Futong 富通

2012 ANNUAL REPORT

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

Contents

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the boards of directors of 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 2012 (the "Year").

A year of steady growth in business

The year of 2012 was full of challenges and opportunities for the Group. The global economic downturn and slower economic growth in China resulted in more prudent approach adopted by enterprises in China Mainland to make investments in information technology. Fortunately, the Group continued to gain support from its long-term enterprises customers by leveraging on over 16 years' experience in the industry, widespread sales network and the stable relationships with renowned IT suppliers. The Group recorded another record turnover of RMB3,571,100,000 for the Year, representing a year-on-year increase of 45.7%.

During the Year, the Group continued to work closely with IBM. Revenue from distribution of IBM products continued to grow, with a year-on-year increase of 18.2%. Of which, revenue from sales of IBM's system storage products and related services recorded a significant increase of 62%, while sales of IBM's software and related services also recorded a remarkable increase of 109.3% to RMB379,900,000. This revealed that the range of products and services distributed and provided by the Group became more diversified.

Currently, distribution of IBM products and provision of related services remains the main source of the Group's revenue. However, the percentage of revenue from this business over total revenue decreased from approximately 73.4% in 2011 to approximately 59.6% in 2012, achieving a more balanced and healthy development. This was attributable to our commitment to diversify product range, including the authorization by Apple since 2011 to distribute a full range of Apple's products to enterprises customers in the PRC.

We are pleased to see that the range of the enterprise IT products and services distributed by the Group become more diversified and the customer base of the Group also expand, which helped the Group maintain a leading position in the industry.

Although the result performance was impacted by the increased operating cost during the year due to the termination of restructuring of a subsidiary selling EMC products by the Group toward the end of 2012, the Group promptly adopted specific measures and arrangements to successfully bring the human resources cost and rental expense back to the normal levels. The Group considered that such impact on the profit brought by such event was one-time in nature. In addition, the Group also re-organize the management team of the relevant subsidiaries and believe that the team will revive the business operation of the subsidiaries back on track and thus contribute more significant sales revenue to Futong in the coming financial year.

Also encouragingly, the Group further expanded its offering of higher margin services and solutions to end users. As a result, the percentage of revenue from such business over our total revenue continued to increase, which is beneficial to the Group's long-term development.

The Group continued to maintain strong financial position, with healthy cash flow. The Board recommends the payment of a final dividend of HK5.0 cents per share for the Year, representing a payout ratio of approximately 30%.

Outlook

Under the favorable condition that the PRC Government encourages the development of the IT industry, the Group is confident that demand for quality and stable IT products and solutions from PRC enterprises will increasingly intensify. The Group will continue to implement effective development strategies to strengthen its leading position in the market.

The Group will continue to focus on distribution of enterprise IT products and services. The Group will seek to diversify its IT products and promote stable development of the core business through strategic expansion of sales network and business coverage as well as continuously enhancing the cooperation with renowned IT suppliers.

On the other hand, the Group will continue to explore growth opportunities in such other industries as cloud computing business, and further expand its product range including IT solutions through seeking cooperation with potential business partners, so as to enhance the Group's market share in China.

Finally, I would like to take this opportunity to express my sincere gratitude to all of our shareholders, investors, business partners and clients for their long-term trust and support. 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.

Chen Jian
Chairman
Hong Kong, 26 March 2013

Management Discussion and Analysis

The year of 2012 was full of challenges and opportunities for the Group. Despite the global economic downturn, the total revenue of the Group reached a record high of RMB3,571.1 million, representing a year-on-year growth of 45.7%. The revenue growth can be attributable to strengthened relationships with existing customers being the renowned global IT leaders, as well as the Group's efforts in diversifying the product offerings to Apple's products. The distribution of iPhones and iPads to enterprise customers has contributed a new source of revenue during the year and broadened the Group's client base.

At the same time, the growth in revenue had a side effect of requiring more financing to cover inventory purchases, and hence led to a considerable increase in the finance costs during the year under review. The termination of the restructuring of a subsidiary, Futong Technology Development Holdings (HK) Limited ("Etong HK"), and its PRC subsidiary, Greatwall Etong Technology Co., Ltd. ("Greatwall Etong"), has also raised the operating costs significantly as the resources invested into these subsidiaries to cater for future expansion cannot be utilised as planned. Further, as the currency of sales is largely denominated in RMB, whilst the currency for inventory purchases is denominated in USD, as a result of the relatively stable currency conversion rate of USD to RMB during the year as compared to the corresponding period in 2011, the foreign exchange gain for the year has dropped significantly. Inflation has also led to an increase in other operating costs, especially in human resources costs. All these are the major factors that led to the decline in net profit for the year.

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, Oracle, EMC and Apple, and is also a reseller of IT products from other vendors.

Sales of IBM's products

For the year ended 31 December 2012, 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 RMB2,126.9 million (2011: approximately RMB1,799.9 million). This marked an increase in revenue by approximately RMB327.0 million or 18.2 %. The distribution of IBM's products and provision of related services remained as the Group's primary revenue generator, and accounted for approximately 59.6 % of total revenue of the Group for the year ended 31 December 2012 (2011: approximately 73.4 %).

The Group has continuously aimed to diversify its products range to strike a balanced healthy growth and minimise the reliance on the sales of a single brand of products. We noted a growth in the amount of sales in IBM's products, whilst its relevant percentage of sales to the Group's total revenue has actually dropped. Revenue from sales of IBM's enterprise servers amounted to approximately RMB1,375.0 million (2011: approximately RMB1,388.7 million), a slight decrease of RMB13.7 million or 1.0% compared with last year. Revenue from sales of IBM's system storage products and related services recorded a significant increase of approximately RMB142.3 million or 62.0% to approximately RMB372.0 million (2011: approximately RMB229.7 million). Sales of IBM's software and related services also recorded a remarkable increase of RMB198.4 million or 109.3% to approximately RMB379.9 million (2011: RMB181.5 million).

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 2012, sales of Oracle's products and related services amounted to approximately RMB258.6 million (2011: approximately RMB226.6 million), an increase of approximately RMB32.0 million or 14.1% as compared with last year. These sales accounted for approximately 7.2% of the Group's total revenue.

Sales of EMC's products

For the year under review, the revenue derived from distribution of EMC's products, and the provision of related value-added services including software development, business consulting and implementation services based on EMC storage virtualisation and business continuity solutions amounted to approximately RMB171.1 million (2011: approximately RMB117.3 million), an increase of approximately RMB53.8 million or 45.9%. This increase was mainly due to a contract of approximately USD10 million signed in 2011 with delivery scheduled in 2012 to one of the largest telecommunication carriers in the PRC, and with all of the relevant products delivered during the year ended 31 December 2012.

The Group carries on the EMC product sales through its subsidiaries Etong HK, Greatwall Etong and two other PRC subsidiaries (collectively the "Sub-group"). The Group entered into subscription agreements with China Greatwall Computer Shenzhen Co., Ltd. ("GW"), EMC Computer System (FE) Limited in December 2011 (the "Subscription Agreements"), pursuant to the Subscription Agreements as amended by the supplemental agreements, closing is subject to the satisfaction of the conditions precedent set forth therein on or before the tentative closing date of 31 December 2012. The Group has been informed by GW that they will not be able to fulfill the condition precedents under the Subscription Agreements on or before 31 December 2012, in particular, the obtaining of approval from the State Administration of Foreign Exchange for the transaction. The parties to the Subscription Agreements entered into a termination agreement on 28 December 2012, pursuant to which (i) the Subscription Agreements and the supplemental agreements thereto are terminated; (ii) GW shall pay the sum of approximately RMB4.7 million to the Group in settlement of the expenses incurred in the refurbishment and early stage operation and development of Greatwall Etong; and (iii) Greatwall Etong shall change its company name and cease to use "Greatwall" in its company name. The sum had been received in its entirety by the Group in January 2013 and the company name of Greatwall Etong has been changed to Beijing Etong Dongfang Technology Co. Ltd. with effect from February 2013.

Prior to the termination of the restructuring of the Sub-group, the Group has allocated more resources to the Sub-group in order to cope with future rapid expansion of the business expected after GW became the business partner of the Sub-group. The increase in headcount, led to a sharp increase in its human resources cost. This, together with the move into a new office with larger area by Greatwall Etong, meant that rental expenses and other related operational costs rose as well. These were the main reasons for the increase in net loss of approximately RMB7.9 million in the Sub-group from RMB2.7 million to RMB10.6 million during the year.

Upon realising the termination of the restructuring, the management of the Group has taken immediate action to streamline the human resources structure of the Sub-group, by moving the Greatwall Etong office back to the original address and taking other necessary actions. The human resources cost and rental expenses of the Sub-group have returned to a normal level. Management are confident that with the current team structure and business model, the performance of the Sub-group will improve in the future.

Sales of Apple's products

The Group entered into an authorised reseller agreement with Apple in 2011 to distribute a full range of that vendor's products, including iPhones and iPads, to enterprises customers in the PRC. This marked a milestone for the Group in opening a new business era with a renowned international IT products supplier. The collaboration with Apple also provides the Group with an opportunity to cover the entry level segment of the IT market to broaden its customer base. Revenue from these sales commenced contributing to the Group's revenue around mid-2011. For the year 2012, revenue from these sales contributed a new source of income to the Group amounting to RMB581.8 million (2011: RMB22.6 million), representing a huge increase of 24.7 times as compared to that in 2011, and 16.3% (2011: 0.9%) of the total revenue of the Group.

Sales of other products

Other sources of revenue for the Group included sales of IT products of Huawei as its authorised distributor, including servers, storage and IT security solutions, as well sales of other IT accessories. Revenue from these products and services increased to approximately RMB249.6 million during the year ended 31 December 2012 (2011: approximately RMB201.2 million) which was mainly contributed by sales of Huawei products and related services.

Provision of services

In 2012, the Group has further bolstered its IT technical support service team which aims to expand the Group's IT service capability in the PRC by meeting the needs of the end-users. The team is led by a group of experienced and qualified technicians. As a result of the Group's effort, the revenue contributed from provision of services during the year continues to record substantial growth of approximately 119.5%, amounting to approximately RMB183.1 million (2011: approximately RMB83.4 million).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, revenue of the Group significantly increased by approximately RMB1,120.1 million or 45.7% to approximately RMB3,571.1 million from approximately RMB2,451.0 million for the year ended 31 December 2011. The increase was mainly due to the general increases in most of the sales of existing products and provision of services, and the new source of revenue from sales of Apple's products.

Gross profit

Gross profit of the Group increased by approximately RMB7.0 million or 2.8%, from approximately RMB252.2 million for the year ended 31 December 2011 to approximately RMB259.2 million for the year ended 31 December 2012. The gross profit margin decreased from 10.3% of the year ended 31 December 2011 to 7.3% of the year ended 31 December 2012, this was mainly due to the gross profit margin of Apple's products is relatively lower than other existing products, which is justifiable as Apple's products are publicly known as best-selling IT products and in great market demand. Further, the turnover days of account receivables of Apple's products are relatively promptly, which can enhance the Group's financial and cash flow position. Another factor affecting the gross profit margin is more inventory provision has been made during the year, the Group has regularly reviewed the adequacy of inventory provision from time to time, and has a stringent inventory control policy well implemented.

Other income and gains

It comprised mainly of interest income on bank deposits, foreign exchange gain and government grants. Other income and gains decreased from RMB10.6 to RMB4.6 million, this was mainly due to the significant drop in foreign exchange gains from a gain of RMB8.5 million to a loss of approximately RMB2,000 for the year ended 31 December 2012, as a result of the relatively stable currency conversion rate of United States dollars to Renminbi during the year as compared to the corresponding period in 2011.

Distribution costs

During the year ended 31 December 2012, the distribution costs of the Group amounted to approximately RMB120.0 million, an increase of approximately RMB12.2 million or 11.3% compared to the corresponding period in 2011. This increase was a combine effect of increase in sales volume, general inflation, increase in headcount and human resources cost to cope with future expansion of the business, in particular, the sharp increase in human resources cost in Greatwall Etong and Etong HK due to the reason as mentioned in the Business Review section under the heading "Sales of EMC's products".

Administrative expenses

Administrative expenses of the Group increased by approximately RMB6.6 million or 17.1%, from approximately RMB38.5 million for the year ended 31 December 2011 to approximately RMB45.1 million for the year end 31 December 2012. The increase was mainly due to the combined effect of increase in rental and utilities expenses as two new branch offices has been established in Wuxi and Shenyang respectively, and Greatwall Etong has also moved its office to a new location with larger floor area (as mentioned in the Business Review section under the heading "Sales of EMC's Products"), and together with the increase in bank charges due to the increase in business transaction volume, and the decrease in foreign exchange gain.

Finance costs

Finance costs of the Group increased by approximately RMB12.5 million or 43.0% from approximately RMB29.1 million for the year ended 31 December 2011 to approximately RMB41.6 million for the year ended 31 December 2012. The increase was mainly due to increase in the borrowing interest rate and average borrowing amounts as more capital resources were required to finance the operation of the expanding business, in particular the purchase of inventories due to the significant growth in revenue during the year 2012.

Profit for the year attributable to equity shareholders of the Company

For the year ended 31 December 2012, profit attributable to equity shareholders of the Company decreased by approximately RMB27.6 million or 39.1%, from approximately RMB70.5 million for the year ended 31 December 2011 to approximately RMB42.9 million. This decrease was due to the combined effects of the decrease in other income and gains, increases in operation costs and finance costs as above-mentioned.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2012, the Group had total assets of approximately RMB2,121.5 million and had net assets of approximately RMB506.7 million (31 December 2011: approximately RMB1,902.3 million and approximately RMB487.1 million, respectively). The Group's bank balances and cash as at 31 December 2012 amounted to approximately RMB360.2 million and bank borrowings amounted to approximately RMB560.0 million (31 December 2011: approximately RMB496.3 million and approximately RMB334.3 million, respectively). The operating cash inflows before movements in working capital for the year was RMB111.7 million, stood at similar level as of 2011's at RMB117.1 million, due to the growth in revenue during the year, the Group has increased its inventories balances and the trade receivable balances which were in line with the revenue growth, which resulted in cash used in operations of RMB275.3 million (2011: cash from operations of RMB266.4 million). Management of the Group realized the importance of control on the prompt receipt of trade receivables, and control on the inventory level, which can enable a healthier cash position of the Group, therefore management has been continuously putting effort and attention to ensure prompt collection on trade receivables and appropriateness on the inventory level, we are confident that there will be improvements in the coming year. Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position was healthy and sufficient to achieve its business objectives.

As at 31 December 2012, approximately 3.6% (31 December 2011: approximately 58.1%) of total bank borrowings were at fixed interest rates.

As at 31 December 2012, bank loans of the Group were advanced in Renminbi while cash and cash equivalents were held at Renminbi, United State dollars and Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2012, certain assets of the Group with carrying value of approximately RMB198.7 million (31 December 2011: approximately RMB199.9 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 31 December 2012 was approximately 39.4 % (31 December 2011: net cash position). This ratio represents total bank loans less cash and cash equivalents divided by total equity. As there was a huge cash has been received from a major customer around the year ended of 2011, which raised the cash balances significantly and led to a net cash position in 2011. Management believed that the 2012's net debt-to-capital ratio stood at an acceptable level.

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 and Hong Kong dollars.

As at 31 December 2012, 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 HK5.0 cents per share for the year ended 31 December 2012 to shareholders whose names appear on the register of member of the Company on 24 May 2013. The proposed final dividend will be paid on or about 10 June 2013, following approval by the shareholders in the 2013 annual general meeting ("2013 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 2013 AGM

Latest time for lodging transfers	:	4:00 pm on Friday, 10 May 2013
Closure of register of members	:	Monday, 13 May to Wednesday, 15 May 2013 (both dates inclusive)
Record date	:	Wednesday, 15 May 2013
Date of 2013 AGM	:	Wednesday, 15 May 2013

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers	:	4:00 pm on Tuesday, 21 May 2013
Closure of register of members	:	Wednesday, 22 May to Friday, 24 May 2013 (both dates inclusive)
Record date	:	Friday, 24 May 2013
Payment date for final dividend	:	on or about Monday, 10 June 2013

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 2013 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.

ANNUAL GENERAL MEETING

The 2013 AGM of the Company will be held on Wednesday, 15 May 2013. Notice of 2013 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 2012, the Group had approximately 500 (31 December 2011: approximately 480) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB96.9 million (2011: approximately RMB86.7 million).

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 31 December 2012, the Group had used approximately RMB10.7 million for set up of new branch offices, approximately RMB24.8 million for sourcing new enterprise IT products, approximately RMB11.7 million for establishment and expansion of IT solution support centers and approximately RMB6.3 million for set up of training centers. The remaining balance of the net proceeds was placed in bank deposit accounts. The Group will apply the remaining net proceeds in the manner set out in the prospectus of the Company dated 24 November 2009 (the "Prospectus").

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

OUTLOOK

The PRC Government has embarked on a number of initiatives in support of its policy to encourage the development of the IT industry. These measures encompass the promotion of IT applications to enhance productivity in enterprises, rolling out e-government and other public services, developing an advanced cultural network, nurturing a digital economy, and improving information-based facilities to enhance the competitiveness of the PRC's IT industry. The market in the PRC should continue to be relatively vibrant for IT vendors who can assist IT users to achieve improvements in efficiency and productivity. The Group believes 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. Based 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 to boost margins.

The Group will continue to strengthen its portfolio of products and services by initiating collaborations with potential business partners and expanding the range of IT solutions to its customers, with an aim to expand the Group's market share in the PRC.

Directors and Senior Management Profile

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (陳健先生), aged 52, 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 Technology 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 23 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 42, 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 19 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 54, 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 18 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 47, 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 in England and Wales 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, Newton Resources Limited, Walker Group Holdings Limited, Tenfu (Cayman) Holdings Company Limited, Far East Holdings International Limited and China BlueChemical Limited, the shares of which are listed on the Stock Exchange. Besides, Mr. Lee was also a non-executive director of GST Holdings Limited and an independent non-executive director of New Universe International Group Limited.

Mr. Yuan Bo (袁波先生), aged 50, 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.

Mr. Ho Pak Tai Patrick (何柏泰先生), aged 66, 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 52, joined the Group in 2012. He is the Chief Financial Officer 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 degree in Financial Managerial Controls.

Mr. Xie Hui (謝輝先生), aged 43, 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 42, 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 degree in electrical engineering.

Mr. Zhao Wei (趙偉先生), aged 41, 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. Qian Ruo Chen (錢若塵先生), aged 40, joined the Group in 2012. He is the vice president of Futong Times. He is responsible for overseeing the day-to-day operations of the IBM X-series division of the Group. He graduated from 北京科技大學 (University of Sciences and Technology Beijing).

Mr. Zhuang Yi Feng (莊一峰先生), aged 43, 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 form 中國海洋大學 (Ocean University of China) with a bachelor degree in Electronics and Information System.

Mr. Dai Sihong (戴思弘先生), aged 43, joined the Group in 2010. He is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day business operations of the Group's own product, SUPOOL. He holds a master degree in information systems focusing on E-commerce from Stevens Institute of Technology, Hoboken, New Jersey, USA.

Mr. Chen Hua Guang (陳華光先生), aged 45, 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 degree, majoring in electrical engineering.

Mr. Li Jun (李鈞先生), aged 41, joined the Group in 2002. He is the vice president and eastern China region general manager of Futong Dongfang. He is responsible for the overall business operation in eastern China.

Mr. Ning Wei (寧偉先生), aged 40, joined the Group in 2013. He is the vice president of Greatwall Etong. He is responsible for overseeing the day-to-day operations of Greatwall Etong. He holds an executive master degree in business and administration from Peking University, also a master degree in CAD and graphics engineering and bachelor degree in mechanical engineering from 蘭州理工大學 (Lanzhou University of Technology) (formerly known as 甘肅工業大學 (Gansu Industrial University)).

Ms. Chen Jing (陳靜女士), aged 44, 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 degree majoring in mechanical engineering.

Mr. Wang Hui Gang (王卉剛先生), aged 44, 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. Bao Laer (寶拉爾先生), aged 40, appointed as the financial controller of Futong Dongfang in 2012. He holds bachelor degree of Economics from the Capital University of Economic and Business in Beijing, China. He holds a master degree in Professional Accounting from the University of New South Wales in Sydney, Australia. He is a member of the Chinese Institute of Certified Public Accountant. Prior to joining the Group, Mr. Bao worked as a practicing accountant in both KPMG and PricewaterhouseCoopers for over 12 years in China.

Mr. Siu Hin Leung (蕭顯良先生), aged 40, joined the Group in 2012. He is the financial controller of Futong HK. He is also the authorized representative and company secretary of the Company. He obtained a Bachelor of Arts with Honours Degree in Accountancy from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and financial management.

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 2012, the Company has applied the principles and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the 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.

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

During the year ended 31 December 2012, the Board's composition has at all time satisfied the requirements of Rule 3.10 and 3.10(A) of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors (representing at least one-third of the Board), and of whom at least one 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 11 to 13 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 conductive 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.

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 2012.

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.

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 *(Chairman and Chief Executive Officer)*	9/9	100%
Ms. Zhang Yun	9/9	100%
Mr. Guan Tao	8/9	89%
Independent non-executive Directors		
Mr. Ho Pak Tai Patrick	9/9	100%
Mr. Lee Kwan Hung	9/9	100%
Mr. Yuan Bo	8/9	89%

Induction and Continuing Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh Directors' knowledge and skills.

Under code provision A.6.5, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. On 13 November 2012, a briefing session was organized for Directors to update the Directors on the new amendments to the Code and the associated Listing Rules. During the year ended 31 December 2012, the Directors also participated in the following trainings:

Directors	**Types of training** (notes)
Executive Directors	
Mr. Chen Jian	C
Ms. Zhang Yun	C
Mr. Guan Tao	C
Independent non-executive Directors	
Mr. Ho Pak Tai Patrick	C
Mr. Lee Kwan Hung	A, B and C
Mr. Yuan Bo	C

Notes

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, journals and updates relating to the Group's businesses, economy, general businesses, or Directors' duties and responsibilities, etc.

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.

The audit committee held three meetings during the year ended 31 December 2012, 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 *(Chairman)*	3/3	100%
Mr. Lee Kwan Hung	3/3	100%
Mr. Yuan Bo	3/3	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 four meetings during the year ended 31 December 2012 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.

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) *(Chairman)*	4/4	100%
Mr. Chen Jian (b)	4/4	100%
Mr. Ho Pak Tai Patrick (a)	4/4	100%
Mr. Lee Kwan Hung (a)	4/4	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 2012, to assess the independence of the independent non-executive Directors and make recommendation to the Board on reappointment of Directors.

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) *(Chairman)*	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

COMPANY SECRETARY

Mr. Siu Hin Leung ("Mr. Siu") was appointed as the company secretary of the Company on 24 April 2012. The biographical details of Mr. Siu are set out under the section headed "Senior Management". He has taken not less than 15 hours of relevant professional training during the year ended 31 December 2012.

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu has been appointed as the external auditors of the Company for the year ended 31 December 2012. 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 2012, the total remuneration in respect of services provided by the external auditors of the Company amounted to approximately RMB2,016,000, which can be analysed as follows:

	RMB'000
Audit services	2,016

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 2012, 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.

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 2012 are set out on pages 34 to 83 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 32 to 33 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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 34 to 83 of this annual report.

The Board recommends the payment of a final dividend for the year ended 31 December 2012 of HK5.0 cents (2011: HK8.5 cents) per share.

Subject to approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on or about 10 June 2013 to shareholders whose names appear on the register of members of the Company on 24 May 2013.

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 84 and 85 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 14 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.

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 *36* of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB331.1 million.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2012 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 33.4% of the total revenue for the year and sales to the largest customer, on individual entity basis, included therein amounted to approximately 15.7%. Purchases from the Group's five largest suppliers, on individual entity basis, accounted for approximately 87.3% of the total purchases for the year and purchases from the largest supplier, on individual entity basis, included therein amounted to approximately 27.2%.

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

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. Mr. Chen Jian and Mr. Yuan Bo 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 11 to 13 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 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACT

Details of the connected transactions and the related party transactions are set out on page 30 and pages 75 to 77 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, 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 (Note 4)	0.10
Lee Kwan Hung	Beneficial owner	300,000 (Note 4)	0.10
Yuan Bo	Beneficial owner	300,000 (Note 4)	0.10

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

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

Notes:

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

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

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

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

Save as disclosed above and those as disclosed under the heading "Discloseable Interests and Short Positions of Substantial Shareholders under the SFO" below, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2012.

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.

On 15 June 2011, 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 2012.

DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY

	Number of share options								
Category	**Outstanding as at 1 January 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2012**	**Date of grant**	**Exercise period**	**Exercise price** *HK$*
Directors									
Mr. Ho Pak Tai Patrick	300,000	–	–	–	–	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Mr. Lee Kwan Hung	300,000	–	–	–	–	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Mr. Yuan Bo	300,000	–	–	–	–	300,000	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 2)
Sub-total	900,000	–	–	–	–	900,000			
Employees	1,000,000	–	–	–	–	1,000,000	15 June 2011	15 December 2011- 14 June 2021 (Note 1)	1.81 (Note 2)
Total	1,900,000	–	–	–	–	1,900,000			

Notes:

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

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

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

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

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

Details of the value of share options granted are set out in note 25 to the consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

As at 31 December 2012, 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:

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 2012.

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

Significant related party transactions entered by the Group for the year ended 31 December 2012 are set out in note 27(b) to the consolidated financial statements.

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 14 to 22 of this annual report.

AUDITORS

Messrs Deloitte Touche Tohmatsu was appointed as auditors of the Company for the year ended 31 December 2012.

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, 26 March 2013

Independent Auditor's Report

Deloitte.
德勤

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 34 to 83, which comprise the consolidated statement of financial position as at 31 December 2012, 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.

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 2012, 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

26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	5	**3,571,089**	2,450,960
Cost of sales		**(3,311,935)**	(2,198,777)
Gross profit		**259,154**	252,183
Other income and gains	7	**4,563**	10,603
Other losses	7	**(1,086)**	(1,044)
Selling and distribution expenses		**(120,022)**	(107,808)
Administrative expenses		**(45,115)**	(38,540)
Profit from operations		**97,494**	115,394
Finance costs	8(a)	**(41,557)**	(29,062)
Share of losses of associates	16	**(1,991)**	(2,077)
Profit before tax		**53,946**	84,255
Income tax expenses	9(a)	**(13,091)**	(14,249)
Profit for the year and total comprehensive income for the year	8	**40,855**	70,006
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**42,859**	70,520
Non-controlling interests		**(2,004)**	(514)
		40,855	70,006
Earnings per share			
– Basic and diluted (RMB)	13	**0.14**	0.23

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	At 31 December 2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	14	**37,233**	45,391
Interest in associates	16	**24,460**	18,457
Deferred tax assets	17(a)	**24,315**	26,031
Total non-current assets		**86,008**	89,879
Current assets			
Inventories	18	**504,274**	427,869
Trade and other receivables	19	**992,771**	709,312
Pledged deposits	20	**178,199**	178,929
Bank balances and cash	21	**360,232**	496,319
Total current assets		**2,035,476**	1,812,429
Current liabilities			
Trade and other payables	22	**1,041,720**	1,063,964
Bank borrowings	23	**560,000**	334,327
Tax payable		**13,018**	16,877
Total current liabilities		**1,614,738**	1,415,168
Net current assets		**420,738**	397,261
NET ASSETS		**506,746**	487,140
CAPITAL AND RESERVES			
Share capital	24(a)	**27,415**	27,415
Reserves		**472,979**	451,369
Attributable to owners of the Company		**500,394**	478,784
Non-controlling interests		**6,352**	8,356
TOTAL EQUITY		**506,746**	487,140

The consolidated financial statements on pages 34 to 83 were approved and authorised for issue by the board of directors on 26 March 2013 and are signed on its behalf by:

Chen Jian
Executive Director

Zhang Yun
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000 (note 24 (b))	Merger reserve RMB'000 (note 24 (b))	Share options reserve RMB'000	Statutory reserves RMB'000 (note 24 (b))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	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)	–	–	–
Dividends	–	–	–	–	–	(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**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**42,859**	**42,859**	**(2,004)**	**40,855**
Recognition of equity-settled share-based payment (note 25)	**–**	**–**	**–**	**202**	**–**	**–**	**202**	**–**	**202**
Appropriations	**–**	**–**	**–**	**–**	**5,268**	**(5,268)**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**(21,451)**	**(21,451)**	**–**	**(21,451)**
At 31 December 2012	**27,415**	**81,538**	**219**	**1,015**	**66,338**	**323,869**	**500,394**	**6,352**	**506,746**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before tax	**53,946**	84,255
Adjustments for:		
Interest income	**(3,211)**	(1,483)
Loss on disposal of property, plant and equipment	**755**	354
Finance costs	**41,557**	29,062
Depreciation	**11,446**	8,870
Share of losses of associates	**1,991**	2,077
Write-down of inventories	**9,605**	2,629
Reversal of impairment loss on trade receivables	**(4,272)**	(2,015)
Foreign exchange (gains) loss, net	**(334)**	(7,403)
Recognition of share-based payment expenses	**202**	813
Gain on disposal of other financial assets	**–**	(38)
Operating cash flows before movements in working capital	**111,685**	117,121
Increase in trade and other receivables	**(279,231)**	(52,654)
Increase in inventories	**(86,010)**	(264,590)
(Decrease) increase in trade and other payables	**(21,791)**	466,487
Cash (used in) from operations	**(275,347)**	266,364
Income tax paid	**(15,234)**	(18,348)
Net cash (used in) from operating activities	**(290,581)**	248,016
INVESTING ACTIVITIES		
Addition to investment in an associate	**(7,994)**	–
Payment for property, plant and equipment	**(4,656)**	(14,926)
Interest received	**3,211**	1,483
Proceeds on disposal of property, plant and equipment	**613**	92
Proceeds on disposal of other financial assets	**–**	20,038
Net cash (used in) from investing activities	**(8,826)**	6,687

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**916,320**	493,074
Decrease (increase) in pledged deposits	**730**	(27,887)
Repayment of bank borrowings	**(690,647)**	(406,072)
Interest paid	**(41,557)**	(29,062)
Dividends paid	**(21,451)**	(20,170)
Net cash from financing activities	**163,395**	9,883
Net (decrease) increase in cash and cash equivalents	**(136,012)**	264,586
Cash and cash equivalents at beginning of the year	**496,319**	234,422
Effect of foreign exchange rate changes	**(75)**	(2,689)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**360,232**	496,319

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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 considered that the immediate parent, also the ultimate holding company, of the Company is China Group Associates Limited (incorporated in the British Virgin Islands (the "BVI")).

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.

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

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

In the current year, the Group has applied all the amendments to IFRSs issued, which are effective for the Group's financial year beginning 1 January 2012.

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

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 interpretation that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

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.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

Other than the disclosure requirements under IFRS 12, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Incomes and expenses 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.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. 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

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

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the moving weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged deposit and bank balances and cash), are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost, using the 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.

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 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant 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 retained profits. 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling 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 stated at the lower of cost and net realisable value.

As at 31 December 2012, the carrying amount of inventories is RMB504,274,000 (31 December 2011: RMB427,869,000).

(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.

As at 31 December 2012, the carrying amount of trade receivable is RMB887,415,000, net of allowance for doubtful debts of RMB11,710,000 (31 December 2011: carrying amount of RMB530,588,000, net of allowance for doubtful debts of RMB16,184,000).

5. REVENUE

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

	2012 RMB'000	2011 RMB'000
Sales of goods	**3,387,982**	2,367,604
Provision of services	**183,107**	83,356
	3,571,089	2,450,960

6. SEGMENT REPORTING

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

The chief operating decision maker considers that the operation of the Group constitutes a single operating segment as the revenue and profit are derived entirely from the 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 are same as the amounts reported under IFRSs.

The Group's customer base is diversified and revenue from one customer (2011: one) with whom transactions have exceeded 10% of the Group's revenue in 2012 amounted to RMB559,095,000 (2011:RMB320,479,000).

7. OTHER INCOME, GAINS AND OTHER LOSSES

	2012 **RMB'000**	2011 RMB'000
Other income and gains		
Interest income	**3,211**	1,483
Government grants (note)	**1,245**	–
Foreign exchange gains	**–**	8,547
Others	**107**	573
	4,563	10,603
Other losses		
Loss on disposal of property, plant and equipment	**(755)**	(354)
Others	**(331)**	(690)
	(1,086)	(1,044)

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

8. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

		2012 RMB'000	2011 RMB'000
(a)	**Finance costs:**		
	Interest on borrowings wholly repayable within five years	**41,557**	29,062
(b)	**Staff costs:**		
	Salaries and allowance	**88,192**	79,382
	Contributions to retirement benefit schemes	**8,462**	6,457
	Equity-settled share-based payment	**202**	813
		96,856	86,652

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a 11% to 22% of payroll costs (subject to a cap) to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

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

The total cost charged to income of RMB8,462,000 (2011: RMB6,457,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2012. As at 31 December 2011 and 2012, the amount due but not paid to the schemes is insignificant.

		2012 RMB'000	2011 RMB'000
(c)	**Other items:**		
	Depreciation	**11,446**	8,870
	Reversal of impairment loss on trade receivables, include in administrative expenses	**(4,272)**	(2,015)
	Auditors' remuneration	**2,016**	1,911
	Cost of inventories recognised as an expense (note 18(b))	**3,156,480**	2,137,048

9. INCOME TAX EXPENSES

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

	2012 RMB'000	2011 RMB'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**566**	296
Under-provision in respect of prior years	**–**	113
	566	409
Current tax – PRC income tax		
Provision for the year	**10,977**	14,399
Over-provision in prior years	**(168)**	–
	10,809	14,399
Deferred tax		
Current year (note 17(a))	**1,716**	(559)
	13,091	14,249

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

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

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

Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang"), a subsidiary of the Company established in the PRC is 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.

9. INCOME TAX EXPENSES *(Continued)*

(b) Reconciliation between income tax expenses and profit before tax is as follows,

	2012 RMB'000	2011 RMB'000
Profit before tax	**53,946**	84,255
Tax calculated at applicable tax rate of 25%	**13,487**	21,064
Effect of different and concessionary tax rates	**(5,025)**	(8,087)
Tax effect of deductible temporary difference not recognised	**2,385**	–
Tax effect of tax loss not recognised	**1,334**	767
Tax effect of expenses not deductible for tax purpose	**1,078**	1,186
Utilisation of tax losses previously not recognised	**–**	(735)
Tax effect of income not taxable for tax purpose	**–**	(59)
(Over) under-provision in prior years	**(168)**	113
Income tax expenses	**13,091**	14,249

10. DIRECTORS' AND CHIEF EXECUTIVE' REMUNERATION

The emoluments paid or payable to each of the six directors and the chief executive were as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Share-based payment RMB'000	Contribution to retirement benefits schemes RMB'000	Total RMB'000
Year ended 31 December 2012					
Executive directors					
Chen Jian	–	1,603	–	76	1,679
Zhang Yun	–	1,950	–	109	2,059
Guan Tao	–	1,626	–	73	1,699
Independent non-executive directors					
Lee Kwan Hung	169	–	–	–	169
Yuan Bo	169	–	–	–	169
Ho Pak Tai Patrick	169	–	–	–	169
	507	5,179	–	258	5,944

10. DIRECTORS' AND CHIEF EXECUTIVE' REMUNERATION *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Share-based payment RMB'000	Contribution to retirement benefits schemes RMB'000	Total RMB'000
Year ended 31 December 2011					
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

Mr. Chen Jian is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the chief executive nor any of the directors waived any emoluments in the both years.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three are directors and the chief executive for the year ended 31 December 2012 and 2011, whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the remaining two individuals are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	**2,187**	2,390
Contribution to retirement benefits schemes	**44**	60
	2,231	2,450

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the two individuals with the highest emoluments are within the following band:

	2012 Number of Individuals	2011 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

12. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2011 final – HK8.5 cents, equivalent to RMB6.9 cents (2010 final dividend: HK7.8 cents, equivalent to RMB6.5 cents) per share	**21,451**	20,170

Subsequent to the end of the reporting period, a final dividend of HK5.0 cents (approximately equivalent to RMB4.1 cents) per share in respect of the year ended 31 December 2012 (2011: final dividend of HK8.5 cents per share, approximately equivalent to RMB6.9 cents per share), totaling approximately HK$15,563,000 (approximately RMB12,618,000) (2011: HK$26,456,000, approximately RMB21,451,000) based on the total number of issued ordinary shares as at the date of issuance of these consolidated financial statements, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

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

	2012 RMB'000	2011 RMB'000
Earnings for the purpose of basic earnings per share	**42,859**	70,520

	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	**311,250**	311,250

The computation of diluted earnings per share does not assume the exercise of the Company's share options (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 2012 and 2011.

14. 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 2011	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	–	(181)	(3,837)	–	(4,018)
At 31 December 2011	24,353	2,567	31,960	5,299	64,179
Additions	–	1,896	2,127	633	4,656
Disposals	–	(501)	(7,770)	–	(8,271)
At 31 December 2012	24,353	3,962	26,317	5,932	60,564
Accumulated depreciation					
At 1 January 2011	3,025	170	9,821	639	13,655
Exchange adjustments	(155)	(3)	(5)	(2)	(165)
Charge for the year	499	951	6,303	1,117	8,870
Elimination on disposals	–	(15)	(3,557)	–	(3,572)
At 31 December 2011	3,369	1,103	12,562	1,754	18,788
Charge for the year	487	2,133	7,500	1,326	11,446
Elimination on disposals	–	(237)	(6,666)	–	(6,903)
At 31 December 2012	3,856	2,999	13,396	3,080	23,331
Net book values					
At 31 December 2012	20,497	963	12,921	2,852	37,233
At 31 December 2011	20,984	1,464	19,398	3,545	45,391

(a) The above items of property, plant and equipment, are depreciated on a straight-line basis at the following rates per annum after considering any residual value:

Leasehold land and buildings	2%
Leasehold improvements	33%-50%
Furniture, fittings and equipment	18%-33%
Motor vehicles	25%

(b) Leasehold land and buildings which are held for own use are situated in the PRC under medium-term lease.

(c) At 31 December 2012, leasehold land and buildings with net book value of RMB20,497,000 (31 December 2011: RMB20,984,000) have been pledged as security for the Group's bills payables (see note 22(b)).

15. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries are set out below.

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion ownership interest/ voting power held by the Company 2012 Directly %	2012 Indirectly %	2011 Directly %	2011 Indirectly %	Principal activities
Futong Technology Co. Ltd. ("Futong BVI")	The BVI	US$50,000	100	–	100	–	Investment holding
Etong Technology Holdings Limited	The BVI	US$1	–	100	–	100	Investment holding
Futong Technology IT Services Co., Ltd.	The BVI	US$1	–	100	–	100	Investment holding
Futong Technology (HK) Company Limited ("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 Technology Co., Ltd. ("Futong Times") (notes (i) and (iii))	The PRC	RMB50,000,000	–	100	–	100	Distribution of enterprise IT products and provision of IT services
Futong Technology Development Holdings (HK) Limited ("Etong HK")	Hong Kong	HK$100	–	81	–	81	Sales of enterprise IT products
北京易通東方科技有限公司 Beijing Etong Dongfang Technology Co., Ltd., formerly known as Greatwall Etong Technology Co., Ltd., and 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

15. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

Name of company	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Proportion ownership interest/ voting power held by the Company 2012 Directly %	2012 Indirectly %	2011 Directly %	2011 Indirectly %	Principal activities
無錫易通東方電腦系統服務有限公司 Wuxi Etong Dongfang Computer System Services Co., Ltd. ("Wuxi Etong") (notes (ii) and (iii))	The PRC	RMB3,000,000	–	81	–	81	Distribution of enterprise IT products
瀋陽易通東方電腦系統服務有限公司 Shenyang Etong Dongfang Computer System Services Co., Ltd. ("Shengyang Etong") (notes (ii) and (iii))	The PRC	RMB4,000,000	–	81	–	81	Distribution of enterprise IT products

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(i) These entities are wholly foreign-owned enterprises established in the PRC.

(ii) This entity is a limited liability company 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.

16. INTEREST IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of investment in associates, unlisted	27,994	20,000
Share of accumulated losses	(3,534)	(1,543)
	24,460	18,457

16. INTEREST IN ASSOCIATES *(Continued)*

As at 31 December 2012, the Group had interests in the following associates:

Name of company	Place of establishment	Registered capital/share capital	Proportion ownership interest/voting power held by the Company Directly %	Proportion ownership interest/voting power held by the Company Indirectly %	Principal activities
中金富通資訊技術服務有限公司 Centrin-Futong IT Services Co., Ltd. ("Centrin-Futong") (note (i) and (ii))	The PRC	RMB50,000,000	–	40	Distribution of enterprise IT products and provision of IT services
富通金信有限公司 Futong Technology Advanced Business Service Limited ("Futong Technology")	Hong Kong	HK$100	–	40	Investment holdings
北京富通金信計算機系統服務有限公司 Beijing Futong Jinxin Computer System Service Co. Ltd. ("Beijing Futong Jinxin") (note (i) and (ii))	The PRC	RMB20,000,000	–	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.

16. INTEREST IN ASSOCIATES *(Continued)*

Summary financial information on the associates:

2012	**Assets RMB'000**	**Liabilities RMB'000**	**Equity RMB'000**	**Revenue RMB'000**	**Losses RMB'000**
100 per cent	**109,875**	**(48,724)**	**61,151**	**132,206**	**(4,978)**
Group's interest	**43,950**	**(19,490)**	**24,460**	**52,882**	**(1,991)**

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

17. DEFERRED TAXATION

(a) Deferred tax assets recognised

Deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Write-down of inventories RMB'000	**Impairment loss on trade receivables** RMB'000	**Accrued expenses** RMB'000	**Total** RMB'000
At 1 January 2011	3,426	2,775	19,271	25,472
Credited/(charged) to profit or loss (note 9(a))	456	(361)	464	559
At 31 December 2011	3,882	2,414	19,735	26,031
Credited/(charged) to profit or loss (note 9(a))	**593**	**(701)**	**(1,608)**	**(1,716)**
At 31 December 2012	**4,475**	**1,713**	**18,127**	**24,315**

17. DEFERRED TAXATION *(Continued)*

(b) Deferred tax assets not recognised

As at 31 December 2012, the Group has not recognised deferred tax assets in respect of unutilised tax losses of approximately RMB10,558,000 (31 December 2011: RMB5,221,000) due to the unpredictability of future profit streams. The tax loss will be expired as follows:

	2012 RMB'000	2011 RMB'000
2015	**2,152**	2,152
2016	**3,069**	3,069
2017	**5,337**	–
	10,558	5,221

At the end of the reporting period, the Group has deductible temporary differences of RMB9,541,000. 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.

(c) Deferred tax liabilities not recognised

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB255,597,000 (31 December 2011: RMB202,921,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

18. INVENTORIES

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

	2012 RMB'000	2011 RMB'000
Trading stocks	**504,274**	427,869

18. INVENTORIES *(Continued)*

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

	2012 RMB'000	2011 RMB'000
Carrying amount of inventories sold	**3,146,875**	2,134,419
Write-down of inventories	**9,605**	2,629
	3,156,480	2,137,048

19. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**899,125**	546,772
Less: allowance for doubtful debts	**(11,710)**	(16,184)
	887,415	530,588
Bills receivables	**40,573**	92,473
Prepayments (note (i))	**46,334**	65,341
Deposits (note (ii))	**15,473**	18,143
Other receivables	**2,976**	2,767
	992,771	709,312

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.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Aging analysis

The Group allows an average credit period of 30-90 days to its trade customers. Further details of the Group's credit policy are set out in note 28(a). The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the relevant due date at the end of the reporting period.

	2012 RMB'000	2011 RMB'000
Current	**693,762**	507,554
Less than 1 month past due	**107,231**	42,708
1 to 3 months past due	**57,799**	40,095
More than 3 months and less than 1 year past due	**69,196**	32,704
Amounts past due	**234,226**	115,507
	927,988	623,061

(b) Impairment of trade receivables

Impairment losses in respect of trade 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 receivables directly.

The movement in the allowance for doubtful debts:

	2012 RMB'000	2011 RMB'000
At 1 January	**16,184**	18,814
Reversal of impairment loss	**(4,272)**	(2,015)
Uncollectible amounts written off	**(202)**	(615)
At 31 December	**11,710**	16,184

The Group's trade receivables of RMB11,710,000 (31 December 2011: RMB16,184,000) were individually determined to be impaired as at 31 December 2012. 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 RMB11,710,000 (2011: RMB16,184,000) were recognised as at 31 December 2012. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

(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.

20. PLEDGED DEPOSITS

Pledged deposits represent deposits placed to banks as security for the banking facilities granted to the Group (see notes 22(b)), bills issued by the banks (see note 23(c)) and performance guarantee letters issued by the banks.

Pledged deposits carry interest at fixed rates which range from 0.01% to 3.3% (31 December 2011: 2.85% to 3.25%) per annum.

21. BANK BALANCES AND CASH

At 31 December 2012, the balance included bank balances and cash in the PRC of approximate RMB329,084,000 (31 December 2011: RMB444,477,000). 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.

Bank balances carry interest at variable rates which range from 0.01% to 0.4% (31 December 2011: 0.01% to 0.5%) per annum.

22. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**529,747**	489,649
Bills payable	**398,016**	412,209
Receipts in advance	**90,650**	127,530
Other payables and accruals	**23,307**	34,576
	1,041,720	1,063,964

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

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

	2012 RMB'000	2011 RMB'000
0-60 days	**481,358**	476,855
60-90 days	**48,389**	8,946
Over 90 days	**–**	3,848
	529,747	489,649

(b) Bills payable are normally issued with a maturity of not more than 120 days. The bills payable were secured by leasehold land and buildings with carrying amount of RMB20,497,000 (2011: RMB20,984,000) and pledged deposit of RMB87,376,000 (2011: RMB91,713,000) as at 31 December 2012. The available unutilised facility for issuance of bills at 31 December 2012 was approximately RMB3,551,000.

(c) The average credit period on purchases of goods was 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

23. BANK BORROWINGS

(a) At 31 December 2012, the bank borrowings were repayable as follows:

	2012 RMB'000	2011 RMB'000
On demand or within 1 year	**560,000**	334,327

(b) The bank borrowings were shown as follows:

	2012 RMB'000	2011 RMB'000
Unsecured bank borrowings	**220,000**	80,000
Secured bank borrowings	**340,000**	254,327
	560,000	334,327
Fixed-rate borrowings	**20,000**	194,327
Variable-rate borrowings	**540,000**	140,000
	560,000	334,327

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2012	2011
Fixed-rate borrowings	**7.2%**	2.2% to 6%
Variable-rate borrowings	**6.02% to 7.87%**	6.1% to 7.93%

23. BANK BORROWINGS *(Continued)*

(c) The amounts of banking facilities and the utilisation at 31 December 2012 are set out as follows:

	2012 RMB'000	2011 RMB'000
Banking facilities		
– Unsecured	**220,000**	90,000
– Secured	**340,000**	430,390
	560,000	520,390
Amounts utilized	**560,000**	334,327

The secured banking facilities were secured by the following:

– the carrying value of the following assets:

	2012 RMB'000	2011 RMB'000
Pledged deposits	**78,552**	87,216

At 31 December 2012, the Group's bank borrowings of RMB160,000,000 (31 December 2011: RMB70,000,000) (including RMB100,000,000 (31 December 2011: RMB70,000,000) with a clause which entitles the bank an unconditional right to demand immediate repayment) are subject to the fulfilment of certain financial covenants, as are commonly found in lending arrangements with financial institutions, relating to certain ratio on the individual company's statement of financial position. If the financial covenants are breached, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these financial covenants.

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(b).

24. CAPITAL AND RESERVES

(a) Share capital

	2012 Number of shares '000	2012 Amount HK$'000	2011 Number of shares '000	2011 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	**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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) 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.

24. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves (Continued)

(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

Statutory surplus funds comprise statutory reserve fund and enterprise expansion fund. In accordance with relevant rules and regulation on enterprise established in the PRC, the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the statutory surplus fund, until the accumulated balance of the fund reaches 50% of their respective paid-in capital. The statutory surplus fund may be distributed to shareholders in the form of bonus issue. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC.

(c) Distributable reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts was RMB331,107,000 (2011: RMB339,444,000).

(d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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 2009 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 of directors 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

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

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

Category	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2012
Share Options A	900,000	–	–	–	–	900,000
Share Options B	1,000,000	–	–	–	–	1,000,000
	1,900,000	–	–	–	–	1,900,000
Exercisable at the end of the year						1,500,000
Weighted average exercise price	HK$1.81	–	–	–	–	HK$1.81

The following table discloses movements of the Share Options during the prior year:

Category	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 Options A	–	900,000	–	–	–	900,000
Share Options B	–	1,000,000	–	–	–	1,000,000
	–	1,900,000	–	–	–	1,900,000
Exercisable at the end of the year						1,200,000
Weighted average exercise price	–	HK$1.81	–	–	–	HK$1.81

None of the share options were exercised during the current and prior year.

The fair values of Share Options A and Share Options B granted in the year 2011 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 Group recognised the total expense of RMB202,000 for the year ended 31 December 2012 (2011: RMB813,000) in relation to share options granted by the Company.

26. COMMITMENTS

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid under operating leases during the year:		
Premises	**16,056**	13,721

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within 1 year	**6,990**	7,301
After 1 year but within 5 years	**2,553**	3,808
	9,543	11,109

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, at the end of each 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 the 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
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by close family member of Mr. Chen Jian, a director of the Company
Futong Technology	Associate of the Company
Centrin-Futong	Associate of the Company
Beijing Futong Jinxin	Associate 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:

	2012 RMB'000	2011 RMB'000
Recurring transactions:		
Sales to		
Beijing Futong Jinxin	13,187	1,107
Centrin-Futong	3,705	9,141
Beijing Deep Thought (note)	800	2,048
	17,692	12,269
Purchase from		
Beijing Futong Jinxin	25,932	–

Note: The transactions fall under definition of "continuing connected transaction" in chapter 14A of the Listing Rules, as the amount was below HK$1,000,000 and less than 5% of all the applicable percentage ratio (other than profit ratio) and on normal commercial terms, the transactions were de minimis transactions, exempt from reporting, annual review, announcement and independent shareholders' approval requirement under Listing Rules 14A.33(3).

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:

	2012 RMB'000	2011 RMB'000
Trade receivables from (note (i)):		
Beijing Futong Jinxin	**4,264**	1,296
Beijing Deep Thought	**346**	611
Centrin-Futong	**277**	2,806
	4,887	4,713
Trade payables to (note (i)):		
Beijing Futong Jinxin	**18,104**	–
Other receivables from (note (i) & note (ii)):		
Futong Technology	**41**	–
Advance payments to suppliers:		
Beijing Futong Jinxin	**3,520**	–
Receipts in advance:		
Beijing Futong Jinxin	**1,014**	–

Note:

(i) Amount due from/to related parties are unsecured, interest free and expected to be recovered within one year.

(ii) The maximum amount due from Futong Technology during the year ended 31 December 2012 was RMB41,000 (2011: nil).

27. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors and chief executive as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2012 RMB'000	2011 RMB'000
Salaries and allowance	**17,565**	17,140
Contribution to retirement benefits schemes	**717**	597
Equity-settled share-based payment	**82**	522
	18,364	18,259

Total remuneration was included in "staff costs" (see note 8(b)).

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets classified as loans and receivables		
Trade and other receivables	**946,437**	643,971
Pledged deposits	**178,199**	178,929
Bank balances and cash	**360,232**	496,319
Total	**1,484,868**	1,319,219
Financial liabilities at amortised cost		
Trade and other payables	**951,070**	936,434
Bank borrowings	**560,000**	334,327
Total	**1,511,070**	1,270,761

28. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

The Group's major financial instruments include trade and other receivable, pledged deposits, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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) Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. 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.

In addition, the Group reviews the recoverable amount of each individual receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The maximum exposure to credit risk 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 pledged deposits and liquid funds is limited because the counterparties are reputable banks with high credit ratings.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries in the PRC.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2012, the Group has no available unutilised bank loan facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
31 December 2012						
Bank borrowings						
– Fixed rate	7.2	21,078	–	–	21,078	20,000
– Variable rate	6.9	555,571	–	–	555,571	540,000
Trade and other payables		951,070	–	–	951,070	951,070
		1,527,719	–	–	1,527,719	1,511,070

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
31 December 2011						
Bank borrowings						
– Fixed rate	4.8	204,246	–	–	204,246	194,327
– Variable rate	7.2	150,073	–	–	150,073	140,000
Trade and other payables		936,434	–	–	936,434	936,434
		1,290,753	–	–	1,290,753	1,270,761

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and pledged deposits (see notes 20 and 23 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. In order to achieve this result, fixed-rate bank borrowings raised by the Group are short-term to minimise the fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 23 for details). Cash flow interest risk in relation to variable-rate bank balances is considered insignificant. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates published by People's Bank of China.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

28. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would decrease/increase by RMB2,220,000 (2011: decrease/increase by RMB595,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate borrowings.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to trade payables, trade receivables and bank balances and cash that are denominated in foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	3,088	–	3,019	(2,452)
Hong Kong dollar	3,726	(114)	914	(7,388)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

28. FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk (Continued)

Sensitivity analysis *(Continued)*

	United States dollar		Hong Kong dollar	
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**(129)**	(24)	**(148)**	245

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(e) Fair values

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
ASSETS		
Unlisted investment in a subsidiary	**243,419**	243,419
Trade and other receivables	**118**	118
Amounts due from subsidiaries	**117,667**	125,329
Bank balances and cash	**60**	60
Total assets	**361,264**	368,926
LIABILITIES		
Trade and other payables	**515**	277
Amount due to a subsidiary	**2,227**	1,790
Total liabilities	**2,742**	2,067
NET ASSETS	**358,522**	366,859
CAPITAL AND RESERVES		
Share capital	**27,415**	27,415
Reserves (note)	**331,107**	339,444
TOTAL EQUITY	**358,522**	366,859

Note: the movements of reserve during the year include: (1) profit for the year of the Company was RMB13,114,000 (2011: RMB21,939,000) for the year ended 31 December 2012 and (2) the dividend declared and paid is RMB21,451,000 (2011: RMB20,170,000).

Summary of Financial Information

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**3,571,089**	2,450,960	2,464,825	2,279,035	2,278,393
Profit from operations	**97,494**	115,394	101,193	85,498	78,113
Finance costs	**(41,557)**	(29,062)	(20,062)	(24,261)	(30,511)
Share of (losses) profits of associates	**(1,991)**	(2,077)	534	–	–
Profit before taxation	**53,946**	84,255	81,665	61,237	47,602
Income tax	**(13,091)**	(14,249)	(12,786)	(1,765)	(3,904)
Profit for the year and total comprehensive income for the year	**40,855**	70,006	68,879	59,472	43,698
Profit for the year and total comprehensive Income for the year attributable to					
Owners of the Company	**42,859**	70,520	69,369	59,539	43,698
Non-controlling interests	**(2,004)**	(514)	(490)	(67)	–
	40,855	70,006	68,879	59,472	43,698

	At 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**86,008**	89,879	86,876	41,517	38,080
Net current assets	**420,738**	397,261	349,778	326,764	172,787
NET ASSETS	**506,746**	487,140	436,654	368,281	210,867
Capital and reserves					
Share capital	**27,415**	27,415	27,415	27,415	365
Reserves	**472,979**	451,369	400,206	340,708	210,502
Total equity attributable to owners of the Company	**500,394**	478,784	427,621	368,123	210,867
Non-controlling interests	**6,352**	8,356	9,033	158	–
TOTAL EQUITY	**506,746**	487,140	436,654	368,281	210,867
Earnings per share					
– Basic and diluted (RMB)	**0.14**	0.23	0.22	0.26	0.20

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 2012 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 sheet at 31 December 2008 is the combination of the balance sheets of the Company and its subsidiaries at 31 December 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 has been changed from HK$ to RMB since the year ended 31 December 2011, comparative figures have been represented in RMB.

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to owners of the Company for the year 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. Siu Hin Leung, *HKICPA, FCCA*

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
Hang Seng Bank 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