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 2013

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2013 amounted to approximately RMB3,699.1 million (2012: approximately RMB3,571.1 million), representing a steadily increase of approximately 3.6% as compared with the corresponding period in 2012.
- Profit attributable to owners of the Company for the year ended 31 December 2013 amounted to approximately RMB42.1 million (2012: approximately RMB42.9 million), representing a slight decrease of approximately 1.7% as compared with the corresponding period in 2012.
- Basic earnings per share for the year ended 31 December 2013 amounted to approximately RMB0.14 (2012: approximately RMB0.14).
- The Board recommends the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2013.

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 2013 together with comparative audited figures for the corresponding period in 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

		Year ended 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**3,699,123**	3,571,089
Cost of sales and services		**(3,412,052)**	(3,311,935)
Gross profit		**287,071**	259,154
Other income and gains	*6*	**17,185**	4,563
Other losses	*6*	**(1,692)**	(1,086)
Selling and distribution expenses		**(132,902)**	(120,022)
Administrative expenses		**(58,338)**	(45,115)
Profit from operations		**111,324**	97,494
Finance costs	*7(a)*	**(52,964)**	(41,557)
Share of losses of associates		**(5,130)**	(1,991)
Profit before tax		**53,230**	53,946
Income tax expenses	*8*	**(11,164)**	(13,091)
Profit for the year and total comprehensive income for the year	*7*	**42,066**	40,855
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**42,147**	42,859
Non-controlling interests		**(81)**	(2,004)
		42,066	40,855
Earnings per share			
Basic and diluted (RMB)	*10*	**0.14**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

		At 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**32,744**	37,233
Interest in associates		**22,009**	24,460
Deferred tax assets		**23,211**	24,315
Total non-current assets		**77,964**	86,008
Current assets			
Inventories		**487,051**	504,274
Trade and other receivables	*11*	**1,335,625**	992,771
Pledged deposits		**202,190**	178,199
Bank balances and cash		**273,465**	360,232
Total current assets		**2,298,331**	2,035,476
Current liabilities			
Trade and other payables	*12*	**1,038,946**	1,041,720
Bank borrowings		**791,124**	560,000
Tax payable		**9,753**	13,018
Total current liabilities	*7*	**1,839,823**	1,614,738
Net current assets		**458,508**	420,738
NET ASSETS		**536,472**	506,746
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**502,786**	472,979
Attributable to owners of the Company		**530,201**	500,394
Non-controlling interests		**6,271**	6,352
TOTAL EQUITY		**536,472**	506,746

1. GENERAL INFORMATION AND GROUP REORGANISATION

Futong Technology Development Holdings Limited (the "Company") is a public limited company incorporated in Cayman Islands as an exempted company with limited liability. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK").

Its immediate parent and also ultimate parent is China Group Associates Limited (incorporated in the British Virgin Islands (the "BVI''). Its ultimate controlling party is Mr. Chen Jian, who is also the chairman and executive Director of the Company.

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in distribution of enterprise IT products and provision of services.

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

The Group has applied the following new and revised IFRSs in the current period.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, associates and disclosures

In the current year, the Group has applied for the first time the package of four standards on consolidation, associates and disclosures comprising IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates, together with the amendments to IFRS 10 and IFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

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

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and IFRIC Int-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. The directors have assessed its involvement in its subsidiaries and considered the application of IFRS 10 has had no material impact on the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Other amendments to IAS 1 do not have any impact on the presentation of the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRIC Int-21	Levies[1]

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

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors anticipate that the application of the above new standards, amendments to standards or interpretation will have no material impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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	
	2013	2012
	RMB'000	*RMB'000*
Sales of goods	**3,443,914**	3,387,982
Provision of services	**255,209**	183,107
	3,699,123	3,571,089

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 there are no customers (2012: one) whose transactions have exceeded 10% of the Group's revenue in 2013 (2012: RMB559,095,000).

6. OTHER INCOME, GAINS AND OTHER LOSSES

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**4,566**	3,211
Government grants *(note)*	**2,173**	1,245
Foreign exchange gains	**10,044**	—
Others	**402**	107
	17,185	4,563
Other losses		
Loss on disposal of property, plant and equipment	**(243)**	(755)
Share of dilution of associates	**(1,321)**	—
Others	**(128)**	(331)
	(1,692)	(1,086)

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	
	2013	2012
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	**52,964**	41,557
(b) Staff costs (including directors) :		
Salaries and allowances	**96,903**	88,192
Contributions to retirement benefit schemes	**10,109**	8,462
Equity-settled share-based payment	**87**	202
	107,099	96,856

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.

7. PROFIT FOR THE YEAR *(Continued)*

(b) Staff costs (including directors): *(Continued)*

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 RMB10,109,000 (2012: RMB8,462,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2013. As at 31 December 2012 and 2013, the amount due but not paid to the schemes is insignificant.

(c) Other items:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Depreciation	**8,249**	11,446
Impairment loss (reversal of impairment loss) on trade receivables included in administrative expenses	**5,985**	(4,272)
Auditors' remuneration	**2,208**	2,016
Cost of inventories recognised as an expense	**3,198,570**	3,156,480

8. INCOME TAX EXPENSES

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**4,209**	566
Under-provision in respect of prior years	**—**	—
	4,209	566
Current tax — PRC income tax		
Provision for the year	**5,851**	10,977
Over-provision in prior years	**—**	(168)
	5,851	10,809
Deferred tax		
Current year	**1,104**	1,716
	11,164	13,091

8. INCOME TAX EXPENSES *(Continued)*

(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 as 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

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2012 final — HK5.0 cents, equivalent to RMB4.0 cents (2011 final dividend: HK8.5 cents, equivalent to RMB6.9 cents) per share	**12,427**	21,451

Subsequent to the end of the reporting period, a final dividend of HK5.0 cents (approximately equivalent to RMB4.0 cents) per share in respect of the year ended 31 December 2013 (2012: final dividend of HK5.0 cents (approximately equivalent to RMB4.0 cents per share), totaling approximately HK$15,563,000 (approximately RMB12,427,000) (2012: HK$15,563,000, approximately RMB12,427,000) based on the total number of issued ordinary shares as at the date of issuance of these consolidated financial statements, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share	**42,147**	42,859
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted 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 2013 and 2012.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**1,252,148**	899,125
Less: allowance for doubtful debts	**(17,695)**	(11,710)
	1,234,453	887,415
Bills receivables	**39,130**	40,573
Prepayments *(note (i))*	**50,798**	46,334
Deposits *(note (ii))*	**8,702**	15,473
Other receivables	**2,542**	2,976
	1,335,625	992,771

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. For the major customers such as the stated owned enterprises, the credit term will be negotiated by the management with the major customers on an individual basis. 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.

	2013	2012
	RMB'000	*RMB'000*
Current	**933,392**	693,762
Less than 1 month past due	**136,420**	107,231
1 to 3 months past due	**98,455**	57,799
More than 3 months and less than 1 year past due	**105,316**	69,196
Amounts past due	**340,191**	234,226
	1,273,583	927,988

12. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**448,732**	529,747
Bills payable	**395,492**	398,016
Receipts in advance	**149,966**	90,650
Other payables and accruals	**44,756**	23,307
	1,038,946	1,041,720

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.

	2013	2012
	RMB'000	*RMB'000*
0 - 60 days	**425,659**	481,358
60 - 90 days	**5,516**	48,389
Over 90 days	**17,557**	—
	448,732	529,747

(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 RMB20,142,000 (2012: RMB20,497,000) and pledged deposit of RMB 84,055,000 (2012: RMB 87,376,000) as at 31 December 2013. The available unutilised facility for issuance of bills at 31 December 2013 was approximately RMB12,310,000 (2012: RMB 3,551,000).

(c) The average credit period on purchases of goods was 30-90 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 2013 continued to be challenging for the Group. The on-going macro-economic downturn and the tremendous changes in the internet business may have affected certain potential buyers to postpone or downsize their IT procurement which might have had some impact on our business. Nevertheless, the total revenue still achieved another breakthrough reaching RMB3,699.1 million following the record high set in 2012, while improving the gross profit margin from 7.3% to 7.8%. Such improvements can be attributable to the Group's continuous efforts in exploring the needs of each single customer through detailed communication, as well as our diversification of products to cater for the market changes.

As for prudence sake, more provision has been made on trade receivables in view of the slowdown in macro-economic growth and the general increase in operation costs as for business growth, resulted in a mild decrease in profit attributable to owners of the Company as compared to last 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 Huawei and other vendors.

Sales of IBM's products

For the year ended 31 December 2013, 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 RMB2,204.8 million (2012: approximately RMB2,126.9 million). This marked an increase in revenue by approximately RMB77.9 million or 3.7 %. 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 the Group's total revenue for the year ended 31 December 2013 (2012: approximately 59.6 %).

Revenue from sales of IBM's enterprise servers amounted to approximately RMB1,483.6 million (2012: approximately RMB1,375.0 million), a moderate increase of RMB108.6 million or 7.9% compared with last year. Revenue from sales of IBM's system storage products and related services, after a strong growth of 62.0% in 2012, recorded a decrease of approximately RMB86.2 million or 23.2% to approximately RMB285.8 million (2012: approximately RMB372.0 million). Sales of IBM's software and related services continued to improve during the year, recording an increase of RMB55.5 million or 14.6% to approximately RMB435.4 million (2012: RMB379.9 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 2013, sales of Oracle's products and related services amounted to approximately RMB365.8 million (2012: approximately RMB258.6 million), a remarkable increase of approximately RMB107.2 million or 41.5% as compared with last year. These sales accounted for approximately 9.9% of the Group's total revenue (2012: approximately 7.2%).

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 RMB238.6 million (2012: approximately RMB171.1 million), an increase of approximately RMB67.5 million or 39.5%.

Sales of Apple's products

For the year 2013, revenue from sales of Apple's products amounted to RMB332.8 million (2012: RMB581.8 million), a decrease of 42.8% as compared to last year.

Sales of other products

Other sources of revenue for the Group included sales of IT products of Huawei as its authorised distributor, including servers, storage and IT security solutions, as well as sales of other IT accessories. Revenue from these products and services also recorded an increase of approximately RMB52.3 million or 21% to approximately RMB301.9 million during the year ended 31 December 2013 (2012: approximately RMB249.6 million). This revenue was mainly contributed by the sales of the renowned domestic products, Huawei products and related services amounting to RMB250.8 million (2012: approximately RMB159.9 million).

Provision of services

During the year ended 31 December 2013, the Group continued to strengthen its IT technical support service team intending to bolster the Group's IT service capability in the PRC to better meet the rapidly changing needs of end-users. The team is led by a group of experienced and qualified technicians. The revenue contributed from provision of services during the year continued to growth by around 39.4% reaching approximately RMB255.2 million (2012: approximately RMB183.1 million).

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, revenue of the Group continued to increase by approximately RMB128.0 million or 3.6% to approximately RMB3,699.1 million from approximately RMB3,571.1 million for the year ended 31 December 2012. The increase was mainly due to the general increases in most of the sales of existing products and provision of services.

Gross profit

Gross profit of the Group increased by approximately RMB27.9 million or 10.8%, from approximately RMB259.2 million for the year ended 31 December 2012 to approximately RMB287.1 million for the year ended 31 December 2013. The gross profit margin also recorded an increase from 7.3% to 7.8%.

Other income, gains and other losses

It comprised mainly of interest income on bank deposits, foreign exchange gains and government grants. Other income, gains and other losses increased from RMB3.5 to RMB15.5 million, this was mainly due to the increase in foreign exchange gains from a loss of RMB2,000 to a gain of approximately RMB10.0 million for the year ended 31 December 2013, as a result of the relatively strong position of Renminbi that the currency conversion rate of Renminbi to United States dollars has appreciated during the year as compared to the relatively stable position during the corresponding period in 2012.

Distribution costs

For the year ended 31 December 2013, the distribution costs of the Group amounted to approximately RMB132.9 million, an increase of approximately RMB12.9 million or 10.7% compared to the corresponding period in 2012. This increase was a combine effect of increase in sales volume, general inflation, and increase in headcount to cope with future expansion of the business.

Administrative expenses

Administrative expenses of the Group increased by approximately RMB13.2 million or 29.3%, from approximately RMB45.1 million for the year ended 31 December 2012 to approximately RMB58.3 million for the year end 31 December 2013. The increase was mainly due to the Group incurred of bad and doubtful provisions on trade receivables of approximately RMB9.2 million, whilst a net reversal of provisions of approximately RMB3.5 million during the year 2012.

Finance costs

Finance costs of the Group increased by approximately RMB11.4 million or 27.4% from approximately RMB41.6 million for the year ended 2012 to approximately RMB53.0 million for the year ended 31 December 2013. The increase was mainly due to increase in the borrowing amounts to support financing of the operations of the expanding business.

Profit for the year attributable to owners of the Company

For the year ended 31 December 2013, profit attributable to owners of the Company decreased slightly by approximately RMB0.8 million or 1.7%, from approximately RMB42.9 million to approximately RMB42.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2013, the Group had total assets of approximately RMB2,376.3 million and had net assets of approximately RMB536.5 million (31 December 2012: approximately RMB2,121.5 million and approximately RMB506.7 million, respectively). The Group's bank balances and cash as at 31 December 2013 amounted to approximately RMB273.5 million and bank borrowings amounted to approximately RMB791.1 million (31 December 2012: approximately RMB360.2 million and approximately RMB560.0 million, respectively). Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 31 December 2013, approximately 9.5% (31 December 2012: approximately 3.6%) of total bank borrowings were at fixed interest rates.

As at 31 December 2013, bank loans of the Group were advanced in Renminbi and United States dollars while cash and cash equivalents were held at Renminbi, United States dollars and Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2013, certain assets of the Group with carrying value of approximately RMB222.3 million (31 December 2012: approximately RMB198.7 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 31 December 2013 was approximately 96.5 % (as at 30 June 2013 and 31 December 2012 were 103.7% and 39.4%, respectively). This ratio represents total bank loans less cash and cash equivalents divided by total equity. As more borrowing was needed to finance the growth of the business and furthermore, certain material sales was made during the fourth quarter of 2013, that the corresponding trade receivables were not yet due and paid in 2013, whilst for previous years that major settlements were normally made before end of the year, therefore, such ratio was relatively high as compared to last year.

FOREIGN EXCHANGE EXPOSURE

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

As at 31 December 2013, the Group did not enter into any hedging arrangements. However, the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK5.0 cents per share for the year ended 31 December 2013 (2012: a final dividend of HK5.0 cents per share) to shareholders whose names appear on the register of member of the Company on 30 May 2014 . The proposed final dividend will be paid on or about 13 June 2014, following approval by the shareholders in the 2014 annual general meeting ("2014 AGM").

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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 2014 AGM

Latest time for lodging transfers:	4:00 pm on Monday, 19 May 2014
Closure of register of members:	Tuesday, 20 May to Thursday, 22 May 2014 (both dates inclusive)
Record date:	Thursday, 22 May 2014
Date of 2014 AGM:	Thursday, 22 May 2014

To determine the shareholders' entitlement to the proposed final dividend

Latest time for lodging transfers:	4:00 pm on Tuesday, 27 May 2014
Closure of register of members:	Wednesday, 28 May to Friday, 30 May 2014 (both dates inclusive)
Record date:	Friday, 30 May 2014
Payment date for final dividend:	on or about Friday, 13 June 2014

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

In order to be eligible for attending and voting at the 2014 AGM and for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2014 AGM of the Company will be held on Thursday, 22 May 2014. Notice of 2014 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 2013, the Group had 527 (31 December 2012: 500) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB107.1 million (2012: approximately RMB96.9 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 2013, 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 RMB15.3 million for establishment and expansion of IT solution support centres and approximately RMB9.5 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.

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 2013.

OUTLOOK

The uncertainty in the global economy and the slowdown in the macro-economic growth in the PRC may persist for some time while exhibiting signs of recovery, and we expect the outlook to remain challenging for the Group in 2014. In order to cope with the complicated market conditions, the Group's management will continue reviewing the market developments and proactively undertake necessary strategic adjustments to address the new market trends to capture the market momentum in order to bring sustainable returns to the shareholders.

Owning to the slowdown of economic growth in the second half of 2013, many PRC enterprises adopted a wait-and-see attitude and scaled back on their IT equipment procurement. The management expects these enterprises will resume their procurement plans in 2014, and hence we can take a more optimistic view about the business in 2014.

The Group will continue to focus on its existing core business, while keeping an eye on the changes in market development. The emergence of low-end server markets, the improvement in technological capability and professionalism, quality control and productivity of the domestic IT producers, together with the encouragement of the PRC Government for mainland enterprises to use domestic IT products lead management to believe that sales of domestic brands of IT equipment will continue to increase in the future.

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

CORPORATE GOVERNANCE

During the year ended 31 December 2013, 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 2013.

AUDIT COMMITTEE

The Group's audited consolidated results for the year ended 31 December 2013 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 Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 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 2013 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 25 March 2014

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.