Futong
富通

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

Interim Report 2013

CONTENTS

FINANCIAL SUMMARY

RESULTS

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue	**1,544,190**	1,445,994
Profit from operation	**48,088**	36,956
Finance costs	**(22,735)**	(17,526)
Share of losses of associates	**(2,267)**	(61)
Profit before tax	**23,086**	19,369
Income tax expense	**(6,324)**	(5,960)
Profit for the period	**16,762**	13,409
Earnings per share		
— Basic and diluted (RMB)	**0.06**	0.05

ASSETS AND LIABILITIES

	At 30 June	At 31 December
	2013	2012
	RMB'000	RMB'000
	Unaudited	Audited
Total assets	**2,025,831**	2,121,484
Total liabilities	**(1,514,785)**	(1,614,738)
NET ASSETS	**511,046**	506,746

BUSINESS REVIEW

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

Sales of IBM's products

For the six-month period ended 30 June 2013 ("the Period"), revenue from the distribution of IBM's hardware and software products, including enterprise servers, system storage products and middleware, which are often bundled with value-added services, amounted to approximately RMB835.2 million (2012: approximately RMB826.2 million), representing an increase of approximately RMB9.0 million or 1.1% as compared to the corresponding period in 2012. The distribution of IBM's products and provision of related services remained as the Group's primary revenue generator, and accounted for approximately 54.1 % of the total revenue of the Group for the Period (2012: approximately 57.1%). The Group continuously aim to diversify its products range to achieve a better balanced healthy growth and at the same time minimising reliance on the sales of a single brand of products. We note a growth in the amount of sales in IBM's products, but its percentage of sales to the Group's total revenue has actually declined.

Revenue from sales of IBM's enterprise servers amounted to approximately RMB500.1 million (2012: approximately RMB494.8 million), a slight increase of approximately RMB5.3 million or 1.1% as compared with the corresponding period in 2012. Revenue from sales of IBM's system storage products and related services has decreased by approximately RMB25.7 million or 15.5% as compared to the corresponding period in 2012, to approximately RMB140.5 million (2012: approximately RMB166.2 million). Sales of IBM's software and related services continued to show a solid growth of approximately RMB29.4 million or 17.8% to approximately RMB194.6 million (2012: approximately RMB165.2 million) after a strong growth in year 2012.

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the Period under review, sales of Oracle's products and related services amounted to approximately RMB183.6 million (2012: approximately RMB109.3 million), a significant increase of approximately RMB74.3 million or 68.0% as compared with the corresponding period of 2012. These sales accounted for approximately 11.9% of the Group's total revenue (2012: approximately 7.6%).

Sales of EMC's products

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 RMB109.4 million for the Period (2012: approximately RMB107.7 million), an increase of approximately RMB1.7 million or 1.6% as compared to the corresponding period in 2012.

Sales of Apple's products

Revenue from sales of Apple's products amounted to RMB212.6 million for the Period (2012: RMB200.2 million), representing an increase of 6.2% as compared to the corresponding period in 2012.

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 as sales of other IT accessories. Revenue from these products and services amounted to approximately RMB101.8 million for the Period (2012: approximately RMB103.3 million), representing a slight drop of 1.5% as compared to the corresponding period in 2012.

Provision of services

The Group has continued to strengthen its IT technical support service team in order to further expand the Group's IT services capability in the PRC. The revenue contributed from the provision of services during the Period continues to record a steadily growth of approximately 2.3% as compared to the corresponding period in 2012, amounting to approximately RMB101.6 million (2012: approximately RMB99.3 million).

FINANCIAL REVIEW

Revenue

For the Period under view, the revenue of the Group increased by approximately RMB98.2 million or 6.8% as compared to the corresponding period in 2012, to approximately RMB1,544.2 million (2012: approximately RMB1,446.0 million). The increase was mainly due to the 68.0% remarkable increase in sales of Oracle's products and 17.8% increase in sales of IBM's software and related services.

Gross profit

Gross profit of the Group increased by approximately RMB11.2 million or 10.3% from approximately RMB109.3 million for the six-month period ended 30 June 2012 to approximately RMB120.6 million for the Period. The gross profit margin also improved slightly from 7.6% to 7.8%.

Other income, other gains and losses

It comprises mainly of interest income on bank deposits, foreign exchange gain and government grants. Other income, other gains and losses have improved from a loss of approximately RMB0.5 million to a gain of approximately RMB10.7 million. The increase in gain was mainly due to the increase in foreign exchange gains from a loss of approximately RMB2.5 million for the corresponding period in 2012 to a gain of approximately RMB6.0 million for the Period, primarily due to the appreciation of Renminbi against United States dollars during the Period while Renminbi against United States dollars depreciated during the corresponding period in 2012.

Distribution costs

For the Period under review, the distribution costs of the Group amounted to approximately RMB57.2 million, an increase of approximately RMB4.5 million or 8.6% compared to the corresponding period in 2012. This was mainly due to the combined effect of increase in sales volume, general inflation, and increase in headcount to cope with the expansion needs of the business.

Administrative expenses

Administrative expenses of the Group increased by approximately RMB6.7 million or 35.0%, from approximately RMB19.2 million for the six-month period ended 30 June 2012 to approximately RMB25.9 million for the Period. The increase was mainly due to the increase in provision for trade receivables during the Period whereas there was a reversal of such provision during the corresponding period of 2012. The Group has implemented strong control over the collection of each trade receivable, and for prudence sake, the provisions made for the Period is higher than the provisions made for the corresponding period in 2012, which is not difficult to comprehend given the slow-down in global economy during the first half of 2013 that has negatively impacted on the collectability of trade receivables.

Finance costs

Finance costs of the Group increased by approximately RMB5.2 million or 29.7% from approximately RMB17.5 million for the six-month period ended 30 June 2012 to approximately RMB22.7 million for the Period. The increase was mainly due to the increase in the borrowing amounts to support financing of the operations of the expanding business.

Profit for the period attributable to owners of the Company

Profit attributable to owners of the Company increased by approximately RMB2.4 million or 16.1%, from approximately RMB15.1 million for the six-month period ended 30 June 2012 to approximately RMB17.5 million for the Period. The improvement was mainly due to the increase in revenues, gross profit, and other income and gains.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 30 June 2013, the Group had total assets of approximately RMB2,025.8 million and had net assets of approximately RMB511.0 million (31 December 2012: approximately RMB2,121.5 million and approximately RMB506.7 million, respectively). The Group's bank balances and cash as at 30 June 2013 amounted to approximately RMB68.4 million (approximately RMB71.9 million as at 30 June 2012 and approximately RMB360.2 million as at 31 December 2012). We consider the cash balances stood at an acceptable level and are of similar amount as compared to the corresponding period of 2012. Bank borrowings amounted to approximately RMB598.4 million (31 December 2012: approximately RMB560.0 million). Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 30 June 2013, approximately 13.4% (31 December 2012: approximately 3.6%) of total bank borrowings were at fixed interest rates.

As at 30 June 2013, 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 30 June 2013, certain assets of the Group with carrying value of approximately RMB197.9 million (31 December 2012: approximately RMB198.7 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 30 June 2013 was approximately 103.7 % (as at 30 June 2012 and 31 December 2012 was 60.1% and 39.4%, respectively). This ratio represents total bank loans less bank balances and cash divided by total equity. As major customers usually settle the trade receivables in the fourth quarter of each financial year that led to an increase in cash balance and therefore a lower net debt-to-capital ratio at the end of year in 2012.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

As at 30 June 2013, 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.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six-month period ended 30 June 2013 (2012: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had in total 537 (31 December 2012: approximately 500) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB48.2 million (2012: approximately RMB43.1 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 the employees 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 30 June 2013, the Group had used approximately RMB10.7 million for setting up of new branch offices, approximately RMB24.8 million for sourcing new enterprise IT products, approximately RMB15.3 million for establishment and expansion of IT solution support centers and approximately RMB8.5 million for setting 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").

OUTLOOK

Despite the continued uncertainty in the global economy and the slowdown in the macro-economic growth in the PRC, the Group remains confident in the long term prospects of the PRC's economy. The Group is stepping up its effort to enhance its market-leading position through extending its sales network and coverage, diversifying its product distribution portfolio, broadening its product sourcing network, and expanding its higher margin IT services in order to boost profits.

The Group will continue to strengthen its portfolio of products and services by initiating collaboration with potential business partners and expanding its range of IT solutions to its customers, with an aim to expanding the Group's market share in the PRC. During the Period, the Group has signed an agreement with SAP, one of the global leaders in enterprise software and software-related services, to act as its authorised distributor in the PRC. Furthermore we have during the Period established a joint venture company in the PRC, in which the Group owns 40% equity interest, to conduct the distribution business of VMware products in virtualization and cloud infrastructure solutions. It is expected these collaborations shall commence business operation in the second half of the year and will bring contributions to the Group in the future.

Internally, the Group will continue to focus on cost control measures and cash flow management to enhance the overall operational cost structure, so as to strengthen the financial position of the Group and maximise the interest of the shareholders as a whole.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The Group's unaudited consolidated results for the six-month period ended 30 June 2013 and this 2013 interim report have been reviewed by its audit committee, which was of the opinion that the preparation of such results and report complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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 Period.

SHARE OPTION SCHEME

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

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 share options outstanding as at 30 June 2013.

Details of options granted by the Company

	Number of share options								
Category	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2013	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. Yua 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 17 to the condensed consolidated financial statements.

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

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

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

Notes:

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

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

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

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

Save as disclosed above and those as disclosed under the heading "Discloseable Interests and Short Positions of Substantial Shareholders under the SFO" below, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2013.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER THE SFO

As at 30 June 2013, 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 and underlying shares of the Company as recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO as at 30 June 2013.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Futong Technology Development Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 29, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2013

	NOTES	Six-month period ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	4	**1,544,190**	1,445,994
Cost of sales		**(1,423,614)**	(1,336,664)
Gross profit		**120,576**	109,330
Other income	5	**4,565**	3,140
Other gains and losses	5	**6,087**	(3,611)
Distribution and selling costs		**(57,223)**	(52,707)
Administrative expenses		**(25,917)**	(19,196)
Profit from operation		**48,088**	36,956
Finance costs	6	**(22,735)**	(17,526)
Share of losses of associates		**(2,267)**	(61)
Profit before tax	7	**23,086**	19,369
Income tax expenses	8	**(6,324)**	(5,960)
Profit and total comprehensive income for the period		**16,762**	13,409
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**17,514**	15,079
Non-controlling interests		**(752)**	(1,670)
		16,762	13,409
Earnings per share (RMB)	10		
Basic and diluted		**0.06**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**34,022**	37,233
Interests in associates	12	**26,193**	24,460
Deferred tax assets		**23,366**	24,315
		83,581	86,008
CURRENT ASSETS			
Inventories		**647,474**	504,274
Trade and other receivables	13	**1,048,335**	992,771
Pledged deposits		**178,015**	178,199
Bank balances and cash		**68,426**	360,232
		1,942,250	2,035,476
CURRENT LIABILITIES			
Trade and other payables	14	**905,061**	1,041,720
Bank borrowings	15	**598,364**	560,000
Tax payable		**11,360**	13,018
		1,514,785	1,614,738
NET CURRENT ASSETS		**427,465**	420,738
TOTAL ASSETS LESS CURRENT LIABILITIES		**511,046**	506,746
CAPITAL AND RESERVES			
Share capital	16	**27,415**	27,415
Reserves		**478,031**	472,979
Equity attributable to owners of the Company		**505,446**	500,394
Non-controlling interests		**5,600**	6,352
		511,046	506,746

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2013

	Attributable to owners of the Company								
	Share capital	Share premium	Merger reserve	Statutory reserve	Share option reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012 (Audited)	27,415	81,538	219	61,070	813	307,729	478,784	8,356	487,140
Profit and total comprehensive income for the period	—	—	—	—	—	15,079	15,079	(1,670)	13,409
Recognition of equity-settled share-based payment (note 17)	—	—	—	—	106	—	106	—	106
Dividend paid	—	—	—	—	—	(21,476)	(21,476)	—	(21,476)
Balance at 30 June 2012 (Unaudited)	27,415	81,538	219	61,070	919	301,332	472,493	6,686	479,179
Balance at 1 January 2013 (Audited)	**27,415**	**81,538**	**219**	**66,338**	**1,015**	**323,869**	**500,394**	**6,352**	**506,746**
Profit and total comprehensive Income for the period	**—**	**—**	**—**	**—**	**—**	**17,514**	**17,514**	**(752)**	**16,762**
Recognition of equity-settled share-based payment (note 17)	**—**	**—**	**—**	**—**	**46**	**—**	**46**	**—**	**46**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**(12,508)**	**(12,508)**	**—**	**(12,508)**
Balance at 30 June 2013 (Unaudited)	**27,415**	**81,538**	**219**	**66,338**	**1,061**	**328,875**	**505,446**	**5,600**	**511,046**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2013

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(291,792)**	(529,778)
Net cash used in investing activities		
Capital contribution to a newly established associate	**(4,000)**	—
Payments for property, plant and equipment	**(1,569)**	(3,062)
Other investing cash flows	**2,648**	405
	(2,921)	(2,657)
Net cash from financing activities		
Proceeds from bank borrowings	**493,493**	402,311
Decrease in pledged bank deposit	**184**	19,582
Payment of bank borrowings	**(455,129)**	(273,425)
Interest paid	**(22,735)**	(17,526)
Dividend paid	**(12,508)**	(21,476)
	3,305	109,466
Net decrease in cash and cash equivalents	**(291,408)**	(422,969)
Cash and cash equivalents at 1 January	**360,232**	496,319
Effect of foreign exchange rate changes	**(398)**	(1,479)
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**68,426**	71,871

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 directors of the Company considered that the immediate parent and ultimate holding company of the Company is China Group Associates Limited.

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

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, a number of new and revised International Financial Reporting Standards ("IFRSs") ("new and revised IFRSs") that are mandatorily effective for the current interim period. The application of these new and revised IFRSs in the current interim period, except for those described below, has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Impact of the application of amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income".

Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impact of the application of IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation - Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company have assessed the Group's involvement in its investees and concluded that the application of IFRS 10 has had no material impact on the condensed consolidated financial statements after the assessment carried out by the directors of the Company.

3. SEGMENT INFORMATION

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 information reported to the senior executive management of the Company for the purpose of resources allocation and assessment of performance which are same as the amounts reported under IFRSs.

4. REVENUE

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

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods	**1,442,585**	1,346,662
Provision of services	**101,605**	99,332
	1,544,190	1,445,994

5. OTHER INCOME, GAINS AND LOSSES

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income:		
Interest income	**2,648**	1,787
Government grants (note)	**1,917**	1,078
Others	**—**	275
	4,565	3,140
Other gains and losses:		
Net foreign exchange gain or loss	**6,016**	(2,487)
Loss on disposal of property, plant and equipment	**—**	(760)
Others	**71**	(364)
	6,087	(3,611)

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for encouraging its business development.

6. FINANCE COSTS

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within five years	**22,735**	17,526

7. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff cost:		
Salary and allowance	**43,496**	39,150
Contributions to retirement benefit schemes	**4,705**	3,871
Equity-settled share-based payment	**46**	106
	48,247	43,127
Other items:		
Cost of inventories recognised as expense	**1,338,135**	1,256,942
Write-down of inventories, included in cost of sales	**3,838**	4,571
	1,341,973	1,261,513
Operating lease charges in respect of properties	**6,971**	7,492
Depreciation of property, plant and equipment	**4,370**	5,504
Allowance (reversal) of impairment loss on trade receivables, include in administrative expenses	**4,651**	(1,270)

8. INCOME TAX EXPENSES

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**1,658**	53
PRC Enterprise Income Tax	**3,717**	2,425
	5,375	2,478
Deferred tax:		
Current period	**949**	3,482
	6,324	5,960

8. INCOME TAX EXPENSES *(Continued)*

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

(ii) The provision for Hong Kong Profits Tax for the six-month periods ended 30 June 2013 and 2012 was calculated at 16.5% of the estimated assessable profits.

(iii) The tax charge for the PRC for the six-month period ended 30 June 2013 was calculated based on the prevailing tax rate on the taxable income of the subsidiaries established in the PRC.

9. DIVIDENDS

During the current interim period, a final dividend of HK5.0 cents per share in respect of the year ended 31 December 2012 (six-month period ended 30 June 2012: HK8.5 cents per share in respect of year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to approximately HK$15,563,000, approximately equal to RMB12,508,000 (six-month period ended 30 June 2012: HK$26,456,000, approximately equal to RMB21,476,000).

The directors have determined that no dividend will be paid in respect of the current interim period (six-month period ended 30 June 2012: nil).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six-month period ended 30 June 2013 is based on the profit for the period attributable to owners of the Company of RMB17,514,000 (six-month period ended 30 June 2012: RMB15,079,000) and 311,250,000 (six-month period ended 30 June 2012: 311,250,000) shares in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the Company's shares for the six-month periods ended 30 June 2013 and 2012.

11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2013, the Group spent RMB1,569,000 (six-month period ended 30 June 2012: RMB3,062,000) to acquire furniture, fittings and equipment.

12. INTERESTS IN ASSOCIATES

During the current interim period, the Group established an associate named Futong Jingwei IT Services Co., Ltd. 富通經緯信息技術服務有限公司 ("Futong Jingwei") together with three other investors, The Group injected RMB4,000,000 to and holds 40% equity interest in Futong Jingwei.

Futong Jingwei is principally engaged in distribution of enterprise IT products and provision of relevant services.

13. TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	**924,371**	899,125
Bills receivables	**64,757**	40,573
Less: allowance for doubtful debts	**(15,297)**	(11,710)
	973,831	927,988
Prepayment to suppliers	**57,777**	46,334
Deposits	**12,803**	15,473
Other receivables	**3,924**	2,976
	1,048,335	992,771

The Group allows an average credit period within 30 to 90 days to its trade customers. The following is an analysis of trade and bills receivables, net of allowance for doubtful debts, at the end of the respective reporting periods:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current	**625,994**	693,762
Amount past due:		
— Less than one month past due	**98,866**	107,231
— 1 to 3 months past due	**128,826**	57,799
— More than 3 months past due	**120,145**	69,196
	973,831	927,988

14. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables	**359,839**	529,747
Bills payables	**382,484**	398,016
Receipts in advance	**151,129**	90,650
Other payables and accruals	**11,609**	23,307
	905,061	1,041,720

The credit period on purchases of goods is 60 days. The following is an aged analysis of trade and bills payables at the end of the respective reporting periods:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables		
0-60 days	**359,839**	481,358
60-90 days	**—**	48,389
	359,839	529,747
Bills payables, aged within 120 days	**382,484**	398,016

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB493,493,000 (six-month period ended 30 June 2012: RMB402,311,000) and repaid RMB455,129,000 (six-month period ended 30 June 2012: RMB273,425,000). The loans carry interest at variable market rates varied from 5.88% to 7.87% per annum.

16. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary Shares of HK$0.1 each	2,000,000	200,000
Issued and fully paid		
At 1 January 2012, 31 December 2012 and 30 June 2013	311,250	31,125
		RMB'000
Presented as		27,415

17. 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 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

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

The following table discloses movements of the Share Options during the current interim period:

Category	**Outstanding as at 1 January 2013**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding as at 30 June 2013**
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 period						**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 interim period:

Category	Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 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 period						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 interim period.

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 RMB46,000 for the period ended 30 June 2013 (six-month period ended 30 June 2012: RMB106,000) in relation to share options granted by the Company.

18. COMMITMENTS

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

	Six months ended 30 June 2013 RMB'000 (Unaudited)	Year ended 31 December 2012 RMB'000 (Audited)
Within one year	**7,924**	6,990
In the second to fifth year inclusive	**4,756**	2,553
	12,680	9,543

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 which all terms are renegotiated. None of the leases includes contingent rentals.

19. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

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

Name	**Relationship**
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by close family member of Mr. Chen Jian, a director of the Company
富通金信有限公司 Futong Technology Advanced Business Services Limited ("Futong Technology")*	Associate of the Company
中金富通信息技術服務有限公司 Centrin-Futong IT Services Co., Ltd. ("Centrin-Futong")*	Associate of the Company
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")*	Associate of the Company

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

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Recurring transactions

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales to Beijing Futong Jinxin	**3,332**	—

(c) Amounts due from/to related parties

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

	30 June 2013	31 December 2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables from (note):		
Beijing Deep Thought	**158**	346
Beijing Futong Jinxin	**—**	4,264
Centrin-Futong	**—**	277
	158	4,887
Trade payables to (note):		
Beijing Futong Jinxin	**8,495**	18,104
Other receivables from (note):		
Centrin-Futong	**169**	—
Futong Technology	**40**	41
	209	41
Prepayment to suppliers:		
Beijing Futong Jinxin	**—**	3,520
Receipts in advance:		
Beijing Futong Jinxin	**1,435**	1,014
Centrin-Futong	**7**	—
	1,442	1,014

Note:

Amounts due from/to related parties are unsecured, interest free and expected to be recovered/settled within one year.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

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

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**9,954**	8,603
Retirement benefits scheme contributions	**370**	235
Equity-settled share-base payment	**46**	106
	10,370	8,944

Total remuneration was included under staff costs as set out in note 7(a) to the condensed consolidated financial statements.

20. OTHER MATTERS

On 28 June 2013, Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang"), an indirect wholly-owned subsidiary of the Company, entered into (a) an equity transfer agreement (the "Equity Transfer Agreement") with Centrin Data Systems Co., Ltd. ("Centrin Data Systems"), Mr. Zhang Shudan ("Mr. Zhang"), Beijing Deep Thought and 5 individuals (independent third parties), pursuant to which Futong Dongfang, Centrin Data Systems, Mr. Zhang and Beijing Deep Thought, the existing investors of Centrin-Futong together will sell 23.36% equity interests in Centrin-Futong to the 5 individuals at a total consideration of RMB8,400,000; and (b) an investment agreement (the "Investment Agreement") with Centrin Data Systems, Mr. Zhang, Beijing Deep Thought and the 5 individuals, pursuant to which Futong Dongfang, Centrin Data Systems, Mr. Zhang and Beijing Deep Thought each will make a pro-rata contribution in cash in an aggregate amount of RMB8,400,000 to increase the registered capital of Centrin-Futong.

Upon completion of the Equity Transfer Agreement and Investment Agreement, the shareholding percentage held by the Futong Dongfang over Centrin-Futong will decrease from 40% to 32% and Centrin-Futong will continue to be an associate of the Group.

As of the date of issuance of these condensed consolidated financial statements, the Equity Transfer Agreement and Investment Agreement have not been completed.

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

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Hutchins Drive
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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

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