



Futong Technology Development Holdings Limited
富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 465

Annual Report 2011

CONTENTS

2	Chairman's Statement
4	Management Discussion and Analysis
10	Directors and Senior Management Profile
13	Corporate Governance Report
21	Directors' Report
30	Independent Auditor's Report
32	Consolidated Statement of Comprehensive Income
33	Consolidated Statement of Financial Position
34	Consolidated Statement of Changes in Equity
35	Consolidated Statement of Cash Flows
37	Notes to the Consolidated Financial Statements
82	Summary of Financial Information
84	Corporate Information

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I would like to offer my utmost gratitude to all of our shareholders and investors for their trust and support in Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). I am pleased to present to all our shareholders the annual results of the Group for the year ended 31 December 2011 (the "Year").

During the Year, the Company recorded profit attributable to owners of the Company of approximately RMB70.5 million, representing a rise of approximately 1.7% compared with the corresponding period of last year. Satisfactory results in the second half of the Year helped offset the decrease in profits experienced in the first half of the Year and reflected the delivery of products that had been delayed by customers during the initial six months of the Year.

It is worth noting that the Group has expanded its offering of higher margin solutions to end users. As a result, the gross profit margin of the Group increased by 1.2% to 10.3% as at the reporting year.

The Board recommends the payment of a final dividend of HK8.5 cents for the Year, representing a payout ratio of 30%.

For the Year, the Group entered into a reseller agreement with Apple, to distribute a full range of Apple products, including iPhones and iPads to enterprise customers. Although, revenue contributions from the sale of these products was not significant compared to sales of enterprise IT infrastructure products, this marked an important milestone for the Group which, as a leading value-added distributor of IT products to enterprises, has earned the trust of a highly distinguished international IT products supplier. The agreement has also strengthened our position in terms of cooperating with other international IT products suppliers.

While bolstering our position in the distribution of enterprise IT products within the PRC market, we concurrently enhanced our capacity to provide IT services. Besides setting up an IT services team with experienced personnel, we have leveraged the strength of our partners via joint venture agreements to make use of their advantages, relationships, skills and experience in particular sectors. In 2010, the Group formed a joint venture with Centrin Data Systems Co., Ltd., a company which owns and operates an advanced data center in the PRC, to provide IT services based on the needs of such facilities. During the Year, the Group formed a joint venture with a team of professionals, subsequently establishing a presence in the POS market. As a result, this will enhance the Group's ability to provide IT technical support services and expand its range of services, thus open the way for capturing greater opportunities in the PRC and spurring business growth. The joint ventures will also help further improve the Group's gross profit margin.

In September 2011, the Group signed a memorandum of undertaking with China Greatwall and EMC regarding their investment in a subsidiary of the Group. The legally binding conditional subscription agreements were subsequently entered into in December 2011. China Greatwall is one of the leading developers of server technology in the PRC. Since the Group wishes to expand its market share and business development in the PRC, the joint venture will enable it to leverage China Greatwall's server technology and EMC's information infrastructure, storage virtualization and cloud computing technologies, as well as utilize China Greatwall's and EMC branded products to create an integrated cloud computing data center solution and provide customers in the PRC market with professional consulting and value-added services.

To better reflect the economy in which the Group operates, we have changed the presentation currency in the Group's consolidated statements from Hong Kong dollars to Renminbi as of this Year.

CHAIRMAN'S STATEMENT

Looking forward, the recovery experienced during the second half of the Year is expected to continue. With projected demand for enterprise IT products from PRC businesses and organizations expected to intensify, the Group is confident about its performance in the future.

I would like to once again express my sincere gratitude to all of our shareholders, business partners and clients. Every member of our staff must also be lauded for their dedication and hard work. All of our Directors must be thanked as well for their valuable guidance and contributions to the Company.

Last but not least, I hope that all of you can continue to grow with Futong in the year ahead, and I wish you all good health and happiness.

Chen Jian

Chairman

Hong Kong, 28 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the distribution of enterprise IT products in the PRC where it is one of the industry leaders, as well as in the provision of IT solutions and IT technical support services. The Group is an authorised distributor of enterprise IT products in the PRC for IBM, EMC and Oracle and is also a reseller of IT products from other vendors.

Sales of IBM's products

For the year ended 31 December 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 RMB1,799.9 million (2010: approximately RMB2,085.0 million). This marked a decrease in revenue by approximately RMB285.1 million. The distribution of IBM's products and provision of related services remained as the primary revenue generator of the Group and accounting for approximately 73.4% of total revenue of the Group for the year ended 31 December 2011 (2010: approximately 84.6%).

Revenue from sales of IBM's enterprise servers and storage products recorded a decrease of approximately RMB198.6 million and RMB99.7 million, respectively, representing 12.5% and 30.3%, respectively, to approximately RMB1,388.7 million and RMB229.7 million respectively for the year ended 31 December 2011. Nevertheless, sales of IBM's software and related services recorded a moderate increase of 7.8% to approximately RMB181.5 million for the year ended 31 December 2011.

To cope with the decrease in revenue from IBM, one of the Group's major suppliers, the Group will dedicate more efforts to closely collaborate with IBM in market development and widen the products range offered to customers in the coming years.

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the year ended 31 December 2011, sales of Oracle's products and related services amounted to approximately RMB226.6 million, up by approximately RMB54.9 million or 32.0% over last year. This segment accounted for approximately 9.2% (2010: 7.0%) of the Group's total revenue. In consideration of the increasing portion of sales generated from distributing Oracles products, the Group will widen the variety of Oracle's products available to its customers.

Sales of EMC's products

This year 2011 recorded a full year contribution from the business of distributing EMC's products after the Group's cooperation with EMC started in 2010. For the year ended 31 December 2011, revenue from the distribution of EMC's products amounted to approximately RMB117.3 million (2010: approximately RMB21.1 million). During the year, the Group secured a contract of approximately USD10 million with delivery schedule in 2012 for sales of EMC's products to one of the largest telecommunication carriers in the PRC. The Group is continuing to strengthen its market position by providing enterprise IT infrastructure solutions with EMC's storage solutions. Furthermore, the Group entered into subscription agreements (the "Subscriptions") with China Greatwall Computer Shenzhen Co., Ltd. ("China Greawall") and EMC Computer Systems (FE) Limited ("EMC (FE)") for new and additional investment in a subsidiary of the Group. This collaboration further strengthen this business segment by leveraging China Greawall's server technology and EMC's information infrastructure, storage virtualisation and cloud computing technologies. At the same time, the enhanced collaboration could more effectively utilise the branded products of China Greawall and EMC to create an integrated cloud computing data centre solution, creating a resource to tap the rapidly expanding market for cloud-computing solutions as well as providing customers in the PRC market with professional consulting and value-added services. Completion of the Subscriptions is subject to the conditions as stipulated in the respective subscription agreements including but not limited to all permits, authorisations, approvals, consents or permits of any governmental authority or regulatory body.

MANAGEMENT DISCUSSION AND ANALYSIS

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 increased to approximately RMB223.7 million for the year ended 31 December 2011 (2010: approximately RMB158.4 million) which was mainly contributed from sales of Huawei-Symantec's products and related services.

Provision of Services

During the year ended 31 December 2011, the Group has further bolstered its IT technical support service team which aims to expand the Group's IT services capability in the PRC by meeting the needs of the end-users. The team is led by experienced and qualified technicians. For the year ended 31 December 2011, revenue from provision of services amounted to approximately RMB83.4 million (2010: approximately RMB28.5 million), nearly triple the amount for the year ended 31 December 2010.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, revenue of the Group decreased slightly by approximately RMB13.9 million to approximately RMB2,451.0 million from approximately RMB2,464.8 million for the year ended 31 December 2010. Revenue of the Group during the second half of the year increased and partially offset the decrease in revenue of the Group during the first half of the year following the delayed delivery of products to customers.

Gross profit

Gross profit of the Group climbed by approximately RMB27.2 million or 12.1%, from approximately RMB224.9 million for the year ended 31 December 2010 to approximately RMB252.2 million for the year ended 31 December 2011. Gross profit margin of the Group increased to around 10.3% for the year ended 31 December 2011 from around 9.1% for the year ended 31 December 2010. The increase in gross profit margin was attributable to the increase in revenue from provision of services to customers.

Distribution costs

For the year ended 31 December 2011, the distribution costs of the Group amounted to approximately RMB107.8 million, an increase of approximately RMB9.4 million or 9.6% compared to the year ended 31 December 2010. This increase was mainly due to the combined effect of increase in headcount for the EMC business segment recruited late last year and an increase in the amount paid for performance bonuses to staff for achieving their performance target.

Administrative expenses

Administrative expenses of the Group climbed by approximately RMB7.6 million or 24.6%, from approximately RMB30.9 million for the year ended 31 December 2010 to approximately RMB38.5 million for the year ended 31 December 2011. The increase was mainly due to higher staff cost for recruitment of management level human resources for EMC's business and an increase in rental expenses for additional office spaces to support business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs of the Group rose by approximately RMB9.0 million or 44.9% from approximately RMB20.1 million for the year ended 31 December 2010 to approximately RMB29.1 million for the year ended 31 December 2011. The increase was mainly due to an increase in the interest rate of bank loans in the PRC and a rise in the overall credit cost in financing from suppliers.

Results of associates

In 2010, the Group formed a joint venture with Centrin Data Systems Co., Ltd., a company which owns and operates an advanced data center in the PRC, to provide IT services based on the needs of such facilities. The Directors have noted an associate of the Group, 北京中金富通信息技術服務有限公司, recorded a loss for the year ended 31 December 2011 compared with a profit in last year, the Directors will make efforts in reviewing the business of the associate including making the necessary adjustments to its existing business operation.

Profit for the year and total comprehensive income for the year attributable to owners of the Company

For the year ended 31 December 2011, profit for the year and total comprehensive income for the year attributable to owners of the Company increased by approximately RMB1.2 million from approximately RMB69.4 million for the year ended 31 December 2010 to approximately RMB70.5 million. This rise in profit was mainly attributable to the higher gross profit margin of the Group which was offset partially by the increase in operating cost.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2011, the Group had total assets of approximately RMB1,902.3 million and net assets of approximately RMB487.1 million (2010: approximately RMB1,309.3 million and approximately RMB436.7 million, respectively). The Group's cash and cash equivalents as at 31 December 2011 amounted to approximately RMB496.3 million and bank borrowings amounted to approximately RMB334.3 million (2010: approximately RMB234.4 million and approximately RMB254.7 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 31 December 2011, bank loans of the Group were advanced in HK\$, United States dollars and RMB while cash and cash equivalents were held at HK\$, United States dollars and RMB.

As at 31 December 2011, the bank loans were repayable within one year or on demand.

As at 31 December 2011, approximately 58% (2010: approximately 33%) of bank loans were at fixed interests rates.

PLEDGE OF ASSETS

As at 31 December 2011, certain assets of the Group with carrying value of approximately RMB525.2 million (2010: approximately RMB512.2 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

NET DEBT-TO-CAPITAL RATIO

The Group has a net cash position as at 31 December 2011. The Group's net debt-to-capital ratio as at 31 December 2010 was 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 which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Renminbi and Hong Kong dollars.

As at 31 December 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.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK8.5 cents per share for the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on 23 May 2012. The proposed final dividend will be paid on or about 8 June 2012, following approval by the shareholders in the 2012 annual general meeting ("2012 AGM").

CLOSURE OF REGISTER OF MEMBERS

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

To determine the identity of shareholders who are entitled to attend and vote at the 2012 AGM

Latest time for lodging transfers	:	4:00 pm on Thursday, 10 May 2012
Closure of register of members	:	Friday, 11 May to Tuesday, 15 May 2012 (both dates inclusive)
Record date	:	Tuesday, 15 May 2012
Date of 2012 AGM	:	Tuesday, 15 May 2012

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers	:	4:00 pm on Friday, 18 May 2012
Closure of register of members	:	Monday, 21 May to Wednesday, 23 May 2012 (both dates inclusive)
Record date	:	Wednesday, 23 May 2012
Payment date for final dividend	:	on or about Friday, 8 June 2012

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

To qualify for attending and voting at the 2012 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

MANAGEMENT DISCUSSION AND ANALYSIS

ANNUAL GENERAL MEETING

The 2012 AGM of the Company will be held on Tuesday, 15 May 2012. Notice of 2012 AGM will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 442 (31 December 2010: 440) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB86.7 million (2010: approximately RMB71.4 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.

MATERIAL INVESTMENT FOR THE YEAR

In December 2011, the Group entered into conditional subscription agreements with EMC (FE) and China Greatwall respectively for the subscription of new shares in a subsidiary of the Group for consideration of RMB11,875,000 and RMB50,625,000 respectively. EMC Corporation and its subsidiaries (collectively "EMC Group") is a well-known international IT vendor and is a provider of information infrastructure systems, software and services with over 30 years history. EMC Group has developed a worldwide customer base and provides technology, products and services to customers in more than 80 countries. EMC is a member of EMC Group. China Greatwall is one of the leading developers in server technology in the PRC. The Group wishes to expand its market share and business development in the PRC. The joint venture cooperation could leverage China Greatwall's server technology and EMC's information infrastructure, storage virtualization and cloud computing technologies and utilize branded products of China Greatwall and EMC to create an integrated cloud computing data centre solution and provide customers in the PRC market with professional consulting and value-added services. Upon completion of the Subscriptions, the subsidiary will be owned as to 36%, 45% and 19% by the Group, China Greatwall and EMC respectively. Completion of the Subscriptions is subject to the conditions as stipulated in the respective subscription agreements including but not limited to all permits, authorisations, approvals, consents or permits of any governmental authority or regulatory body.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 31 December 2011, the Group had used approximately RMB7.5 million for set up of new branch offices, approximately RMB24.8 million for sourcing new enterprises IT products, approximately RMB6.9 million for establishment and expansion of IT solution support centers and approximately RMB4.5 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 for the year ended 31 December 2011.

OUTLOOK

The PRC Government has embarked on a number of initiatives in support of its policy to encourage the development of the IT industry. Noteworthy among these measures is the promotion of IT applications to enhance productivity in enterprises, rolling out e-government services and other additional public services, developing an advanced cultural network, nurturing a digital economy and, improving information-based facilities in order to enhance the competitiveness of the PRC's IT industry. The market in the PRC should continue relatively vibrant for IT vendors who can help IT users achieve efficiency and productivity gains. The Group believes that it is well positioned within an industry sector that is steadily growing.

The Group is leveraging the extensive experience of the management team in its role as a leading provider of quality enterprise IT products, cost effective IT solutions and integrated IT technical support services. Base on this foundation, the Group intends to enhance its market leading position through extending its sales network and coverage and diversification of its product distribution portfolio; broadening its product sourcing network; and expansion of its IT services in the PRC.

The Group has strengthened its range of products and services by initiating collaboration with EMC as a business partner and expanding the range of its solutions to its customers. Allying with other well-known international IT vendors, the Group has strengthened its market position in providing enterprise IT infrastructure products and services. The cooperation with China Greatwall should further strengthen the Group's market position by leveraging that partner's expertise in server technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (陳健先生), aged 51, is an executive Director and chairman of the Company, one of the co-founders of the Group. He is also the director of Futong Technology Co. Ltd. ("Futong BVI"), Etong Technology Holdings Limited ("Etong BVI"), Futong Technology (HK) Company Limited ("Futong HK"), Futong Technology Development Holdings (HK) Limited ("Etong HK"), Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang"), Futong Times Technology Co., Ltd. ("Futong Times") and Beijing Etong Dongfang Computer System Services Co., Ltd. ("Etong Dongfang") which are subsidiaries of the Company. Mr. Chen is responsible for the overall strategic development of the Group's business. He has over 22 years of experience in IT industry. Mr. Chen graduated from 中國人民解放軍通信工程學院 (Chinese People's Liberation Army Communication Engineering University) with a bachelor's degree in wireless communications engineering. He is the brother-in-law of Ms. Zhang Yun.

Ms. Zhang Yun (張昀女士), aged 41, is an executive Director and vice chairlady of the Company, one of the co-founders of the Group. She is also the director of Futong BVI, Etong BVI, Futong HK, Etong HK, Futong Dongfang, Futong Times and Etong Dongfang. Ms. Zhang is responsible for the Group's operations development and overall management, including key finance matters. She is also responsible for the daily operations of Futong HK and Etong HK. She has over 18 years of experience in IT industry. Ms. Zhang graduated from 華東交通大學 (East China Jiaotong University) with a bachelor's degree, majoring in economics. She is the sister-in-law of Mr. Chen Jian.

Mr. Guan Tao (關濤先生), aged 53, is an executive Director, one of the co-founders of the Group. He is also the director of Futong BVI, Etong BVI, Futong HK, Futong Dongfang, Futong Times and Etong Dongfang. Mr. Guan assists the chairman of the Company in executing the Group's corporate strategies and managing the Group's management operations. He has over 17 years of experience in IT industry. Mr. Guan graduated from 中國人民解放軍通信工程學院 (Chinese People's Liberation Army Communication Engineering University) with a bachelor's degree in wireless communications engineering.

Independent non-executive Directors

Mr. Lee Kwan Hung (李均雄先生), aged 46, was appointed as an independent non-executive director on 5 November 2009. Mr. Lee received his LL.B. (Honours) degree and Postgraduate Certificate in Laws from The University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997. Mr. Lee was a senior manager of the Listing Division of the Stock Exchange between 1993-94. Mr. Lee is a practising lawyer and an independent non-executive director of Yuexiu REIT Asset Management Limited (which manages the Yuexiu Real Estate Investment Trust), Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, New Universe International Group Limited, Walker Group Holdings Limited, Newton Resources Limited, Tenfu (Cayman) Holdings Company Limited and Far East Holdings International Limited, the shares of which are listed on the Stock Exchange. Besides, Mr. Lee was also a non-executive director of GST Holdings Limited, the shares of which were formerly listed on the Stock Exchange.

Mr. Yuan Bo (袁波先生), aged 49, was appointed as an independent non-executive Director on 5 November 2009. He is currently the senior vice president of Camelot Information Systems Company Limited. Mr. Yuan graduated from 清華大學 (Tsinghua University) with a master degree, majoring in economics. He was the general manager of China Business Partner Operation Division of 國際商業機器(中國)投資有限公司 (IBM (China) Investment Co., Ltd.) in 1998. He also served as the chief executive officer of Hi Sun Technology Holding Limited (a subsidiary of Hi Sun Technology (China) Limited, shares of which are listed on the Stock Exchange) in 2002. Besides, he was the founder and managing director of 百碩同興科技(北京)有限公司 (Bayshore Consulting and Services Co., Ltd.) from 2003 to 2006. He was a non-executive director of Geong International Limited, a company whose shares are listed on the London Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Ho Pak Tai Patrick (何柏泰先生), aged 65, was appointed as an independent non-executive Director on 5 November 2009. He is a fellow of the Hong Kong Institute of Bankers, an independent non-executive director of CCB International (Holdings) Ltd., a subsidiary of China Construction Bank Corporation, the shares of which are listed on the Stock Exchange, and he is the chairman of its audit and compliance committee. He has been appointed to the Board of Review under the Inland Revenue Ordinance of Hong Kong from January 2001 to December 2009. Mr. Ho holds a banking diploma from the Chartered Institute of Bankers, London in December 1980 and has been a fellow of the Chartered Institute since 1988. Mr. Ho had served as the chief executive and general manager of Jian Sing Bank Limited (subsequently known as China Construction Bank (Asia) Limited, a subsidiary of China Construction Bank Corporation) from 1996 until 2007 and was also a director of its board. Mr. Ho has extensive banking experience in credit administration and audit.

SENIOR MANAGEMENT

Mr. Paul Wai Kee, Ko (高偉基先生), aged 51, joined the Group in 2012, he is the CFO of the Group. He is responsible for overseeing the day-to-day operations of the Group's financial management. He graduated from University of Southampton with a master's degree in Financial Managerial Controls.

Ms. Liu Ying (劉瑛女士), aged 49, joined the Group in 2006. She is the executive vice president of Futong Dongfang, a subsidiary of the Company. She is responsible for overseeing the day-to-day business operations of the branch offices of the Group. She graduated from 大連海運學院 (Dalian Maritime College, now known as 大連海事大學 (Dalian Maritime University)) with a bachelor's degree, majoring in computer science.

Mr. Xie Hui (謝輝先生), aged 42, joined the Group in 2005, He is the vice president of Futong Dongfang and one of the co-founders of the Group. He is responsible for overseeing the day-to-day operations of the Group's business department for software of IBM. He graduated from 北京航空航天大學 (Beihang University), majoring in mechanical and electrical engineering.

Mr. Liu Li Min (劉利民先生), aged 41, joined the Group in 2007, He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the Group's business department for hardware of IBM. He is also responsible for the business cooperation affairs of Centrin-Futong. He graduated from 浙江大學 (Zhejiang University) with a bachelor's degree in electrical engineering.

Mr. Zhao Wei (趙偉先生), aged 40, joined the Group in 2003. He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the Oracle division of the Group and the telecommunication sector in the PRC. He graduated from 北京理工大學 (Beijing Institute of Technology), majoring in electronic appliances.

Mr. Zhuang Yi Feng (庄一峰先生), aged 42, joined the Group in 2007, he is the vice president of Futong Times. He is responsible for overseeing the day-to-day operations of the Group's business department for hardware of Huawei. He graduated from 中國海洋大學 (Ocean University of China) with a bachelor's degree in Electronics and Information System.

Mr. Dai Sihong (戴思弘先生), aged 42, joined the Group in 2010. He is the president of Etong Dongfang. He is responsible for overseeing the day-to-day business operations of Etong Dongfang. He holds a master degree in information systems focusing on E-commerce from Stevens Institute of Technology, Hoboken, New Jersey, USA.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Chen Hua Guang (陳華光先生), aged 44, joined the Group in 2004. He is the vice president of Etong Dongfang. He is responsible for the channel development and management of the EMC division of the Group. He graduated from 北京印刷學院 (Beijing Institute of Graphic Communication) with a bachelor's degree, majoring in electrical engineering.

Mr. Li Jun (李鈞先生), aged 40, joined the Group in 2002. He is the assistant president and eastern China region general manager of Futong Dongfang. He is responsible for the overall business of the Group in eastern China.

Ms. Chen Jing (陳靜女士), aged 43, joined the Group in 2005. She is the assistant president of Futong Dongfang. She is responsible for the overall contracts management, process management, logistics management and internal audit management of the Group. She graduated from 北京聯合大學 (Beijing Union University) with a bachelor's degree majoring in mechanical engineering.

Mr. Wang Hui Gang (王卉剛先生), aged 43, joined the Group in 2004. He is the assistant president of Futong Dongfang. He is responsible for overseeing the day-to-day business operations and development of the key customer division of the Group. He graduated from Beijing Open University (formerly known as Beijing Radio and Television University).

Mr. Lou Shu Lin (婁樹林先生), aged 38, joined the Group in 2008. He is the financial controller of Futong Dongfang. He is responsible for the overall monitoring the accounting department of Futong Dongfang. He holds a bachelor's degree in accounting from 杭州電子工業學院 (Hangzhou Electronic and Engineering Institute, now known as 杭州電子科技大學 (Hangzhou Dianzi University)) and a master degree in business administration from 北京大學 (Peking University). He holds a qualification certificate of accountant conferred by the Ministry of Finance of the PRC and a certified public accountant certification of the PRC. He is also a member of Beijing Institute of Certified Public Accountants. He has extensive experience in finance and accounting.

Mr. Yuen Kwok Hon (袁國漢先生), aged 35, joined the Group in 2009 and is the financial controller of Futong HK. He is the authorised representative and company secretary of the Company. He received his bachelor's degree in business administration (majoring in accounting) from Hong Kong University of Science and Technology. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a CFA charterholder. He has over 12 years of experience in finance and accounting.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices with a view of being a transparent and responsible organisation, which is open and accountable to the shareholders and for protection of shareholders' and stakeholders' rights and enhance shareholders' value. The Board believes that good corporate governance establishes a framework which is essential for and advantageous to the Group's effective management and sustainable business growth.

COMPLIANCE WITH THE CODE

Throughout the year ended 31 December 2011, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") and complied with the code provisions (the "Code Provisions") set out in the Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the deviation from the Code Provision A.2.1, which, with considered reasons for this deviation, is disclosed under the heading "Chairman and Chief Executive Officer" below.

The key corporate governance principles and practices adopted by the Company are set out below.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Board is collectively and ultimately responsible for the effective oversight of the management, and the strategic direction and performance of the Group. All Directors have full and direct access to the advices and services of the company secretary of the Company. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where they consider relevant and necessary to the discharge of their duties.

The Board has delegated to the management of the Group the authority and responsibilities for implementing the decisions and strategies approved by the Board and managing day-to-day operations of the Group under the leadership and guidance of the Board. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of the Group's major acquisitions and disposals, major capital investments, dividend policy, recommendation, appointment, retirement and remuneration policy of the Directors and senior management, and other significant operational and financial matters. The Board will review the delegation arrangements on a periodic basis to ensure they remain appropriate to the needs of the Group.

The Board has also established three Board committees, namely, the audit committee, the remuneration committee and the nomination committee, and delegated to these Board committees certain specific responsibilities as set out in their respective written terms of reference approved by the Board. Further details of these Board committees are set out under the heading "Board Committees".

The Company arranged induction programme for all newly appointed Directors and provided them with comprehensive corporate information and business briefings on their appointments to familiarise them with the Group's operations and business, as well as their responsibilities as a Director.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CORPORATE GOVERNANCE REPORT

Composition of the Board

As at the date of this annual report, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors. Members of the Board are:

Executive Directors

Mr. Chen Jian (*Chairman and Chief Executive Officer*)

Ms. Zhang Yun

Mr. Guan Tao

Independent non-executive Directors

Mr. Ho Pak Tai Patrick

Mr. Lee Kwan Hung

Mr. Yuan Bo

The Board's composition satisfies the requirements of Rule 3.10(1) and 3.10(2) of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors, and of whom at least one must possess appropriate professional qualifications or accounting or related financial management expertise.

The Company has received confirmation from each of the independent non-executive Directors regarding his independence pursuant to the requirements set out in Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that all of the independent non-executive Directors to be independent.

The biographies of the Directors and their relationship with each other are set out under the section headed "Directors and Senior Management Profile" on pages 10 to 12 of this annual report.

Chairman and Chief Executive Officer

Mr. Chen Jian currently serves both the roles of the chairman and chief executive officer of the Company. Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this Code Provision.

The major duties of the chairman are to provide leadership to the Board and formulate, together with the Board, the business strategies and long-term objectives of the Group whilst the chief executive officer is responsible for implementing the decisions and strategies approved by the Board and managing day-to-day operations of the Group with the support of the executive Directors. The Board believes that appointing the same person as the chairman and chief executive officer is conducive to 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 given that there is a professional and independent non-executive element on the Board and a clear division and proper balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber 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. The Board will nevertheless review the present arrangement from time to time in light of prevailing circumstances.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

The Board has established the nomination committee, which is responsible for identifying appropriate candidates with suitable skills and experience for consideration by the Board. Further details of the nomination committee are set out under the heading "Nomination Committee". All independent non-executive Directors are appointed for an initial term of one year and subject to terms of renewal and termination after their first year of appointments. According to the articles of association of the Company, all Directors are subject to retirement by rotation at least once every three years and any new Directors appointed to fill a casual vacancy or as an addition to the Board shall retire at the first general meeting after appointment. The retiring Directors are eligible for re-election at the general meeting at which he/she retires.

Model Code for Securities Transactions by Directors

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

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code for the year ended 31 December 2011.

Board Meetings and Attendances

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Notices of regular meetings are given to all Directors at least 14 days before the meeting is held, while notices of special Board meetings are given as soon as reasonable and practicable in the circumstances.

The company secretary is responsible for preparing the agenda and minutes for Board meetings. Agenda and discussion paper are provided to the Directors in advance of the meetings to allow them sufficient time to understand and consider the matters to be discussed in the meetings. The Directors may request to include matters in the agenda through the company secretary.

Draft Board meeting minutes containing detailed information of matters discussed, decisions reached, and any concerns raised or dissenting views expressed by the Directors at the meetings are dispatched to all Directors for their comments within a reasonable period of time after the meetings. Final version of Board meeting minutes are submitted to the Board for formal adoption after their comments. The adopted minutes are kept by the company secretary and are open for inspection by Directors upon their requests.

CORPORATE GOVERNANCE REPORT

Details of individual attendance of each Director at the Board meeting are as follows:

Name of Director	Meetings Attended/Held	Attendance rate
Executive Directors		
Mr. Chen Jian (<i>Chairman and Chief Executive Officer</i>)	5/6	83%
Ms. Zhang Yun	6/6	100%
Mr. Guan Tao	6/6	100%
Independent non-executive Directors		
Mr. Ho Pak Tai Patrick	6/6	100%
Mr. Lee Kwan Hung	6/6	100%
Mr. Yuan Bo	6/6	100%

BOARD COMMITTEES

The Board has established the audit committee, the remuneration committee, the nomination committee, with approved written terms of reference to explain their respective role and the authority delegated to them by the Board. The terms of reference and membership of the Board committees are disclosed in full on the Company's website and are also available upon request to the company secretary. The Board committees are provided with sufficient resources to discharge their duties, and as they considered necessary, they may obtain independent professional advice at the Company's cost on any matters within their terms of reference.

Audit Committee

The audit committee was established on 11 November 2009 and is regulated by written terms of reference approved by the Board. The audit committee comprises all three independent non-executive Directors, namely Mr. Ho Pak Tai Patrick (chairman of the audit committee), Mr. Lee Kwan Hung and Mr. Yuan Bo.

The principal roles and functions of the audit committee are:

- to oversee the relation with the external auditors, which includes making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- to review the Group's financial information, which includes monitoring the integrity of financial statements, the annual report and accounts, and half year report and reviewing significant financial reporting judgements contained therein; and
- to oversee the Group's financial reporting system and internal control procedures.

CORPORATE GOVERNANCE REPORT

The audit committee held four meetings during the year ended 31 December 2011, at which the financial results and reports, financial reporting and compliance procedures, internal control matters and the independence and the appointment of the external auditors were reviewed and discussed. Details of individual attendance of each member of the audit committee are as follows:

Name of the members of the audit committee	Meetings Attended/Held	Attendance rate
Mr. Ho Pak Tai Patrick (<i>Chairman</i>)	4/4	100%
Mr. Lee Kwan Hung	4/4	100%
Mr. Yuan Bo	4/4	100%

Remuneration Committee

The remuneration committee was established on 11 November 2009 and is regulated by written terms of reference approved by the Board. The remuneration committee comprises all three independent non-executive Directors, namely Mr. Yuan Bo (chairman of the remuneration committee), Mr. Ho Pak Tai Patrick and Mr. Lee Kwan Hung, and one executive Director, Mr. Chen Jian, who is the chairman and chief executive officer of the Company.

The principal roles and functions of the remuneration committee are:

- to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to have the delegated responsibility to determine the specific remuneration package of all executive Directors and senior management; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The remuneration committee held three meetings during the year ended 31 December 2011 to review the remuneration packages of the Directors and senior management. Members of the remuneration committee were abstained from voting on resolutions related to his own remuneration package in the meeting.

CORPORATE GOVERNANCE REPORT

Details of individual attendance of each member of the remuneration committee are as follows:

Name of the members of the remuneration committee	Meetings Attended/Held	Attendance rate
Mr. Yuan Bo (a) (<i>Chairman</i>)	3/3	100%
Mr. Chen Jian (b)	3/3	100%
Mr. Ho Pak Tai Patrick (a)	3/3	100%
Mr. Lee Kwan Hung (a)	3/3	100%

(a) Independent non-executive Director

(b) Executive Director

The compensation structure for the Directors consists of the fixed and variable components. The fixed component mainly comprises salary, retirement benefit scheme contributions and other allowances which are determined with reference to factors including their skills, knowledge and experience, the time commitment, duties and responsibilities required of them and the prevailing market conditions. The variable component comprises bonuses and share options granted under the Company's share option scheme, which are performance-based incentives to the Directors and senior management for aligning the individual and corporate goals and objectives.

Nomination Committee

The nomination committee was established on 11 November 2009 with written terms of reference approved by the Board. The nomination committee comprises all three independent non-executive Directors, namely Mr. Lee Kwan Hung (chairman of the nomination committee), Mr. Ho Pak Tai Patrick and Mr. Yuan Bo, and one executive Director, Ms. Zhang Yun.

The principal roles and functions of the nomination committee are:

- to identify and nominate Board candidates for directorship;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on matters relating to the appointment, re-appointment, and succession planning for Directors in particular the chairman and chief executive officer.

The nomination committee held one meeting during the year ended 31 December 2011, to assess the independence of the independent non-executive Directors and make recommendation to the Board on reappointment of Directors.

CORPORATE GOVERNANCE REPORT

Details of individual attendance of each member of the nomination committee are as follows:

Name of the members of the nomination committee	Meeting Attended/Held	Attendance rate
Mr. Lee Kwan Hung (a) (<i>Chairman</i>)	1/1	100%
Ms. Zhang Yun (b)	1/1	100%
Mr. Ho Pak Tai Patrick (a)	1/1	100%
Mr. Yuan Bo (a)	1/1	100%

(a) Independent non-executive Director

(b) Executive Director

EXTERNAL AUDITORS

During the year, KPMG, who acted as auditor of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as the external auditors of the Company to fill the casual vacancy arising thereon. The audit committee has the same view with the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

For the year ended 31 December 2011, the total remuneration in respect of services provided by the Company's external auditors amounted to approximately RMB1,911,000, which can be analysed as follows:

	RMB'000
Audit services	1,579
Review of interim results	332
Total	1,911

INTERNAL CONTROLS

The Board is responsible for maintaining a sound internal control system and reviewing its effectiveness at least annually to safeguard the shareholders' investments and the Group's assets. During the year ended 31 December 2011, the Board was assisted by the audit committee in reviewing the effectiveness of the Group's internal control system with no material deficiencies identified. The Board and the audit committee have considered all material aspects, including financial, operational and compliance controls, risk management functions, as well as the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget in the review. The Board and the audit committee are satisfied that the Group's internal control system was effective and there was no significant area of concern which might affect the interests of the shareholders of the Company.

The Group will use its best endeavour to implement changes to further improve the Group's internal control system whenever necessary.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is collectively responsible for preparing the consolidated financial statements which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flows. The audited consolidated financial statements of the Group for the year ended 31 December 2011 are set out on pages 32 to 81 of this annual report. In preparing these financial statements, the Directors have (i) selected appropriate accounting policies and applied them consistently; (ii) made prudent and reasonable judgements and estimates; and (iii) ensured that these financial statements were prepared on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibility of the external auditors on the Group's consolidated financial statements are set out in the section headed "Independent Auditor's Report" on pages 30 to 31 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of effective communication with the shareholders of the Company. The Company has established a number of communication channels to maintain an ongoing dialogue with its shareholders and enhancing the transparency of the Group. These include (i) holding annual and extraordinary general meetings to provide a forum for shareholders to communicate directly with the Board and the Board committees; (ii) distributing corporate documents and releasing announcements to disseminate the Group's latest information to the shareholders; and (iii) maintaining the Company's website to provide an electronic means of communication with the shareholders and the public.

Shareholders and other interested parties are welcome to access the Group's information from the Company's website at www.futong.com.hk. The Group's corporate information including terms of reference of the Board committees, the Group's financial reports, announcements and circulars are available on the website. In order to enhance shareholders' understanding of the Group's business performance and development, the Company will continue to improve its corporate disclosure on the Company's website and the communication with its shareholders.

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 32 to 81 of this annual report.

The Board recommends the payment of a final dividend for the year ended 31 December 2011 of HK8.5 cents (2010: HK7.8 cents) per share.

Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or about 8 June 2012 to shareholders whose names appear on the register of members of the Company on 23 May 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and equity of the Group for the last five financial years is set out on pages 82 and 83 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

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

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 34 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB339.4 million.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2011 are set out in note 23 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers, on individual entity basis, accounted for approximately 23.0% of the total revenue for the year and sales to the largest customer, on individual entity basis, included therein amounted to approximately 13.0%. Purchases from the Group's five largest suppliers, on individual entity basis, accounted for approximately 93.5% of the total purchases for the year and purchases from the largest supplier, on individual entity basis, included therein amounted to approximately 43.3%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any material beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Chen Jian

Ms. Zhang Yun

Mr. Guan Tao

Independent non-executive Directors

Mr. Ho Pak Tai Patrick

Mr. Lee Kwan Hung

Mr. Yuan Bo

DIRECTORS' REPORT

In accordance with the Company's articles of association, one-third of the Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company and any new Directors appointed to fill a casual vacancy or as an addition to the Board shall retire at the first general meeting after appointment. Ms. Zhang Yun and Mr. Lee Kwan Hung will retire by rotation. All of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received confirmations from each of the independent non-executive Directors regarding his independence pursuant to the requirements set out in Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that all of the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 10 to 12 of this annual report.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors, namely Mr. Chen Jian, Ms. Zhang Yun and Mr. Guan Tao, has respectively entered into a service agreement with the Company for an initial term of three years commencing from 11 November 2009 and thereafter renewable automatically for successive terms of one year each, unless terminated by either the Company or the Directors by serving not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

Details of Directors' remuneration are set out in note 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACT

Details of the connected transactions and the related party transactions are set out on pages 28 to 29 and pages 75 to 76 of this annual report respectively. Save for the above, no other Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 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	0.10
Lee Kwan Hung	Beneficial owner	300,000	0.10
Yuan Bo	Beneficial owner	300,000	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:

- 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.
- 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..
- 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..

DIRECTORS' REPORT

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 31 December 2011.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

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 maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board, which must not be more than 10 years from the date of the grant.

During the year, 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 31 December 2011.

DIRECTORS' REPORT

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

Category	Number of share options					Outstanding as at 31 December 2011	Date of grant	Exercise period	Exercise price HK\$
	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
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 December 2011 - 14 June 2021 (Note 1)	1.81 (Note 2)
Total	—	1,900,000	—	—	—	1,900,000			

Notes:

- The options are exercisable from 15 December 2011 to 14 June 2021 (both days inclusive) subject to the following vesting periods.
 - up to 30% of the options commencing on 15 December 2011;
 - up to 60% of the options commencing on 15 December 2012; and
 - up to 100% of the options commencing on 15 December 2013.
- 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 25 to the consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

As at 31 December 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:

DIRECTORS' REPORT

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

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.

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 or 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 31 December 2011.

DIRECTORS' REPORT

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year, save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following continuing connected transactions during the year ended 31 December 2011 require disclosure in this annual report of the Company:

Types of transactions	Amount RMB'000
1. Sales of enterprise IT products to Beijing Deep Thought	2,048
2. Purchase of enterprise IT products from Beijing Deep Thought	—

On 11 November 2009, Futong Dongfang has entered into a master supply agreement and a master purchase agreement with Beijing Deep Thought for the respective sales and purchase of enterprise IT products between Futong Dongfang and Beijing Deep Thought.

On 22 January 2010, Futong Dongfang has entered into a shareholders agreement with Centrin Data Systems Co., Ltd., Mr. Zhang Shu Dan and Beijing Deep Thought for the establishment of an associated company and the provision of financial support by Futong Dongfang to the associated company. During the year, no advance was made to the associated company by Futong Dongfang.

Beijing Deep Thought is owned as to approximately 69.98% by a brother of Mr. Chen Jian, a controlling shareholder of the Company and an executive Director and is deemed to be a connected person of the Company.

The Directors confirm that save as disclosed above, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors have engaged the auditors of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT

Save as disclosed above, there are no other transactions of the Company which require disclosure in the annual report in accordance with the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

CORPORATE GOVERNANCE

Report for the corporate governance practice adopted by the Company is set out on pages 13 to 20 of this annual report.

Auditors

During the year, KPMG, who acted as auditor of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditors of the Company to fill the casual vacancy arising thereon.

Messrs Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Messrs Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Futong Technology Development Holdings Limited

Chen Jian

Chairman

Hong Kong, 28 March 2012

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF FUTONG TECHNOLOGY DEVELOPMENT HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 81, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		Year ended 31 December	
		2011	2010
	Notes	RMB'000	RMB'000
Revenue	4	2,450,960	2,464,825
Cost of sales		(2,198,777)	(2,239,890)
Gross profit		252,183	224,935
Other revenue and net gain	6	10,603	5,726
Other net loss	6	(1,044)	(158)
Distribution costs		(107,808)	(98,369)
Administrative expenses		(38,540)	(30,941)
Profit from operations		115,394	101,193
Finance costs	7(a)	(29,062)	(20,062)
Share of (losses) profits of associates	15	(2,077)	534
Profit before taxation	7	84,255	81,665
Income tax	8(a)	(14,249)	(12,786)
Profit for the year and total comprehensive income for the year		70,006	68,879
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company	11	70,520	69,369
Non-controlling interests		(514)	(490)
		70,006	68,879
Earnings per share			
— Basic and diluted (RMB)	12	0.23	0.22

The notes on pages 32 to 81 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	At 31 December 2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	13	45,391	36,770
Interest in associates	15	18,457	20,534
Deposits for the purchase of property, plant and equipment		–	4,100
Deferred tax assets	16(b)	26,031	25,472
Total non-current assets		89,879	86,876
Current assets			
Inventories	17	427,869	165,908
Trade and other receivables	18	709,312	654,643
Other financial assets	19	–	20,000
Pledged deposits	20	178,929	147,445
Cash and cash equivalents	21	496,319	234,422
Total current assets		1,812,429	1,222,418
Current liabilities			
Trade and other payables	22	1,063,964	597,477
Bank loans	23	334,327	254,746
Tax payable	16(a)	16,877	20,417
Total current liabilities		1,415,168	872,640
Net current assets		397,261	349,778
NET ASSETS		487,140	436,654
CAPITAL AND RESERVES			
Share capital	24(a)	27,415	27,415
Reserves		451,369	400,206
Attributable to owners of the Company		478,784	427,621
Non-controlling interests		8,356	9,033
TOTAL EQUITY		487,140	436,654

Approved and authorised for issue by the board of directors on 28 March 2012

Chen Jian
Executive Director

Zhang Yun
Executive Director

The notes on pages 32 to 81 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Share options reserve	Statutory reserves	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 24 (c))	(note 24 (c))	(note 24 (c))	(note 24 (c))	(note 24 (c))				
At 1 January 2010	27,415	81,538	219	–	22,486	226,594	358,252	158	358,410
Profit for the year and total comprehensive income for the year	–	–	–	–	–	69,369	69,369	(490)	68,879
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	9,365	9,365
Appropriations	–	–	–	–	16,802	(16,802)	–	–	–
At 31 December 2010	27,415	81,538	219	–	39,288	279,161	427,621	9,033	436,654
Profit for the year and total comprehensive income for the year	–	–	–	–	–	70,520	70,520	(514)	70,006
Recognition of equity-settled share-based payment (note 25)	–	–	–	813	–	–	813	–	813
Winding up of a subsidiary	–	–	–	–	–	–	–	(163)	(163)
Appropriations	–	–	–	–	21,782	(21,782)	–	–	–
Dividend	–	–	–	–	–	(20,170)	(20,170)	–	(20,170)
At 31 December 2011	27,415	81,538	219	813	61,070	307,729	478,784	8,356	487,140

The notes on pages 32 to 81 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

		Year ended 31 December	
		2011	2010
	Notes	RMB'000	RMB'000
Operating Activities			
Profit before tax		84,255	81,665
Adjustments for			
Interest income	6	(1,483)	(777)
Loss on disposal of property, plant and equipment	6	354	158
Finance cost	7(a)	29,062	20,062
Depreciation	13	8,870	5,150
Share of (losses) profits of associates	15	2,077	(534)
Write-down of inventories	17(b)	2,629	982
Reversal of impairment loss on trade and bills receivables	18(b)	(2,015)	(1,913)
Foreign exchange gains, net		(7,403)	(3,636)
Recognition of share-based payment expenses		813	–
Gain on disposal of other financial assets		(38)	–
Changes in working capital		117,121	101,157
(Increase) decrease in inventories		(264,590)	141,128
(Increase) decrease in trade and other receivables		(52,654)	42,658
Increase (decrease) in trade and other payables		466,487	(125,710)
Operating activities			
Cash generated from operations		266,364	159,233
Income tax paid		(18,348)	(13,150)
Net cash generated from operating activities		248,016	146,083
Investing activities			
Payment for the purchase of property, plant and equipment		(14,926)	(16,481)
Proceeds on disposal of property, plant and equipment		92	–
Proceeds on disposal of other financial assets		20,038	–
Payment for the purchase of other financial assets		–	(20,000)
Interest received		1,483	777
Capital contributions from non-controlling interests		–	9,365
Capital injection in an associate		–	(19,664)
Net cash generated from (used in) investing activities		6,687	(46,003)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	Year ended 31 December	
		2011	2010
		RMB'000	RMB'000
Proceeds from new bank loans		493,074	391,090
Repayment of bank loans		(406,072)	(393,649)
Increase in pledged deposits		(27,887)	(25,304)
Interest paid		(29,062)	(20,062)
Dividends paid		(20,170)	–
Net cash generated from (used in) financing activities		9,883	(47,925)
Net increase in cash and cash equivalents		264,586	52,155
Cash and cash equivalents at beginning of the year		234,422	185,682
Effect of foreign exchange rate changes		(2,689)	(3,415)
Cash and cash equivalents at end of the year	21	496,319	234,422

The notes on pages 32 to 81 form part of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION AND GROUP REORGANISATION

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 of the Company (“Directors”) 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 are mainly engaged in distribution of enterprise IT products and provision of services.

Since Renminbi (“RMB”) is the functional currency of the group’s operating entities, the presentation currency of the consolidated financial statements is changed from HK\$ to RMB in the current year, comparative figures have been represented in RMB.

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

The Group has applied all the amendments and interpretations (“new and revised IFRSs”), which are mandatorily effective for the Group’s financial year beginning 1 January 2011.

The adoption of these new and revised IFRSs had no material effect on the amounts reported in these consolidated financial statements and/or the disclosures set out in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
	Disclosures — Offsetting financial assets and financial liabilities ²
IFRS 9	Financial Instruments ⁶
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures ⁶
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ³
Amendments to IAS 12	Deferred Tax — Recovery of Underlying Assets ⁴
IAS 19 (as revised in 2011)	Employee Benefits ²
IAS 27 (as revised in 2011)	Separate Financial Statements ²
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁵
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 January 2014.

⁶ Effective for annual periods beginning on or after 1 January 2015.

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the amendments to IFRS 7 and the amendments to IAS 32 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and 1 January 2014 respectively. The relevant disclosure will be retrospectively modified accordingly when the amendments are applied in the future accounting periods.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

IFRS 9 Financial Instruments *(Continued)*

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard may not have any material effect in respect of the Group's financial assets and financial liabilities based on an analysis of the consolidated financial statements of the Group as at 31 December 2011.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

A package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the application of these five standards may not have any material impact on the results and financial position of the Group but it will result in more extensive disclosures.

Other than disclosed above, the Directors anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

3A. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity in which the Group or Company has significant influence, but not control or jointly control, over its management, including participation in the financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other investments in debt and equity securities *(Continued)*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Investments in securities that are not classified as held for trading or held-to-maturity investments are classified as available-for-sale securities. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised on the consolidated statement of financial position at cost less impairment losses.

Investments are recognised/derecognised on the date of the Group commits to purchase/sell the investments or they expire.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over the estimated useful lives:

Leasehold land and buildings	– The shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
Leasehold improvements	– The shorter of the unexpired term of the lease or 5 years
Furniture, fittings and equipment	– 3 to 5 years
Motor vehicles	– 4 years

When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Operating lease charges

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

(i) Impairment of investments in debt and equity securities and trade and other receivables

Investment in debt and equity securities and trade and other receivables that are stated at cost or amortised cost, as appropriate or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and trade and other receivables *(Continued)*

- For available-for-sale securities, the cumulative loss that has been recognised in the revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- deposits for the purchase of property, plant and equipment.

If any such indication exists, the asset's recoverable amount is estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in first-out method and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provision and contingent liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Services fee income

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Services fee income is recognised when services are rendered to customers.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3A. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3B. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassess these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassess the impairment of trade receivables at the end of each reporting period.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3B. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iv) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities have not been recognised in respect of the withholding income tax that would be payable on the distribution of retained profits accumulated since 1 January 2008 of the Group's subsidiary in the PRC as the Company controls the dividend policy of this subsidiary and it has been determined that it is not probable that profits will be distributed out of this subsidiary in the foreseeable future. Any changes in dividend policy may result in the recognition of the related deferred tax liabilities.

4. REVENUE

The principal activities of the Group are distribution of enterprise IT products and provision of services.

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 year is as follows:

	Years ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sales of goods	2,367,604	2,436,297
Provision of services	83,356	28,528
	2,450,960	2,464,825

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SEGMENT REPORTING

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

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

The Group's customer base is diversified and revenue from one customer (2010: nil) with whom transactions have exceeded 10% of the Group's revenue in 2011 amounted to RMB320,479,000 (2010: nil).

6. OTHER REVENUE, NET GAIN AND OTHER NET LOSS

	Years ended 31 December	
	2011	2010
	RMB'000	RMB'000
Other revenue and net gain		
Interest income on bank deposits	1,483	777
Foreign exchange gains	8,547	4,949
Others	573	—
	10,603	5,726
Other net loss		
Loss on disposal of property, plant and equipment	(354)	(158)
Others	(690)	—
	(1,044)	(158)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. PROFIT BEFORE TAXATION

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

		Years ended 31 December	
		2011	2010
		RMB'000	RMB'000
(a) Finance costs:			
Interest on bank borrowings wholly repayable within five years		29,062	20,062
(b) Staff costs:			
Salaries and allowances		79,382	65,548
Contributions to retirement schemes		6,457	5,809
Equity-settled share-based payment		813	–
		86,652	71,357

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in a defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the subsidiaries are required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' salaries for the years ended 31 December 2011 and 2010. Contributions to the Schemes vest immediately.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

Save for the above, the Group has no other material obligation for payment of retirement benefits beyond the contributions described above.

		Years ended 31 December	
		2011	2010
		RMB'000	RMB'000
(c) Other items:			
Depreciation		8,870	5,150
Foreign exchange loss		1,144	1,313
Reversal of impairment loss on trade and bills receivables		(2,015)	(1,913)
Operating lease charges in respect of properties		13,721	10,353
Research and development expenditure		–	5,926
Auditors' remuneration		1,911	1,323
Cost of inventories (note 17(b))		2,198,777	2,239,890

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

- (a) Income tax in the consolidated statement of comprehensive income represents:

	Years ended 31 December	
	2011 RMB'000	2010 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	296	17
Under-provision in respect of prior years	113	141
	409	158
Current tax — PRC income tax		
Provision for the year	14,399	30,448
Deferred tax		
Origination and reversal of temporary differences	(559)	(17,820)
	14,249	12,786

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The provision for Hong Kong Profits Tax for the year ended 31 December 2011 was calculated at 16.5% (2010: 16.5%) of the estimated assessable profits.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC enterprise income tax at a rate of 25% (2010: 25%) on their assessable profits, except for Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang").

Being a recognised Advanced and New Technology Enterprise located in the Beijing New Technology Industry Development Experimental Zone, Futong Dongfang was granted a preferential tax rate of 15% for both years.

- (iv) Under the new tax law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the *Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income*, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 *Notice on Certain Preferential Enterprise Income Tax Policies*, undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by Futong Technology (HK) Company Limited ("Futong HK") from Futong Dongfang and Futong Times Technology Co., Ltd. ("Futong Times") in respect of its profits earned since 1 January 2008 will be subject to 5% withholding tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	2011 RMB'000	2010 RMB'000
Profit before taxation	84,255	81,665
Applicable income tax rate	25%	25%
Notional tax on profit before taxation	21,064	20,416
Effect of tax rate differential	(8,087)	(8,586)
Tax effect of unused tax loss not recognised	767	1,080
Recognition of temporary differences previously not recognised	(735)	(2,146)
Tax effect of non-deductible expenses	1,186	2,176
Tax effect of non-taxable income	(59)	(295)
Under-provision in prior years	113	141
Actual income tax expense	14,249	12,786

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2011					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Share-based Payment RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	
Executive directors						
Chen Jian	–	1,508	–	–	68	1,576
Zhang Yun	–	1,868	–	–	101	1,969
Guan Tao	–	1,529	–	–	64	1,593
Independent non-executive directors						
Lee Kwan Hung	150	–	174	–	–	324
Yuan Bo	150	–	174	–	–	324
Ho Pak Tai Patrick	150	–	174	–	–	324
	450	4,905	522	–	233	6,110

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. DIRECTORS' REMUNERATION *(Continued)*

	2010					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Share-based Payment RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	
Executive directors						
Chen Jian	–	1,723	–	–	67	1,790
Zhang Yun	–	1,854	–	–	100	1,954
Guan Tao	–	1,546	–	–	61	1,607
Independent non-executive directors						
Lee Kwan Hung	156	–	–	–	–	156
Yuan Bo	156	–	–	–	–	156
Ho Pak Tai Patrick	156	–	–	–	–	156
	468	5,123	–	–	228	5,819

No directors waived any emoluments during both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three are directors for the year ended 31 December 2011 (2010: three), whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining two (2010: two) individuals are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	2,390	1,428
Retirement scheme contributions	60	56
	2,450	1,484

The emoluments of the two (2010: two) individuals with the highest emoluments are within the following bands:

	2011 Number of Individuals	2010 Number of individuals
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$2,000,000	2	–

11. PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes profit of RMB21,939,000 (2010: profit of RMB29,528,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2011 is based on the profit attributable to equity shareholders of the Company of RMB70,520,000 (2010: RMB69,369,000) and 311,250,000 (2010: 311,250,000) shares in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's share option (as set out in note 25) because the exercise price of those share options was higher than the average market price of the Company's shares for 2011.

There was no potential ordinary shares outstanding in 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 January 2010	26,450	2,708	16,341	1,175	46,674
Exchange adjustments	(889)	(36)	(3)	–	(928)
Additions	–	1,752	4,379	2,998	9,129
Disposals	–	(2,583)	(1,867)	–	(4,450)
At 31 December 2010	25,561	1,841	18,850	4,173	50,425
Exchange adjustments	(1,208)	(9)	(9)	(28)	(1,254)
Additions	–	916	16,956	1,154	19,026
Disposals	–	(166)	(3,837)	–	(4,003)
At 31 December 2011	24,353	2,582	31,960	5,299	64,194
Accumulated depreciation					
At 1 January 2010	2,601	2,235	7,684	291	12,811
Exchange adjustments	(96)	(3)	(2)	–	(101)
Depreciation charge for the year	520	521	3,998	348	5,387
Written back on disposals	–	(2,583)	(1,859)	–	(4,442)
At 31 December 2010	3,025	170	9,821	639	13,655
Exchange adjustments	(155)	(3)	(5)	(2)	(165)
Depreciation charge for the year	499	951	6,303	1,117	8,870
Written back on disposals	–	–	(3,557)	–	(3,557)
At 31 December 2011	3,369	1,118	12,562	1,754	18,803
Net book values					
At 31 December 2011	20,984	1,464	19,398	3,545	45,391
At 31 December 2010	22,536	1,671	9,029	3,534	36,770

- (a) Leasehold land and buildings which are held for own use are situated in the PRC under medium-term lease.
- (b) At 31 December 2011, leasehold land and buildings with net book value of RMB20,984,000 (2010: RMB22,536,000) have been pledged as security for the Group's bank loans (see note 23(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries are set out below. The class of equities held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest				Principal activities
			2011		2010		
			Held by the Company %	Held by a subsidiary %	Held by the Company %	Held by a subsidiary %	
Futong Technology Co., Ltd. ("Futong BVI")	BVI	US\$50,000	100	–	100	–	Investment holding
Etong Technology Holdings Limited	BVI	US\$1	–	100	–	100	Investment holding
Futong Technology IT Services Co., Ltd.	BVI	US\$1	–	100	–	100	Investment holding
Futong HK	Hong Kong	HK\$1,000,000	–	100	–	100	Sales of enterprise IT products
北京富通東方科技有限公司 Futong Dongfang (notes (i) and (iii))	The PRC	RMB100,000,000	–	100	–	100	Distribution of enterprise IT products and provision of IT services
富通時代科技有限公司 Futong Times (notes (i), (iii) and (iv))	The PRC	RMB50,000,000	–	100	–	100	Distribution of enterprise IT products and provision of IT services
Futong Technology Development Holdings (HK) Limited	Hong Kong	HK\$100	–	81	–	81	Sales of enterprise IT products
北京易通東方計算機系統 服務有限公司 Beijing Etong Dongfang Computer System Services Co., Ltd. ("Etong Dongfang") (notes (i) and (iii))	The PRC	RMB50,000,000	–	81	–	81	Distribution of enterprise IT products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest				Principal activities
			2011		2010		
			Held by the Comany %	Held by a subsidiary %	Held by the Company %	Held by a subsidiary %	
無錫易通東方計算機系統 服務有限公司 Wuxi Etong Dongfang Computer System Services Co., Ltd. ("Wuxi Etong") (notes (ii), (iii) and (vi))	The PRC	RMB3,000,000	–	81	N/A	N/A	Distribution of enterprise IT products
瀋陽易通東方計算機系統 服務有限公司 Shenyang Etong Dongfang Computer System Services Co., Ltd. ("Shenyang Etong") (notes (ii), (iii) and (vi))	The PRC	RMB4,000,000	–	81	N/A	N/A	Distribution of enterprise IT products

Notes:

- (i) These entities are wholly foreign-owned enterprises established in the PRC.
- (ii) These entities are limited liability companies established in the PRC.
- (iii) The English translation of the company names is for reference only. The official names of these entities are in Chinese.
- (iv) Futong Times was established by Futong HK in September 2010 with intended principal activities of distribution of enterprise IT products and provision of IT services in the PRC. The capital injection and capital verification were completed on 9 March 2011 and 28 March 2011 respectively.
- (v) Wuxi Etong and Shenyang Etong were established by Etong Dongfang in October 2011 with intended principal activities of distribution of enterprise IT products in the PRC.

15. INTEREST IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Cost of investment in associates	20,000	20,000
Share of (loss) profit	(1,543)	534
	18,457	20,534

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

15. INTEREST IN ASSOCIATES *(Continued)*

On 22 January 2010, Futong Dongfang had entered into an agreement with a related party and certain third parties in establishing a company in the PRC, in which Futong Dongfang owns a 40% equity interest.

Details of the Group's interest in the associate is as follows:

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest %	Held by the Company %	Held by a subsidiary %	
中金富通信息技術服務有限公司 Centrin-Futong IT Services Co., Ltd. ("Centrin-Futong") (notes (i) and (ii))	The PRC	RMB50,000,000	40	–	40	Distribution of enterprise IT products and provision of IT services
富通金信有限公司 Futong Technology Advanced Business Services Ltd	Hong Kong	HK\$100	40	–	40	Distribution of enterprise IT products and provision of IT services

Notes:

- (i) This entity is a limited liability company established in the PRC.
- (ii) The English translation of the company name is for reference only. The official name of this entity is in Chinese.

Summary financial information on the associate:

2011	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Loss RMB'000
100 per cent	52,493	(6,350)	46,143	46,290	(5,193)
Group's effective interest	20,997	(2,540)	18,457	18,516	(2,077)

2010	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Profit RMB'000
100 per cent	52,846	(1,511)	51,335	22,417	1,335
Group's effective interest	21,138	(604)	20,534	8,967	534

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

16. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2011 RMB'000	2010 RMB'000
Provision for Hong Kong Profits Tax for the year	409	17
Provision for PRC Income Tax for the year	14,399	30,448
Provisional income tax paid	(18,348)	(13,150)
	(3,540)	17,315
Balance of income tax provision relating to prior years	20,417	3,102
	16,877	20,417

(b) Deferred tax assets and liabilities recognised

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Provision for inventories RMB'000	Impairment loss on trade and bills receivables RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2010	4,567	3,182	(97)	7,652
(Charged)/credited to profit or loss (note 8(a))	(1,141)	(407)	19,368	17,820
At 31 December 2010	3,426	2,775	19,271	25,472
(Charged)/credited to profit or loss (note 8(a))	456	(361)	464	559
At 31 December 2011	3,882	2,414	19,735	26,031

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

16. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unutilised tax losses of approximately RMB5,566,000 (2010: RMB3,001,000) as it is 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 RMB2,497,000 (2010: RMB3,001,000) and RMB3,069,000 (2010: nil) expire in 2015 and 2016, respectively under the relevant tax law.

At the end of the reporting period, the Group has deductible temporary differences of nil (31 December 2010: RMB2,939,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(d) Deferred tax liabilities not recognised

At 31 December 2011, temporary difference relating to the undistributed profits accumulated since 1 January 2008 of Futong Dongfang and Futong Times in aggregated amounted to RMB202,921,000 (2010: RMB147,623,000). The deferred tax liabilities of RMB10,146,000 (2010: RMB7,381,000) 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.

17. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2011 RMB'000	2010 RMB'000
Trading stocks	427,869	165,908

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of comprehensive income is as follows:

	2011 RMB'000	2010 RMB'000
Carrying amount of inventories sold	2,196,148	2,238,908
Write-down of inventories	2,629	982
	2,198,777	2,239,890

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

18. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables	546,772	560,775
Bills receivables	92,473	83,924
Less: Allowance for doubtful debts	(16,184)	(18,814)
	623,061	625,885
Prepayments	65,341	15,649
Deposits	18,143	9,620
Other receivables	2,767	3,489
	709,312	654,643

Notes:

- (i) Prepayments consist of advance payments made to suppliers for purchases of inventory and other prepaid expenses.
- (ii) Deposits consist of bidding deposits, utilities and rental deposits. Bidding deposits are deposits placed upon bidding of sales contracts and are refundable to the Group regardless of the outcome of the bids.
- (iii) At 31 December 2011, certain trade and bills receivables with carrying amount of RMB344,801,000 (2010: RMB370,163,000) have been pledged as security for the bank loans (see note 23(c)).

(a) Aging analysis

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following aging analysis of the reporting period:

	2011	2010
	RMB'000	RMB'000
Current	507,554	420,128
Less than 1 month past due	42,708	58,524
1 to 3 months past due	40,095	83,705
More than 3 months past due	32,704	63,528
Amounts past due	115,507	205,757
	623,061	625,885

Trade and bills receivables are due within 30 - 90 days from the date of billing. Further details of the Group's credit policy are set out in note 28(c).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for doubtful debts:

	2011 RMB'000	2010 RMB'000
At 1 January	18,814	23,289
Reversal of impairment loss	(2,015)	(1,913)
Uncollectible amounts written off	(615)	(2,562)
At 31 December	16,184	18,814

The Group's trade receivables of RMB16,184,000 (2010: RMB18,814,000) were individually determined to be impaired as at 31 December 2011. The individually impaired receivables related to receivables which debts have been long outstanding with no subsequent settlement received or customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of RMB16,184,000 were recognised as at 31 December 2011 (2010: RMB18,814,000). The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

19. OTHER FINANCIAL ASSETS

	2011 RMB'000	2010 RMB'000
Unlisted investment	—	20,000

On 20 December 2010, the Group entered into a contract of principal-protected structured deposit with a bank in the PRC. The contract had a maturity period of 120 days. The investment has been fully redeemed in January 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. PLEDGED DEPOSITS

Pledged deposits with banks have been placed as security for the banking facilities granted to the Group (see note 23(c)) and performance security guarantee issued by the banks.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period comprise:

	2011 RMB'000	2010 RMB'000
Cash at bank and in hand	496,319	234,422

At 31 December 2011, cash at bank and in hand in the PRC included in the cash and cash equivalents of the Group amounted RMB444,477,000 (2010: RMB209,088,000). The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22. TRADE AND OTHER PAYABLES

	At 31 December 2011 RMB'000	2010 RMB'000
Trade payables	489,649	306,439
Bills payable	412,209	220,899
Amounts due to related parties	–	208
Receipts in advance	127,530	35,011
Other payables and accruals	34,576	34,920
	1,063,964	597,477

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

22. TRADE AND OTHER PAYABLES *(Continued)*

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
0 - 60 days	476,855	305,999
60 - 90 days	8,946	440
Over 90 days	3,848	–
	489,649	306,439

- (b) Bills payable are normally issued with a maturity of not more than 90 days.

23. BANK LOANS

- (a) At 31 December 2011, the bank loans were repayable as follows:

	2011	2010
	RMB'000	RMB'000
Within 1 year or on demand	334,327	254,746

Notwithstanding the specified repayment schedules as stated in the banking facilities letters ("specified repayment terms") which allow the bank loans to be repaid over a period of more than one year, certain banking facilities granted to the Group include a clause that gives the bank the unconditional rights to call the bank loans at any time. Accordingly, these bank loans were classified as current liabilities in the consolidated statement of financial position.

- (b) The bank loans were shown as follows:

	2011	2010
	RMB'000	RMB'000
Unsecured bank loans	80,000	64,480
Secured bank loans	254,327	190,266
	334,327	254,746

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

23. BANK LOANS (Continued)

- (c) The amounts of banking facilities and the utilisation at 31 December 2011 are set out as follows:

	2011 RMB'000	2010 RMB'000
Banking facilities		
– Unsecured	90,000	64,480
– Secured	430,390	551,409
	520,390	615,889
Amounts utilised	334,327	254,746

As at 31 December 2011, none of banking facilities were guaranteed by an independent credit guarantee company.

The secured banking facilities were secured by the following:

- the carrying value of the following assets:

	2011 RMB'000	2010 RMB'000
Leasehold land and buildings	20,984	22,536
Pledged deposits	159,394	119,523
Trade and bills receivables	344,801	370,163
	525,179	512,222

At 31 December 2011, all of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions except for an additional condition set forth by a bank whereby the banking facilities from the bank are subject to the fulfilment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

In addition, as disclosed in note 23(a), certain of the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 28(d).

As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

24. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised and issued share capital

	2011		2010	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	2,000,000	200,000	2,000,000	200,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	311,250	31,125	311,250	31,125
				RMB'000
Presented as				27,415

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
2010 final – RMB6.5 cents (equivalent to HK7.8 cents) per share (2009 final: nil)	20,170	–

The final dividend of RMB6.9 cents (equivalent to HK\$8.5 cents) per share in total of RMB21,476,000 (equivalent to HK\$26,456,000) in respect of the year ended 31 December 2011 (2010: RMB20,170,000 (equivalent to HK\$24,278,000)) has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

24. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

Pursuant to the Reorganisation, the Company issued 999,999 ordinary shares of HK\$0.1 each to the then shareholders of Futong BVI in consideration of acquiring their equity interests held in Futong BVI. The difference between the then shareholders' total capital contributions to Futong BVI over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

(iii) PRC statutory reserves

Transfers from retained profits to PRC statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

General reserve fund

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Enterprise development fund

The subsidiaries in the PRC are required to set up an enterprise development fund. Transfers to this fund are made at the discretion of the respective board of directors of the subsidiaries. This fund can only be utilised on capital items for the collective benefit of the subsidiaries' employees. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(d) Distributable reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts was RMB339,444,000 (2010: RMB337,675,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

24. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group defines "capital" as including all components of equity.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group.

25. SHARE-BASED PAYMENT TRANSACTION

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 11 November 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

On 15 June 2011, the Company announces 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. SHARE-BASED PAYMENT TRANSACTION *(Continued)*

The following table discloses movements of the Share Option during the year:

Option type	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2011
Share Option A	–	900,000	–	–	–	900,000
Share Option B	–	1,000,000	–	–	–	1,000,000
	–	1,900,000	–	–	–	1,900,000
Exercisable at the end of the year						1,200,000

The fair values of Share Options A and Share Options B determined at the dates of grant using the Binomial Model option pricing model were RMB522,000 (equivalent to HK\$630,000) and RMB587,000 (equivalent to 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 option pricing 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.

The Company recognised a share option expense of RMB813,000 during the year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

26. COMMITMENTS

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	7,301	2,579
After 1 year but within 5 years	3,808	451
	11,109	3,030

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.

27. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in these consolidated financial statements, the Group entered into the following significant related party transactions during the year.

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
北京深思软件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by close family member of Mr Chen Jian, director of the Company
北京时代兴达电脑有限公司 Beijing Times Xingda Computer Co., Ltd. ("Beijing Times Xingda")*	A company controlled by Mr Chen Jian, director of the Company

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

(b) Significant related party transactions

Particulars of significant related party transactions during the year are as follows:

	2011 RMB'000	2010 RMB'000
Recurring transactions:		
Sales to Beijing Deep Thought	2,048	6,849
Purchases from Beijing Deep Thought	—	6,598

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

27. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due from/(to) related parties

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

	2011 RMB'000	2010 RMB'000
Trade receivables from (note (i)):		
Beijing Deep Thought	611	–
Other payables to:		
Beijing Times Xingda	–	(208)

Note:

- (i) Trade receivables from a related party are unsecured, interest free and expected to be recovered within one year.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	The Group 2011 RMB'000	2010 RMB'000
Salary and other benefits	17,140	13,161
Retirement scheme contribution	597	549
Equity-settled share-based payment	522	–
	18,259	13,710

Total remuneration was included in "staff costs" (see note 7(b)).

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Dependent on suppliers

The Group has certain concentration of supply risk as approximately 73% (2010: 85%) of the revenue is generated from the distribution of products supplied by major suppliers, International Business Machines Corporation ("IBM") and its subsidiaries for the year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Purchase attainments

Pursuant to the distribution agreements entered into between the Group and the suppliers, the Group is committed to achieve minimum annual purchase attainments in order to maintain the rights as the distributors. Pursuant to these distribution agreements, the suppliers have the rights to revoke the distribution right of the Group if the Group fails to achieve the minimum annual purchase attainments.

(c) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables are set out in note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

Financial liabilities	Weighted average interest rate	On demand RMB'000	Within 1 year RMB'000	2011		Total RMB'000	Balance sheet carrying amount RMB'000
				More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000		
– Fixed rate							
Bank loan	4.8%	–	204,246	–	–	204,246	194,327
– Variable rate							
Bank loan	7.2%	–	150,073	–	–	150,073	140,000
– Non-interest bearing							
		–	901,858	–	–	901,858	901,858
		–	1,256,177	–	–	1,256,177	1,236,185

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Liquidity risk *(Continued)*

Financial liabilities	Weighted average interest rate	On demand RMB'000	Within 1 year RMB'000	2010		Total RMB'000	Balance sheet carrying amount RMB'000
				More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000		
– Fixed rate							
Bank loan	5.0%	–	88,573	–	–	88,573	84,356
– Variable rate							
Bank loan	5.2%	934	178,358	–	–	179,292	170,390
– Non-interest bearing		–	527,546	–	–	527,546	527,546
		934	794,477	–	–	795,411	782,292

As at 31 December 2010, bank loans with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis with undiscounted principal amounts of these bank loans amounted to RMB887,000. Taking into account the Group’s financial position, such bank loans was fully settled in 2011.

(e) Interest rate risk

The Group’s interest rate risk arises primarily from bank loans at variable rates that expose the Group to cash flow interest rate risk and bank loans at fixed rates that expose the Group to fair value interest rate risk (as set out in note 28(d)). The Group adopts a policy of ensuring that not more than 60% of its total borrowings are on a fixed rate basis.

Sensitivity analysis

At 31 December 2011, it is estimated that a general change of 50 basis points in interest rates, with all other variables held constant, would change the Group’s profit after tax and retained profits by approximately RMB595,000 (2010: RMB724,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis points increase or decrease represents management’s assessment of a reasonably possible change in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to cash and bank balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollar (2011:RMB152,059,000; 2010:RMB149,031,000) and Hong Kong dollar (2011:RMB632,000; 2010:RMB368,000). The Group manages the risk as follows:

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2011		2010	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000
United States dollar	5	6,170	5	6,222
	(5)	(6,170)	(5)	(6,222)
Hong Kong dollar	5	25	5	15
	(5)	(25)	(5)	(15)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to foreign currency risk at the end of the reporting period, including cash and bank balances within the group which are denominated in a currency other than the functional currencies.

(g) Fair values

The carrying amounts of financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2010 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

29. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Non-current assets		
Investment in a subsidiary	243,419	243,419
Current assets		
Trade and other receivables	118	123
Amounts due from subsidiaries	125,329	124,302
Cash and cash equivalents	60	6
Total current assets	125,507	124,431
Current liabilities		
Trade and other payables	277	511
Amount due to a subsidiary	1,790	2,249
Total current liabilities	2,067	2,760
Net current assets	123,440	121,671
NET ASSETS	366,859	365,090
CAPITAL AND RESERVES		
Share capital	27,415	27,415
Reserves	339,444	337,675
TOTAL EQUITY	366,859	365,090

SUMMARY OF FINANCIAL INFORMATION

Year ended 31 December					
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Results					
Revenue	2,450,960	2,464,825	2,279,035	2,278,393	1,967,544
Profit from operations	115,394	101,193	85,498	78,113	65,679
Finance costs	(29,062)	(20,062)	(24,261)	(30,511)	(30,027)
Share of (losses) profits of associates	(2,077)	534	–	–	–
Profit before taxation	84,255	81,665	61,237	47,602	35,652
Income tax	(14,249)	(12,786)	(1,765)	(3,904)	(4,525)
Profit for the year and total comprehensive income for the year	70,006	68,879	59,472	43,698	31,127
Profit for the year and total comprehensive Income for the year attributable to					
Owners of the Company	70,520	69,369	59,539	43,698	31,127
Non-controlling interests	(514)	(490)	(67)	–	–
	70,006	68,879	59,472	43,698	31,127
At 31 December					
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Assets and liabilities					
Non-current assets	89,879	86,876	41,517	38,080	38,534
Net current assets	397,261	349,778	326,764	172,787	131,478
NET ASSETS	487,140	436,654	368,281	210,867	170,012
Capital and reserves					
Share capital	27,415	27,415	27,415	365	365
Reserves	451,369	400,206	340,708	210,502	169,647
Total equity attributable to owners of the Company	478,784	427,621	368,123	210,867	170,012
Non-controlling interests	8,356	9,033	158	–	–
TOTAL EQUITY	487,140	436,654	368,281	210,867	170,012
Earnings per share					
– Basic and diluted (RMB)	0.23	0.22	0.26	0.20	0.14

SUMMARY OF FINANCIAL INFORMATION

Note: 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. The Company became the holding company of the Group on 11 November 2009 through the Reorganisation.

The Group resulting from the Reorganisation is regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared on the basis that the Company has been treated as the holding company of the Group since 1 January 2006, rather than from 11 November 2009. Accordingly, the consolidated results of the Group for the five years ended 31 December 2011 have been prepared as if the group structure immediately after the Reorganisation had been in existence since 1 January 2006. This financial information includes the consolidated results of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation, whichever is a shorter period. The consolidated balance sheets at 31 December 2007 and 2008 are the combination of the balance sheets of the Company and its subsidiaries at 31 December 2007 and 2008. In the opinion of the directors, the resulting consolidated financial statements give a more meaningful view of the results and state of affairs of the Group as a whole.

Since RMB is the functional currency of the group's operating entities, the presentation currency of the summary of financial information is changed from HK\$ to RMB in the current year, comparative figures have been represented in RMB.

The calculation of basic earnings per share for the two years ended 31 December 2008 is based on the profit attributable to owners of the Company for each of the two years ended 31 December 2008 and 225,000,000 shares in issue and issuable, after completion of the acquisition of Futong BVI and capitalisation issue as if the shares were outstanding throughout the year.

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

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units B1901 on level 19 and B2001 on level 20 of Tower B
Chaowaimen Office Center

No. 26 Chaowai Street

Chaoyang District

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 Hong Kong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

CITIC Bank International Limited

Nanyang Commercial Bank, Ltd.

China Construction Bank (Asia) Corporation Limited

HSBC Bank (China) Company Limited

China Merchants Bank Co., Ltd.

Bank of Beijing

Bank of Hangzhou

LEGAL ADVISORS

As to Hong Kong law:

King & Wood Mallesons

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26/F, Tesbury Centre, 28 Queen's Road East

Wanchai, Hong Kong

STOCK CODE

00465

WEBSITE

www.futong.com.hk