



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

中国领先的企业数字化转型服务提供商



Interim Report
2019

Contents

	Pages
Financial Summary	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	8
Report on Review of Condensed Consolidated Financial Statements	14
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Statement of Cash Flows	18
Notes to the Condensed Consolidated Financial Statements	19
Corporate Information	38

Financial Summary

RESULTS

	Six-month period ended 30 June	
	2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Revenue	548,684	1,096,470
Profit from operations	15,744	23,771
Finance costs	(1,179)	(11,239)
Share of losses of associates	–	(153)
Profit before income tax expense	14,565	12,379
Income tax expense	(5,630)	(3,072)
Profit for the period	8,935	9,307
Earnings per share		
— Basic and diluted (RMB)	0.029	0.030

ASSETS AND LIABILITIES

	At 30 June 2019 RMB'000 Unaudited	At 31 December 2018 RMB'000 Audited
	Total assets	786,506
Total liabilities	(235,186)	(345,460)
NET ASSETS	551,320	547,791

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading enterprise digital transformation services provider in China, the Group specialises mainly in providing enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalised application products. With intensifying efforts by enterprise clients in China to transform their operations through digitalisation, the Group has consolidated its main businesses into three business divisions, namely, systems integration services, development and sale of own-brand cloud products, and development and sale of intelligent digitalised products.

Systems integration service business

The Group's systems integration service business has been gathering growth momentum in recent years. The segment mainly provides customer-specific systems structure business solutions and repair and maintenance support to customers' informationalised value-added services. With leading local and foreign established IT companies such as IBM and Oracle as close collaborative partners, the Group has sought to explore cooperation and business opportunities in the advanced technology sectors. Its objective is to maintain its function and role as a technology pioneer in the industry while growing its businesses. During the six months ended 30 June 2019 (the "Period"), the systems integration business faced increasingly intense competition, though it continued to be the Group's key income sources. The Group will further optimise its existing product portfolio to increase services income and gross profit so as to assure good cash flow and enhance profitability.

Development and sale of own-brand cloud products

With cloud computing maturing and becoming increasingly popular worldwide, and the cloud computing market in the PRC witnessing rocket growth in recent years, such developments have encouraged the Group to expedite development of its own-brand cloud products. To enhance reliability, functionality and market recognition of its products, the Group has continued to improve associated technologies and stepped up marketing efforts. At the same time, it has offered its leading enterprise customers in the PRC and overseas such as Oracle, AWS and Alibaba Cloud with highly efficient applications and solutions based on the Group's cloud products and cloud management services. During the Period, the Group successfully won bids for several major projects and signed contracts with customers, thereby laying a good foundation for future income.

Development and sale of intelligent digitalised products

With the drive towards artificial intelligence and big data, the Group has continued to develop intelligent digitalised products for specific industries. The use of new and advanced information technologies has enabled the Group to more comprehensively serve customers at the business end. During the Period, the Group has actively compiled data to lay a strong foundation for future business development, while offering services to different customers. The Group has also increased its investment in intelligent digitalised products and vigorously recruited industry talent in order to gain a better understanding of business integration with the algorithm model and expedite the research and development of associated products.

FINANCIAL REVIEW

Revenue

For the Period, revenue of the Group decreased by approximately RMB547.8 million or 50.0% as compared with the corresponding period of 2018, to approximately RMB548.7 million (2018: approximately RMB1,096.5 million). The decline was mainly due to the Group's effort to further optimize its existing product portfolio by significantly reducing the sale of products or provision of services with low profit margin while increasing the sales contribution of its own brand services and self-developed products to boost the gross profit ratio.

Gross profit

Gross profit of the Group decreased by approximately RMB40.4 million or 37.2% to approximately RMB68.3 million for the Period (2018: approximately RMB108.7 million), while the gross profit ratio increased from 9.9% to 12.4%. The increase in gross profit ratio was mainly due to the decline in sales of products with low profit margin and the increase in sales of the Group's own branded products and services.

Other income, other gains and losses

Other income, other gains and losses consist mainly of interest income from bank deposits, foreign exchange gain or loss, government grants and impairment loss on trade receivables. During the Period, net gains from other income, other gains and losses amounted to approximately RMB4.1 million (2018: net losses amounted to approximately RMB14.0 million), representing an increase of approximately RMB18.1 million. This increase was mainly due to the Group's effort in monitoring the recoverability of receivables last year causing the amount of impairment loss to decline by approximately RMB22.8 million for the Period, though this was partly offset by a decrease in foreign exchange gain of approximately RMB4.1 million.

Selling expenses

For the Period, selling expenses of the Group amounted to approximately RMB39.2 million (2018: approximately RMB51.6 million), representing a decrease of approximately RMB12.4 million or 23.9% when compared with the corresponding period of 2018. The decrease was mainly due to the reduction in the number of salesmen following adjustments to the business structure; causing the staff costs and other related expenses to fall accordingly.

Administrative expenses

Administrative expenses of the Group for the Period amounted to approximately RMB17.3 million (2018: approximately RMB19.4 million), representing a decrease of approximately RMB2.1 million or 10.5% when compared with the corresponding period of 2018. The decrease was mainly due to the Group's implementation of tight cost control measures and the decline in one off compensation cost incurred from laying off staff resulting from an adjustment to its business structure during the corresponding period of 2018.

Finance costs

Finance costs of the Group decreased by approximately RMB10.0 million or 89.5%, from approximately RMB11.2 million for the six-month period ended 30 June 2018 to approximately RMB1.2 million for the Period. The decrease was mainly due to the significant reduction in borrowings as the Group maintained sufficient working capital and good cash flow during the Period.

Income tax expense

Income tax expense of the Group for the Period amounted to approximately RMB5.6 million (2018: approximately RMB3.1 million), representing an increase of approximately RMB2.5 million, or 83.3%, when compared with the corresponding period of 2018. The increase was mainly due to the PRC withholding tax on the dividends declared in respect of profits earned by a PRC subsidiary during the Period and a decline in deferred tax assets in respect of the decrease in impairment loss on trade receivables.

Profit for the period attributable to owners of the Company

During the Period, profit attributable to owners of the Company amounted to approximately RMB9.0 million (2018: approximately RMB9.3 million), representing a slight decrease of approximately RMB0.3 million, or 2.9%, as compared with the corresponding period of 2018. Even though revenue decreased during the Period, the Group successfully increased the gross profit margin ratio by increasing the sales of its own branded products and services and by continuing to implement stringent cost controls over its operating expenses, especially finance costs, causing profit attributable to owners of the Company to decline only modestly.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations with internally generated cash flows and banking facilities. As at 30 June 2019, the Group had total assets of approximately RMB786.5 million and net assets of approximately RMB551.3 million (31 December 2018: approximately RMB893.3 million and approximately RMB547.8 million, respectively). Trade receivables and contract assets of the Group amounted to approximately RMB301.9 million (31 December 2018: approximately RMB277.0 million), net of allowance for doubtful debts of approximately RMB86.7 million (31 December 2018: approximately RMB91.5 million). The management will perform regular review and implement stringent control measures on trade receivables and contract assets with a view to ensuring the recovery of trade receivables on the due dates and closely monitoring the Group's liquidity. The Group's bank balances and cash amounted to approximately RMB276.5 million as at 30 June 2019 (31 December 2018: approximately RMB390.5 million). Bank borrowings amounted to approximately RMB10.5 million (31 December 2018: approximately RMB30.7 million). Taking into account the cash on hand and recurring cash flow from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 30 June 2019 and 31 December 2018, all bank borrowings were at fixed interest rates.

As at 30 June 2019, the borrowings of the Group were advanced in RMB while cash and cash equivalents were held at RMB, USD and Hong Kong dollars.



MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2019, certain assets of the Group with carrying value of approximately RMB28.0 million (31 December 2018: approximately RMB23.3 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 ratios as at 30 June 2019 and 31 December 2018 were zero. This ratio was calculated as total borrowings less bank balances and cash, and relevant pledged deposits divided by total equity.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in 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 USD and Hong Kong dollars.

During the Period, the Group entered into certain RMB/USD foreign exchange forward contracts to hedge against the volatile RMB/USD exchange rate. The foreign exchange forward contracts were fully settled as at the end of the Period. The management will continue to monitor closely the Group's foreign currency exposure and requirements and arrange for hedging facilities when necessary.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six-month period ended 30 June 2019 (2018: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had in total 327 (31 December 2018: 290) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB44.0 million (for the six-month period ended 30 June 2018: approximately RMB50.6 million).

The Group's employees are remunerated by reference to industry practices and performance and the 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 of the Group. Through our ongoing training programme, we encourage them to develop their talents and to move up the organisation. We believe these efforts are mutually beneficial to the Group and its employees.

Emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and/or comparable market statistics.

The Company has share option schemes in place as an incentive to Directors and eligible employees.

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

The Directors are not aware of any important events affecting the Company that have occurred since the end of the Period.

OUTLOOK

Looking back at the first half of 2019, the economic environment in Mainland China was generally full of challenges and uncertainties, with competition in the IT market also intensifying. However, the Group adhered to its development approach despite such severe market conditions, continuing to adjust its business structure and integrated internal resources to focus on its core productivity. Even though overall revenue has declined, successful cost controls and higher sales contribution of its own brand services and self-developed products have boosted total gross profit margin from 9.9% last year to 12.4%, hence maintaining its profitability and demonstrating its advanced capabilities.

Looking at the second half year, the IT market will remain challenging in general. As such, the Group will focus on cloud computing, systems integration and intelligent digitalized products businesses. In adhering to its strategic objectives, the Group will continue adjusting and enhancing its competitiveness, improving the reliability and functionality of proprietary software and bolstering its overall technological capabilities, to ensure the service competence and leadership of all businesses.

The systems integration business has been one of the Group's major income sources. The Group will continue optimizing the product mix and improving service quality to ensure stable development of the business. In addition, as cloud computing has become a main development trend that is prevalent in the technology sector, the Group has cooperated with leading cloud computing service providers in the industry, such as Amazon, Alibaba and Tencent, to provide enterprises that are undergoing digital transformation with top-level cloud and custody services. At the same time, its self-developed cloud computing products have been adopted by several renowned customers during the period, and have won a number of respected awards that testify to the recognition bestowed on the Group's self-developed "independent, safe, controllable" cloud computing products, as well as the excellence of such technologies.

The Group has lowered operating costs and related expenses by implementing stringent cost control measures. It will continue to apply resource management solutions to ensure that resources are used effectively to raise operational efficiency. At the same time, the Group will closely monitor and strictly manage its finances, and step up control of turnover days of receivables. Rigorous financial policies will be followed as well to further improve cash flow, and thereby maintain the Group's healthy financial status.

Looking ahead, the Group will continue to diligently adhere to its strategic development directions and push ahead to develop its own brand of smart products and cloud computing products as well as businesses in associated services. It will also ensure the stable operation of its traditional systems integration business. The Group believes that embracing continuous technological advancement is the only way to gain a leading advantage in the rapidly changing market. It will strive to capture new market trends and seize new opportunities arising from different industries.



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 of Hong Kong Limited (the “**Stock Exchange**”).

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.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Company’s auditor, BDO Limited, in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**ISRE 2410**”) issued by the International Auditing and Assurance Standards Board. The unaudited condensed consolidated financial statements of the Group for the Period have also been reviewed by the audit committee of the Company.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Period.

SHARE OPTION SCHEME

On 16 May 2019, the shareholders of the Company approved and adopted a new share option scheme (the “**New Share Option Scheme**”) and terminated the share option scheme adopted on 11 November 2009 (the “**Old Share Option Scheme**”) (together, the “**Share Option Schemes**”). The Share Option Schemes were adopted for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The basis of eligibility of any of the eligible persons to the grant of share options shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The New Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 16 May 2019.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. 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. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Schemes for the holding of an option before it can be exercised.

Corporate Governance and Other Information

The subscription price for the shares under the Share Option Schemes shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share.

The details of the principal terms and conditions of the New Share Option Scheme were summarised in the circular of the Company dated 11 April 2019. The details of the principal terms and conditions of the Old Share Option Scheme were summarised in the section headed "Share Option Scheme" in Appendix VI to the prospectus of the Company dated 24 November 2009.

Details of the movement in outstanding share options, which have been granted under the Old Share Option Scheme, during the Period were as below:

Name or category of participants	Date of grant	Exercise period	Exercise price HK\$	Number of share options				
				As at 1 January 2019	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	As at 30 June 2019
Directors								
Mr. Yuan Bo	15 June 2011	15 December 2011-14 June 2021	1.810 (Note 1)	300,000	—	—	(300,000)	—
	24 August 2015	24 August 2015-23 August 2025	1.172 (Note 2)	300,000	—	—	(300,000)	—
Ms. Chen Jing	18 January 2016 (Note 6)	18 January 2016-17 January 2026	1.004 (Notes 3)	400,000	—	—	—	400,000
	28 March 2019	28 March 2019-27 March 2029	0.81 (Note 5)	—	1,000,000	—	—	1,000,000
Sub-total				1,000,000	1,000,000	—	(600,000)	1,400,000
Chief executive								
Mr. Zhao Wei	18 January 2016 (Note 7)	18 January 2016-17 January 2026	1.004 (Note 3)	400,000	—	—	—	400,000
	28 March 2019	28 March 2019-27 March 2029	0.81 (Note 5)	—	1,000,000	—	—	1,000,000
				400,000	1,000,000	—	—	1,400,000
Employees								
	18 January 2016	18 January 2016-17 January 2026	1.004 (Note 3)	700,000	—	—	(300,000)	400,000
	14 October 2016	14 October 2016-13 October 2026	1.250 (Note 4)	1,200,000	—	—	—	1,200,000
	28 March 2019	28 March 2019-27 March 2029	0.81 (Note 5)	—	5,700,000	—	—	5,700,000
Sub-total				1,900,000	5,700,000	—	(300,000)	7,300,000
Total				3,300,000	7,700,000	—	(900,000)	10,100,000

Notes:

1. All the options granted have been vested on 15 December 2011. The closing price of the shares of the Company on the date of grant was HK\$1.8.
2. All the options granted have been vested on 24 August 2015. The closing price of the shares of the Company on the date of grant was HK\$0.9.
3. The options are exercisable from 18 January 2016 to 17 January 2026 (both days inclusive) subject to the following vesting periods.
 - (1) up to 30% of the options commencing on 18 January 2016;
 - (2) up to 60% of the options commencing on 18 January 2017; and
 - (3) up to 100% of the options commencing on 18 January 2018.

The closing price of the shares of the Company on the date of grant was HK\$0.990.

4. The options are exercisable from 14 October 2016 to 13 October 2026 (both days inclusive) subject to the following vesting periods.
 - (1) up to 30% of the options commencing on 14 October 2016;
 - (2) up to 60% of the options commencing on 14 October 2017; and
 - (3) up to 100% of the options commencing on 14 October 2018.

The closing price of the shares of the Company on the date of grant was HK\$1.25.

5. The options are exercisable from 28 March 2019 to 27 March 2029 (both days inclusive) subject to the following vesting periods.
 - (1) up to 30% of the options commencing on 28 March 2019;
 - (2) up to 60% of the options commencing on 28 March 2020; and
 - (3) up to 100% of the options commencing on 28 March 2021.

The closing price of the shares of the Company on the date of grant was HK\$0.81.

6. These share options were granted to Ms. Chen Jing before she became an executive Director.
7. These share options were granted to Mr. Zhao Wei before he became the chief executive officer of the Company.

Details of the value of share options granted are set out in note 19 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 2019, 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/ Chief Executive	Capacity/nature of interest	Number of Ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Beneficial owner/interest in controlled corporations	215,708,000 (Notes 1, 2, 3, 4 and 5)	69.30
Chen Jing	Beneficial owner	1,238,000	0.40
Zhao Wei	Beneficial owner	1,248,000	0.40

(ii) Long positions in the underlying shares of the Company:

Name of Director/ Chief Executive	Capacity/nature of interest	Number of underlying shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jing	Beneficial owner	1,400,000 (Note 6)	0.45
Zhao Wei	Beneficial owner	1,400,000 (Note 6)	0.45

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. 28,421,100 of these shares are held by Rich China Investments And Trading Ltd., 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 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 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 Rich World Development Ltd..
4. 10,710,550 of these shares are held by Long Joy Group 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 Long Joy Group Limited.
5. 1,194,000 shares of the Company are held by Mr. Chen Jian as beneficial owner.
6. 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 and Other Persons 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 2019.

Discloseable Interests and Short Positions of Substantial Shareholders and Other Persons Under the SFO

As at 30 June 2019, 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 ordinary 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	28,421,100	9.13
Ms. Zhang Xin (Note 3)	Interest of spouse	215,708,000	69.30
Mr. Li Xiaoyong	Beneficial owner	26,440,000	8.49
Rich World Development Ltd. (Note 4)	Beneficial owner	21,435,100	6.89

Notes:

- 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.
- Rich China Investments And Trading Ltd. is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of Rich China Investments and Trading Ltd..
- 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.
- Rich World Development Ltd. is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of Rich World Development Ltd..

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 30 June 2019.



Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of 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)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 15 to 37 which comprise the condensed consolidated statement of financial position of Futong Technology Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The 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 are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made 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 International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**ISRE 2410**”). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The comparative in the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2018, and the relevant explanatory notes have not been reviewed in accordance with ISRE 2410 or audited.

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 21 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2019

		Six-month period ended 30 June	
		2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	NOTE		
Revenue	6	548,684	1,096,470
Cost of sales and services		(480,421)	(987,761)
Gross profit		68,263	108,709
Other income	7	3,698	4,408
Other gains and losses	7	355	(18,389)
Selling expenses		(39,223)	(51,564)
Administrative expenses		(17,349)	(19,393)
Profit from operations		15,744	23,771
Finance costs	8	(1,179)	(11,239)
Share of losses of associates		-	(153)
Profit before income tax expense	9	14,565	12,379
Income tax expense	10	(5,630)	(3,072)
Profit and total comprehensive income for the period		8,935	9,307
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		8,992	9,259
Non-controlling interests		(57)	48
		8,935	9,307
Earnings per share			
Basic and diluted (RMB)	12	0.029	0.030

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTE	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	22,670	24,588
Intangible assets		1,629	1,811
Right-of-use assets		1,872	–
Deferred tax assets	14	28,272	30,326
Total non-current assets		54,443	56,725
Current assets			
Inventories		55,131	63,731
Trade, bills and other receivables	15	162,717	338,038
Contract assets		209,687	19,939
Tax recoverable		–	946
Pledged deposits		28,030	23,349
Bank balances and cash		276,498	390,523
Total current assets		732,063	836,526
Current liabilities			
Trade and other payables	16	169,555	159,071
Contract liabilities		52,946	155,664
Bank borrowings	17	10,500	30,725
Lease liabilities		1,313	–
Tax payable		453	–
Total current liabilities		234,767	345,460
Net current assets		497,296	491,066
Total assets less current liabilities		551,739	547,791
Non-current liabilities			
Lease liabilities		419	–
NET ASSETS		551,320	547,791
CAPITAL AND RESERVES			
Share capital	18	27,415	27,415
Reserves		519,321	515,735
Equity attributable to owners of the Company		546,736	543,150
Non-controlling interests		4,584	4,641
TOTAL EQUITY		551,320	547,791

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2019

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Merger reserve	Share options reserve	Statutory reserves	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Balance at 1 January 2018 as originally presented (Audited)	27,415	81,538	219	1,382	71,755	349,474	531,783	4,657	536,440
Initial application of IFRS 9	-	-	-	-	-	(8,114)	(8,114)	-	(8,114)
Restated balance at 1 January 2018 (Audited)	27,415	81,538	219	1,382	71,755	341,360	523,669	4,657	528,326
Profit and total comprehensive income for the period	-	-	-	-	-	9,259	9,259	48	9,307
Recognition of equity-settled share-based payments (note 19)	-	-	-	57	-	-	57	-	57
Lapse of share-based payments	-	-	-	(97)	-	97	-	-	-
Balance at 30 June 2018 (Unaudited)	27,415	81,538	219	1,342	71,755	350,716	532,985	4,705	537,690
Balance at 1 January 2019 (Audited)	27,415	81,538	219	1,200	75,246	357,532	543,150	4,641	547,791
Profit and total comprehensive income for the period	-	-	-	-	-	8,992	8,992	(57)	8,935
Recognition of equity-settled share-based payments (note 19)	-	-	-	593	-	-	593	-	593
Lapse of share-based payments	-	-	-	(368)	-	368	-	-	-
Dividends (note 11)	-	-	-	-	-	(5,999)	(5,999)	-	(5,999)
Balance at 30 June 2019 (Unaudited)	27,415	81,538	219	1,425	75,246	360,893	546,736	4,584	551,320

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2019

	Six-month period ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(81,495)	165,678
Net cash (used in)/generated from investing activities		
Purchase of property, plant and equipment	(68)	(1,030)
Withdrawal of pledged bank deposits	-	60,426
Placement of pledged bank deposits	(4,681)	-
Other investing cash flows	-	545
	(4,749)	59,941
Net cash used in financing activities		
Proceeds from borrowings	500	1,000
Repayments of borrowings	(20,725)	(343,866)
Interest paid	(1,077)	(11,229)
Payment of lease liabilities	(758)	-
Dividend paid	(5,999)	-
	(28,059)	(354,095)
Net decrease in cash and cash equivalents	(114,303)	(128,476)
Cash and cash equivalents at 1 January	390,523	237,207
Effect of foreign exchange rate changes	278	(217)
Cash and cash equivalents at 30 June	276,498	108,514

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

1. GENERAL INFORMATION

Futong Technology Development Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands as an exempted company. The address of the Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Rooms 2406-2412, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”).

The directors of the Company consider 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. The principal activities of its subsidiaries are mainly engaged in provision of enterprise IT infrastructure products, services and solutions.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the SEHK. These condensed consolidated interim financial statements were authorised for issue on 21 August 2019.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (the “**IFRSs**”) and should be read in conjunction with the 2018 consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

2. BASIS OF PREPARATION *(Continued)*

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**ISRE 2410**"), issued by the International Accounting Standards Board ("**IASB**"). BDO Limited's independent review report to the Board of Directors is included on page 14.

3. CHANGES IN IFRSS

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over income tax treatments
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interests in associates and joint venture
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The impact of the adoption of IFRS 16 Leases has been summarised in below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

3. CHANGES IN IFRSS *(Continued)*

IFRS 16, Lease (“IFRS 16”)

IFRS 16 supersedes IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“**short-term leases**”), and lease contracts for which the underlying asset is of low value (“**low-value assets**”).

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	RMB'000 (Unaudited)
Assets	
Right-of-use assets	2,058
Prepayment	(155)
	<hr/>
Total assets	1,903
Liabilities	
Lease liabilities	1,903
	<hr/>



Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

3. CHANGES IN IFRSS *(Continued)*

IFRS 16, Lease (“IFRS 16”) *(Continued)*

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RMB2,058,000 were recognised and presented separately in the condensed consolidated statement of financial position.
- Additional lease liabilities of RMB1,903,000 were recognised.
- Prepayments of RMB155,000 related to previous operating leases were derecognised.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

3. CHANGES IN IFRSS (Continued)

IFRS 16, Lease ("IFRS 16") (Continued)

(a) Nature of the effect of adoption of IFRS 16 (Continued)

Lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	RMB'000 (Unaudited)
Operating lease commitments at 31 December 2018	4,726
Weighted average incremental borrowing rate as at 1 January 2019	3.64%
	<hr/>
Discounted operating lease commitments at 1 January 2019	4,302
Less:	
Commitments relating to short-term leases	(2,399)
	<hr/>
Lease liabilities as at 1 January 2019	1,903

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

3. CHANGES IN IFRSS (Continued)

IFRS 16, Lease (“IFRS 16”) (Continued)

(b) Summary of new accounting policies (Continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

(c) Amounts recognised in the condensed consolidated statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets – Properties RMB’000 (Unaudited)	Lease liabilities RMB’000 (Unaudited)
As at 1 January 2019	2,058	1,903
Additions	488	488
Depreciation	(674)	–
Interest expenses	–	99
Payments	–	(758)
As at 30 June 2019	1,872	1,732

The Group recognised rental expense under short-term leases of RMB1,884,000 for the six months ended 30 June 2019.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial information, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statement, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 as described in note 3.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

5. 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 provisions of enterprise IT products and services to customers in the People's Republic of China ("PRC"). Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to senior executive management of the Company for the purpose of resources allocation and assessment of performance are same as the amounts reported under IFRSs.

6. REVENUE

All the Group's revenue is derived from contracts with customers.

Revenue is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition as following tables.

	Six-month period ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Primary geographical markets		
PRC	540,534	1,096,470
Hong Kong	8,150	–
	548,684	1,096,470
Major products/services lines		
Enterprise IT products	339,361	851,819
Provision of services	209,323	244,651
	548,684	1,096,470
Timing of revenue recognition		
At a point in time	339,361	851,819
Transferred over time	209,323	244,651
	548,684	1,096,470

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

6. REVENUE *(Continued)*

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers.

	30 June 2019	1 January 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and bills receivables (note 15)	97,743	279,681
Contract assets	209,687	19,939
Contract liabilities	52,946	155,644

Contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date on revenue related to the sales of enterprise IT products. The contract assets are transferred to trade and bills receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

Contract liabilities mainly relate to the advance consideration received from customers. The balance of RMB126,705,000 as of 1 January 2019 has been recognised as revenue for the six months ended 30 June 2019 from performance obligations satisfied due to the completion of services.

The Group has applied the practical expedient to its sales contracts for enterprise IT products and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for enterprise IT products that had an original expected duration of one year or less.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

7. OTHER INCOME, OTHER GAINS AND LOSSES

	Six-month period ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Other income:		
Interest income	2,664	924
Government grants (note)	913	2,990
Others	121	494
	3,698	4,408

	Six-month period ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Other gains and losses:		
Reversal of/(provision for) impairment loss on trade receivables and contract assets, net	371	(22,427)
Net foreign exchange (losses)/gains	(16)	4,040
Loss on disposal of property, plant and equipment	-	(2)
	355	(18,389)

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

8. FINANCE COSTS

All balances represent interest on borrowings which are wholly repayable within five years.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Six-month period ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs:		
Salaries and allowances	39,497	45,777
Contributions to retirement benefit schemes	3,921	4,719
Equity-settled share-based payments	593	57
	44,011	50,553
Other items:		
Carrying amount of inventories sold	316,069	802,540
Write-down and write-off of inventories, included in cost of sales	445	3,863
	316,514	806,403
Operating lease charges in respect of properties	1,884	5,282
Depreciation on right-of-use assets	674	–
Depreciation of property, plant and equipment	2,061	2,277

10. INCOME TAX EXPENSE

	Six-month period ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	2,520	4,776
PRC Dividend Tax	1,056	–
	3,576	4,776
Deferred tax:		
Charged/(credited) for the period	2,054	(1,704)
	5,630	3,072

10. INCOME TAX EXPENSE *(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) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong that are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

- (iii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except for a subsidiary which has been granted continuously on a three years interval with a qualification of high-tech enterprise which entitles this subsidiary a preferential income tax rate of 15% from 2016 and onwards, the tax rate of the Company's subsidiaries is 25% from 1 January 2008 onwards. The Group has not recognised deferred tax of approximately RMB1,467,000 (six-month period ended 30 June 2018: RMB1,886,000) in respect of losses incurred by certain PRC subsidiaries for the period.
- (iv) According to the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

As at 30 June 2019, the Group has not recognised deferred tax liabilities of RMB14,873,000 in respect of temporary differences relating to the unremitted profits of subsidiaries amounted to RMB297,468,000, that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

11. DIVIDENDS

During the current interim period, a final dividend of HK2.2 cents per share in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company and the aggregate amount of the final dividend declared and paid amounted to approximately HK\$6,848,000 (approximately RMB5,999,000).

During the six-month period ended 30 June 2018, no final dividend in respect of the year ended 31 December 2017 was declared and paid to the owners of the Company.

The directors have determined that no dividend will be paid in respect of the current interim period (six-month period ended 30 June 2018: nil).

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six-month period ended 30 June 2019 is based on the profit for the period attributable to owners of the Company of RMB8,992,000 (six-month period ended 30 June 2018: RMB9,259,000).

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average market price of the Company's shares for the six-month period ended 30 June 2019.

13. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2019, the Group spent RMB68,000 (six-month period ended 30 June 2018: RMB1,030,000) to acquire furniture, fixtures and equipment.

14. DEFERRED TAX ASSETS

The movement in deferred tax assets is as follows:

	Write-down of inventories RMB'000	Impairment losses on trade receivables and contract assets RMB'000	Tax losses and others RMB'000	Total RMB'000
At 1 January 2018 (Audited)	8,665	14,683	5,685	29,033
Initial application of IFRS 9	–	1,892	–	1,892
Restated balance as at				
1 January 2018 (Audited)	8,665	16,575	5,685	30,925
(Charged)/credited for the year	(2,160)	2,978	(976)	(158)
Effect of different tax rate	(30)	(37)	(374)	(441)
At 31 December 2018 and 1 January 2019 (Audited)	6,475	19,516	4,335	30,326
Charged for the period	(96)	(922)	(1,036)	(2,054)
At 30 June 2019 (Unaudited)	6,379	18,594	3,299	28,272

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

15. TRADE, BILLS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	119,027	305,382
Less: impairment losses	(26,784)	(48,322)
	92,243	257,060
Bills receivables	5,500	22,621
Total trade and bills receivables	97,743	279,681
Prepayments	32,813	25,072
Deposits	6,390	6,644
Other receivables	25,771	26,641
	162,717	338,038

The Group allows an average credit period of 30 to 90 days (31 December 2018: 30 to 90 days) to its trade customers.

Included in trade and bills receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 – 30 days	53,235	55,461
31 – 60 days	18,237	20,475
61 – 90 days	555	50,922
More than 90 days	25,716	152,823
	97,743	279,681

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

16. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	160,353	138,969
Other payables and accruals	9,202	20,102
	169,555	159,071

Average credit period on purchases of goods was 30 to 90 days (31 December 2018: 30-90 days). The following is ageing analysis of trade payables based on the invoice date at the end of the respective reporting periods:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current or less than 1 month	139,581	67,964
1 to 3 months	1,389	33,540
More than 3 months	19,383	37,465
	160,353	138,969

17. BANK BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB500,000 (six-month period ended 30 June 2018: RMB1,000,000) and repaid RMB20,725,000 (six-month period ended 30 June 2018: RMB343,866,000). The loans carry interest at the fixed rate of 5.22% (31 December 2018: 5.22%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

18. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised: At 1 January 2018, 31 December 2018 and 30 June 2019 Ordinary Shares of HK\$0.1 each	2,000,000	200,000
Issued and fully paid: At 1 January 2018, 31 December 2018 and 30 June 2019	311,250	31,125
		RMB'000
Presented as		27,415

19. SHARE-BASED PAYMENT TRANSACTION

On 16 May 2019, the Company's new share option scheme (the "**New Share Option Scheme**") was adopted pursuant to a resolution passed, and terminated the share option scheme adopted on 11 November 2009 (the "**Old Share Option Scheme**"). The share option scheme was adopted 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 announced that a total of 900,000 share options (the "**Share Options A**") 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 (the "**Share Options A Grantees**"), subject to acceptance of the Share Option A Grantees, under the Old Share Option Scheme. Share Options A is summaries below:

Exercise price of Share Option A	HK\$1.81 per Share
Closing price of the Shares on the date of grant	HK\$1.80
Validity period of Share Options A	10 years, commencing on 15 June 2011
Vesting date of Share Options A	All Share Options A were vested in 2011

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

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

On 24 August 2015, the Company announced that a total of 900,000 share options (the “**Share Options B**”) to subscribe for the Shares were granted by the Company to the independent non-executive directors of the Company (the “**Share Options B Grantees**”), subject to acceptance of the Share Options B Grantees, under the Old Share Option Scheme. Share Options B is summaries below:

Exercise price of Share Option B	HK\$1.172 per Share
Closing price of the Shares on the date of grant	HK\$0.90
Validity period of Share Options B	10 years, commencing on 24 August 2015
Vesting date of Share Options B	All Share Options B were vested in 2015

On 18 January 2016, the Company announced that a total of 2,200,000 share options (the “**Share Options C**”) to subscribe for the Shares were granted by the Company to the eligible employees of the Group (the “**Share Options C Grantees**”), subject to acceptance of the Share Options C Grantees, under the Old Share Option Scheme. Share Options C is summaries below:

Exercise price of Share Option C	HK\$1.004 per Share
Closing price of the Shares on the date of grant	HK\$0.990
Validity period of Share Options C	10 years, commencing on 18 January 2016
Vesting date of Share Options C	All Share Options C were vested on 2018

On 14 October 2016, the Company announced that a total of 1,200,000 share options (the “**Share Options D**”) to subscribe for Shares were granted by the Company to the eligible employees of the Group (the “**Share Option D Grantees**”), subject to acceptance of the Share Options D Grantees, under the Old Share Option Scheme. Share Options D is summaries below:

Exercise price of Share Option D	HK\$1.25 per Share
Closing price of the Shares on the date of grant	HK\$1.25
Validity period of Share Options D	10 years, commencing on 14 October 2016
Vesting date of Share Options D	All Share Options D were vested on 2018

On 28 March 2019, the Company announced that a total of 7,700,000 share options (the “**Share Options E**”) to subscribe for Shares were granted by the Company to an executive director and the eligible employees of the Group (the “**Share Option E Grantees**”), subject to acceptance of the Share Options E Grantees, under the Old Share Option Scheme. Share Options E is summaries below:

Exercise price of Share Option E	HK\$0.81 per Share
Closing price of the Shares on the date of grant	HK\$0.81
Validity period of Share Options E	10 years, commencing on 28 March 2019
Vesting date of Share Options E	30%, 30% and 40% of the Share Options E have been vested on 28 March 2019, and will be vested on 28 March 2020 and 28 March 2021, respectively

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

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

The fair values of Share Options A, Share Options B, Share Options C, Share Options D and Share Options E determined at the dates of grant were RMB523,000 (equivalent to HK\$630,000), RMB231,000 (equivalent to HK\$280,000), RMB712,000 (equivalent to HK\$847,000), RMB518,000 (equivalent to HK\$598,000) and RMB1,227,000 (equivalent to HK\$1,435,000) respectively. These fair values were calculated using Binomial Model.

The Group recognised the total expense of RMB593,000 for the six-month period ended 30 June 2019 (the six-month period ended 30 June 2018: RMB57,000) in relation to the Share Options E granted by the Company.

20. COMMITMENTS

At the end of 30 June 2019, the Group was committed to make future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	1,074	3,807
In the second to fifth year inclusive	–	919
Presented as	1,074	4,726

As at 30 June 2019, the Group leases a number of properties with a lease period of 6 to 12 months, which are qualified to be accounted for under short term lease exemption under IFRS16. As at 31 December 2018, 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.

21. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

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 Mr Chen Jian, a director 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, which has been disposed of during the year ended 31 December 2018

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

21. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

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

	Six-month period ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales to Beijing Futong Jinxin	–	6,701
Purchases from Beijing Futong Jinxin	–	1,287
Purchases from Beijing Deep Thought	–	217

(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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
	Trade payables to (note): Beijing Futong Jinxin	–
Advance payments to supplier (note): Beijing Futong Jinxin	–	2,311

Note:

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

Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2019

21. 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	5,545	4,688
Retirement benefits scheme contributions	578	431
	6,123	5,119

Total remuneration was included under staff costs as set out in note 9 to the condensed consolidated financial statements.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jian (*Chairman*)

Ms. Chen Jing

Independent Non-executive Directors

Mr. Chow Siu Lui

Mr. Lo Kwok Kwei David

Mr. Yao Yun

COMPANY SECRETARY

Mr. Leung Ka Lung

REGISTERED OFFICE

Cricket Square

Hutchins Drive

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Cayman Islands

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on level 20 of Tower B

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Chaoyang District

Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2406-2412, 24th Floor

Sun Hung Kai Centre

30 Harbour Road

Wanchai, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited

Nanyang Commercial Bank, Ltd.

The Hong Kong and Shanghai Banking

Corporation Limited

Hang Seng Bank Limited

China CITIC Bank International Limited

HSBC Bank (China) Company Limited

Standard Chartered Bank (China) Limited

China Merchants Bank Co., Ltd.

Bank of Beijing

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

AUDITORS

BDO Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

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