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Futong®
富通

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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2012 amounted to approximately RMB3,571.1 million (2011: approximately RMB2,451.0 million), representing a strong increase of approximately 45.7% as compared with the corresponding period in 2011.

- Profit attributable to equity shareholders of the Company for the year ended 31 December 2012 amounted to approximately RMB42.9 million (2011: approximately RMB70.5 million), representing a decrease of approximately 39.1% as compared with the corresponding period in 2011.

- Basic earnings per share for the year ended 31 December 2012 amounted to approximately RMB0.14 (2011: approximately RMB0.23).

- The Board recommends the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2012.

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 2012 together with comparative audited figures for the corresponding period in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

		Year ended 31 December	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**3,571,089**	2,450,960
Cost of sales		**(3,311,935)**	(2,198,777)
Gross profit		**259,154**	252,183
Other income and gains	*6*	**4,563**	10,603
Other losses	*6*	**(1,086)**	(1,044)
Selling and distribution expenses		**(120,022)**	(107,808)
Administrative expenses		**(45,115)**	(38,540)
Profit from operations		**97,494**	115,394
Finance costs	*7(a)*	**(41,557)**	(29,062)
Share of losses of associates		**(1,991)**	(2,077)
Profit before tax		**53,946**	84,255
Income tax expenses	*8*	**(13,091)**	(14,249)
Profit for the year and total comprehensive income for the year	*7*	**40,855**	70,006
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**42,859**	70,520
Non-controlling interests		**(2,004)**	(514)
		40,855	70,006
Earnings per share			
— Basic and diluted (RMB)	*10*	**0.14**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Notes	At 31 December 2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**37,233**	45,391
Interest in associates		**24,460**	18,457
Deferred tax assets		**24,315**	26,031
Total non-current assets		**86,008**	89,879
Current assets			
Inventories		**504,274**	427,869
Trade and other receivables	*11*	**992,771**	709,312
Pledged deposits		**178,199**	178,929
Bank balances and cash		**360,232**	496,319
Total current assets		**2,035,476**	1,812,429
Current liabilities			
Trade and other payables	*12*	**1,041,720**	1,063,964
Bank borrowings		**560,000**	334,327
Tax payable		**13,018**	16,877
Total current liabilities		**1,614,738**	1,415,168
Net current assets		**420,738**	397,261
NET ASSETS		**506,746**	487,140
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**472,979**	451,369
Attributable to owners of the Company		**500,394**	478,784
Non-controlling interests		**6,352**	8,356
TOTAL EQUITY		**506,746**	487,140

NOTES:
(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION AND GROUP REORGANISATION

Futong Technology Development Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 July 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its principal place of business is located at Units B1901 on level 19 and B2001 on level 20 of Tower B, Chaowaimen Office Center, No. 26 Chaowai Street, Chaoyang District, Beijing, the People's Republic of China (the "PRC").

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

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

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

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

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

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

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

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

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

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

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

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

Other than the disclosure requirement under IFRS 12, the directors anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

4. REVENUE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Sales of goods	**3,387,982**	2,367,604
Provision of services	**183,107**	83,356
	3,571,089	2,450,960

5. SEGMENT REPORTING

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

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

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

6. OTHER INCOME, GAINS AND OTHER LOSSES

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**3,211**	1,483
Foreign exchange gains	**—**	8,547
Government grants *(note)*	**1,245**	—
Others	**107**	573
	4,563	10,603
Other losses		
Loss on disposal of property, plant and equipment	**(755)**	(354)
Others	**(331)**	(690)
	(1,086)	(1,044)

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

7. PROFIT FOR THE YEAR

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Finance costs:		
Interest on borrowings wholly repayable within five years	**41,557**	29,062
Staff costs:		
Salaries and allowance	**88,192**	79,382
Contributions to retirement benefit schemes	**8,462**	6,457
Equity-settled share-based payment	**202**	813
	96,856	86,652

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

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

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

Other items:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Depreciation	**11,446**	8,870
Reversal of impairment loss on trade receivables, include in administrative expenses	**(4,272)**	(2,015)
Auditors' remuneration	**2,016**	1,911
Cost of inventories recognised as an expense	**3,156,480**	2,137,048

8. INCOME TAX EXPENSES

Income tax in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**566**	296
Under-provision in respect of prior years	**—**	113
	566	409
Current tax — PRC income tax		
Provision for the year	**10,977**	14,399
Over-provision in prior years	**(168)**	—
	10,809	14,399
Deferred tax		
Current year	**1,716**	(559)
	13,091	14,249

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

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

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

Beijing Futong Dongfang Technology Co., Ltd. ("Futong Dongfang''), a subsidiary of the Company established in the PRC is a recognised Advanced and New Technology Enterprise located in the Beijing New Technology Industry Development Experimental Zone. Futong Dongfang was granted a preferential tax rate of 15% for both years.

9. DIVIDENDS

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

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

10. EARNINGS PER SHARE

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

	2012 *RMB'000*	2011 *RMB'000*
Earnings for the purpose of basic earnings per share	**42,859**	70,520
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**311,250**	311,250

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the Company's shares for 2012 and 2011.

11. TRADE AND OTHER RECEIVABLES

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

Notes:

(i) Prepayments consist of advance payments made to suppliers for purchases of inventory and other prepaid expenses.

(ii) Deposits consist of bidding deposits, utilities and rental deposits. Bidding deposits are deposits placed upon bidding of sales contracts and are refundable to the Group regardless of the outcome of the bids.

Aging analysis

The Group allows an average credit period of 30-90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the relevant due date at the end of the reporting period.

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

12. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

BUSINESS REVIEW

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

Sales of IBM's products

For the year ended 31 December 2012, revenue from the distribution of IBM's hardware and software products including enterprise servers, system storage products and middleware, and which are often bundled with value-added services, amounted to approximately RMB2,126.9 million (2011: approximately RMB1,799.9 million). This marked an increase in revenue by approximately RMB327.0 million or 18.2 %. The distribution of IBM's products and provision of related services remained as the Group's primary revenue generator, and accounted for approximately 59.6 % of total revenue of the Group for the year ended 31 December 2012 (2011: approximately 73.4 %).

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

Sales of Oracle's products

Database management software and middleware for application servers from Oracle represent the other major category of products distributed by the Group. For the year ended 31 December 2012, sales of Oracle's products and related services amounted to approximately RMB258.6 million (2011: approximately RMB226.6 million), an increase of approximately RMB32.0 million or 14.1% as compared with last year. These sales accounted for approximately 7.2% of the Group's total revenue.

Sales of EMC's products

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

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

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

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

Sales of Apple's products

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

Sales of other products

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

Provision of services

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

FINANCIAL REVIEW

Revenue

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

Gross profit

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

Other income and gains

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

Distribution costs

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

Administrative expenses

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

Finance costs

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

Profit for the period attributable to equity shareholders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

PLEDGE OF ASSETS

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

NET DEBT-TO-CAPITAL RATIO

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

FOREIGN EXCHANGE EXPOSURE

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

As at 31 December 2012, the Group did not enter into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

To determine the identity of shareholders who are entitled to attend and vote at the 2013 AGM

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

To determine the shareholders' entitlement to the proposed final dividend

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

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

To qualify for attending and voting at the 2013 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2013 AGM of the Company will be held on Wednesday, 15 May 2013. Notice of 2013 AGM will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had approximately 500 (31 December 2011: approximately 480) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB96.9 million (2011: approximately RMB86.7 million).

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

PURCHASE, SALE AND REDEMPTION OF THE SHARES

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

OUTLOOK

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

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

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

CORPORATE GOVERNANCE

During the year ended 31 December 2012, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for the deviations from code provision A.2.1.

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code for the year ended 31 December 2012.

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2012 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 standard and that adequate disclosures have been made.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary 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 2012 annual report of the Company will be dispatched 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, 26 March 2013

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.