,705	1,851,514
Transfer upon abolition of nominal value of shares on 3 March 2014	41,452	(39,194)	(2,258)	–	–	–	–	–	–	–
Loss for the year	–	–	–	–	–	–	(115,363)	(115,363)	(2,886)	(118,249)
Other comprehensive income										
Items that may be reclassified subsequently to profit or loss:										
— Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	(8,077)	–	(8,077)	(433)	(8,510)
— Exchange differences reclassified on disposal and dissolution of subsidiaries (note 34)	–	–	–	–	–	12,576	–	12,576	–	12,576
Total comprehensive income for the year	–	–	–	–	–	4,499	(115,363)	(110,864)	(3,319)	(114,183)
Released on disposal and dissolution of subsidiaries (note 34)	–	–	–	–	–	–	–	–	(2,847)	(2,847)
At 31 December 2014 and 1 January 2015	**240,597**	**–**	**–**	**52,622**	**6,574**	**95,461**	**1,313,691**	**1,708,945**	**25,539**	**1,734,484**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**47,870**	**47,870**	**(1,818)**	**46,052**
Other comprehensive income										
Items that may be reclassified subsequently to profit or loss:										
— Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**(15,535)**	**–**	**(15,535)**	**(1,116)**	**(16,651)**
— Exchange differences on translation of investment in an associate	**–**	**–**	**–**	**–**	**–**	**(51)**	**–**	**(51)**	**–**	**(51)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(15,586)**	**47,870**	**32,284**	**(2,934)**	**29,350**
At 31 December 2015	**240,597**	**–**	**–**	**52,622**	**6,574**	**79,875**	**1,361,561**	**1,741,229**	**22,605**	**1,763,834**

* These reserve accounts comprise the consolidated reserves of HK$1,500,632,000 (2014: HK$1,468,348,000) in the consolidated statement of financial position.

1. GENERAL INFORMATION

Sino-i Technology Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and its principal place of business is located at 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The ultimate parent company of the Company is Nan Hai Corporation Limited ("Nan Hai"), a company incorporated and domiciled in Bermuda and its shares are listed on the Hong Kong Stock Exchange.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 44 to 115 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

The financial statements have been prepared on the historical cost basis except for certain financial instruments classified as available-for-sale which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new/amended HKFRSs and impacts on the Group's financial statements, if any, are disclosed in note 3.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of HK$303,382,000 (2014: HK$491,026,000) as at 31 December 2015. Having reviewed the cash flow projection of the Group for the next 12 months from the reporting date, the Board of Directors (the "Board") is of the opinion that the Group will have sufficient resources to satisfy its working capital and other financing requirement in the foreseeable future based on the followings: (i) the Board foresees that the Group is able to generate positive cash flows from operation in 2016; and (ii) with the prepaid land lease payments under operating leases and buildings amounting to approximately HK$605,573,000 (2014: HK$637,285,000) being pledged for existing credit facilities (as set out in note 40), the Board is of the view that the Group should be able to renew these credit facilities when they fall due in 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

In view of the above, the Board is of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the "Group") made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.5 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in equity as exchange reserve. On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

2.6 Property, plant and equipment

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

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to 33-1/3%, or over lease terms whichever involves shorter period
Motor vehicles	10% to 33-1/3%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned asset or where shorter, the terms of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

The buildings comprise a portion that is held to earn rentals and the other portion that is held for administrative purpose. As the portion held to earn rentals cannot be sold separately and is insignificant, the building is classified as owner-occupied property rather than investment property.

2.7 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.14. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for any non-controlling interest in the acquiree over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of the identifiable assets, liabilities and contingent liabilities exceed the aggregate of the fair value of consideration paid and the amount recognised for any non-controlling interests, the excess is recognised immediately in profit or loss on the acquisition date, after re-assessment.

Goodwill is stated at cost less accumulated impairment losses (note 2.20). Goodwill arising on a business combination is allocated to each of the relevant cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the business combination. A CGUs to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Impairment losses for goodwill recognised in an interim period are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

On subsequent disposal of a subsidiary or CGU, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

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

2.9 Other intangible assets and research and development costs

Other intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4 years
Customer relationships	2 years
Development cost	2–4 years
Licenses	10 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.20.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets are classified into the following categories:

— loans and receivables

— available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary instruments, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group, national or local economic conditions that correlate with defaults on the assets in the group, and the failure to renegotiate the repayment terms of loan and receivables that would otherwise be past due or impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit of loss.

Financial assets other than loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks or financial institutions and short-terms highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.12 Financial liabilities

The Group classified its financial liabilities depending on the purpose for which the liabilities were incurred.

The Group's financial liabilities include bank borrowings, trade and other payables and finance lease liabilities. They are included in statement of financial position as bank borrowings, amount due to ultimate holding company, amount due to a director, amount due to a shareholder, amounts due to associates, trade payables, other payables and accruals and finance lease liabilities. They are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.22).

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.14 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

(iii) Assets acquired under finance leases

When the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance lease.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2.15 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.16 Share capital

The Hong Kong Companies Ordinance, Cap. 622 came into operation on 3 March 2014. Under the Ordinance, shares of the Company do not have nominal value. Considerations received or receivable on the issue of shares on or after 3 March 2014 are credited to share capital. Commissions and expenses as allowed under s.148 and s.149 of the Ordinance are deducted from share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

— Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

— Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period of time unless there is evidence that some other method better represents the stage of completion;

— Rental income under operating lease is recognised on a straight-line basis over the term of the relevant lease;

— Interest income is recognised on a time-proportion basis using the effective interest method; and

— Dividend is recognised when the right to receive payment is established.

2.18 Receipt in advance and deferred revenue

Receipt in advance and deferred revenue consists primarily of deferred revenue from prepaid service fees received from customers and fair value of bonus liabilities granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of points. Revenue from prepaid service fees and bonus liabilities are recognised when the relevant services are rendered.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets. Government grants relating to income is presented in gross under "Other operating income" in the profit or loss.

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

2.20 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid land lease payments under operating leases, non-current portion of deposits and interests in subsidiaries and associates are subject to impairment testing.

Goodwill and intangible assets that are not available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, when an assets does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value-in-use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

(i) Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(ii) Retirement benefits

The Group operates several staff retirement schemes for employees in Hong Kong and Mainland China, comprising defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant subsidiaries of the Group.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 10% to 22% (depending on the locations of the subsidiaries) of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,500. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

2.22 Finance costs

Finance costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other finance costs are expensed as incurred.

Finance costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.23 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that certain bank interest income, other interest income, loss on disposal and dissolution of subsidiaries, income tax expenses as well as corporate income and expenses which are not directly attributable to the business activities of the operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but loan to ultimate holding company, certain cash and cash equivalents and available-for-sale financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for tax, amount due to ultimate holding company/a director/a shareholder/an associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependants of that person or that person's spouse or domestic partner.

3. ADOPTION OF NEW/AMENDED HKFRSs

3.1 New/amended HKFRSs which are effective during the year

In the current year, the Group has applied for the first time the following new/amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

The adoption of these new/amended HKFRSs has no material impact on the Group's financial statements.

3.2 New/amended HKFRSs which are issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective date is deferred

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 New/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 New/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 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 each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantity the effects on the Group's financial statements.

3.3 New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

The Group depreciates and amortises property, plant and equipment and intangible assets other than goodwill on a straight-line basis over the estimated useful life, and after taking into account of their estimated residual value, 5% to 33-1/3% per annum and 10% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and other intangible assets.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.20. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flow management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 18.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the amount of the provision for taxes and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxes and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

4.2 Critical judgements in applying the Group's accounting policies

Research and development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting period. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Group's management.

Control through structured agreements

Notwithstanding the lack of equity ownership in 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") and its existing subsidiary (collectively as "Xinnet Group"), the Group is able to control, recognise and receive all the economic benefits of the business of Xinnet Group as the Group (1) shall have all requisite power and unrestricted rights, acting as a principal, to control and manage all aspects, at its sole decision and its own benefit, over Xinnet Group by virtue of the power of attorney; and (2) shall have right to assume all profits of Xinnet Group under the management and technology services agreement. In view of the foregoing reasons, the Group has determined that it has the practical ability to unilaterally direct the relevant activities of Xinnet Group and significant benefits derived from Xinnet Group and therefore has consolidated Xinnet Group as wholly-owned subsidiaries.

5. REVENUE AND OTHER OPERATING INCOME

(a) The Group's revenue represents revenue from corporate IT application services.

(b) Other operating income:

	2015 HK$'000	2014 HK$'000
Bank interest income	**283**	296
Other interest income	**105,865**	102,557
Gain on disposal of property, plant and equipment	**19**	125
Government grants (Note)	**554**	16,425
Rental income	**11,843**	12,722
Refund of value-added tax and business tax	**15,615**	14,483
Write-back of provision for impairment of other receivables	**12,887**	–
Reversal of other receivables written off	**–**	2,297
Sundry income	**2,989**	2,213
	150,055	151,118

Note: Included in the balance amounting to approximately HK$554,000 (2014: HK$1,845,000) represented grants to subsidise the development of IT business in the People's Republic of China (the "PRC"), of which the entitlement was unconditional. The amounts in 2014 also included certain government grants amounting to approximately HK$14,580,000 that were granted in prior years to subsidise software development projects of the Group in the PRC, of which the prescribed conditions in relation to the grant had been fulfilled during the year ended 31 December 2014 (note 24).

6. SEGMENT INFORMATION

The Board has identified the corporate IT application service as the only business component in internal reporting for their decisions about resources allocation and performance review.

	2015 HK$'000	2014 HK$'000
Reportable segment revenue	**808,287**	784,763
Reportable segment loss before income tax	**(28,874)**	(180,861)
Bank interest income	**6**	3
Other interest income	**105,865**	102,557
Depreciation and amortisation	**(1,431)**	(274)
Loss on disposal and dissolution of subsidiaries	**–**	(7,850)
Finance cost	**(4)**	(3)
Unallocated corporate expenses	**(15,721)**	(17,259)
Profit/(Loss) before income tax	**59,841**	(103,687)
Reportable segment assets	**1,122,300**	1,004,425
Loan to ultimate holding company	**1,370,557**	1,466,005
Cash and cash equivalents	**1,697**	597
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**68,836**	84,705
Group assets	**2,563,714**	2,556,056
Reportable segment liabilities	**560,869**	645,978
Amount due to ultimate holding company	**85,517**	37,018
Amount due to a director	**14,898**	7,858
Amount due to a shareholder	**1**	1
Amount due to an associate	**5,499**	5,499
Provision for tax	**116,779**	104,184
Deferred tax liabilities	**7,554**	8,906
Other corporate liabilities	**8,763**	12,128
Group liabilities	**799,880**	821,572

6. SEGMENT INFORMATION (Continued)

	2015 HK$'000	2014 HK$'000
Additional segment information		
Bank interest income	**277**	293
Finance costs	**(17,439)**	(18,162)
Share of results of an associate	**(368)**	–
Depreciation and amortisation of non-financial assets	**(55,981)**	(131,017)
Additions to non-current assets during the year	**61,809**	39,383

The Group's revenue from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers		Specified non-current assets	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
— Mainland China (domicile)	**802,148**	784,586	**782,564**	803,456
— Hong Kong	**6,139**	177	**7,263**	2,405
	808,287	784,763	**789,827**	805,861

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Hong Kong where the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**17,398**	18,106
Interest on finance leases	**45**	59
Amount recognised in profit or loss	**17,443**	18,165

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2015 HK$'000	2014 HK$'000
Auditors' remuneration	2,828	2,424
Gross depreciation of property, plant and equipment — owned assets	46,689	53,910
Less: Amounts included in cost of sales and services provided	(35)	(99)
Net depreciation of owned assets*	46,654	53,811
Depreciation of leased assets*	449	315
Operating lease charges on land and buildings	46,617	37,973
Annual charges of prepaid operating lease payments*	546	557
Gross retirement benefit contributions	60,489	63,004
Less: Amounts included in research and development expenses	(6,947)	(11,376)
Amounts included in cost of sales and services provided	(11,256)	(12,200)
Amounts capitalised in other intangible assets	(2,686)	–
Net retirement benefit contributions	39,600	39,428
Cost of sales and services provided	139,242	166,437
Amortisation of other intangible assets*	9,728	76,509
Property, plant and equipment written off*	55	253
Research and development expenses*	62,592	89,669
Provision for impairment of trade receivables*	4,080	888
Other receivables written off*	59	–
Write-back of provision for impairment of trade receivables*	–	(1,073)

* included in other operating expenses

9. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Hong Kong profits tax		
— tax charge for the year	**10,999**	12,063
— over-provision in respect of prior years	**(487)**	(298)
	10,512	11,765
PRC Enterprise Income Tax ("EIT")		
— tax charge for the year	**4,262**	3,885
	14,774	15,650
Deferred tax (note 28)	**(985)**	(1,088)
Income tax expense	**13,789**	14,562

For the year ended 31 December 2015, Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2014: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates:

	2015 HK$'000	2014 HK$'000
Profit/(Loss) before income tax	**59,841**	(103,687)
Tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**9,273**	(26,954)
Tax effect of non-deductible expenses	**3,210**	5,788
Tax effect of non-taxable income	**(3,363)**	(2,863)
Tax effect of unused tax losses not recognised	**18,950**	38,889
Tax effect of utilisation of tax losses previously not recognised	**(13,794)**	–
Over-provision in respect of prior years	**(487)**	(298)
Income tax expense	**13,789**	14,562

10. DIVIDEND

No dividend was paid or declared by the Company during the year (2014: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on profit attributable to owners of the Company of HK$47,870,000 (2014: a loss of HK$115,363,000) and on 19,914,504,877 (2014: 19,914,504,877) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for both years was the same as the basic earnings/(loss) per share as there was no potential dilutive ordinary share in issue during the years.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 **HK$'000**	2014 HK$'000
Directors' fee (note 37(a))	**592**	602
Wages and salaries	**523,115**	529,591
Pension costs — defined contribution plans	**60,489**	63,004
Staff welfare	**22,347**	15,528
	606,543	608,725
Less: Amounts capitalised in other intangible assets	**(19,080)**	–
Total employee benefit expenses	**587,463**	608,725

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2014					
Cost	662,135	–	235,791	4,264	902,190
Accumulated depreciation	(26,439)	–	(200,078)	(1,564)	(228,081)
Net carrying amount	635,696	–	35,713	2,700	674,109
Year ended 31 December 2014					
Opening net carrying amount	635,696	–	35,713	2,700	674,109
Additions	–	23,396	9,634	1,483	34,513
Transfer	23,396	(23,396)	–	–	–
Write-off	–	–	(79)	(174)	(253)
Disposal	–	–	(20)	(174)	(194)
Depreciation	(32,483)	–	(20,296)	(1,446)	(54,225)
Net exchange differences	(15,518)	–	(620)	(18)	(16,156)
Closing net carrying amount	611,091	–	24,332	2,371	637,794
At 31 December 2014 and 1 January 2015					
Cost	669,178	–	241,056	5,222	915,456
Accumulated depreciation	(58,087)	–	(216,724)	(2,851)	(277,662)
Net carrying amount	611,091	–	24,332	2,371	637,794
Year ended 31 December 2015					
Opening net carrying amount	**611,091**	**–**	**24,332**	**2,371**	**637,794**
Additions	**30,154**	**–**	**18,494**	**–**	**48,648**
Write-off	**–**	**–**	**(55)**	**–**	**(55)**
Depreciation	**(32,981)**	**–**	**(13,012)**	**(1,145)**	**(47,138)**
Net exchange differences	**(27,202)**	**–**	**(1,045)**	**(15)**	**(28,262)**
Closing net carrying amount	**581,062**	**–**	**28,714**	**1,211**	**610,987**
At 31 December 2015					
Cost	**668,524**	**–**	**254,077**	**5,180**	**927,781**
Accumulated depreciation	**(87,462)**	**–**	**(225,363)**	**(3,969)**	**(316,794)**
Net carrying amount	**581,062**	**–**	**28,714**	**1,211**	**610,987**

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2015, certain buildings of the Group amounting to HK$580,958,000 (2014: HK$610,971,000) were charged to secure banking facilities as detailed in note 40.

The carrying amount of the Group's motor vehicles and furniture, fixture and equipment included an amount of HK$566,000 and HK$74,000 respectively (2014: HK$966,000 and HK$123,000 respectively) in respect of assets acquired under finance leases.

14. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interests in leasehold land/land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**26,532**	27,766
Annual charges of prepaid operating lease payments	**(546)**	(557)
Net exchange differences	**(1,168)**	(677)
At 31 December	**24,818**	26,532

As at 31 December 2015, certain prepaid land lease payments under operating leases amounting to HK$24,615,000 (2014: HK$26,314,000) were charged to secure banking facilities as detailed in note 40.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$'000	2014 HK$'000
Unlisted investment, at fair value		
— Club debenture	**324**	324
— Other investment	**155**	155
	479	479
Less: Provision for impairment	**(155)**	(155)
	324	324

16. INTERESTS IN SUBSIDIARIES

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

Name	Country/place of incorporation/ registration and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage held by the Company		Principal activities
			Directly	Indirectly	
China Enterprise ASP Limited ("CE ASP")	Hong Kong	Paid-up capital of HK$14,037,400	–	100	Investment holding
Dadi Media Limited ("Dadi Media")	Hong Kong	Paid-up capital of HK$2	100	–	Investment holding
Hongkong New Media Interactive Advertising Co., Limited	Hong Kong	Paid-up capital of HK$100	–	100	Investment holding and information technology business
Robina Profits Limited	British Virgin Islands	1 Ordinary share of US$1 each	100	–	Investment holding
中企動力科技股份有限公司 (note a)	PRC	RMB242,369,720	–	99.68	Information technology business
數碼慧谷置業管理股份有限公司 (note a)	PRC	RMB689,171,334	–	92.36	Information technology business
北京中企動力廣告有限公司 (note b)	PRC	RMB21,000,000	–	100	Information technology business
北京新網數碼信息技術有限公司 (note b)	PRC	RMB45,000,000	–	N/A*	Information technology business

* controlled through structured agreements with effective interests of 100%

The above table lists out the subsidiaries of the Company as at 31 December 2015 which, in the opinion of the Board, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Board, result in particulars of excessive length.

Notes:

a. These subsidiaries are registered as joint stock limited company under the law of PRC

b. These subsidiaries are registered as limited liability company under the law of PRC

17. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Balance at 1 January	–	–
Investment cost	8,528	–
Share of results of an associate	(368)	–
Net exchange differences	(51)	–
Balance at 31 December	**8,109**	–
The carrying amount of interests in associates can be analysed as follows:		
Share of net assets	1,193	–
Goodwill	6,916	–
Balance at 31 December	**8,109**	–

Particulars of the associates as at 31 December 2015 and 2014 are as follows:

Name	Place of incorporation	Particulars of issued capital	Percentage of interest held by the Group 2015	Percentage of interest held by the Group 2014	Nature of business
Genius Reward Company Limited ("Genius Reward") **	Hong Kong	Paid-up capital of HK$200	50%	50%	Inactive
成都夠用雲科技有限公司 **	PRC	Registered capital of RMB125,000	20%	–	Information technology business

** unlisted limited liability company

17. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information of the Group's individually immaterial associates extracted from their management accounts are as follows:

	2015 HK$'000	2014 HK$'000
Assets	**41,942**	25,702
Liabilities	**(41,318)**	(38,111)
Revenue	**367**	–
Loss for the year	**(2,584)**	(788)
Other comprehensive income	**(255)**	–
Total comprehensive income	**(2,839)**	(788)

The Group has discontinued recognising its share of loss of Genius Reward. The amount of unrecognised share of loss of Genius Reward for the year and cumulatively unrecognised share of loss of Genius Reward amounted to HK$394,000 (2014: HK$394,000) and HK$6,598,000 (2014: HK$6,204,000) respectively.

18. GOODWILL

	2015 HK$'000	2014 HK$'000
At 1 January		
Gross carrying amount	**87,305**	94,527
Accumulated impairment	**(2,441)**	(8,031)
Net carrying amount	**84,864**	86,496
Year ended 31 December		
Opening net carrying amount	**84,864**	86,496
Net exchange differences	**(2,903)**	(1,632)
Closing net carrying amount	**81,961**	84,864
At 31 December		
Gross carrying amount	**84,402**	87,305
Accumulated impairment	**(2,441)**	(2,441)
Net carrying amount	**81,961**	84,864

For the purpose of the annual impairment test, the carrying amount of goodwill, net of any impairment loss, is allocated to the following CGUs under corporate IT application services:

	2015 HK$'000	2014 HK$'000
CE ASP	**52,361**	53,881
Xinnet Group	**29,600**	30,983

The recoverable amounts for the CGUs given above were determined based on value-in-use calculations, covering a detailed five-year financial budget using the key assumptions stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

18. GOODWILL (Continued)

The key assumptions used for value-in-use calculations of CE ASP CGU for the years are as follows:

	2015	2014
Average sales growth rate	**10.02%**	8.35%
Discount rate	**14.00%**	14.21%
Growth rates used to extrapolate cashflows beyond the budget period	**0.00%**	0.00%

The key assumptions used for value-in-use calculations of Xinnet Group CGU for the year are as follows:

	2015	2014
Average sales growth rate	**12.09%**	16.21%
Discount rate	**19.49%**	22.19%
Growth rates used to extrapolate cashflows beyond the budget period	**3.00%**	3.00%

The budgeted gross margin and net profit margin were determined by the management for the CGUs based on past performance and its expectations for market development.

The growth rate used for the above CGUs are determined by reference to the average growth rate for the corresponding industry to which the CGUs belong.

The discount rates used are pre-tax and reflect specific risks relating to the segment. Apart from the considerations described in determining the value-in-use of the CGUs above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimated recoverable amounts of CE ASP CGU and Xinnet Group CGU are particularly sensitive to the average sales growth rate applied.

The recoverable amount of CE ASP CGU exceeds its carrying amount by approximately HK$11,741,000 (2014: HK$115,403,000). The key assumption is the average sales growth rate of approximately 10.02% (2014: 8.35%). If the average sales growth rate reduced by approximately 0.19% (2014: 1.34%), the carrying amount of CE ASP CGU would equal its recoverable amount.

The recoverable amount of Xinnet Group CGU exceeds its carrying amount by approximately HK$8,306,000 (2014: HK$15,525,000). The key assumption is the average sales growth rate of approximately 12.09% (2014: 16.21%). If the average sales growth rate reduced by approximately 0.41% (2014: 0.85%), the carrying amount of Xinnet Group CGU would equal its recoverable amount.

19. OTHER INTANGIBLE ASSETS

	Computer software HK$'000	Development cost HK$'000	Licenses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2014					
Cost	307,393	112,247	40,957	759	461,356
Accumulated amortisation	(304,775)	(26,627)	(341)	(759)	(332,502)
Net carrying amount	2,618	85,620	40,616	–	128,854
Year ended 31 December 2014					
Opening net carrying amount	2,618	85,620	40,616	–	128,854
Additions	2,486	3,076	777	–	6,339
Amortisation charge for the year	(2,448)	(69,912)	(4,149)	–	(76,509)
Net exchange differences	(64)	(1,713)	(971)	–	(2,748)
Closing net carrying amount	2,592	17,071	36,273	–	55,936
At 31 December 2014 and 1 January 2015					
Cost	302,336	112,556	41,471	–	456,363
Accumulated amortisation	(299,744)	(95,485)	(5,198)	–	(400,427)
Net carrying amount	2,592	17,071	36,273	–	55,936
Year ended 31 December 2015					
Opening net carrying amount	**2,592**	**17,071**	**36,273**	**–**	**55,936**
Additions	**541**	**19,309**	**–**	**–**	**19,850**
Amortisation charge for the year	**(777)**	**(4,860)**	**(4,091)**	**–**	**(9,728)**
Net exchange differences	**(107)**	**(1,208)**	**(1,494)**	**–**	**(2,809)**
Closing net carrying amount	**2,249**	**30,312**	**30,688**	**–**	**63,249**
At 31 December 2015					
Cost	**289,361**	**126,244**	**39,619**	**–**	**455,224**
Accumulated amortisation	**(287,112)**	**(95,932)**	**(8,931)**	**–**	**(391,975)**
Net carrying amount	**2,249**	**30,312**	**30,688**	**–**	**63,249**

As at 31 December 2015, certain intangible assets amounting to HK$3,146,000 (2014: HK$4,479,000) were charged to secure banking facilities as detailed in note 40.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Deposits and prepayments	58,576	50,076
Amount due from a former subsidiary	56,939	56,943
Amounts due from related parties	244	–
Others	125,824	148,323
	241,583	255,342
Less: Provision for impairment of other receivables	(33,996)	(48,901)
	207,587	206,441
Less: Non-current portion		
Deposit for renovation work	(703)	(735)
	206,884	205,706

Impairment losses in respect of other 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 other receivables directly. The movement in the provision for impairment of other receivables is as follows:

	2015 HK$'000	2014 HK$'000
At the beginning of the year	48,901	50,036
Write-back during the year	(12,887)	–
Net exchange differences	(2,018)	(1,135)
At the end of the year	33,996	48,901

At each of the reporting date, the Group's other receivables are individually assessed for impairment. The Group encountered difficulties in collection of certain other receivables and appropriate provision for impairment had been made against these other receivables. The individually impaired receivables are recognised based on the credit history of its debtors, their financial positions and record of delinquency in payments, and current market conditions. Consequently, specific impairment provision was recognised. Other receivables that were past due but not impaired related to those debtors that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and such balances are still considered as fully recoverable. The Group does not hold any collateral over these balances.

The directors of the Group consider that the fair value of other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

21. TRADE RECEIVABLES

Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
0–90 days	**61,027**	17,200
91–180 days	**1,848**	114
181–270 days	**3,371**	4,406
271–360 days	**1,009**	1,009
Over 360 days	**21,955**	15,256
Trade receivables, gross	**89,210**	37,985
Less: Provision for impairment of receivables	**(21,523)**	(18,523)
Trade receivables, net	**67,687**	19,462

Trade receivables are due on presentation of invoices.

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 provision for impairment of trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
At the beginning of the year	**18,523**	19,241
Provision for impairment	**4,080**	888
Write-back during the year	**–**	(1,073)
Net exchange differences	**(1,080)**	(533)
At the end of the year	**21,523**	18,523

At each reporting date, the Group's trade receivables are individually assessed for impairment. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment had been made against these trade receivables. The individually impaired receivables are recognised based on the credit history of its customers, their financial positions and record of delinquency in payments, and current market conditions. The Group does not hold any collateral over these balances.

21. TRADE RECEIVABLES (Continued)

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
0–90 days past due	61,027	16,881
91–180 days past due	1,848	114
181–270 days past due	3,371	2,398
271–360 days past due	1,009	56
Overdue for more than 360 days	432	13
	67,687	19,462

Trade receivables that were past due but not impaired relate to a number of independent customers that had a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The directors of the Group consider that the fair value of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

22. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	128,435	58,698
Less: Time deposits maturing over three months	(12)	(625)
Cash and cash equivalents	128,423	58,073

Deposits with banks earn interest at floating rates based on daily bank deposit rates. Time deposits were made for a period over three months (2014: three months) depending on the immediate cash requirement of the Group and earned fixed-rate interest at 2.75% per annum (2014: 4.45% per annum).

Included in bank and cash balance of the Group is an aggregate amount of approximately HK$126,664,000 (2014: HK$57,226,000), which represented Renminbi ("RMB") deposits placed with banks in Mainland China.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks which are authorised to conduct foreign exchange business.

23. TRADE PAYABLES

Based on invoice dates, the aging analysis of the trade payables is as follows:

	2015 **HK$'000**	2014 HK$'000
0–90 days	**57,656**	34,849
91–180 days	**3,004**	1,668
181–270 days	**2,477**	1,497
271–360 days	**932**	158
Over 360 days	**8,557**	8,770
	72,626	46,942

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of their fair value.

24. OTHER PAYABLES AND ACCRUALS

In last financial year, the deferred government grant amounting to RMB11,600,000 (equivalent to approximately HK$14,580,000) has been recognised as "other operating income" upon those prescribed conditions were satisfactorily fulfilled (note 5(b)) and the remaining deferred government grant amounting to RMB1,450,000 (equivalent to approximately HK$1,799,000) was derecognised upon disposal of subsidiaries (note 34).

All amounts are short term and hence the carrying values of the Group's other payables and accruals are considered to be a reasonable approximation of fair value.

25. LOAN TO/AMOUNT(S) DUE TO ULTIMATE HOLDING COMPANY/A DIRECTOR/ A SHAREHOLDER/ASSOCIATES

(a) Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

(b) Amount due to a shareholder

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

25. LOAN TO/AMOUNT(S) DUE TO ULTIMATE HOLDING COMPANY/A DIRECTOR/ A SHAREHOLDER/ASSOCIATES (Continued)

(c) Loan to/Amount due to ultimate holding company

	2015 **HK$'000**	2014 HK$'000
Non-current assets		
Loan to ultimate holding company	**1,370,557**	1,466,005
Non-current liabilities		
Amount due to ultimate holding company	**(85,517)**	(37,018)

Loan to ultimate holding company

On 29 May 2009, the Group entered into a loan agreement with its ultimate holding company to advance a loan of HK$1,645,530,000 which bore interest at 6.00% per annum and would be repayable on or before 29 June 2011 and was secured by a share mortgage.

On 20 May 2011, loan extension agreement in respect of the loan agreement dated 29 May 2009 was signed and was conditional upon its ultimate holding company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2011. It was agreed that the repayment date for the outstanding principal to be extended for two years to 29 June 2013 and the loan was secured by a share mortgage.

On 9 May 2013, loan extension agreement in respect of the loan agreement dated 29 May 2009 was signed and was conditional upon its ultimate holding company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2013. It was agreed that the repayment date for the outstanding principal to be extended for two years to 29 June 2015 and the loan was secured by share mortgage of a fellow subsidiary. The rate of interest applicable to the outstanding principal amount of the loan during the extension period is 7.50% per annum.

25. LOAN TO/AMOUNT(S) DUE TO ULTIMATE HOLDING COMPANY/A DIRECTOR/ A SHAREHOLDER/ASSOCIATES (Continued)

(c) Loan to/Amount due to ultimate holding company (Continued)

Loan to ultimate holding company (Continued)

On 30 April 2015, loan extension agreement in respect of the loan agreement dated 29 May 2009 was signed and was conditional upon its ultimate holding company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2015. It was agreed that the repayment date for the outstanding principal to be extended for two years to 29 June 2017 and the loan was secured by a share mortgage of Nan Hai Development Limited, a wholly-owned subsidiary of Nan Hai. The rate of interest applicable to the outstanding principal amount of the loan during the extension period is 8.00% per annum.

As at 31 December 2015, approximately HK$1,317,149,000 (2014: HK$1,317,149,000) was interest bearing at 8.00% (2014: 7.50%) per annum, and the remaining balance was interest-free.

Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest-free and repayable after one year (2014: repayable after one year).

(d) Amounts due to associates

The amount of HK$5,499,000 (2014: HK$5,499,000) is unsecured, interest-free and repayable on demand. The remaining amount of HK$4,178,000 (2014: Nil) is unsecured, interest-free and repayable on or before 28 March 2016.

26. BANK BORROWINGS, SECURED

At 31 December 2015, all of the bank borrowings, which are denominated in RMB, are repayable within one year.

At 31 December 2015, the bank borrowings' interest rate profiles are as follows:

	2015 HK$'000	2014 HK$'000
Floating rates — ranging from 4.40% to 5.98% (2014: 7.20%) per annum	**138,491**	19,995
Fixed rates — ranging from 5.05% to 6.50% (2014: 6.00% to 7.80%) per annum	**107,330**	293,552

The carrying amounts of the borrowings approximate their fair value.

27. FINANCE LEASE LIABILITIES

(a) Total minimum lease payments is as follows:

	2015	2014
	HK$'000	HK$'000
Due within one year	**364**	476
Due in the second year	**364**	364
Due in the third to fifth years	**77**	440
	805	1,280
Future finance charges on finance lease	**(48)**	(93)
Present value of finance lease liabilities	**757**	1,187

(b) The present value of finance lease liabilities is as follows:

	2015	2014
	HK$'000	HK$'000
Due within one year, included under current liabilities	**336**	431
Due within second year, included under non-current liabilities	**350**	336
Due in the third to fifth years, included under non-current liabilities	**71**	420
	757	1,187

The Group has entered into finance leases for item of a motor vehicle and two photocopiers (2014: two motor vehicles and two photocopiers) with remaining lease terms of three to four years (2014: one to five years). Interest rates under the leases are ranging from 2.40% to 3.33% (2014: 2.40% to 3.33%) per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying asset where the lessor has the rights to revert in event of default. The carrying amount of the finance lease liabilities are denominated in Hong Kong dollars and approximates their fair values.

28. DEFERRED TAX LIABILITIES

At 31 December 2015, the movement on the deferred tax liabilities are as follows:

	Revaluation of intangible assets	
	2015	2014
	HK$'000	HK$'000
At the beginning of the year	**8,906**	10,239
Charge to profit or loss (note 9)	**(985)**	(1,088)
Exchange realignment	**(367)**	(245)
At the end of the year	**7,554**	8,906

At 31 December 2015, the Group has unrecognised deferred tax asset arising from tax losses of the subsidiaries operating in Hong Kong and in Mainland China of approximately HK$6,241,000 and HK$373,649,000 (2014: HK$6,095,000 and HK$353,120,000) respectively. The tax effect of unrecognised deferred tax assets amounted to approximately HK$94,442,000 (2014: HK$89,286,000).

Deferred tax asset in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China can be carried forward for 5 years, while tax losses of the companies within the Group operating in Hong Kong can carry forward their tax losses indefinitely under the current tax legislation.

29. SHARE CAPITAL

Authorised

	2015 Number	2015 HK$'000	2014 Number	2014 HK$'000
Ordinary shares of HK$0.01 each				
At beginning of the year	–	–	30,000,000,000	300,000
The concept of authorised share capital was abolished on 3 March 2014 (Note)	–	–	(30,000,000,000)	(300,000)
At end of the year	–	–	–	–

Issued and fully paid

	2015 Number	2015 HK$'000	2014 Number	2014 HK$'000
At beginning of the year	19,914,504,877	240,597	19,914,504,877	199,145
Transfer from share premium account and capital redemption reserve on 3 March 2014 (Note)	–	–	–	41,452
At end of the year	19,914,504,877	240,597	19,914,504,877	240,597

Note:

The Hong Kong Companies Ordinance (Cap. 622) (the "Ordinance") came into effect on 3 March 2014. Under s.135 of the Ordinance, shares in a company do not have a nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company. Following the transitional provisions in the Ordinance, any amount standing to the credit of the share premium account and capital redemption reserve at the beginning of 3 March 2014 became part of the Company's share capital.

The use of share capital from 3 March 2014 is governed by s.149 of the Ordinance. However, the application of the amount transferred from share premium account at the beginning of 3 March 2014 is governed by the transitional provision in s.38 of Schedule 11 to the Ordinance.

30. SHARE OPTION SCHEME

Under the ordinary resolution passed at the annual general meeting on 28 May 2012, the Board adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board. No share options have been granted by the Company since the adoption of the Scheme. There was no share-based compensation expense included in profit or loss for the years ended 31 December 2015 and 2014.

31. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 50 of the financial statements.

Notes:

(a) The Group's capital distribution reserve represents the excess of the credit arising from the reduction of nominal value of ordinary shares and share premium account, over the net assets of a subsidiary distributed during the year ended 31 December 2005.

(b) The Group's general reserve includes capital reserve arising from acquisitions of subsidiaries in prior years and statutory reserves.

Subsidiaries of the Company established in Mainland China are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve until the reserve reaches 50% of their respective capital, upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000 (note a)	Retained profits HK$'000 (note b)	Total HK$'000
At 1 January 2014	39,194	2,258	79,579	1,032,881	1,153,912
Transfer upon abolition of nominal value of shares on 3 March 2014	(39,194)	(2,258)	–	–	(41,452)
Profit for the year	–	–	–	4,041	4,041
At 31 December 2014 and 1 January 2015	–	–	79,579	1,036,922	1,116,501
Loss for the year	–	–	–	(463,304)	(463,304)
At 31 December 2015	–	–	79,579	573,618	653,197

Notes:

(a) The Company's general reserve includes capital reserve arising from acquisitions of subsidiaries in prior years.

(b) Included in the Company's retained profits is an amount of approximately HK$28,957,000 (2014: approximately HK$53,238,000) which represents the balance of the special reserve arising from the Company's capital reduction effected in a prior year.

According to the court order dated 21 June 2001 confirming the Company's capital reduction, the Company was required to credit a sum arising from the capital reduction to a special reserve which cannot be treated as realised profit as long as (a) the outstanding liabilities of the Company as at the effective date of the capital reduction (i.e. the "Relevant Debts") are not fully discharged; and (b) the persons to whom the Relevant Debts are due have not agreed otherwise.

32. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,006**	2,316
Interests in subsidiaries		**105,721**	105,721
Available-for-sale financial assets		**324**	324
Loan to ultimate holding company		**323,913**	346,471
		436,964	454,832
Current assets			
Amounts due from subsidiaries		**1,092,393**	1,426,574
Deposits, prepayments and other receivables		**60,865**	60,337
Tax recoverable		**854**	–
Cash and cash equivalents		**1,009**	247
		1,155,121	1,487,158
Current liabilities			
Other payables and accruals		**4,456**	4,831
Provision for tax		**–**	743
Amounts due to subsidiaries		**505,179**	405,047
Amount due to a director		**158,069**	158,069
Finance lease liabilities		**29**	29
		667,733	568,719
Net current assets		**487,388**	918,439
Total assets less current liabilities		**924,352**	1,373,271

32. THE COMPANY'S STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current liabilities			
Amount due to ultimate holding company		**30,485**	16,071
Finance lease liabilities		**73**	102
		30,558	16,173
Net assets		**893,794**	1,357,098
EQUITY			
Share capital	29	**240,597**	240,597
Reserves	31	**653,197**	1,116,501
Total equity		**893,794**	1,357,098

Yu Pun Hoi
Director

Chen Dan
Director

33. NON-CONTROLLING INTERESTS

	2015 HK$'000	2014 HK$'000
At 1 January	**25,539**	31,705
Loss for the year	**(1,818)**	(2,886)
Released on disposal and dissolution of a subsidiary (note 34)	**–**	(2,847)
Net exchange differences	**(1,116)**	(433)
As at 31 December	**22,605**	25,539

The non-controlling interests of the subsidiaries that are not 100% owned by the Group are considered to be immaterial.

34. DISPOSAL AND DISSOLUTION OF SUBSIDIARIES

There was no disposal and dissolution of subsidiaries during the year of 2015.

In the year of 2014, the Group entered into sale and purchase agreement to dispose of 51.69% equity interests in a subsidiary, namely 北京共創開源軟件有限公司, to an independent third party at a consideration of approximately HK$62,000. The disposal was completed on 28 May 2014. In addition, two wholly-owned subsidiaries were dissolved in last year. The carrying amounts of the net liabilities of these subsidiaries at the date of disposal and dissolution were as follows:

	2014 HK$'000
Net liabilities disposed of:	
Cash and cash equivalents	1
Other payables and accruals (including deferred government grants (note 24))	(1,818)
Non-controlling interests (note 33)	(2,847)
	(4,664)
Exchange reserve released on disposal and dissolution	12,576
Loss on disposal and dissolution of subsidiaries	(7,850)
Total consideration	62
Satisfied by:	
Cash	62

34. DISPOSAL AND DISSOLUTION OF SUBSIDIARIES (Continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries was as follows:

	2014 HK$'000
Net cash inflow arising on the disposal and dissolution of subsidiaries	
Cash consideration received	62
Cash and cash equivalents disposed of	(1)
	61

35. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2015, other interest income amounting to approximately HK$15,346,000 (2014: Nil) in relation to loan to ultimate holding company was dealt through the current amount with the ultimate holding company.

(b) During the year ended 31 December 2014, non-current deposits and other receivables of the Group amounting to approximately HK$1,402,000 were transferred to property, plant and equipments.

(c) During the year ended 31 December 2014, the Group entered into finance lease arrangements in respect of certain assets with a total capital value of approximately HK$1,347,000 at the inception of the lease.

36. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO 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 the trustees.

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total costs charged to the consolidated income statement amounting to HK$57,803,000 (2014: HK$63,004,000) represent contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

37. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) are as follows:

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2015				
Executive directors				
YU Pun Hoi	–	132	6	138
CHEN Dan	–	439	–	439
LIU Rong	–	–	–	–
Non-executive directors				
WANG Gang	120	–	–	120
LAM Bing Kwan	60	–	–	60
Independent non-executive directors				
Prof. JIANG Ping	158	–	–	158
FUNG Wing Lap	120	–	–	120
HU Bin#	134	–	–	134
	592	571	6	1,169

Resigned as independent non-executive director with effect from 3 February 2016

37. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2014				
Executive directors				
YU Pun Hoi	–	120	6	126
CHEN Dan	–	449	–	449
LIU Rong	–	–	–	–
Non-executive directors				
WANG Gang	120	–	–	120
LAM Bing Kwan	60	–	–	60
Independent non-executive directors				
Prof. JIANG Ping	152	–	–	152
FUNG Wing Lap	120	–	–	120
HU Bin	150	–	–	150
	602	569	6	1,177

37. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included one (2014: one) director, details of whose emoluments are set out above. The emoluments of the remaining four (2014: four) employees are as follows:

	2015 **HK$'000**	2014 HK$'000
Basic salaries, other allowances and benefits in kind	**1,717**	1,554
Pension contributions	**267**	265
	1,984	1,819

The emoluments of the five highest paid individuals, other than a director (2014: a director), fell within the following band:

Emolument band	**Number of individuals** **2015**	2014
Nil–HK$1,000,000	**4**	4

During the years ended 31 December 2015 and 2014, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Hu Bin agreed to waive emoluments of approximately HK$12,000 in respect of the year ended 31 December 2015. None of the directors have waived or agreed to waive any emoluments in respect of the year ended 31 December 2014.

38. COMMITMENTS

(a) Capital commitments

At 31 December 2015, the Group had outstanding capital commitments as follows:

	2015 HK$'000	2014 HK$'000
Contracted but not provided for in respect of — renovation work	**68,581**	99,634

(b) Operating lease commitments

At 31 December 2015, total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**36,572**	35,125
In the second to fifth years	**29,118**	30,622
	65,690	65,747

The Group leases a number of properties under operating leases. The leases of the Group run for an initial period of one to five years (2014: one to five years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of the leases includes any contingent rentals.

39. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	2015 **HK$'000**	2014 HK$'000
An associate (Note)	**17,799**	17,126
Third parties (Note)	**18,904**	43,185
	36,703	60,311

Note:

In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro Unibank (branded as BDO) (formerly known as Equitable PCI Bank Inc. and then as Banco de Oro-EPCI Inc.) ("Banco Unibank"). The loan was secured by a guarantee executed by the Company ("Banco Unibank Guarantee"), and by share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as more particularly set out in note 41, the Group is not able to obtain updated indebtedness information from Banco Unibank. Given the foregoing limitation, it is estimated that the outstanding balance of the total indebtedness owing to Banco Unibank was approximately US$2,296,000 (equivalent to approximately HK$17,799,000) by reference to the unaudited financial statements of the associate as at 31 December 2015.

In addition to the Banco Unibank Guarantee, the Company executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. has been controlled by a third party. Therefore, the Group is not able to obtain any updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"). Given the foregoing limitation, it is estimated that the ICBC Indebtedness was approximately US$2,439,000 (equivalent to approximately HK$18,904,000) by reference to the published financial information of Acesite Phils. as at 31 December 2015.

40. CREDIT FACILITIES

As at 31 December 2015, the Group's credit facilities were secured by the following:

(a) charge over interest in prepaid land lease payments under operating leases (note 14) with a net carrying value of approximately HK$24,615,000 (2014: HK$26,314,000);

(b) charge over certain buildings (note 13) with a net carrying value of approximately HK$580,958,000 (2014: HK$610,971,000); and

(c) charge over certain intangible assets (note 19) with a net carrying value of approximately HK$3,146,000 (2014: HK$4,479,000).

41. PENDING LITIGATIONS

(a) In respect of the purported sale of the Philippines Shares, which were mortgaged by Acesite Limited ("Acesite"), by Banco Unibank, to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of the Company; Evallon Investment Limited, a wholly-owned subsidiary of the Company; Mr. Yu, the chairman and executive director of both the Company and Nan Hai, the holding company of the Company; and, South Port Development Limited, a former wholly-owned subsidiary of the Company as first, second, third and fourth plaintiff respectively issued a claim against Banco Unibank and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006 ("Case"). The case is still in progress and no date has been fixed for trial.

(b) Dadi Media, a wholly-owned subsidiary of the Company as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited (now known as 數碼慧谷置業管理股份有限公司), a subsidiary of the Company, for the sum of HK$27,750,498 together with interest thereon and costs in May 2004 under High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media under High Court Number HCA2892 of 2004, for (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

The Group, after discussion with legal advisers, considered that it would not incur a material outflow of resources as a result of the above matters.

42. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel which represents amounts paid to the Company's directors as disclosed in note 37.

Included in other interest income of HK$105,865,000 (2014: HK$102,557,000), amount of HK$102,124,000 (2014: HK$98,786,000) was interest income from ultimate holding company in which Mr. Yu Pun Hoi has 52.58% beneficial interests.

Included in the rental income of HK$11,843,000 (2014: HK$12,722,000), amount of HK$2,120,000 (2014: HK$1,086,000) and HK$1,107,000 (2014: Nil) were rental income from certain subsidiaries of Nan Hai in which Mr. Yu Pun Hoi has 52.58% beneficial interests and companies in which Ms. Liu Rong has 75.50% to 80.00% beneficial interests respectively.

43. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in notes 25(c) and 42, no transactions, arrangements, or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted during the financial year.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Board from time to time identifies ways to access financial markets and monitors the Group's financial risk exposures.

44.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2015 HK$'000	2014 HK$'000 (Re-presented)
Financial assets		
Available-for-sale financial assets	**324**	324
Loans and receivables:		
— Loan to ultimate holding company	**1,370,557**	1,466,005
— Trade receivables	**67,687**	19,462
— Other receivables	**185,743**	186,626
Time deposits maturing over three months	**12**	625
Cash and cash equivalents	**128,423**	58,073
	1,752,746	1,731,115
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade payables	**72,626**	46,942
— Other payables and accruals	**67,156**	119,506
— Amount due to ultimate holding company	**85,517**	37,018
— Amount due to a director	**14,898**	7,858
— Amount due to a shareholder	**1**	1
— Amounts due to associates	**9,677**	5,499
— Bank borrowings	**245,821**	313,547
— Finance lease liabilities	**757**	1,187
	496,453	531,558

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

44.2 Currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency exchange rates in Renminbi is minimal as majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated and settled in Renminbi. The Group currently does not have a hedging policy on currency risk but the management would consider hedging significant foreign currency exposure should the need arise.

The policies to manage currency risk have been followed by the Group since prior years and are considered to be effective.

44.3 Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank borrowings carrying interests at variable rates and cash and cash equivalents. Borrowings and cash and cash equivalents carried at variable rates expose the Group to cash flow interest rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank borrowings and cash and cash equivalents of the Group are disclosed in notes 26 and 22 respectively. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

Cash flow interest rate risk sensitivity

At 31 December 2015, the Group was exposed to changes in market interest rates through its cash and cash equivalents and bank borrowings, which are subject to variable interest rates. The following table illustrates the sensitivity of the profit/(loss) for the year and retained earnings to a change in interest rates of +50 basis points and -50 basis points (2014: +50 basis points and -50 basis points), with effect from the beginning of the year. The calculations are based on the Group's bank borrowings and bank balance held at each reporting date. All other variables are held constant.

	2015 **HK$'000**	2014 HK$'000
If interest rates were 50 basis points (2014: 50 basis points) higher		
Decrease in profit (2014: Decrease in loss) for the year	**(56)**	195
If interest rates were 50 basis points (2014: 50 basis points) lower		
Increase in profit (2014: Increase in loss) for the year	**56**	(195)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

44.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2015, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation and financial guarantees provided by the Group is arising from:

— carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

— the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 39.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables regularly at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 21 and 20 respectively.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

44.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the Board, the Group should have adequate resources to meet its obligations in the forthcoming year on the basis as set out in note 2.1 to these financial statements.

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2015					
Trade payables	72,626	72,626	72,626	–	–
Other payables and accruals	67,156	67,156	67,156	–	–
Amount due to ultimate holding company	85,517	85,517	–	85,517	–
Amount due to a director	14,898	14,898	14,898	–	–
Amount due to a shareholder	1	1	1	–	–
Amounts due to associates	9,677	9,677	9,677	–	–
Bank borrowings	245,821	248,171	248,171	–	–
Finance lease liabilities	757	805	364	364	77
	496,453	498,851	412,893	85,881	77
Financial guarantee issued Maximum amount guaranteed (note 39)	–	36,703	36,703	–	–

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

44.5 Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2014 (Re-presented)					
Trade payables	46,942	46,942	46,942	–	–
Other payables and accruals	119,506	119,506	119,506	–	–
Amount due to ultimate holding company	37,018	37,018	–	37,018	–
Amount due to a director	7,858	7,858	7,858	–	–
Amount due to a shareholder	1	1	1	–	–
Amount due to an associate	5,499	5,499	5,499	–	–
Bank borrowings	313,547	324,383	324,383	–	–
Finance lease liabilities	1,187	1,280	476	364	440
	531,558	542,487	504,665	37,382	440
Financial guarantee issued Maximum amount guaranteed (note 39)	–	60,311	60,311	–	–

44.6 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: cash and cash equivalents, time deposits maturing over three months, trade receivables and payables, other receivables and payables, bank borrowings, amount(s) due to a director/a shareholder/associates. Analysis of the interest rates and carrying amounts of loan to/amount due to ultimate holding company and bank borrowings are presented in notes 25(c) and 26 to the financial statements respectively.

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

44.6 Fair value (Continued)

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2015 and 2014				
Asset				
Available-for-sale financial assets	–	324	–	324
Total fair values	–	324	–	324

The fair values of the club debenture are determined with reference to the quoted market bid price available to the second-hand market as at the reporting date. Given that the second hand market is not considered as an active market, the fair values of the club debenture are grouped into Level 2.

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payables to shareholders, issue new shares or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during the current and previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt is calculated as the sum of the bank borrowings and finance lease liabilities less cash and bank balances. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	2015 **HK$'000**	2014 HK$'000
Bank borrowings	**245,821**	313,547
Finance lease liabilities	**757**	1,187
Total debt	**246,578**	314,734
Less: Cash and cash equivalents	**(128,423)**	(58,073)
Time deposits maturing over three months	**(12)**	(625)
Net debt	**118,143**	256,036
Total equity	**1,763,834**	1,734,484
Total equity plus net debt	**1,881,977**	1,990,520
Gearing ratio	**6.28%**	12.86%

46. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year:

(a) The change that has been made to the comparative figures in the consolidated income statement for the year ended 31 December 2014, to be consistent with the presentation in the current year's consolidated income statement, are the branch-related expenditures of approximately HK$106,410,000 being reclassified from "Administrative expenses" to "Selling and marketing expenses".

(b) The change that has been made to the comparative figures in the consolidated statement of financial position for the year ended 31 December 2014, to be consistent with the presentation in the current year's consolidated statement of financial position, are the receipt in advance of approximately HK$164,962,000 being reclassified from "Other payables and accruals" to "Receipt in advance and deferred revenue".

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board on 30 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue (continuing and discontinued operations)	**808,287**	784,763	683,401	659,106	824,350
Profit/(Loss) for the year	**46,052**	(118,249)	(30,376)	(63,948)	(183,462)
Less: Non-controlling interests	**(1,818)**	(2,886)	(1,567)	(4,036)	(26,091)
Profit/(Loss) attributable to the owners of the Company	**47,870**	(115,363)	(28,809)	(59,912)	(157,371)
Total assets	**2,563,714**	2,556,056	2,604,610	2,596,528	2,464,118
Total liabilities	**(799,880)**	(821,572)	(753,096)	(729,823)	(537,184)
	1,763,834	1,734,484	1,851,514	1,866,705	1,926,934

中国数码

Sino-i Technology Limited

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