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 2018

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 2018 together with comparative audited figures for the corresponding period in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*5*	**1,777,113**	3,662,931
Cost of sales and services		**(1,594,960)**	(3,440,894)
Gross profit		**182,153**	222,037
Other income	*6*	**10,550**	9,302
Other losses, net	*6*	**(14,913)**	(23,978)
Selling and distribution expenses		**(94,949)**	(139,469)
Administrative expenses		**(45,740)**	(51,915)
Profit from operations		**37,101**	15,977
Finance costs	*7*	**(13,014)**	(45,263)
Loss on disposal of interests in associates		**(822)**	—
Share of profit/(loss) of associates		**720**	(85)
Profit/(loss) before income tax expense	*8*	**23,985**	(29,371)
Income tax expense	*9*	**(4,574)**	(10,523)
Profit/(loss) and total comprehensive income for the year		**19,411**	(39,894)

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Profit/(loss) and total comprehensive income for the year attributable to:			
Owners of the Company		**19,427**	(39,924)
Non-controlling interests		**(16)**	30
		19,411	(39,894)
Earnings/(loss) per share			
— Basic and diluted (RMB)	*11*	**0.06**	(0.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*12*	**24,588**	26,990
Intangible assets		**1,811**	2,752
Interests in associates		—	6,764
Deferred tax assets		**30,326**	29,033
Total non-current assets		**56,725**	65,539
Current assets			
Inventories		**63,731**	309,443
Trade, bills and other receivables	*13*	**338,038**	906,128
Contract assets		**19,939**	—
Tax recoverable		**946**	—
Pledged deposits		**23,349**	138,468
Bank balances and cash		**390,523**	237,207
Total current assets		**836,526**	1,591,246
Current liabilities			
Trade, bills and other payables	*14*	**159,071**	635,677
Contract liabilities		**155,664**	—
Bank and other borrowings		**30,725**	483,866
Tax payable		—	802
Total current liabilities		**345,460**	1,120,345
Net current assets		**491,066**	470,901
NET ASSETS		**547,791**	536,440
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**515,735**	504,368
Equity attributable to owners of the Company		**543,150**	531,783
Non-controlling interests		**4,641**	4,657
TOTAL EQUITY		**547,791**	536,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Futong Technology Development Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company. The address of the Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Rooms 2406-2412, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**").

The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in provision of enterprise IT infrastructure products and services. There were no significant changes in the business during the year.

As at 31 December 2018, the Company's immediate and ultimate parent is China Group Associates Limited which was 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.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Adoption of new/revised IFRSs — effective 1 January 2018

Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 28, Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these new and amended IFRSs did not result in substantial changes to the Group's accounting policies and had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

A. IFRS 9 - Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profit as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profit	
Retained profit as at 31 December 2017	349,474
Increase in expected credit losses ("**ECLs**") in trade and bills receivables and contract assets *(note 2.1A(ii)(a))*	(10,006)
Effect of deferred tax as result of increase in ECLs	1,892
Restated retained profit as at 1 January 2018	341,360

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss ("**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, IFRS 9 retains the requirements in IAS 39 for de-recognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Accounting policies would be applied to the Group's financial assets as follows:

Amortised costs	These are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	These are subsequently measured at fair value. Interest income calculated using effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount as at 1 January 2018 under IAS 39** *RMB'000*	**Carrying amount as at 1 January 2018 under IFRS 9** *RMB'000*
Trade receivables	Loans and receivables *(note 2.1A(ii)(a))*	Amortised cost	772,840	762,834
Bills receivables *(note)*	Loans and receivables *(note 2.1A(ii)(a))*	Debt instruments at FVOCI	60,378	60,378
Other receivables	Loans and receivables *(note 2.1A(ii)(b))*	Amortised cost	44,449	44,449
Pledged deposits	Loans and receivables	Amortised cost	138,468	138,468
Bank balances and cash	Loans and receivables	Amortised cost	237,207	237,207

Note:

In managing the liquidity, the Group discounted part of its bills receivables with full recourse to financial institutions. The Group manages such bills receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. Therefore, at 1 January 2018, bills receivables of RMB60,378,000 is reclassified from loans and receivables to financial asset measured at FVOCI upon the adoption of IFRS 9, with fair value gains or losses accumulated in reserve and reclassified to profit or loss when they are derecognised. However, the directors of the Company assessed that the fair value of bills receivables approximated their carrying amounts given all bills receivables have a short maturity, and therefore no adjustment was made to the carrying amounts as at 1 January 2018.

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "ECLs model". IFRS 9 requires the Group to recognised ECLs for trade and bills receivables, financial assets at amortised costs and contract assets earlier than IAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured based on the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade, bills and other receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade and bills receivables and contract assets

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which adopts lifetime ECLs for all trade and bills receivables and contract assets. To measure ECLs, trade and bills receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. The contract assets have substantially the same risk as the trade and bills receivables. Loss allowance as at 1 January 2018 was determined as follows for trade and bills receivables and contract assets:

1 January 2018	Current	Less than 30 days past due	More than 30 days past due	More than 90 days past due	More than 12 months past due	Total
ECL rate (%)	0.10%	0.28%	1.07%	6.43%	13.12%	
Gross carrying amount (RMB'000)	610,728	74,927	58,037	47,490	42,036	833,218
Loss allowance (RMB'000)	608	208	622	3,052	5,516	10,006

The increase in loss allowance for trade and bills receivables and contract assets upon the transition to IFRS 9 as of 1 January 2018 were RMB6,599,000 and RMB3,407,000, respectively. These decreased by RMB3,985,000 for trade and bills receivables and decreased by RMB2,738,000 for contract assets during the year ended 31 December 2018.

(b) Impairment of other receivables

The Group concluded that the impact of ECLs on the Group's other receivables at amortised cost as at 1 January 2018 is insignificant.

As a result of the above changes, the impact of the new IFRS 9 impairment model results in additional impairment allowance as follows:

	RMB'000	*RMB'000*
Allowance as at 1 January 2018 under IAS 39		**62,443**
Impairment recognised for trade and bills receivables in respect of ECLs	**6,599**	
Impairment recognised for contract assets in respect of ECLs	**3,407**	**10,006**
Allowance as at 1 January 2018 under IFRS 9		**72,449**

(iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained profit as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application ("**DIA**") of IFRS 9:

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained profit at the date of initial application (that is, 1 January 2018).

The Group has assessed the impacts of adopting IFRS 15 on its financial statements. Based on the assessment, the adoption of IFRS 15 has no significant impact on the Group's revenue recognition.

As a result, the financial information presented for 2017 is not restated.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Enterprise IT products	The Group has determined that for contracts with customers under sales of enterprise IT products, as there may be one or more than one promises, which include the provision of warranty services, the Group has determined that the warranty is assurance-type and thus the Group concludes that the services should not be accounted for under IFRS 15. For the performance obligation related to sales of enterprise IT products, the Group determines that customers obtain control of the enterprise IT products when the goods are delivered to and have been accepted. Revenue from these contracts are thus recognised upon when the customers accepted the enterprise IT products. Invoices are issued according to contractual terms and are usually payable within 30 to 90 days. Uninvoiced amounts are presented as contract assets. Consideration received in advance from customers for obligation to transfer the enterprise IT products are presented as current liabilities.	**Impact** IFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of IFRS 15, the Group has made reclassification from trade, bills and other receivables to contract assets since under IFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise this as a contract asset. The Group has also made reclassification from trade, bills and other payables to contract liabilities since under IFRS 15, if there is any obligation to transfer goods to a customer for which the entity has received consideration from a customer, an entity should recognise a contract liability.

Note	Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(b)	Provision of services	The Group has determined that the customers simultaneously receives and consumes the benefits of the Group's performance and thus the Group concludes that the services should be recognised overtime. Revenue is recognised over time as those services are provided. Invoices for provision of services are issued on a monthly basis and are usually payable within 30 to 90 days.	**Impact** IFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of IFRS 15, the Group has made reclassification from trade, bills and other receivables to contract assets since under IFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise this as a contract asset. The Group has also made reclassification from trade, bills and other payables to contract liabilities since under IFRS 15, if there is any obligation to transfer goods to a customer for which the entity has received consideration from a customer, an entity should recognise a contract liability.

As of 1 January 2018, an increase in contract assets of RMB206,944,000 and a decrease in trade, bills and other receivables of the same amount were recognised whereas an increase in contract liabilities of RMB183,952,000 and a decrease in trade, bills and other payables of the same amount were recognised.

C. Amendments IFRS 15 - Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this first year.

2.2 New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, 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. The Group's current intention is to apply these changes on the date they become effective.

IFRS 16	Leases[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Except for IFRS 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on the adoption of IFRS 16 are described below.

IFRS 16 - Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, the Group's total future minimum lease payments under the non-cancellable operating lease amounted to RMB10.4 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations (hereinafter collectively referred to as "**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The consolidated financial statements have been prepared under historical cost except for bills receivables, which are stated at fair value, at the end of each reporting period.

4. 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 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 customers in the People's Republic of China ("**PRC**"). Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to senior executive management of the Company for the purpose of resources allocation and assessment of performance are same as the amounts reported under IFRSs.

Revenue from customer of the corresponding years contributing over 10% of the Group's total revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**370,598**	*

* Amounts of revenue from corresponding customer were less than 10% of the total revenue for the year ended 31 December 2017.

5. REVENUE

Revenue includes the 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:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customer within the scope of IFRS 15		
Sales of enterprise IT products	**1,281,443**	3,351,279
Provision of services	**495,670**	311,652
	1,777,113	3,662,931

In the following tables, revenue is disaggregated by primary geographical market, major products and service lines and timing on revenue recognition.

	2018	2017
	RMB'000	*RMB'000*
Primary geographical markets:		
PRC	**1,777,113**	3,662,931
Major products/services:		
Enterprise IT products	**1,281,443**	3,351,279
Provision of services	**495,670**	311,652
	1,777,113	3,662,931
Timing of revenue recognition:		
At a point in time	**1,281,443**	3,351,279
Transferred over time	**495,670**	311,652
	1,777,113	3,662,931

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Receivables	**279,681**	616,268
Contract assets *(note 2.1B)*	**19,939**	206,944
Contract liabilities *(note 2.1B)*	**155,644**	183,952

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the sales of enterprise IT products. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

Contract liabilities mainly relate to the advance consideration received from customers. The balance of RMB158,634,000 as of 1 January 2018 has been recognised as revenue during the year from performance obligations satisfied due to the completion of services.

The Group has applied the practical expedient to its sales contracts for enterprise IT products and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for enterprise IT products that had an original expected duration of one year or less.

6. OTHER INCOME AND OTHER LOSSES, NET

	2018	2017
	RMB'000	*RMB'000*
Other income:		
Interest income	**4,652**	2,152
Government grants *(note)*	**4,699**	4,963
Others	**1,199**	2,187
	10,550	9,302
Other losses, net:		
(Loss)/gain on disposals of property, plant and equipment	**(408)**	202
Foreign exchange gains/(losses)	**6,719**	(8,965)
Provision for impairment loss on trade receivables and contract assets, net of reversal	**(18,839)**	(14,047)
Write-off of prepayment to suppliers	**(1,763)**	—
Others	**(622)**	(1,168)
	(14,913)	(23,978)

Note:

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

7. FINANCE COSTS

All balances represent interest on borrowings which are wholly repayable within five years.

8. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is arrived at after charging/(crediting):

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration:		
— Audit service	**1,400**	1,680
— Non-audit service	**214**	200
Amortisation of intangible assets	**941**	941
Cost of inventories recognised as an expense, net of write back of inventories	**1,176,991**	3,159,657
Research and development costs	**6,936**	5,723
Depreciation of property, plant and equipment	**4,821**	4,407
Minimum lease payments paid under operating lease in respect of rented premises	**10,196**	11,630
Staff costs (including directors' emoluments):		
— Salaries and wages	**86,710**	104,355
— Contributions to retirement benefit scheme	**8,580**	11,185
— Equity-settled share-based payment	**54**	372
	95,344	115,912

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. These subsidiaries are required to contribute a 8% to 22% (2017: 9% to 23%) 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% (2017: 5%) of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

Total cost charged to profit or loss of RMB8,580,000 (2017: RMB11,185,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2018. As at 31 December 2018 and 2017, the amount due but not paid to the schemes is insignificant.

9. INCOME TAX EXPENSE

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

	2018 *RMB'000*	2017 *RMB'000*
Current tax — Hong Kong profits tax		
Over provision in respect of prior years	**(11)**	(687)
Current tax — PRC income tax		
Tax for the year	**3,986**	11,542
Deferred tax		
Charged/(credited) for the year	**158**	(332)
Effect of change in tax rate	**441**	—
	4,574	10,523

(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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

(iii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Company's subsidiaries, except for a subsidiary has been granted continuously on a three-year interval with a qualification of high-tech enterprise which entitles this subsidiary a preferential income tax rate of 15% from 2016 and onwards, the tax rate of the Company's subsidiaries in the PRC is 25% in 2018 and 2017.

10. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Dividends recognised as distribution during the year:		
2016 final dividend: HK1.9 cents, equivalent to RMB1.6 cents per share	**—**	5,123

Subsequent to the end of the reporting period, a final dividend of HK2.2 cents (approximately equivalent to RMB1.9 cents) per share in respect of the year ended 31 December 2018, totaling approximately HK$6,848,000 (approximately RMB5,820,000) 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 at the forthcoming annual general meeting.

For the year ended 31 December 2017, the directors did not recommend the payment of a final dividend.

11. EARNINGS/(LOSS) PER SHARE

Calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	2018	2017
	RMB'000	*RMB'000*
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**19,427**	(39,924)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**311,250**	311,250

For the years ended 31 December 2018 and 2017, the computation of diluted earnings/(loss) per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares for the year.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group spent approximately RMB1,934,000 (2017: RMB6,866,000) to acquire leasehold improvements and furniture, fixtures and equipment.

13. TRADE, BILLS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**305,382**	835,283
Less: allowance for doubtful debts	**(48,322)**	(62,443)
	257,060	772,840
Bills receivables *(note)*	**22,621**	60,378
Total trade and bills receivables	**279,681**	833,218
Prepayments	**25,072**	28,461
Deposits	**6,644**	15,297
Other receivables	**26,641**	29,152
	338,038	906,128

Note:

For the year ended 31 December 2018, the Group discounted part of its bills receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged at 3.29% - 6.30% (2017: 4.10% - 4.82%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

The Group manages its bills receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets and hence, they are classified as financial asset measured at FVOCI after adoption of IFRS 9.

The discounting transactions do not meet the requirements in IFRS 9 for de-recognition of financial assets as the Group has not transferred the significant risks and rewards of the discounted bills receivables. At 31 December 2018, bills receivables of RMB9,725,000 (2017: RMB26,068,000) continue to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in bank and other borrowings until the trade debts are collected or the Group settles any losses suffered by the financial institutions. At 31 December 2018, the bank borrowings amounted to RMB9,725,000 (2017: RMB26,068,000). The carrying amount of the transferred assets and their associated liabilities approximates their fair value in 2018.

Because the trade debts have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the trade debts.

For the year ended 31 December 2018, the Group allows an average credit period of 30-90 days (2017: 30-90 days) to its trade customers. For certain major customers such as the state owned enterprises, the credit term which will be negotiated by management individually. The following is an ageing analysis of trade and bills receivables net of allowance for doubtful debts as at the end of each reporting period based on invoice date.

	2018	2017
	RMB'000	*RMB'000*
0-30 days	**55,461**	406,856
31-60 days	**20,475**	113,068
61-90 days	**50,922**	103,604
More than 90 days	**152,823**	209,690
Total	**279,681**	833,218

Ageing of trade and bills receivables which are past due but not impaired is as follows:

	2018	2017
	RMB'000	*RMB'000*
Less than 1 month past due	**12,325**	74,006
1 to 3 months past due	**32,973**	57,856
More than 3 months past due	**21,968**	87,991
Total	**67,266**	219,853

Trade and bills receivables of RMB67,266,000 (31 December 2017: RMB219,853,000) were past due but not impaired as at 31 December 2018. These related to a large number of diversified customers for whom there was no recent history of default. The Group does not hold any collaterals or other credit enhancements over these balances.

The below table reconciles the allowance for doubtful debts for the year:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**62,443**	48,595
Effect of adoption of IFRS 9	**10,006**	—
At beginning of year (restated)	**72,449**	48,595
Impairment losses recognised	**39,450**	14,047
Reversal of impairment loss	**(32,924)**	-
Bad debts written off	—	(199)
Reallocation to contract assets	**(30,903)**	-
Exchange alignment	**250**	-
At end of year	**48,322**	62,443

14. TRADE, BILLS AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**138,969**	325,065
Bills payables	—	109,216
Receipts in advance	—	183,952
Other payables and accruals	**20,102**	17,444
	159,071	635,677

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

Included in trade payables are trade creditors with the following ageing analysis, based on invoice date at the end of reporting period:

	2018	2017
	RMB'000	*RMB'000*
Current or less than 1 month	**67,964**	93,735
1 to 3 months	**33,540**	81,614
More than 3 months	**37,465**	149,716
	138,969	325,065

Bills payables are normally issued with a maturity of not more than 120 days (2017: 120 days). As at 31 December 2017, the bills payables were secured by leasehold land and buildings with carrying amount of RMB17,810,000 and pledged deposit of RMB34,228,000. There is no banking facility for issuance of bills not yet utilised as at 31 December 2018 (2017: RMB280,360,000).

The average credit period on purchases of goods was 30-90 days (2017: 30 - 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group specialises mainly in providing enterprise IT infrastructure products, cloud computing products and intelligent digitalised application products, services and solutions in the People's Republic of China ("**PRC**") and is hailed as an innovator in those fields. At the prompt of the transforming market, the Group consolidated its main businesses into three business divisions, namely (i) distribution of traditional enterprise-grade IT products, (ii) development and sale of its own brand cloud products, and (iii) development and sale of intelligent digitalised products and system integration service.

Distribution of traditional enterprise-grade IT products

With leading local and foreign traditional IT companies such as IBM and Oracle as close collaborative partners, the Group has strived to explore cooperation and business opportunities in the advanced technological sectors. Its goal is to maintain its function and role as a technology pioneer in the industry while growing its businesses. For the year ended 31 December 2018 (the "**Year**"), competition intensified in the traditional distribution industry, but distribution business remained a major income source of the Group. Moreover, with an aim to improve the profit margin of distribution business, the Group enhanced its existing product portfolio by reducing or terminating the sales of low profit margin products.

Development and sale of own brand cloud products

As cloud computing matures and becomes more and more popular worldwide, China's cloud computing market has rocketing growth in recent years. These developments have encouraged the Group to speed up developing its own brand cloud products. During the Year, the Group continued to improve the technology and stepped up marketing of its own brand cloud products, to help strengthen their reliability, functionality and market recognition. It also commenced cooperation with leading local and overseas cloud resources providers, such as Oracle, AWS and Alibaba Cloud, to actively offer enterprise customers in China highly efficient applications and solutions based on its cloud products and cloud management services.

Development and sale of intelligent digitalised application products and system integration service

The Group's system integration service business has been gathering growth momentum in recent years. This business division mainly provides customer-specific system structure business solutions and repair and maintenance support to customer's informationalised value-added services. These businesses have become a major income source of the Group. Furthermore, with the drive of emerging technologies like artificial intelligence (AI) and big data, the Group has continued to develop digital smart application products pinpointing the needs of specific industries. Embracing new and advanced information technologies has enabled the Group to more comprehensively serve customers at the business end. For the Year, while offering services to different customers, the Group was also actively gathering data to give it a strong foundation for developing business in the future.

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group decreased by approximately RMB1,885.8 million or 51.5% as compared with the corresponding period in 2017, to approximately RMB1,777.1 million (2017: approximately RMB3,662.9 million). The decrease was mainly due to the Group's effort to transform its business by reducing or terminating the sale of products with low profit margin.

Gross profit

Gross profit of the Group decreased by approximately RMB39.8 million or 18.0% to approximately RMB182.2 million for the Year (2017: approximately RMB222.0 million) while the gross profit ratio increased from 6.1% to 10.2%. The increase in gross profit ratio was mainly due to the decrease in sale of domestic branded products with low profit margin and the increase in sale of the Group's own branded products and services.

Other income and other losses, net

Other income and other losses, net comprises of mainly interest income from bank deposits, foreign exchange gains or losses, government grants and impairment loss on trade receivables and contract assets. For the Year, net losses from other income and other losses, net amounted to approximately RMB4.4 million (2017: approximately RMB14.7 million), representing a decrease of approximately RMB10.3 million. This decrease was mainly due to combined effect of (i) an increase in net foreign exchange gain of approximately RMB15.7 million; (ii) an increase in interest income of approximately RMB2.5 million; and (iii) an increase of approximately RMB4.8 million in impairment loss on trade receivables and contract assets as a more prudent approach was adopted by the management in tightening the recovery time before commencing legal proceedings on long outstanding debts of traditional business.

Selling and distribution expenses

For the Year, selling and distribution expenses of the Group amounted to approximately RMB94.9 million (2017: approximately RMB139.5 million), representing a decrease of approximately 31.9% compared with the corresponding period in 2017. The decrease was mainly due to the decrease in sales and the decrease in staff costs of certain business units responsible for the sale of products with low profit margin.

Administrative expenses

Administrative expenses of the Group for the Year amounted to approximately RMB45.7 million (2017: approximately RMB51.9 million), representing a decrease of approximately RMB6.2 million or 11.9% compared with the corresponding period in 2017. The decrease was mainly due to the Group's implementation of tight cost control measures during the Year and the decrease in non-recurring professional fees incurred during the corresponding period in 2017.

Finance costs

Finance costs of the Group decreased by approximately RMB32.3 million or 71.2%, from approximately RMB45.3 million for the year ended 31 December 2017 to approximately RMB13.0 million for the Year. The decrease was mainly due to the decrease in borrowings during the Year. After reducing or terminating the sale of products with low profit margin and implementing the measures of tightening operating expenses, the working capital of the Group improved accordingly.

Income tax expense

Income tax expense of the Group for the Year amounted to approximately RMB4.6 million (2017: approximately RMB10.5 million), representing a decrease of approximately RMB5.9 million, or 56.5%, compared with the corresponding period in 2017. The decrease was mainly due to additional deferred tax assets in respect of increase in impairment loss on trade receivables were credited to and off-set by the income tax expense of the Group.

Profit for the period attributable to owners of the Company

For the Year, the profit attributable to owners of the Company was approximately RMB19.4 million (2017: the loss attributable to owners amounted to approximately RMB39.9 million), representing an increase of approximately RMB59.3 million as compared with the corresponding period in 2017. The increase was primarily due to the combined effects of (i) the Group's effort to transform its business by reducing or terminating the sales of products with low profit margin; (ii) the decrease in administrative, selling and distribution expenses and finance costs; and (iii) the increase in allowance for doubtful debts as mentioned above.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2018, the Group had total assets of approximately RMB893.3 million and net assets of approximately RMB547.8 million (31 December 2017: approximately RMB1,656.8 million and approximately RMB536.4 million, respectively). In respect of the trade receivables and contract assets of the Group which amounted to approximately RMB277.0 million (31 December 2017: approximately RMB772.8 million), net of allowance for doubtful debts of approximately RMB91.5 million (31 December 2017: approximately RMB62.4 million), the management will perform a regular review and implement stringent control measures on trade receivables with a view to ensuring the recovery of trade receivables on the due dates and closely monitoring the Group's liquidity. The Group's bank balances and cash amounted to approximately RMB390.5 million as at 31 December 2018 (approximately RMB237.2 million as at 31 December 2017). Bank and other borrowings amounted to approximately RMB30.7 million (31 December 2017: approximately RMB483.9 million). Taking into account the cash on hand and recurring cash flow from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 31 December 2018, all (31 December 2017: approximately 63.8%) bank borrowings were at fixed interest rates.

As at 31 December 2018, the borrowings of the Group were advanced in RMB while cash and cash equivalents were held at RMB, USD and Hong Kong dollars.

Pledge of Assets

As at 31 December 2018, certain assets of the Group with carrying value of approximately RMB23.3 million (31 December 2017: approximately RMB156.3 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

Net Debt-To-Capital Ratio

The Group's net debt-to-capital ratio as at 31 December 2018 was zero (as at 31 December 2017 was 26.5%). This ratio was calculated as total borrowings less bank balances and cash, and relevant pledged deposits 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.

During the Year, the Group has entered into certain RMB/USD foreign exchange forward contracts to hedge against the volatility in the RMB/USD exchange rate. The foreign exchange forward contracts have been fully settled as at the Year ended. The management will continue to monitor closely its foreign currency exposure and requirements and to arrange hedging facilities when necessary.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.2 cents per share for the year ended 31 December 2018 to shareholders whose names appear on the register of members of the Company on 27 May 2019. The proposed final dividend will be paid on or about 17 June 2019, following the approval by the shareholders at the 2019 annual general meeting ("**2019 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 2019 AGM

Latest time for lodging transfers:	4:30 pm on Thursday, 9 May 2019
Closure of register of members:	Friday, 10 May to Thursday, 16 May 2019 (both dates inclusive)
Record date:	Thursday, 16 May 2019
Date of 2019 AGM:	Thursday, 16 May 2019

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers:	4:30 pm on Wednesday, 22 May 2019
Closure of register of members:	Thursday, 23 May 2019 to Monday, 27 May 2019 (both dates inclusive)
Record date:	Monday, 27 May 2019
Payment date for final dividend:	On or about Monday, 17 June 2019

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 2019 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2019 AGM of the Company will be held on Thursday, 16 May 2019. Notice of 2019 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company and despatched to the shareholders of the Company in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 290 (31 December 2017: 435) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB95.3 million (2017: approximately RMB115.9 million).

The Group's employees are remunerated by reference to industry practices and performance and the experience of individual employees. Our main focus is to ensure that the Group remains competitive within the market it operates in, and 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 of 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.

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 2018.

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

The Directors are not aware of any important events affecting the Company that have occurred since the end of the financial year.

OUTLOOK

In 2018, competition in China's IT market became more intense and the overall economic environment was full of challenges and uncertainties. Operating under such difficult conditions, the Group continued to adjust its business and integrate internal resources, which helped to lower operating costs, optimize or terminate lower margin businesses and increase sales of its own brand services and proprietary products. These efforts culminated with a business turnaround by the Group, with overall gross profit margin increasing from 6.1% last year to 10.2% for the Year.

Looking at 2019, rapid growth of emerging technologies such as Internet+, cloud computing and AI is expected to continue. The Group will persist in adjusting its strategies to boost its core competitiveness and execute its strategic goals. By focusing on cloud computing, system integration and intelligent digitalized businesses, the Group will be able to improve the reliability and functionality of its proprietary software as well as bolster its overall technological capabilities to ensure the service competence and leadership of its new businesses.

With development of cloud computing as a major trend within the technology sector today, the Group has forged cooperative ties with a number of leading public cloud service providers to deliver cloud platform construction and management services to corporate customers, so as to support the digital transformation of their IT system. The Group's cloud computing products were accepted for trial use by certain well-known customers and won several major awards in 2018, marking important achievements by the Group in its business transformation. Looking ahead, the Group will continue to diligently adhere to its primary strategic development directions and push ahead with developing its own brand of smart products, cloud computing products and businesses in associated services. The Group will also ensure that its traditional system integration and service operations perform in a stable manner.

The Group will continue to employ resource management solutions to ensure that resources are used effectively and maintain high operational efficiency. Also, it will closely monitor and implement strict cost control measures and strengthen control of turnover days of receivables to help lower related financial costs and improve cash flow, thereby maintain the Group's healthy financial status.

Although research and development ("**R&D**") require considerable investment in both time and resources, the Group believes that embracing continuous technological advancement is the only way forward for establishing competitive advantages in today's complex market environment. Consequently, aside from stepping up R&D efforts, strengthening cost controls and honing technologies that have been amassed, the Group will also apply its technological advantages and capability to innovate to ensure R&D resources are effectively used to boost its core competitiveness. In turn, this will help the Group to capture new market trends and seize new opportunities arising from the industry's digital transformation.

CORPORATE GOVERNANCE

During the year ended 31 December 2018, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, during the year ended 31 December 2018, the Directors have confirmed in writing that they complied with the standards set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018 including the accounting principles and practices adopted by the Group, and discussed the risk managements, internal control and financial reporting matters during the review.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited 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 2018 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 2019

As at the date of this announcement, the executive Directors are Mr. Chen Jian and Ms. Chen Jing; and the independent non-executive Directors are Mr. Chow Siu Lui, Mr. Yuan Bo, Mr. Lo Kwok Kwei David and Mr. Yao Yun.