Futong
富通

INTERIM REPORT
2011

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

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FINANCIAL SUMMARY

RESULTS

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	Unaudited	Unaudited
Revenue	**1,156,295**	1,409,087
Profit from operation	**52,760**	60,244
Finance costs	**(14,268)**	(10,125)
Share of profits less losses of an associate	**(2,003)**	(1,351)
Profit before tax	**36,489**	48,768
Income tax expenses	**(6,999)**	(9,116)
Profit for the period	**29,490**	39,652
Earnings per share (HK$)		
— Basic	**0.10**	0.13
— Diluted	**0.10**	N/A

ASSETS AND LIABILITIES

	At 30 June	At 31 December
	2011	2010
	HK$'000	HK$'000
	Unaudited	Audited
Total assets	**1,691,940**	1,538,718
Total liabilities	**(1,159,501)**	(1,019,734)
NET ASSETS	**532,439**	518,984

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sales of IBM's products

For the six months ended 30 June 2011, revenue from the distribution of IBM's hardware and software products including enterprise servers, system storage products and middleware, and which are often bundled with value-added services amounted to approximately HK$837.3 million (six months ended 30 June 2010: approximately HK$1,218.6 million). This marked a decrease in revenue by approximately HK$381.3 million. The distribution of IBM's products and provision of related services remained as the Group's primary revenue generator, and accounted for approximately 72.4% of total revenue of the Group for the period under review (six months ended 30 June 2010: approximately 86.5%).

The drop in revenue from the sales of IBM's products for the period under review was mainly due to delay in delivery schedule by certain customers to second half of this year. Revenue from sales of IBM's enterprise servers decreased by approximately HK$290.4 million or 31.8% to approximately HK$621.9 million compared with the corresponding period. Revenue from sales of IBM's system storage products and related services decreased by approximately HK$83.5 million or 42.0% to approximately HK$115.5 million for the six months ended 30 June 2011. Sales of IBM's software and related services amounted to approximately HK$99.9 million, a decrease of approximately HK$7.4 million or 6.9%.

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the period under review, sales of Oracle's products and related services amounted to approximately HK$134.2 million, up by approximately HK$50.9 million or 61.1% over the corresponding period. It accounted for approximately 11.6% of the Group's total revenue. The Group has observed a stronger demand for Oracle's products from the government bodies and general business sectors.

Sales of EMC's products

Following the completion of share subscription in a subsidiary of the Group with EMC Computer Systems (FE) Limited ("EMC(FE)"), the Group has broadened its range of products and services offered to its customers by introducing EMC's storage products, software and related services to the Group's product line and further strengthened its market position as a leading enterprise IT infrastructure solution provider. For the six months ended 30 June 2011, revenue from sales of EMC's products amounted to approximately HK$52.8 million (six months ended 30 June 2010: Nil).

Sales of other products

Other sources of revenue for the Group included sales of IT products of Huawei Symantec as its authorised distributor, including servers, storage and IT security solutions, as well as sales of other accessories. Revenue from these products and services amounted to approximately HK$93.1 million during the six months ended 30 June 2011 (six months ended 30 June 2010: approximately HK$92.3 million) which was mainly contributed from sales of Huawei Symantec's products and related services.

MANAGEMENT DISCUSSION AND ANALYSIS

Provision of services

In 2010, the Group has further strengthened its human resources inputs and recruitment of high calibre in provision of IT technical services. As a result of this, revenue contributed from provision of services during the period under review continues to record substantial growth. Revenue generated form provision of services amounted to approximately HK$38.9 million, representing a growth rate of approximately 162.6% over the corresponding period.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2011, revenue of the Group decreased by approximately HK$252.8 million to approximately HK$1,156.3 million from approximately HK$1,409.1 million for the corresponding period. The decrease was mainly due to delay in delivery schedule by certain customers to second half of this year.

Gross profit

Gross profit of the Group decreased by approximately HK$6.8 million or 5.5%, from approximately HK$123.2 million for the six months ended 30 June 2010 to approximately HK$116.4 million for the six months ended 30 June 2011. Meanwhile, as a result of increase in contribution from provision of services, gross profit margin of the Group increased to approximately 10.1% for the period under review from approximately 8.7% for the corresponding period.

Distribution costs

During the six months ended 30 June 2011, the distribution costs of the Group amounted to approximately HK$57.7 million, an increase of approximately HK$2.8 million or 5.1% compared to the corresponding period in 2010. This increase was mainly due to increase in rental expenses of increased office spaces to cope with business expansion.

Administrative expenses

Administrative expenses of the Group increased by approximately HK$7.6 million or 88.4%, from approximately HK$8.6 million for the six months ended 30 June 2010 to approximately HK$16.2 million for the six months ended 30 June 2011. The increase was mainly due to the combined effect of increase in staff cost following increment in headcount and there was a reversal of impairment loss on trade receivables amounted to approximately HK$6.3 million in last year (six months ended 30 June 2011: reversal of HK$3.2 million).

Finance costs

Finance costs of the Group increased by approximately HK$4.2 million or 41.6% from approximately HK$10.1 million for the six months ended 30 June 2010 to approximately HK$14.3 million for the six months ended 30 June 2011. The increase was mainly due to increase in bank borrowing rate in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period attributable to owners of the Company

For the period under review, profit attributable to owners of the Company decreased by approximately HK$9.8 million or 24.5%, from approximately HK$39.8 million for the six months ended 30 June 2010 to approximately HK$30.0 million. This decrease was mainly due to the decrease in revenue during the interim period as a result of delay in delivery schedule by customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 30 June 2011, the Group had total assets of approximately HK$1,691.9 million and had net assets of approximately HK$532.4 million (31 December 2010: approximately HK$1,538.7 million and approximately HK$519.0 million, respectively). The Group's cash and cash equivalents as at 30 June 2011 amounted to approximately HK$94.7 million and bank borrowings amounted to approximately HK$367.3 million (31 December 2010: approximately HK$275.5 million and approximately HK$299.4 million, respectively). Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position was healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

As at 30 June 2011, approximately 30% (31 December 2010: approximately 18%) of total borrowings were at fixed interest rates.

As at 30 June 2011, bank loans of the Group were made in Hong Kong dollars, United States dollars and Renminbi and cash and cash equivalents were held at Hong Kong dollars, United State dollars and Renminbi.

PLEDGE OF ASSETS

As at 30 June 2011, certain assets of the Group with carrying value of approximately HK$715.6 million (31 December 2010: approximately HK$602.0 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 30 June 2011 was approximately 51% (31 December 2010: approximately 5%). This ratio represents total bank loans less cash and cash equivalents divided by total equity.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases and banking facilities that are denominated in United States dollars, a currency other than the functional currency of its subsidiaries in Hong Kong.

As Hong Kong dollars is pegged to United States dollars, the Group considers the risk of movement in exchange rates between Hong Kong dollars and United States dollars to be insignificant.

As at 30 June 2011, the Group did not enter into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group had 434 (31 December 2010: 363) employees in the PRC and Hong Kong. Total staff costs amounted to approximately HK$45.4 million (2010: approximately HK$41.7 million).

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately HK$115.9 million. As at 30 June 2011, the Group had used approximately HK$6.4 million for set up of new branch offices, approximately HK$28.2 million for sourcing new enterprise IT products, approximately HK$2.2 million for establishment and expansion of IT solution support centers and approximately HK$3.6 million for set up of training centers. The remaining balance of the net proceeds was placed in short-term deposit bank accounts. The Group will apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 24 November 2009.

OUTLOOK

The PRC Government's official policy is to encourage the development of the IT industry in the nation. This encompasses the promotion of IT applications to enhance productivity within enterprises, rolling out e-government and other public services, developing an advanced cultural network, nurturing a digital economy, and improving information-based facilities to enhance the competitiveness of the IT industry in the PRC. The PRC should continue to be a relatively vibrant market for those IT vendors who can assist IT users to achieve efficiency and productivity gains. Thus, the Group is well positioned within an industry sector that is steadily growing.

In 2010, the Group and EMC (FE) completed the share subscription agreement in a subsidiary of the Group. This not only further enrich the product line of the Group offered to customers, but also leverage the strength of EMC in storage virtualization to provide comprehensive storage solution to customers. In the future, the Group will further strengthen its product line based on enterprise IT infrastructure products to meet customers' different requirement on different products.

Moreover, in 2010 the Group has further strengthened its IT technical service team in order to capture the opportunities in provision of IT services to end-users. During the period under review, revenue derived from provision of services increased to approximately HK$38.9 million, representing a growth rate of 162.6%. The Group will dedicate its effort in provision of enterprise IT infrastructure services to its customers in the future. Furthermore, leveraging its relationship with Centrin Data Systems Co., Ltd. which owns and operates data centres in China, to establish the business opportunities in promoting cloud computing solution based on data centres.

For the value-added distribution business, the Group intends to increase the portion of contracts signed with end-users directly to have a better understanding of customer needs and to promote its IT services to customers. Together with the feature of different products, the Group targets to provide a comprehensive solution to customers and increase profit margin. The Group also restructured its sales force in 2011 to set up a team with experienced senior sales to focus on key customers whom often require comprehensive services.

Leveraging extensive experience of the management team of the Group as a leading provider of quality enterprise IT products, cost effective IT solutions and integrated IT technical support services, the Group intends to enhance its market leading position by a number of strategic directions: (i) broadening its product sourcing network; (ii) expansion of its IT services within the PRC; and (iii) continues to cooperate with industry leaders to enhance its competitiveness and increase its capability in sustainable development.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

During the six months ended 30 June 2011, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Code on Corporate Governance Practices as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviations from code provision A.2.1.

The Board believes that appointing Mr. Chen Jian as both the chairman and chief executive officer of the Company is conductive to a strong and consistent leadership, which enables the Group to implement decisions and business strategies promptly and efficiently. The Board considers that the present arrangement will not impair the balance of power and authority between the Board and the management of the Company as the proper balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals. Furthermore, the Board meets regularly to discuss major issues affecting the operations of the Group and make collective decisions by majority voting to ensure power is not concentrated in any one individual.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code for the six months ended 30 June 2011.

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 six months ended 30 June 2011.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The details of the principal terms and conditions of the Share Option Scheme were summarized in the section headed "Share Option Scheme" in Appendix VI to the Prospectus.

During the period, 1,900,000 share options were granted by the Company under the Share Option Scheme and there were 1,900,000 options outstanding as at 30 June 2011.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DETAILS OF OPTIONS GRANTED BY THE COMPANY

Category	Number of share options: Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2011	Date of grant	Exercise period	Exercise price HK$
Directors									
Mr. Ho Pak Tai Patrick	—	300,000	—	—	—	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Mr. Lee Kwan Hung	—	300,000	—	—	—	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Mr. Yuan Bo	—	300,000	—	—	—	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Sub-total	—	900,000	—	—	—	900,000			
Employees	—	1,000,000	—	—	—	1,000,000	15 June 2011	15 June 2011- 14 June 2021 (Note 1)	1.81 (Note 2)
Total	—	1,900,000	—	—	—	1,900,000			

Notes:

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

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

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

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

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

Details of the value of share options granted are set out in note 18 to the condensed consolidated financial statements.

AUDIT COMMITTEE

The Group's unaudited consolidated results for the six months ended 30 June 2011 and this 2011 interim report have been reviewed by its audit committee, which was of the opinion that the preparation of such results and report complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in the shares or underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of shares/underlying shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Interest in controlled corporations	218,014,000 (Notes 1 ,2, 3)	70.04
Zhang Yun	Beneficial owner/ Interest in controlled corporation	42,869,650 (Note 2)	13.77
Guan Tao	Beneficial owner	238,000	0.08
Ho Pak Tai Patrick	Beneficial owner	300,000 (Note 4)	0.10
Lee Kwan Hung	Beneficial owner	300,000 (Note 4)	0.10
Yuan Bo	Beneficial owner	300,000 (Note 4)	0.10

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

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

Notes:

1. 153,947,250 of these shares are held by China Group Associates Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by China Group Associates Limited.

2. 42,631,650 of these shares are held by Rich China Investments And Trading Ltd., the entire issued share capital of which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. By virtue of the SFO, both Mr. Chen Jian and Ms. Zhang Yun are deemed to be interested in the shares held by Rich China Investments And Trading Ltd..

3. 21,435,100 of these shares are held by Rich World Development Ltd., the entire issued share capital of which is owned as to approximately 82.32% by Mr. Chen Jian and approximately 17.68% by Mr. Guan Tao. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the entire 21,435,100 shares held by Rich World Development Ltd..

4. These shares are derived from the interest in share options granted by the Company, details of which are set out in the section headed “SHARE OPTION SCHEME”.

Save as disclosed above and those as disclosed under the heading “Discloseable Interests and Short Positions of Substantial Shareholders under the SFO” below, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2011.

Discloseable Interests and Short Positions of Substantial Shareholders Under the SFO

As at 30 June 2011, the following persons or corporations (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or chief executive of the Company:

(i) Long positions in the shares of the Company:

Name	Capacity/nature of interest	Number of shares held	Approximate percentage of the Company’s issued share capital (%)
China Group Associates Limited (Note 1)	Beneficial owner	153,947,250	49.46
Rich China Investments And Trading Ltd. (Note 2)	Beneficial owner	42,631,650	13.70
Rich World Development Ltd. (Note 3)	Beneficial owner	21,435,100	6.89
Ms. Zhang Xin (Note 4)	Interest of spouse	218,014,000	70.04
Mr. Meng Huiqiang (Note 5)	Interest of spouse	42,869,650	13.77

(ii) Long positions in the registered capital of Beijing Futong Dongfang Unica Technology Co. Ltd. (“Futong Unica”):

Name	Capacity/nature of interest	Amount of registered capital held	Approximate percentage of the registered capital (%)
Qu Weiwei	Beneficial owner	RMB450,000 (RMB225,000 of which has been paid up) (Note 6)	45.00

Notes:

1. China Group Associates Limited is a company incorporated in the British Virgin Islands (“BVI”) with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of China Group Associates Limited.

2. Rich China Investments And Trading Ltd. is a company incorporated in the BVI with limited liability which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. Ms. Zhang Yun is the sole director of Rich China Investments And Trading Ltd..

3. Rich World Development Ltd. is a company incorporated in the BVI with limited liability which is owned as to approximately 82.32% by Mr. Chen Jian and approximately 17.68% by Mr. Guan Tao. Mr. Guan Tao is the sole director of Rich World Development Ltd..

4. Ms. Zhang Xin is the spouse of Mr. Chen Jian. Under the SFO, Ms. Zhang Xin is taken to be interested in the same number of shares in which Mr. Chen Jian is interested.

5. Mr. Meng Huiqiang is the spouse of Ms. Zhang Yun. Under the SFO, Mr. Meng Huiqiang is taken to be interested in the same number of shares in which Ms. Zhang Yun is interested.

6. As at the date of this interim report, the total registered capital of Futong Unica was RMB1 million of which RMB500,000 has been paid up. Beijing Futong Dongfang Technology Co., Ltd. owned 55% and Ms. Qu Weiwei owned 45% of the equity interest in Futong Unica, respectively.

Save as disclosed above, there was no person or corporation, other than a Director or chief executive of the Company, who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO as at 30 June 2011.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF FUTONG TECHNOLOGY DEVELOPMENT HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 33, which comprises the condensed consolidated statement of financial position of Futong Technology Development Holdings Limited (the "Company") and its subsidiaries as of 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2010 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2011

	Notes	Six-month period ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Revenue	5	**1,156,295**	1,409,087
Cost of sales		**(1,039,894)**	(1,285,872)
Gross profit		**116,401**	123,215
Other revenue	6	**557**	457
Other net gain	6	**9,693**	144
Distribution costs		**(57,708)**	(54,929)
Administration expenses		**(16,183)**	(8,643)
Profit from operation		**52,760**	60,244
Finance costs	7	**(14,268)**	(10,125)
Share of profits less losses of an associate		**(2,003)**	(1,351)
Profit before tax	8	**36,489**	48,768
Income tax expense	9	**(6,999)**	(9,116)
Profit for the period		**29,490**	39,652
Profit for the period attributable to:			
Owners of the Company		**30,027**	39,763
Non-controlling interests		**(537)**	(111)
		29,490	39,652
Earnings per share (HK$)	11		
Basic		**0.10**	0.13
Diluted		**0.10**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2011

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**29,490**	39,652
Other comprehensive income for the period		
— exchange differences on translation of financial statements of operations outside Hong Kong	**8,161**	2,036
Total comprehensive income for the period	**37,651**	41,688
Total comprehensive income for the period attributable to:		
Owners of the Company	**37,998**	41,799
Non-controlling interests	**(347)**	(111)
	37,651	41,688

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**53,785**	43,213
Interest in an associate		**22,666**	24,132
Deposit for purchase of property, plant and equipment		**—**	4,818
Deferred tax assets	13	**27,722**	29,935
		104,173	102,098
CURRENT ASSETS			
Inventories		**360,704**	194,979
Trade and other receivables	14	**894,821**	769,355
Other financial assets		**—**	23,504
Pledged deposits		**237,538**	173,282
Cash and cash equivalents		**94,704**	275,500
		1,587,767	1,436,620
CURRENT LIABILITIES			
Trade and other payables	15	**773,018**	696,354
Borrowings — due within one year	16	**367,300**	299,384
Tax payable		**19,183**	23,996
		1,159,501	1,019,734
NET CURRENT ASSETS		**428,266**	416,886
TOTAL ASSETS LESS CURRENT LIABILITIES		**532,439**	518,984
CAPITAL AND RESERVES			
Share capital	17	**31,125**	31,125
Reserves		**491,045**	477,243
Equity attributable to owners of the Company		**522,170**	508,368
Non-controlling interests		**10,269**	10,616
		532,439	518,984

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2010 (Audited)	31,125	92,555	270	13,662	24,874	—	255,598	418,084	180	418,264
Profit for the period	—	—	—	—	—	—	39,763	39,763	(111)	39,652
Other comprehensive income for the period	—	—	—	2,036	—	—	—	2,036	—	2,036
Total comprehensive income for the period	—	—	—	2,036	—	—	39,763	41,799	(111)	41,688
Appropriations	—	—	—	—	7,628	—	(7,628)	—	—	—
Balance at 30 June 2010 (Unaudited)	31,125	92,555	270	15,698	32,502	—	287,733	459,883	69	459,952
Balance at 1 January 2011 (Audited)	**31,125**	**92,555**	**270**	**23,816**	**44,284**	**—**	**316,318**	**508,368**	**10,616**	**518,984**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**30,027**	**30,027**	**(537)**	**29,490**
Other comprehensive income for the period	**—**	**—**	**—**	**7,971**	**—**	**—**	**—**	**7,971**	**190**	**8,161**
Total comprehensive income for the period	**—**	**—**	**—**	**7,971**	**—**	**—**	**30,027**	**37,998**	**(347)**	**37,651**
Recognition of equity-settle share-based payment	**—**	**—**	**—**	**—**	**—**	**82**	**—**	**82**	**—**	**82**
Appropriations	**—**	**—**	**—**	**—**	**5,455**	**—**	**(5,455)**	**—**	**—**	**—**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**—**	**(24,278)**	**(24,278)**	**—**	**(24,278)**
Balance at 30 June 2011 (Unaudited)	**31,125**	**92,555**	**270**	**31,787**	**49,739**	**82**	**316,612**	**522,170**	**10,269**	**532,439**

CONDENSED CONSOLIDATED STATEMENT CASH FLOWS

For the six-month period ended 30 June 2011

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash (used in) generated from operating activities	**(186,464)**	22,982
Net cash generated from (used in) investing activities		
Payments for property, plant and equipment	**(10,502)**	(3,233)
Proceeds on disposal of other financial assets	**23,542**	—
Other investing cash flows	**1,082**	(2,846)
	14,122	(6,079)
Net cash used in financing activities		
Proceeds from borrowings	**266,014**	213,644
Payment of borrowings	**(204,488)**	(276,623)
(Increase) Decrease in pledged bank deposit	**(60,912)**	23,215
Dividend paid	**(24,278)**	—
	(23,664)	(39,764)
Net decrease in cash and cash equivalents	**(196,006)**	(22,861)
Cash and cash equivalents at 1 January	**275,500**	210,883
Effect of foreign exchange rate changes	**15,210**	1,020
Cash and cash equivalents at 30 June, represented by bank balances and cash	**94,704**	189,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The six-month period ended 30 June 2011

1. GENERAL INFORMATION

Futong Technology Development Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 July 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its principal place of business is located at Units B1901 on level 19 and B2001 on level 20 of Tower B, Chaowaimen Office Center, No. 26 Chaowai Street, Chaoyang District, Beijing, the People's Republic of China (the "PRC").

The companies comprising the Company and its subsidiaries (collectively referred to as the "Group") underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 11 November 2009, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 24 November 2009. The Company's shares were listed on the Stock Exchange on 4 December 2009.

The directors ("Directors") of the Company considered that the immediate parent, also the ultimate holding company, of the Company is China Group Associates Limited.

The principal activity of the Company is investment holding and its subsidiaries and an associate are mainly engaged in distribution of enterprise IT products and provision of services.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standard 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale which is measured at fair value less costs to sell.

The accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described as below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board. The application of these new and revised IFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosures of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (as revised in 2011)	Employee Benefit[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investment in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013.

2 Effective for annual periods beginning on or after 1 July 2012.

The Group is in the process of making an assessment of the impact of these new and revised standards and amendment upon initial application.

4. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Directors consider that the Group operates in a single business and geographical segment as the revenue and profit are derived entirely from the distribution of enterprise IT products and provision of services to the customers in the PRC. Accordingly, no segmental analysis is presented.

5. REVENUE

Revenue represents the sales value of goods sold to customers excluding value added tax or other sales taxes and is after allowances for goods returned and deduction of any trade discounts. The amount of each significant category of revenue recognised during the period is as follows:

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of goods	**1,117,365**	1,394,264
Provision of services	**38,930**	14,823
	1,156,295	1,409,087

The Group's customer base is diversified and none of the customers (six-month period ended 30 June 2010: nil) with whom transactions have exceeded 10% of the Group's revenue for the six-month period ended 30 June 2011 and 2010.

6. OTHER REVENUE AND OTHER GAIN

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other revenue:		
Interest income on bank deposit	**545**	384
Others	**12**	73
	557	457
Other net gain:		
Net foreign exchange gain	**10,146**	144
Loss on disposal of property, plant and equipment	**(184)**	—
Others	**(269)**	—
	9,693	144

7. FINANCE COSTS

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within five years	**11,273**	8,757
Other borrowings wholly repayable within five years	**2,995**	1,368
	14,268	10,125

8. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Staff cost:		
Salary and allowance	**41,689**	38,355
Contribution to retirement schemes	**3,757**	3,348
	45,446	41,703
Depreciation	**4,527**	2,699
Reversal of impairment loss on trade and bills receivables	**(3,227)**	(6,318)
Operating lease charges in respect of properties	**7,780**	4,920
Cost of inventory	**1,039,894**	1,285,872

9. INCOME TAX CHARGE

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax:		
Hong Kong profit tax	**1,553**	1,404
PRC enterprise income tax	**2,254**	6,989
	3,807	8,393
Under provision in prior year:		
PRC enterprise income tax	**318**	—
Deferred tax:		
Origination and reversal of temporary differences	**2,874**	723
	6,999	9,116

10. DIVIDEND

During the current interim period, a final dividend of HK7.8 cents per share in respect of the year ended 31 December 2010 (2010: nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$24,278,000 (2010: nil).

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011.

11. EARNINGS PER SHARE

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

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**30,027**	39,763

	Six-month period ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**311,250,000**	311,250,000
Effect of share options issued by the Company	**—**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**311,250,000**	311,250,000

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of shares for the six-month period ended 30 June 2011.

There were no potential dilutive ordinary shares of the Company in existence for the six-month period ended 30 June 2010.

12. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2011, the Group spent HK$10,502,000 (six-month period ended 30 June 2010 (unaudited): HK$3,201,000) to acquire property, plant and equipment in order to increase its production capacity.

13. DEFERRED TAX ASSETS

	Provision for inventories	Impairment loss on trade and bills receivables	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010 (Audited)	5,069	3,739	(114)	8,694
Exchange adjustments	(91)	(60)	2	(149)
(Charge)/credit to profit or loss	(138)	(594)	9	(723)
At 30 June 2010 (Unaudited)	4,840	3,085	(103)	7,822
At 1 January 2011 (Audited)	4,026	3,261	22,648	29,935
Exchange adjustments	96	71	494	661
(Charge)/credit to profit or loss	180	(415)	(2,639)	(2,874)
At 30 June 2011 (Unaudited)	4,302	2,917	20,503	27,722

At 30 June 2011, the Group has not recognised deferred tax assets in respect of unutilised tax losses of approximately HK$5,574,000 (31 December 2010: HK$3,463,000) as it was determined by management that it is not probable that future taxable profits against which the losses can be utilised will be available before it expires. The tax losses of HK$168,000, HK$2,855,000 and HK$2,551,000 expire in 2014, 2015 and 2016, respectively under the relevant tax law.

At 30 June 2011, temporary difference relating to the undistributed profits accumulated since 1 January 2008 of Futong Dongfang and Futong Times amounted to HK$190,409,000 (31 December 2010: HK$163,134,000). The deferred tax liabilities of HK$9,520,000 (31 December 2010: HK$8,157,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of Futong Dongfang and Futong Times and it has been determined that it is not probable that profits will be distributed out of Futong Dongfang and Futong Times in the foreseeable future.

14. TRADE AND OTHER RECEIVABLES

The Group allows credit period within 30 to 90 days to its trade customers.

The following is an analysis of trade and other receivables, net of allowance for doubtful debts, at the end of the respective reporting periods:

	30 June 2011 **HK$'000** **(Unaudited)**	31 December 2010 HK$'000 (Audited)
Trade receivables and bill receivables		
Current	**579,421**	481,754
Amount pass due:		
— Less than one month past due	**11,503**	72,190
— 1 to 3 months past due	**143,681**	103,251
— More than 3 months past due	**83,878**	78,362
	818,483	735,557
Amount due from related parties	**4,511**	—
Prepayment	**54,815**	18,392
Other receivables	**17,012**	15,406
	894,821	769,355

15. TRADE AND OTHER PAYABLES

The credit period taken for the settlement of trade purchases is 60 days. The following is an aged analysis of trade and other payables at the end of the respective reporting periods:

	30 June 2011 **HK$'000** **(Unaudited)**	31 December 2010 HK$'000 (Audited)
Trade payables		
Within 60 days based on invoice date	**501,935**	359,618
Over 60 days based on invoice date	**7,666**	517
	509,601	360,135
Bills payables	**221,580**	259,606
Amount due to related parties	**102**	244
Receipt in advances	**28,448**	35,330
Other payables and accruals	**13,287**	41,039
	773,018	696,354

16. BORROWINGS

During the current period, the Group obtained new bank loans amounting to HK$266,014,000 (Six-month period ended 30 June 2010: HK$213,644,000). The loans carry interest at variable market rates varied from 1.98% to 8.82% (Six-month period ended 30 June 2010: 1.98% to 6.12%) and are repayable within one year.

17. SHARE CAPITAL

	Number of shares '000	**Share capital** HK$'000
Authorised:		
Ordinary shares of HK$0.1 each	2,000,000	200,000
Issued and fully paid		
At 1 January 2011 and 30 June 2011	311,250	31,125

18. SHARE-BASED PAYMENT TRANSACTION

On 15 June 2011, the Company announced that a total of 1,900,000 share options (the "Share Options") to subscribe for shares of HK$0.10 each in the capital of the Company (the "Shares") were granted by the Company to the independent non-executive directors and eligible employees of the Company (collectively, the "Grantees"), subject to acceptance of the Grantees, under the Company's share option scheme adopted by the Company on 11 November 2009. A summary of the grant is set out below:

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

The fair values of Share Options A and Share Options B determined at the dates of grant using the Binomial Model were HK$630,000 and HK$706,000 respectively.

The following assumptions were used to calculate the fair values of Share Options:

	Share Options A		Share Options B	
Grant date share price	HK$1.80		HK$1.80	
Exercise price	HK$1.81		HK$1.81	
Tranche		1(30%)	2(30%)	3(40%)
Expected life (Years)	10	10	10	10
Expected volatility	49.355%	49.355%	49.355%	49.355%
Dividend yield	4.5%	4.5%	4.5%	4.5%
Risk-free interest rate	2.28%	2.28%	2.28%	2.28%

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the Share Options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Share Options.

19. COMMITMENTS AND CONTINGENT LIABILITIES

At the end of each reporting period, the Group was committed to make future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Within one year	**7,067**	3,031
In the second to fifth year inclusive	**4,808**	530
	11,875	3,561

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

20. CAPITAL COMMITMENTS

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Capital expenditure contracted but not provided for in respect of the acquisition of property, plant and equipment	**—**	2,732

21. RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party is as follows:

Name	Relationship
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by close family member of Mr Chen Jian, beneficial owner of the Company
北京時代興達電腦有限公司 Beijing Times Xingda Computer Co., Ltd. ("Beijing Times Xingda")*	A company controlled by Mr Chen Jian, beneficial owner of the Company
中金富通信息技術服務有限公司 Centrin-Futong IT Services Co., Ltd. ("Centrin-Futong")*	Associate of the Company

* The English translation of the company names is for reference only. The official names of these entities are in Chinese.

At the end of the reporting period, the Group had the following balances with related party:

Recurring transactions

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales to Beijing Deep Thought	**1,308**	7,720
Sales to Centrin-Futong	**7,462**	—
Purchases from Beijing Deep Thought	**—**	7,360

21. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Name and relationship with a related party is as follows: *(Continued)*

Amount due from a related party

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Trade receivable nature		
Beijing Deep Thought	**1,064**	—
Centrin-Futong	**3,447**	—

Amount due to a related party

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Receipt in advance nature		
Beijing Deep Thought	**102**	—
Other payable nature		
Beijing Times Xingda	**—**	244

21. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Remuneration of key managements

The remuneration of directors of the Company and other members of key management during the period were as follows:

	Six-month period ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**8,567**	7,129
Retirement benefits scheme contributions	**353**	301
	8,920	7,430

Total remuneration was included under staff costs as set out in note 8 to this interim financial information.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Yuen Kwok Hon, *CFA, CPA*

REGISTERED OFFICE

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Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 929-935, 9th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Australia and New Zealand Banking Group Limited
CITIC Bank International Limited
Nanyang Commercial Bank, Ltd.
China Construction Bank (Asia) Corporation Limited
HSBC Bank (China) Company Limited
Nanyang Commercial Bank (China) Limited
China Merchants Bank Co., Ltd.
Bank of Beijing
Bank of Hangzhou
China Minsheng Banking Corp. Ltd.

LEGAL ADVISORS

As to Hong Kong law:
King & Wood

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place,
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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