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AUTOMATED

AUTOMATED SYSTEMS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 771)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015

RESULTS

The Board of Directors (the “Board”) of Automated Systems Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “ASL”) for the year ended 31st December 2015 together with comparative figures for the year ended 31st December 2014 as follows:

Consolidated Statement of Profit or Loss

| | | Audited | |
|---|--------------|----------------------|-----------------|
| | | Year ended | |
| | | 31st December | |
| | | 2015 | 2014 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 3 | 1,506,041 | 1,433,921 |
| Cost of goods sold | | (748,682) | (732,265) |
| Cost of services rendered | | (613,803) | (587,406) |
| Other income | 4 | 4,537 | 5,277 |
| Other gain, net | 5 | 2,629 | 43,165 |
| Fair value gain on revaluation of investment properties | | - | 6,658 |
| Selling expenses | | (73,389) | (70,354) |
| Administrative expenses | | (43,314) | (46,945) |
| Finance income | 6 | 478 | 925 |
| Finance costs | 7 | (1,005) | (1,414) |
| Share of results of associates | | (5,914) | (21,973) |
| Profit before income tax | 8 | 27,578 | 29,589 |
| Income tax expense | 9 | (7,874) | (1,125) |
| Profit for the year | | 19,704 | 28,464 |
| Attributable to: | | | |
| Equity holders of the Company | | 19,704 | 28,495 |
| Non-controlling interests | | - | (31) |
| | | 19,704 | 28,464 |

Consolidated Statement of Profit or Loss (Cont'd)

| | <i>Notes</i> | Audited Year ended 31st December 2015 HK cents | 2014 HK cents |
|---|--------------|---|------------------|
| Earnings per share attributable to equity holders of the Company | 11 | | |
| Basic | | 6.24 | 9.15 |
| Diluted | | 6.20 | 9.15 |

Consolidated Statement of Comprehensive Income

| | Audited Year ended 31st December 2015 HK\$'000 | 2014 HK\$'000 |
|--|---|------------------|
| Profit for the year | 19,704 | 28,464 |
| Other comprehensive income/(loss): | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Revaluation surplus of leasehold land and buildings | 7,989 | 42,482 |
| Deferred taxation arising from revaluation surplus of leasehold land and buildings | (1,318) | (7,010) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on translation of overseas operations | (5,593) | (2,448) |
| Reclassification adjustment of translation reserve upon deemed disposal of partial interests in associates | 52 | - |
| Reclassification adjustment of translation reserve upon deemed disposal of subsidiaries | - | (451) |
| Share of other comprehensive income/(loss) of associates | 78 | (202) |
| Total comprehensive income for the year | 20,912 | 60,835 |
| Attributable to: | | |
| Equity holders of the Company | 20,912 | 60,866 |
| Non-controlling interests | - | (31) |
| | 20,912 | 60,835 |

Consolidated Statement of Financial Position

| | | Audited | |
|---|--------------|-------------------------|-------------------------|
| | | 31st December | |
| | | 2015 | 2014 |
| | <i>Notes</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 278,482 | 278,485 |
| Investment properties | 13 | 50,200 | 50,200 |
| Intangible assets | | 2,349 | 4,018 |
| Interests in associates | | 58,382 | 63,569 |
| Finance lease receivables | | 3,943 | 5,184 |
| Deferred income tax assets | | 679 | 3,345 |
| | | <u>394,035</u> | <u>404,801</u> |
| CURRENT ASSETS | | | |
| Inventories | | 106,842 | 125,239 |
| Trade receivables | 14 | 218,282 | 179,417 |
| Finance lease receivables | | 4,254 | 10,015 |
| Other receivables, deposits and prepayments | 15 | 27,926 | 24,521 |
| Amounts due from customers for contract work | | 248,647 | 271,058 |
| Other financial asset | | 1,180 | - |
| Tax recoverable | | 1,000 | 6,052 |
| Restricted bank deposits | 16 | - | 781 |
| Cash and cash equivalents | 16 | 172,955 | 130,439 |
| | | <u>781,086</u> | <u>747,522</u> |
| TOTAL ASSETS | | <u>1,175,121</u> | <u>1,152,323</u> |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | |
| Share capital | | 31,875 | 31,186 |
| Share premium | | 114,305 | 105,528 |
| Reserves | | 537,170 | 526,123 |
| TOTAL EQUITY | | <u>683,350</u> | <u>662,837</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred income tax liabilities | | 44,510 | 43,228 |
| | | <u>44,510</u> | <u>43,228</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | 17 | 244,907 | 228,632 |
| Other payables and accruals | 18 | 63,730 | 56,479 |
| Receipts in advance | | 117,521 | 118,004 |
| Current income tax liabilities | | 1,103 | 1,143 |
| Bank borrowings | | 20,000 | 42,000 |
| | | <u>447,261</u> | <u>446,258</u> |
| TOTAL LIABILITIES | | <u>491,771</u> | <u>489,486</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,175,121</u> | <u>1,152,323</u> |
| NET CURRENT ASSETS | | <u>333,825</u> | <u>301,264</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>727,860</u> | <u>706,065</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements have been prepared under the historical cost basis except that the leasehold land and buildings, investment properties and financial assets classified as at fair value through profit or loss are stated at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

2. Significant Accounting Policies

Except as described below, the accounting policies applied as described in those consolidated financial statements are consistent with those of the financial statements for the year ended 31st December 2014.

(a) Amended HKFRSs that are effective for the annual periods beginning on or after 1st January 2015:

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are effective for the Group’s financial statements for the annual period beginning on 1st January 2015:

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010 – 2012 Cycle
Annual Improvements to HKFRSs 2011 – 2013 Cycle

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements of HKAS 19 relating to contributions from employees or third parties and introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered. The amendments do not have any impact on the Group as the Group does not operate a defined benefit plan.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The *Annual Improvements to HKFRSs 2010 – 2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Requires disclosures of the judgements made in identifying the reportable segment when operating segments have been aggregated and clarifies that reconciliation between the total reporting segments’ assets and the entity’s assets is required only if the segment assets are regularly reported to the chief operating decision maker. The amendments have had no significant impact on the Group.
- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no significant impact on the Group.
- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The *Annual Improvements to HKFRSs 2011 – 2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKFRS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

2. Significant Accounting Policies (Continued)

- (a) Amended HKFRSs that are effective for the annual periods beginning on or after 1st January 2015: (Continued)

Annual Improvements to HKFRSs 2011 – 2013 Cycle (Continued)

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, issued to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisition of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance during the current financial year. The main impact on the consolidated financial statements is on the presentation and disclosure of certain information in the consolidated financial statements.

- (b) Issued but not yet effective:

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|---|---|
| HKFRS 9 | <i>Financial Instruments</i> ² |
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities: Applying the Consolidation Exception</i> ¹ |
| Amendments to HKFRS 11 | <i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹ |
| HKFRS 14 | <i>Regulatory Deferral Accounts</i> ³ |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> ² |
| Amendments to HKAS 1 | <i>Disclosure Initiative</i> ¹ |
| Amendments to HKAS 16 and HKAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹ |
| Amendments to HKAS 16 and HKAS 41 | <i>Agriculture: Bearer Plants</i> ¹ |
| Amendments to HKAS 27 (2011) | <i>Equity Method in Separate Financial Statements</i> ¹ |
| Annual Improvements to HKFRSs 2012 – 2014 Cycle | <i>Amendments to a number of HKFRSs</i> ¹ |

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

² Effective for annual periods beginning on or after 1st January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January 2016 and therefore is not applicable to the Group

⁴ No mandatory effective date is determined but is available for early adoption

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

HKFRS 9 *Financial Instruments*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January 2018. The Directors have started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 *Revenue*, HKAS 11 *Construction Contracts*, and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Directors have started to assess the impact of HKFRS 15 but are not yet in a position to provide quantified information.

3. Revenue and Segment Information

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and revenue from service contracts, and is analysed as follows:

| | Audited Year ended 31st December | |
|--------------------------------|---|-----------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Sales of goods | 845,774 | 805,602 |
| Revenue from service contracts | 660,267 | 628,319 |
| | 1,506,041 | 1,433,921 |

The Board has been identified as the chief operating decision maker. The Board reviews the Group's internal reporting in order to assess the performance and allocate resources. The Board has determined the operating segments based on the Group's internal reporting.

The Group is currently organised into two (2014: two) operating divisions – Information Technology Products (“IT Products”) and Information Technology Services (“IT Services”). These divisions are the basis on which the Group reports its primary segment information to the chief operating decision maker. The business nature of each segment is disclosed as follows:

IT Products

Being the business of information technology in supplying of information technology and associated products.

IT Services

Being the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions and managed services.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Performance is measured based on segment profit that is used by the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Income tax expense is not allocated to reportable segments.

The revenue, profit or loss, assets and liabilities of the Group are allocated based on the operations of the segments.

Reportable segment profit is profit before income tax, excluding unallocated other income, unallocated other gain, net, share of results of associates, unallocated loss on disposal of property, plant and equipment, unallocated depreciation for property, plant and equipment that are used for all segments, fair value gain on revaluation of investment properties, finance costs, and unallocated corporate expenses (mainly include staff costs and other general administrative expenses) of the head office.

Reportable segment assets exclude interests in associates, deferred income tax assets, unallocated restricted bank deposits, unallocated cash and cash equivalents, unallocated corporate assets (mainly include property, plant and equipment and investment properties that are used by all segments, prepayments, deposits, tax recoverable and other financial asset).

Reportable segment liabilities exclude current income tax liabilities, deferred income tax liabilities and unallocated corporate liabilities (mainly include accrued charges of the head office and bank borrowings).

(a) The Group's revenue and results by operating segments for the year are presented below:

Audited

Year ended 31st December 2015

| | <u>IT Products</u> | <u>IT Services</u> | <u>Total</u> |
|--|--------------------|--------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from external customers | 845,774 | 660,267 | 1,506,041 |
| Intersegment revenue | 17,063 | 20,308 | 37,371 |
| Segment revenue | 862,837 | 680,575 | 1,543,412 |
| Reportable segment profit | 39,515 | 32,355 | 71,870 |
| Segment depreciation | 2,486 | 9,375 | 11,861 |
| Segment amortisation | - | 1,669 | 1,669 |
| Additions to property, plant and equipment | 103 | 5,911 | 6,014 |

Audited

Year ended 31st December 2014

| | <u>IT Products</u> | <u>IT Services</u> | <u>Total</u> |
|--|--------------------|--------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from external customers | 805,602 | 628,319 | 1,433,921 |
| Intersegment revenue | 51,959 | 22,241 | 74,200 |
| Segment revenue | 857,561 | 650,560 | 1,508,121 |
| Reportable segment profit | 19,281 | 26,255 | 45,536 |
| Segment depreciation | 1,317 | 8,292 | 9,609 |
| Segment amortisation | - | 988 | 988 |
| Additions to property, plant and equipment | 625 | 7,549 | 8,174 |
| Additions to intangible assets | - | 153 | 153 |

The Group's assets and liabilities by operating segments for the year are presented below:

Audited

As at 31st December 2015

| | <u>IT Products</u> | <u>IT Services</u> | <u>Total</u> |
|--------------------------------|--------------------|--------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Reportable segment assets | 310,386 | 302,112 | 612,498 |
| Reportable segment liabilities | 240,586 | 150,133 | 390,719 |

Audited

As at 31st December 2014

| | <u>IT Products</u> | <u>IT Services</u> | <u>Total</u> |
|--------------------------------|--------------------|--------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Reportable segment assets | 304,441 | 316,909 | 621,350 |
| Reportable segment liabilities | 237,243 | 130,643 | 367,886 |

(b) Reconciliation of the reportable segment revenue, profit or loss, assets and liabilities

Reportable segment revenue, profit or loss, assets and liabilities are reconciled to results and total assets and total liabilities of the Group as follows:

| Revenue | Audited | |
|--|----------------------|------------------|
| | Year ended | |
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Reportable segment revenue | 1,543,412 | 1,508,121 |
| Elimination of intersegment revenue | (37,371) | (74,200) |
| Revenue per consolidated statement of profit or loss | 1,506,041 | 1,433,921 |

Intersegment revenue is charged at cost plus a percentage of profit mark-up.

| Profit or loss | Audited | |
|---|----------------------|-----------------|
| | Year ended | |
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Reportable segment profit | 71,870 | 45,536 |
| Unallocated amounts: | | |
| Unallocated other income | 2,839 | 4,340 |
| Unallocated other gain, net | 3,102 | 43,385 |
| Fair value gain on revaluation of investment properties | - | 6,658 |
| Unallocated loss on disposal of property, plant and equipment | - | (68) |
| Unallocated depreciation | (5,667) | (5,410) |
| Share of results of associates | (5,914) | (21,973) |
| Finance costs | (1,005) | (1,414) |
| Unallocated corporate expenses | (37,647) | (41,465) |
| Profit before income tax per consolidated statement of profit or loss | 27,578 | 29,589 |

| Assets | Audited | |
|---|----------------------|------------------|
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Reportable segment assets | 612,498 | 621,350 |
| Unallocated assets: | | |
| Interests in associates | 58,382 | 63,569 |
| Deferred income tax assets | 679 | 3,345 |
| Unallocated restricted bank deposits | - | 781 |
| Unallocated cash and cash equivalents | 172,955 | 130,439 |
| Unallocated corporate assets | 330,607 | 332,839 |
| Total assets per consolidated statement of financial position | 1,175,121 | 1,152,323 |

| Liabilities | Audited | |
|--|----------------------|-----------------|
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Reportable segment liabilities | 390,719 | 367,886 |
| Unallocated liabilities: | | |
| Current income tax liabilities | 1,103 | 1,143 |
| Deferred income tax liabilities | 44,510 | 43,228 |
| Unallocated corporate liabilities | 55,439 | 77,229 |
| | <hr/> | <hr/> |
| Total liabilities per consolidated statement of financial position | 491,771 | 489,486 |
| | <hr/> <hr/> | <hr/> <hr/> |

The following table sets out information about the geographical segment location of the Group's revenue from external customers and its non-current assets (other than financial instruments and deferred income tax assets). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and investment properties, the location of the operations to which they are allocated in the case of the intangible assets and the location of operations in case of interests in associates.

| Place of domicile | Revenue from | |
|--------------------------|---------------------------|-----------------|
| | external customers | |
| | Audited | |
| | Year ended | |
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 1,381,303 | 1,268,410 |
| China | 5,789 | 14,066 |
| Macau | 59,882 | 70,957 |
| Singapore | - | 2,550 |
| Thailand | 30,747 | 29,882 |
| Taiwan | 28,320 | 47,881 |
| Others | - | 175 |
| | <hr/> | <hr/> |
| | 1,506,041 | 1,433,921 |
| | <hr/> <hr/> | <hr/> <hr/> |

| Place of domicile | Specified non-current assets | |
|--------------------------|-------------------------------------|-----------------|
| | Audited | |
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 388,414 | 394,603 |
| China | 181 | 418 |
| Macau | 120 | 894 |
| Thailand | 138 | 221 |
| Taiwan | 560 | 136 |
| | <hr/> | <hr/> |
| | 389,413 | 396,272 |
| | <hr/> <hr/> | <hr/> <hr/> |

4. Other Income

| | Audited Year ended 31st December | |
|--|--|--------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Sundry income | - | 1,814 |
| Interest on bank deposits | 54 | 69 |
| Rental income from investment properties | 2,956 | 2,609 |
| Rental income from sublease | 294 | 159 |
| Others | 1,233 | 626 |
| | <u>4,537</u> | <u>5,277</u> |

5. Other Gain, Net

| | Audited Year ended 31st December | |
|--|--|---------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Exchange loss, net | (2,633) | (2,365) |
| Gain on deemed disposal of partial interests in associates | 5,281 | - |
| Gain on deemed disposal of subsidiaries | - | 44,666 |
| Gain on disposal of intangible assets | - | 827 |
| (Loss)/Gain on disposal of property, plant and equipment | (19) | 37 |
| | <u>2,629</u> | <u>43,165</u> |

6. Finance Income

Finance income represents accretion of discount recognised upon initial recognition of finance lease receivables to their fair values (2014: same).

7. Finance Costs

| | Audited Year ended 31st December | |
|-----------------------------|--|--------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowings | 865 | 636 |
| Other interest expenses | 140 | 778 |
| | <u>1,005</u> | <u>1,414</u> |

8. Profit Before Income Tax

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

| | Audited Year ended 31st December | |
|--|--|--------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Auditors' remuneration: | | |
| Audit services | | |
| - Current year | 1,255 | 1,206 |
| - Underprovision in respect of prior year | 104 | 41 |
| Non-audit services | 477 | 476 |
| Depreciation and amortisation: | | |
| Property, plant and equipment | 17,528 | 15,019 |
| Intangible assets (included in cost of services rendered) | 1,669 | 988 |
| Directors' remuneration | 6,750 | 5,670 |
| Employee benefit expenses (excluding Directors' remuneration) | 415,599 | 421,683 |
| Inventories written off | - | 5,952 |
| Operating lease rentals in respect of: | | |
| Office premises | 7,340 | 8,360 |
| Computer equipment | 418 | 209 |
| Provision for impairment of trade receivables | 274 | 12 |
| Provision for impairment of amounts due from customers for contract work | 18 | 7,303 |
| Reversal of provision for impairment of trade receivables | (158) | (328) |
| Reversal of provision for obsolete inventories | (49) | (154) |
| | 7,874 | 1,125 |

9. Income Tax Expense

| | Audited Year ended 31st December | |
|---|--|--------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Current taxation: | | |
| Hong Kong profits tax | 4,388 | 4,198 |
| Overseas taxation | 70 | 229 |
| Under/(Over)-provision in respect of prior years: | | |
| Hong Kong profits tax | 816 | (78) |
| Overseas taxation | (31) | (957) |
| | 5,243 | 3,392 |
| Deferred taxation: | | |
| Current year | 2,631 | (2,267) |
| | 7,874 | 1,125 |

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries and regions in which the Group operates.

10. Dividends

| | Audited Year ended 31st December | |
|---|---|-----------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Dividends recognised as distribution during the year: | | |
| Final dividend in respect of the year ended 31st December 2014 of 2.5 HK cents per share | 7,908 | - |
| Dividends proposed: | | |
| Final dividend in respect of the year ended 31st December 2014 of 2.5 HK cents per share | - | 7,797 |

The Directors did not recommend the payment of a final dividend for the year ended 31st December 2015 (2014: 2.5 HK cents per share).

11. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

| | Audited Year ended 31st December | |
|---|---|-----------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Earnings for the purpose of basic and diluted earnings per share | 19,704 | 28,495 |
| | Number of shares | |
| | 2015 | 2014 |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 315,814 | 311,431 |
| Effect of deemed issue of shares under the Company's share option scheme | 1,944 | - |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 317,758 | 311,431 |

Diluted earnings per share for the year ended 31st December 2014 was the same as the basic earnings per share as there was no dilutive effect of potential ordinary shares outstanding.

12. Property, Plant and Equipment

During the year ended 31st December 2015, the additions of property, plant and equipment, mainly for computers and office equipment, was approximately HK\$9,624,000 (2014: HK\$15,088,000).

During the year ended 31st December 2015, the Group disposed of certain property, plant and equipment at the carrying amount of HK\$66,000 (2014: HK\$170,000), resulting in a loss on disposal of HK\$19,000 (2014: gain of HK\$37,000).

The Group's leasehold land and buildings were stated at valuations made at 31st December 2015. The leasehold land and buildings were last revalued by an independent professional valuer at 31st December 2015 at market value basis which is determined by reference to market evidence of recent transactions for similar properties. The valuation gave rise to a revaluation surplus net of applicable deferred income taxes of HK\$6,671,000 (2014: HK\$35,472,000) which has been credited to the property revaluation reserve.

As at 31st December 2015, if the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost, less accumulated depreciation and amortisation, of approximately HK\$44,230,000 (2014: HK\$46,004,000).

The Group's interest in leasehold land represents finance lease payments held in Hong Kong between 10 to 50 years.

As at 31st December 2015, the Group had pledged leasehold land and buildings with a carrying amount of HK\$105,450,000 (2014: HK\$259,650,000) to secure banking facilities granted to the Group.

13. Investment Properties

The investment properties of the Group were last revalued by an independent professional valuer at 31st December 2015 at market value basis, which is determined by reference to market evidence of recent transactions for similar properties (2014: same).

As at 31st December 2015, no investment properties were pledged (2014: investment properties with a carrying amount of HK\$50,200,000) to secure banking facilities granted to the Group.

14. Trade Receivables

| | Audited | |
|--------------------------------|----------------------|----------|
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Trade receivables - gross | 218,880 | 179,899 |
| Less: provision for impairment | (598) | (482) |
| | 218,282 | 179,417 |

The Group has granted credit to substantially all of its customers for 30 days and has credit control procedures to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the gross trade receivables as at the reporting date, based on ageing from payment due date, is as follows:

| | Audited | |
|----------------|----------------------|----------|
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Current | 128,235 | 104,010 |
| Within 30 days | 50,118 | 34,516 |
| 31 - 60 days | 14,535 | 13,777 |
| 61 - 90 days | 6,292 | 8,725 |
| Over 90 days | 19,700 | 18,871 |
| | 218,880 | 179,899 |

15. Other Receivables, Deposits and Prepayments

| | Audited | |
|---|----------------------|----------|
| | 31st December | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Other receivables | 5,093 | 4,843 |
| Deposits | 5,667 | 5,658 |
| Prepayments | 15,564 | 13,859 |
| Amount due from the ultimate holding company | - | 113 |
| Amount due from the immediate holding company | 13 | 13 |
| Amount due from an associate | 1,589 | 35 |
| | 27,926 | 24,521 |

16. Restricted Bank Deposits and Cash and Cash Equivalents

Bank balances carry interest at market rates with an average interest rate of 0.12% (2014: 0.36%) per annum. Restricted bank deposits as at 31st December 2014 carried interest at market rates with an average interest rate of 1.00% per annum.

As at 31st December 2015, the Group has no restricted bank deposits (2014: approximately HK\$781,000) pledged to secure the banking facilities and performance bonds of the Group.

17. Trade Payables

An ageing analysis of the trade payables as at the reporting date, based on payment due date, is as follows:

| | Audited 31st December | |
|----------------|--------------------------|----------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Current | 158,126 | 148,309 |
| Within 30 days | 58,112 | 53,630 |
| 31 - 60 days | 15,268 | 17,308 |
| 61 - 90 days | 2,355 | 1,909 |
| Over 90 days | 11,046 | 7,476 |
| | 244,907 | 228,632 |

18. Other Payables and Accruals

| | Audited 31st December | |
|--|--------------------------|---------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Other payables | 4,855 | 4,595 |
| Accruals | 56,669 | 40,512 |
| Amount due to the ultimate holding company | 55 | - |
| Amount due to a fellow subsidiary | - | 9,230 |
| Amounts due to associates | 2,151 | 2,142 |
| | 63,730 | 56,479 |

19. Pledge of Assets

As at 31st December 2015, leasehold land and buildings with a carrying amount of HK\$105,450,000 (2014: HK\$259,650,000) and no investment properties were pledged (2014: investment properties with carrying amount of HK\$50,200,000) to secure the banking facilities granted to the Group.

As at 31st December 2015, the Group has no restricted bank deposits (2014: approximately HK\$781,000) pledged to secure the banking facilities and performance bonds of the Group.

20. Events After The Reporting Date

In September 2015, the renewed banking facilities no longer require the pledge of leasehold land and buildings with carrying amount of HK\$154,200,000 and investment properties with carrying amount of HK\$50,200,000 as at 31st December 2015, which previously pledged to secure banking facilities granted to the Group. On 2nd February 2016, release from charges has been completed.

On 23rd March 2016, the Directors recommended a bonus issue ("Bonus Issue") of shares of HK\$0.1 each in the capital of the Company ("Bonus Share(s)") on the basis of one (1) Bonus Share, credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appear on the register of members on Monday, 30th May 2016. The Bonus Issue is conditional upon the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting, the Listing Committee of The Stock Exchange granting listing of, and permission to deal in, the Bonus Shares and compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Bermuda and the Bye-laws of the Company.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31st December 2015 (2014: 2.5 HK cents per share).

PROPOSED BONUS ISSUE OF SHARES

The Directors have resolved to recommend the Bonus Issue on the basis of one (1) Bonus Share, credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appear on the register of members on Monday, 30th May 2016. The Bonus Issue is conditional upon the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Bonus Shares and compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Bermuda and the Bye-laws of the Company. Subject to the aforementioned conditions, the share certificates for the Bonus Shares are expected to be despatched to the qualifying shareholders of the Company by ordinary post at their own risk on or before Wednesday, 15th June 2016. A circular containing further details of the Bonus Issue will be sent to the shareholders of the Company in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31st December 2015, total revenue of the Group was HK\$1,506.0 million, representing a 5.0% increase from last year, which was evenly contributed by the increase in both product sales and service revenue. As compared with last year, product sales was increased by 5.0% to HK\$845.8 million while service revenue was increased by 5.1% to HK\$660.2 million. For the year ended 31st December 2015, product sales and service revenue contributed 56.2% and 43.8% to total revenue respectively, which was the same for last year.

For the year ended 31st December 2015, commercial and public sector sales contributed 45.9% and 54.1% to total revenue respectively, compared to 44.4% and 55.6% last year.

For the year ended 31st December 2015, upon the implementation of various measures relating to human resources integration, effectiveness of operational efficiency, business streamlining and ongoing marketing promotion, the Group has achieved a positive momentum by an increase in revenue and a fall in overall operating costs, which resulted in significant increase in net profit of the Group's core information technology ("IT") business of 84.9% as compared to last year. The gross profit margin for the year was 9.5%, an increase of 1.5% compared to last year. In addition, the share of loss of associates, i-Sprint Innovations Pte Ltd ("i-Sprint") and its subsidiaries ("i-Sprint Group"), by the Group was decreased by 71.5% as i-Sprint Group continued improving in its business development which resulted in an increase in its revenue of 33.0% and a significant decrease of its net loss of 68.0%.

During the year under review, the Group recorded profit attributable to the Company's equity holders of HK\$19.7 million, a drop of 30.9% compared to last year of HK\$28.5 million. The drop was mainly due to the one-off gain on the deemed disposals of the Group's partial interests in i-Sprint HK\$5.3 million of the current year, compared to HK\$44.7 million of last year. Details of the deemed disposals in the current year and last year were disclosed in the Company's announcements dated 28th January 2014, 4th February 2014, 12th February 2014 and 31st March 2015.

For the year ended 31st December 2014, a business contract of a wholly-owned subsidiary of the Group had been terminated, details of which were disclosed in the Company's announcements dated 19th March 2014 and 21st May 2014. During the year under review, the Group had adopted a prudent approach and further provision was made in view of the potential financial impact that might incur. The possible impact arising from the termination of the business contract on the Group's results for future financial periods is subject to negotiation.

For the year ended 31st December 2015, orders newly secured by the Group amounted to approximately HK\$1,606.7 million. As at 31st December 2015, the order book balance was approximately HK\$897.1 million, an increase of 14.5% from HK\$783.3 million of last year. The Group's cash stood at approximately HK\$173.0 million with a working capital ratio of 1.75:1. The Group maintained a healthy financial position and outstanding borrowings amounted to HK\$20.0 million as at 31st December 2015.

Business Review

During the year, the Group recorded steady growth in its overall business development.

The Board recommended a Bonus Issue on the basis of one (1) Bonus Share, credited as fully paid, for every ten (10) existing shares held by the shareholders of the Company whose names appear on the register of members on Monday, 30th May 2016. It is believed that the Bonus Issue will enhance the liquidity on capital level.

With regard to the core infrastructure business, order book balance and its revenue compared to last year increased 28.1% and 5.0% respectively and its gross profit margin also increased 2.4%. The Group's infrastructure business was also continuously supported through our business with the Office of the Government Chief Information Officer ("OGCIO") where we supply network products and server systems and provide related services to various government departments under a standing offer agreement. Those exemplify our competence in systems integrations and our credibility among our customers.

In the development of the managed service business, progressive results had been made especially in financial services, entertainment and engineering industries. Various contracts had been entered for long-term managed services with high-value and thereby bringing recurring income to the Group. Of note, we successfully expanded our managed service solution to a Hong Kong-based full-service commercial bank where we supply sophisticated large-scale managed services.

For the data intelligence business, the Group rode on the trend of big data management, analytics and application development and had made a breakthrough during the year. Taking an example, a project was awarded relating to a mass record management system with data as a foundation to provide value-added application solutions. The Group believes that such award may enhance our business portfolio on content management system in sizeable projects and strengthen our competitive advantage in bidding for similar government projects in future.

This also shows data intelligence technologies penetrate different industries and how businesses use big data to create value and optimise their decision making process and thereby further influences corporate views on the value of data, its business models and development map. As a service provider with 40 plus years' experience in systems integration and one-stop infrastructure service solutions, we recognise that keeping up with the times to provide our service solutions by using big data technology is a must. We will continue to respond the market in a timely and efficient manner to help our customers achieve business success.

Besides, the Group's efforts in security business also yielded encouraging results. During the year under review, the Group offered comprehensive security services to various customers in both private and public sectors as usual. As for the public sector supported by OGCIO, we provided services for a Standing Offer Agreement for Quality Professional Services 3 (SOA-QPS3) relating to review of government IT security related regulations, policies and guidelines for three consecutive times. In the meantime, we enhanced our investment in the infrastructure business and established not only Automated Centre of Excellence (ACoE) in early 2015, but also the Security Operation Centre *Plus* (SOC+) in the second half of the year. We believe such investment may indeed sustain the development growth on security business.

Outlook and Prospects

We anticipate the overall external environment remains full of challenges in a short period of time due to the slowdown in sentiment seen in surrounding economic environment and the overall challenges in Hong Kong market. Notwithstanding the foregoing, the Group continues to have confidence with capability to become a trustworthy and professional IT partner. We will continue focus on our core business development and thereby strengthen our ability of market risk taking. For example, the Group has planned to enhance our Outsourcing Delivery Excellence Center (ODEC) in Guangzhou. Such arrangement may broaden our talent pool especially for IT application development and bring the Group with cost effectiveness results to cope with the business challenge arising from increasing labour costs in Hong Kong. In addition, such arrangement may further enhance our service delivery capability and optimise our solutions business service delivery. This also strengthens our foundation on business development in mainland China, particularly in South China region.

Looking forward, the Group will continue to ride on 5 key solutions and services pillars (i.e. Infrastructure, Security, Data Intelligence, Mobile and Cloud) and thereby grasp the business opportunity in the fast-changing market. We stay focus on our core businesses and keep going on the provision of one-stop innovative integrated information technology services in both public and private sectors in Hong Kong and the Greater China region so as to help our customers making agile and innovative business. We believe our focus will sustain the overall business of the Group with orderly and steady growth.

Financial Resources and Liquidity

As at 31st December 2015, the Group's total assets of HK\$1,175.1 million were financed by current liabilities of HK\$447.3 million, non-current liabilities of HK\$44.5 million and shareholders' equity of HK\$683.4 million. The Group had a working capital ratio of approximately 1.75:1.

As at 31st December 2015, the Group had an aggregate composite banking facility from banks of approximately HK\$180.0 million (2014: HK\$310.8 million). The Group had pledged leasehold land and buildings of HK\$105.5 million (2014: HK\$259.7 million) and no investment properties were pledged (2014: investment properties with carrying amount of HK\$50.2 million) and no bank deposits held as security (2014: approximately HK\$0.8 million) for banking facilities and performance bonds granted to the Group respectively. The performance bonds issued by the Group to customers as security of contracts were approximately HK\$52.3 million as at 31st December 2015 (2014: HK\$46.5 million). The Group's gearing ratio (total borrowings over total equity) was 2.9% as at 31st December 2015 (2014: 6.3%).

Treasury Policies

The Group generally financed its operations with internally generated resources and credit facilities provided by banks. Bank facilities available for the Group include trust receipt loans, clean import loans, overdrafts and term loans. The interest rates of most of them are fixed by reference to the respective countries' Interbank Offer Rate. The bank deposits are mainly denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The bank borrowings are denominated in HKD.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in HKD and USD. Foreign exchange exposure to USD of the Group will continue to be minimal as long as the policy of the Government of the Hong Kong Special Administrative Region to link HKD to USD remains in effect. There was no material exposure to fluctuations in exchange rates and therefore no related hedging financial instrument was applied during the year ended 31st December 2015 (2014: same).

Contingent Liabilities

As at 31st December 2015, the Group had no bank deposits held as security for banking facilities and performance bonds (2014: approximately HK\$0.8 million). As at 31st December 2015, performance bonds of HK\$52.3 million (2014: HK\$46.5 million) had been issued by the bank on behalf of the Group to customers as security of contracts.

Capital Commitments

As at 31st December 2015, the Group had contracted capital commitments amounting to approximately HK\$0.2 million (2014: HK\$1.2 million).

Major Customers and Suppliers

During the year ended 31st December 2015, the five largest customers and single largest customer of the Group accounted for approximately 21.9% and 8.1%, respectively, of the Group's revenue. The five largest suppliers and single largest supplier of the Group accounted for approximately 36.0% and 8.5%, respectively, of the Group's purchases.

At no time during the year ended 31st December 2015 did a Director, their close associate or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of the Company's issued shares) has an interest in any of the Group's five largest customers or suppliers.

Employee and Remuneration Policies

As at 31st December 2015, the Group, excluding its associates, employed 1,250 permanent and contract staff in Hong Kong, China, Taiwan, Macau and Thailand. The Group remunerates its employees based on their performance, working experience and the prevailing market conditions. Bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance, medical coverage and share options scheme.

CLOSURE OF REGISTER OF MEMBERS FOR 2015 ANNUAL GENERAL MEETING

The Company will convene the forthcoming annual general meeting on Wednesday, 18th May 2016. For determining the entitlement to attend and vote at of the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 13th May 2016 to Wednesday, 18th May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12th May 2016.

CLOSURE OF REGISTER OF MEMBERS FOR BONUS ISSUE

The proposed Bonus Issue is subject to the approval of the Shareholders at the forthcoming annual general meeting. The record date for entitlement to the proposed Bonus Issue is Monday, 30th May 2016. For determining the entitlement of the Bonus Shares, the register of members of the Company will be closed from Wednesday, 25th May 2016 to Monday, 30th May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the Bonus Shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 24th May 2016. The share certificates for the Bonus Shares are expected to be despatched to the qualifying shareholders of the Company on or before Wednesday, 15th June 2016.

Subject to fulfillment of the conditions precedent of the Bonus Issue, dealings in shares of the Company are on a cum-entitlement basis with respect to the Bonus Issue up to Friday, 20th May 2016. From Monday, 23rd May 2016, dealings in shares of the Company will be on an ex-entitlement basis with respect to the Bonus Issue.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems and financial reporting matters including the review of the audited annual results.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED ("GRANT THORNTON HONG KONG")

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2015 have been agreed by the Group's auditor, Grant Thornton Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong 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 HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31st December 2015, and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the accounting period for the year ended 31st December 2015 except as noted below:

- (a) with respect to Code provision A.4.1, all former Non-Executive Directors of the Company who resigned during the year were not appointed for a specific term but were subject to retirement by rotation and re-election in accordance with the Company's Bye-laws. However, following the resignation of all former Non-Executive Directors of the Company, all Non-Executive Directors of the Company who are newly appointed during the year are under a specific term and the Company has complied with the requirements under Code provision A.4.1 accordingly;

- (b) with respect to Code provision A.6.7, one Non-Executive Director, who resigned with effect from 30th September 2015, did not attend the annual general meeting of the Company held on 20th May 2015 (the “2015 AGM”) due to other commitments;
- (c) with respect to Code provision D.1.4, the Company did not have formal letters of appointment for all former Non-Executive Directors of the Company who resigned during the year. However, the terms of reference have set out the work scope of the Board’s committees and delegation made by the Board in respect of the responsibilities of the Non-Executive Directors in such Board’s committees. However, following the resignation of all former Non-Executive Directors of the Company, the Company has formal letters of appointment for all Non-Executive Directors of the Company, who are newly appointed during the year, setting out the key terms and conditions of their appointment and the Company has complied with the requirements under Code provision D.1.4 accordingly;
- (d) with respect to Code provision E.1.2, Mr. Hu Liankui, the former Chairman of the Board, who resigned with effect from 30th September 2015, was unable to attend the 2015 AGM due to other commitments; and
- (e) with respect to Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code provision A.5.1, following the resignation of three Independent Non-Executive Directors and one Non-Executive Director with effect from 23rd September 2015 and 30th September 2015 respectively, the Company has once failed to comply with the requirements that (i) every board of directors must include at least three independent non-executive directors; (ii) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) the Company must appoint independent non-executive directors representing at least one-third of the board of directors; (iv) the audit committee must comprise a minimum of three members and non-executive directors only, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise; (v) the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors; and (vi) the nomination committee should be chaired by the chairman of the board or an independent non-executive director and comprise a majority of independent non-executive directors. However, upon (i) the appointment of Mr. Pan Xinrong as an Independent Non-Executive Director of the Company, the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee with effect from 30th September 2015; (ii) the appointment of Mr. Deng Jianxin as an Independent Non-Executive Director of the Company, the chairman of the Audit Committee and a member of the Nomination Committee with effect from 30th September 2015; (iii) the appointment of Mr. Li Wei as the Chairman of the Board, the chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee with effect from 30th September 2015; and (iv) the appointment of Ms. Ye Fang as an Independent Non-Executive Director of the Company, a member of the Audit Committee and the Remuneration Committee with effect from 12th November 2015, the Company has complied with the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code provision A.5.1 accordingly.

By Order of the Board
Wang Yueou
Acting Chief Executive Officer

Hong Kong, 23rd March 2016

As at the date of this announcement, the Board comprises Mr. Wang Weihang and Mr. Wang Yueou being Executive Directors; Mr. Li Wei and Mr. Cui Yong being Non-Executive Directors; and Mr. Pan Xinrong, Mr. Deng Jianxin and Ms. Ye Fang being Independent Non-Executive Directors.