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Futong Technology Development Holdings Limited

富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2015 amounted to approximately RMB2,558.7 million (2014: approximately RMB3,101.3 million), a decrease of approximately 17.5% as compared with the corresponding period in 2014.
- Profit attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately RMB23.7 million (2014: approximately RMB34.4 million), a decrease of approximately 31.1% as compared with the corresponding period in 2014.
- Basic earnings per share for the year ended 31 December 2015 amounted to approximately RMB0.08 (2014: approximately RMB0.11).
- The Board recommends the payment of a final dividend of HK2.8 cents per share for the year ended 31 December 2015 (2014: HK4.0 cents per share).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Futong Technology Development Holdings Limited (the "**Company**") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015 together with comparative audited figures for the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

		At 31 December	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment	*12*	**27,762**	29,050
Other intangible assets		**2,509**	—
Interest in associates		**11,724**	13,993
Deferred tax assets		**36,097**	23,232
Total non-current assets		**78,092**	66,275
Current assets			
Inventories		**360,680**	271,019
Trade and other receivables	*13*	**831,230**	1,169,550
Short term investments	*14*	**—**	42,550
Pledged deposits		**167,472**	218,888
Bank balances and cash		**341,823**	278,414
Total current assets		**1,701,205**	1,980,421
Current liabilities			
Trade and other payables	*15*	**740,820**	737,311
Bank borrowings		**463,331**	748,356
Tax payable		**3,399**	2,689
Total current liabilities		**1,207,550**	1,488,356
Net current assets		**493,655**	492,065
NET ASSETS		**571,747**	558,340
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**538,667**	524,892
Attributable to owners of the Company		**566,082**	552,307
Non-controlling interests		**5,665**	6,033
TOTAL EQUITY		**571,747**	558,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after a date to be determined
6 Effective for annual periods beginning on or after 1 January 2017

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

IFRS 9 *Financial Instruments*

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

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

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

IFRS 9 *Financial Instruments* *(Continued)*

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 9. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

IFRS 9 *Financial Instruments* *(Continued)*

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

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

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

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

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

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

3. STATEMENT OF COMPLIANCE

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

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

4. BASIS OF PREPARATION

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

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

5. REVENUE

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

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Sales of goods	**2,254,533**	2,827,869
Provision of services	**304,130**	273,429
	2,558,663	3,101,298

6. SEGMENT REPORTING

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

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

The Group's customer base is diversified and there are no customers whose transactions have exceeded 10% of the Group's revenue in 2015 and 2014.

7. OTHER INCOME, GAINS AND OTHER LOSSES

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

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

8. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

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

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

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

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

(c) Other items:

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

9. INCOME TAX EXPENSES

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

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

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(iii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(iv) During the current year, a subsidiary of the Group operating in China has received a tax notice from relevant tax authority for suspending its entitlement to the preferential income tax rate of 15% that was originally applicable to calendar year 2014 onwards. According to the notice, the subsidiary has made additional provision of RMB2,618,000 for income tax using income tax rate of 25% for the calendar year 2014 and calculated income tax using income tax rate of 25% for the calendar year 2015. And the subsidiary has recognised an addition of RMB9,025,000 to deferred income tax assets due to the change of tax rate. The subsidiary has filed lawsuits against the relevant tax authorities.

10. DIVIDENDS

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

Subsequent to the end of the reporting period, a final dividend of HK2.8 cents (approximately equivalent to RMB2.3 cents) per share in respect of the year ended 31 December 2015 (2014: final dividend of HK4.0 cents (approximately equivalent to RMB3.2 cents) per share), totaling approximately HK$8,715,000 (approximately RMB7,089,000) (2014: HK$12,450,000 approximately RMB10,127,000) based on the total number of issued ordinary shares as at the date of issuance of these consolidated financial statements, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS PER SHARE

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

	2015	2014
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share	**23,674**	34,363
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share	**311,250**	311,250

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

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2015, the Group spent RMB5,062,000 (2014: RMB4,716,000) to acquire leasehold improvements, furniture, fittings and equipment.

13. TRADE AND OTHER RECEIVABLES

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

Notes:

(i) Prepayments consist of advance payments made to suppliers for purchases of inventory and other prepaid expenses.

(ii) Deposits consist of bidding deposits, utilities and rental deposits. Bidding deposits are deposits placed upon bidding of sales contracts and are refundable to the Group regardless of the outcome of the bids.

(iii) Aging analysis

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

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

14. SHORT TERM INVESTMENTS

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

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

At 31 December 2015, the carrying amount of structured deposits which have been pledged as security for the borrowing is nil (31 December 2014: 42,550,000).

15. TRADE AND OTHER PAYABLES

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

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

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

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

15. TRADE AND OTHER PAYABLES *(Continued)*

(b) Bills payable are normally issued with a maturity of not more than 120 days. The bills payable were secured by leasehold land and buildings with carrying amount of RMB18,859,000 (2014: RMB19,654,000) and pledged deposit of RMB90,001,000 (2014: RMB90,668,000) as at 31 December 2015. The available unutilised facility for issuance of bills at 31 December 2015 was approximately RMB121,686,000 (2014: RMB137,957,000).

(c) The average credit period on purchases of goods was 30-90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Sales of IBM's products

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

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

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

Sales of Huawei's products

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

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the year ended 31 December 2015, sales of Oracle's products and related services amounted to approximately RMB313.9 million (2014: approximately RMB429.0 million), a decrease of approximately 26.8% as compared with last year. These sales accounted for approximately 12.3% of the Group's total revenue (2014: approximately 13.8%).

Sales of other products

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

Provision of services

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

FINANCIAL REVIEW

Revenue

For the year under review, the revenue of the Group amounted to approximately RMB2,558.7 million (2014: approximately RMB3,101.3 million), a decrease of approximately 17.5% as compared to the corresponding period in 2014. It was mainly due to the decrease in sales of products of IBM, Oracle, EMC and Apple, nevertheless, while the considerable increase in sales of Huawei's products has helped offset to some extent the revenue drop. The management expected that in the aftermath of the PRC Government's policies of encouraging the use of domestic-branded IT products, these products will continue featuring more prominently in the sales mix of the Group.

Gross profit

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

Other income, other gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expenses

With reference to the tax issue mentioned in the 2015 interim report under the section "Management Discussion and Analysis" with heading "Income Tax Expenses", Beijing Futong Dongfang Technology Co., Ltd. ("**Futong Dongfang**"), a PRC subsidiary of the Company, has received a notice of tax matter dated 27 May 2015 issued from the relevant tax authority in China for suspending its entitlement to the preferential income tax rate of 15% that was obtained in December 2014 when the qualification of Advanced and New Technology Enterprises of Futong Dongfang was restored on 12 December 2014 and originally applicable to calendar year 2014 onwards for the three consecutive years. Subsequently, Futong Dongfang has filed five lawsuits during the year under review, against the relevant tax authorities (a) to revoke the Notice of Tax Matters dated 22 April 2014 issued from Beijing City National Tax Bureau of Haidian District which claimed that Futong Dongfang has obtained false special value-added tax invoices from one vendor for offsetting tax during the period 2009 to 2010, and to recover the penalty and extra corporate income tax paid by Futong Dongfang as a result of such incident (the "**Penalty and Extra Tax**"); and (b) to request reinstating its entitlement to the preferential income tax rate of 15% and all other related matters. On 1 February 2016, the relevant court has issued notices of administrative decision and notices of administrative compensation decision, informing Futong Dongfang that owing to the occurrence of certain circumstances which resulted in suspension of the legal proceedings during the process of the legal proceedings, the cases have been suspended. Futong Dongfang will continue to negotiate with the relevant tax authorities to recover the Penalty and Extra Tax, and to reinstate its entitlement to the preferential income tax rate. Further disclosures related to this tax issue are set out in note 9(iv) and note 16 to the financial statements.

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

Profit for the year attributable to owners of the Company

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

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2015, the Group had total assets of approximately RMB1,779.3 million and net assets of approximately RMB571.7 million (31 December 2014: approximately RMB2,046.7 million and approximately RMB558.3 million, respectively). The Group's bank balances and cash amounted to approximately RMB341.8 million as at 31 December 2015 (approximately RMB278.4 million as at 31 December 2014). As at 31 December 2014, the Group had invested in certain principal guaranteed short-term investments amounting to approximately RMB42.6 million which has been pledged to obtain short-term bank borrowings, while there was no such short-term investments as at 31 December 2015. Bank borrowings amounted to approximately RMB463.3 million (31 December 2014: approximately RMB748.4 million). Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 31 December 2015, approximately 7.2% (31 December 2014: approximately 7.0%) of total bank borrowings were at fixed interest rates.

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

Pledge of Assets

As at 31 December 2015, certain assets of the Group with carrying value of approximately RMB186.3 million (31 December 2014: approximately RMB281.1 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

Net Debt-To-Capital Ratio

The Group's net debt-to-capital ratio as at 31 December 2015 was approximately 9.3% (as at 31 December 2014 was 54.7%). This ratio was calculated as total bank borrowings less bank balances and cash, relevant pledged deposits and short-term investments divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

To determine the identity of shareholders who are entitled to attend and vote at the 2016 AGM

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

To determine the shareholders' entitlement to the proposed final dividend

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

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

In order to be eligible for attending and voting at the 2016 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2016 AGM of the Company will be held on Friday, 13 May 2016. Notice of 2016 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company and dispatched to the shareholders of the Company in due course.

EMPLOYEES AND REMUNERATION POLICY

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

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 31 December 2015, the Group had used approximately RMB10.7 million for set up of new branch offices, approximately RMB25.5 million for sourcing new enterprise IT products, approximately RMB15.3 million for establishment and expansion of IT solution support centres, approximately RMB10.2 million for set up of training centers, approximately RMB10.2 million for general working capital purposes of the Group, and approximately RMB1.8 million for the investment in research and development of self-branded software and hardware enterprises IT products. The remaining balance of the net proceeds was placed in bank deposit accounts. The Group will apply the remaining net proceeds in the manner set out in the announcement of the Company dated 11 November 2015 in relation to the change in use of proceeds.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

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

OUTLOOK

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

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

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

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

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

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

CORPORATE GOVERNANCE

During the year ended 31 December 2015, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, except for the deviations from code provision A.2.1 (the "**Code**") during the period from 1 January to 13 November 2015 in which Mr. Chen Jian ("**Mr. Chen**") acted as both the chairman of the Company ("**Chairman**") and chief executive officer of the Company ("**Chief Executive Officer**") until 13 November 2015.

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

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

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions.

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code for the year ended 31 December 2015.

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2015 have been reviewed by its audit committee, which consists of all the three independent non-executive Directors, was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2015 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

For and on behalf of the Board
Futong Technology Development Holdings Limited
Chen Jian
Chairman

Hong Kong, 22 March 2016

As at the date of this announcement, the executive Directors are Mr. Chen Jian and Ms. Zhang Yun; and the independent non-executive Directors are Mr. Lee Kwan Hung, Mr. Yuan Bo and Mr. Ho Pak Tai Patrick.