

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2011 amounted to approximately RMB2,451.0 million (equivalent to approximately HK\$2,950.1 million*) (2010: approximately RMB2,464.8 million (equivalent to approximately HK\$2,847.2 million*)), representing a slight decrease of 0.6% as compared with the corresponding period in 2010.
- Profit for the year and total comprehensive income for the year attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately RMB70.5 million (equivalent to approximately HK\$84.9 million*) (2010: approximately RMB69.4 million (equivalent to approximately HK\$80.1 million*)), representing an increase of 1.7% as compared with the corresponding period in 2010.
- Basic and diluted earnings per share for the year ended 31 December 2011 amounted to approximately RMB0.23 (2010: approximately RMB0.22).
- The Board recommends the payment of a final dividend of HK8.5 cents per share for the year ended 31 December 2011.

* *The Group changed the presentation currency of the consolidated financial statements from HK\$ to RMB during the year, these amounts translated to HK\$ for illustrative purpose only.*

FINAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Futong Technology Development Holdings Limited (the “Company”) is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2011 together with comparative audited figures for the corresponding period in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>Notes</i>	2011 RMB'000	2010 <i>RMB'000</i>
Revenue	4	2,450,960	2,464,825
Cost of sales		<u>(2,198,777)</u>	<u>(2,239,890)</u>
Gross profit		252,183	224,935
Other revenue and net gain	6	10,603	5,726
Other net loss	6	(1,044)	(158)
Distribution costs		(107,808)	(98,369)
Administrative expenses		<u>(38,540)</u>	<u>(30,941)</u>
Profit from operations		115,394	101,193
Finance costs	7	(29,062)	(20,062)
Share of (loss) profit of associates		<u>(2,077)</u>	<u>534</u>
Profit before taxation	7	84,255	81,665
Income tax	8	<u>(14,249)</u>	<u>(12,786)</u>
Profit for the year and total comprehensive income for the year		<u>70,006</u>	<u>68,879</u>
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		70,520	69,369
Non-controlling interests		<u>(514)</u>	<u>(490)</u>
Profit for the year		<u>70,026</u>	<u>68,879</u>
Earnings per share			
— Basic and diluted (RMB)	10	<u>0.23</u>	<u>0.22</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		45,391	36,770
Interest in associates		18,457	20,534
Deposits for the purchase of property, plant and equipment		—	4,100
Deferred tax assets		26,031	25,472
Total non-current assets		89,879	86,876
Current assets			
Inventories		427,869	165,908
Trade and other receivables	11	709,312	654,643
Other financial assets		—	20,000
Pledged deposits		178,929	147,445
Cash and cash equivalents		496,319	234,422
Total current assets		1,812,429	1,222,418
Current liabilities			
Trade and other payables	12	1,063,964	597,477
Bank loans		334,327	254,746
Tax payable		16,877	20,417
Total current liabilities		1,415,168	872,640
Net current assets		397,261	349,778
NET ASSETS		487,140	436,654
CAPITAL AND RESERVES			
Share capital		27,415	27,415
Reserves		451,369	400,206
Attributable to owners of the Company		478,784	427,621
Non-controlling interests		8,356	9,033
TOTAL EQUITY		487,140	436,654

NOTES:

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION AND GROUP REORGANISATION

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

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

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

Since Renminbi ("RMB") is the functional currency of the Group's operating entities, the presentation currency of the consolidated financial statements is changed from Hong Kong dollars ("HK\$") to RMB in the current year, comparative figures have been represented in RMB.

2. BASIS OF PREPARATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The adoption of these new and revised IFRSs had no material effect on the amounts reported in these annual results and/or the disclosure set out in these annual results.

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

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

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

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

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

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

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

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

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

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

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

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

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

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

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

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

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

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

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

Key requirements of these five standards are described below.

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

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

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

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

4. REVENUE

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

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

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

5. SEGMENT REPORTING

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

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

The Group’s customer base is diversified and revenue from one customer (2010: Nil) with whom transactions have exceeded 10% of the Group’s revenue in 2011 amounted to RMB320.5 million (2010: Nil).

6. OTHER REVENUE AND NET GAIN AND OTHER NET LOSS

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

7. PROFIT BEFORE TAXATION

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

	Years ended 31 December	
	2011	2010
	RMB’000	RMB’000
Finance costs:		
Interest on bank borrowings wholly repayable within five years	<u>29,062</u>	<u>20,062</u>
Staff costs:		
Salaries and allowances	79,382	65,548
Contributions to retirement schemes	6,457	5,809
Equity-settled share-based payment	813	—
	<u>86,652</u>	<u>71,357</u>
Other items:		
Depreciation	8,870	5,150
Foreign exchange loss	1,144	1,313
Reversal of impairment loss on trade and bills receivables	(2,015)	(1,913)
Operating lease charges in respect of properties	13,721	10,353
Research and development expenditure	—	5,926
Auditors’ remuneration	1,911	1,323
Cost of inventories	<u>2,198,777</u>	<u>2,239,890</u>

8. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

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

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

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

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

9. DIVIDENDS

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

	Years ended 31 December	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend recognised as distribution during the year:		
2010 final — RMB6.5 cents per share	20,170	—

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

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2011 is based on the profit attributable to owners of the Company of approximately RMB70.5 million (2010: RMB69.4 million) and 311,250,000 (2010: 311,250,000) shares in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's share option because the exercise price of those share options was higher than the average market price of the Company's shares for 2011.

There was no potential ordinary shares outstanding in 2010.

11. TRADE AND OTHER RECEIVABLES

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

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 31 December	
	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current	<u>507,554</u>	<u>420,128</u>
Less than 1 month past due	42,708	58,524
1 to 3 months past due	40,095	83,705
More than 3 months past due	<u>32,704</u>	<u>63,528</u>
Amounts past due	<u>115,507</u>	<u>205,757</u>
	<u>623,061</u>	<u>625,885</u>

Trade and bills receivables are due within 30 - 90 days from the date of billing.

12. TRADE AND OTHER PAYABLES

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

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Sales of IBM's products

For the year ended 31 December 2011, revenue from the distribution of IBM's hardware and software products including enterprise servers, system storage products and middleware, and which are often bundled with value-added services amounted to approximately RMB1,799.9 million (2010: approximately RMB2,085.0 million). This marked a decrease in revenue by approximately RMB285.1 million. The distribution of IBM's products and provision of related services remained as the primary revenue generator of the Group and accounting for approximately 73.4% of total revenue of the Group for the year ended 31 December 2011 (2010: approximately 84.6%).

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

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

Sales of Oracle's products

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

Sales of EMC's products

This year 2011 recorded a full year contribution from the business of distributing EMC's products after the Group's cooperation with EMC started in 2010. For the year ended 31 December 2011, revenue from the distribution of EMC's products amounted to approximately RMB117.3 million (2010: approximately RMB21.1 million). During the year, the Group secured a contract of approximately USD10 million with delivery schedule in 2012 for sales of EMC's products to one of the largest telecommunication carriers in the PRC. The Group is continuing to strengthen its market position by providing enterprise IT infrastructure solutions with EMC's storage solutions. Furthermore, the Group entered into subscription agreements (the "Subscriptions") with

China Greatwall Computer Shenzhen Co., Ltd. (“China Greawall”) and EMC Computer Systems (FE) Limited (“EMC (FE)”) for new and additional investment in a subsidiary of the Group. This collaboration further strengthen this business segment by leveraging China Greawall’s server technology and EMC’s information infrastructure, storage virtualisation and cloud computing technologies. At the same time, the enhanced collaboration could more effectively utilise the branded products of China Greawall and EMC to create an integrated cloud computing data centre solution, creating a resource to tap the rapidly expanding market for cloud-computing solutions as well as providing customers in the PRC market with professional consulting and value-added services. Completion of the Subscriptions is subject to the conditions as stipulated in the respective subscription agreements including but not limited to all permits, authorisations, approvals, consents or permits of any governmental authority or regulatory body.

Sales of other products

Other sources of revenue for the Group included sales of IT products of Huawei Symantec as its authorised distributor, including servers, storage and IT security solutions, as well as sales of other accessories. Revenue from these products and services increased to approximately RMB223.7 million for the year ended 31 December 2011 (2010: approximately RMB158.4 million) which was mainly contributed from sales of Huawei-Symantec’s products and related services.

Services

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

FINANCIAL REVIEW

Revenue

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

Gross profit

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

Distribution costs

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

Administrative expenses

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

Finance costs

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

Results of associates

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2011, the Group had total assets of approximately RMB1,902.3 million and net assets of approximately RMB487.1 million (2010: approximately RMB1,309.3 million and approximately RMB436.7 million, respectively). The Group's cash and cash equivalents as at 31 December 2011 amounted to approximately RMB496.3 million and bank borrowings amounted to approximately RMB334.3 million (2010: approximately RMB234.4 million and approximately RMB254.7 million, respectively). Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position was healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

As at 31 December 2011, bank loans of the Group were advanced in HK\$, United States dollars and RMB while cash and cash equivalents were held at HK\$, United States dollars and RMB.

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

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

PLEDGE OF ASSETS

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

NET DEBT-TO-CAPITAL RATIO

The Group has a net cash position as at 31 December 2011. The Group's net debt-to-capital ratio as at 31 December 2010 was approximately 5%. This ratio represents total bank loans less cash and cash equivalents divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

As at 31 December 2011, the Group did not enter into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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

To determine the shareholders' entitlement to the proposed final dividend

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

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

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

ANNUAL GENERAL MEETING

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

EMPLOYEES AND REMUNERATION POLICY

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

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

MATERIAL INVESTMENT FOR THE YEAR

In December 2010, the Group entered into conditional subscription agreements with EMC (FE) and China Greatwall respectively for the subscription of new shares in a subsidiary of the Group for consideration of RMB11,875,000 and RMB50,625,000 respectively. EMC Corporation and its subsidiaries (collectively “EMC Group”) is a well-known international IT vendor and is a provider of information infrastructure systems, software and services with over 30 years history. EMC Group has developed a worldwide customer base and provides technology, products and services to customers in more than 80 countries. EMC is a member of EMC Group. China Greatwall is one of the leading developers in server technology in the PRC. The Group wishes to expand its market share and business development in the PRC. The joint venture cooperation could leverage China Greatwall’s server technology and EMC’s information infrastructure, storage virtualization and cloud computing technologies and utilize branded products of Greatwall and EMC to create an integrated cloud computing data centre solution and provide customers in the PRC market with professional consulting and value-added services. Upon completion of the Subscriptions, the subsidiary will be owned as to 36%, 45% and 19% by the Group, China Greatwall and EMC respectively. Completion of the Subscriptions is subject to the conditions as stipulated in the respective subscription agreements including but not limited to all permits, authorisations, approvals, consents or permits of any governmental authority or regulatory body.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company’s shares in December 2009 amounted to approximately RMB102.1 million. As at 31 December 2011, the Group had used approximately RMB7.5 million for set up of new branch offices, approximately RMB24.8 million for sourcing new enterprises IT products, approximately RMB6.9 million for establishment and expansion of IT solution support centers and approximately RMB4.5 million for set up of training centers. The remaining balance of the net proceeds was placed in short-term deposit bank accounts. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 December 2011.

OUTLOOK

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

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

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

CORPORATE GOVERNANCE

For the year ended 31 December 2011, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Code on Corporate Governance Practices as stipulated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), 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 conducive to a strong and consistent leadership, which enables the Group to implement decisions and business strategies promptly and efficiently. The Board considers that the present arrangement will not impair the balance of power and authority between the Board and the management of the Company as the proper balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals. Furthermore, the Board meets regularly to discuss major issues affecting the operations of the Group and make collective decisions by majority voting to ensure power is not concentrated in any one individual.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2011 have been reviewed by its audit committee, which consists of all the three independent non-executive Directors, was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been compared by the Company's auditors, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by Deloitte Touche Tohmatsu in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2011 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

I would like to take this opportunity to express our sincere appreciation to our customers, suppliers and shareholders for their continuous support. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the year.

For and on behalf of the Board
Futong Technology Development Holdings Limited
Chen Jian
Chairman

Hong Kong, 28 March 2012

As at the date of this announcement, the executive Directors are Mr. Chen Jian, Ms. Zhang Yun and Mr. Guan Tao; and the independent non-executive Directors are Mr. Lee Kwan Hung, Mr. Yuan Bo and Mr. Ho Pak Tai Patrick.