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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

HIGHLIGHTS

- Revenue of the Group for the six-month period ended 30 June 2017 amounted to approximately RMB1,824.1 million (six-month period ended 30 June 2016: approximately RMB1,565.2 million), representing an increase of approximately 16.5% as compared with the corresponding period in 2016.

- Profit before tax of the Group for the six-month period ended 30 June 2017 amounted to approximately RMB4.2 million (six-month period ended 30 June 2016: approximately RMB25.6 million), representing a decrease of approximately 83.6% as compared with the corresponding period in 2016.

- Profit attributable to owners of the Company for the six-month period ended 30 June 2017 amounted to approximately RMB0.6 million (six-month period ended 30 June 2016: approximately RMB19.4 million), representing a decrease of approximately 96.8% as compared with the corresponding period in 2016.

- Basic earnings per share for the six-month period ended 30 June 2017 amounted to approximately RMB0.002 (six-month period ended 30 June 2016: approximately RMB0.06).

- The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Futong Technology Development Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2017 together with comparative figures. The condensed consolidated interim financial information has not been audited but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

		Six-month period ended 30 June	
		2017	2016
	NOTE	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**1,824,110**	1,565,229
Cost of sales and services		**(1,706,492)**	(1,432,662)
Gross profit		**117,618**	132,567
Other income	*5*	**2,011**	3,359
Other gains and losses	*5*	**(9,446)**	(12,746)
Selling and distribution expenses		**(61,769)**	(59,946)
Administrative expenses		**(23,304)**	(19,605)
Profit from operations		**25,110**	43,629
Finance costs	*6*	**(20,606)**	(17,217)
Share of losses of associates		**(303)**	(830)
Profit before tax	*7*	**4,201**	25,582
Income tax expenses	*8*	**(3,901)**	(6,636)
Profit and total comprehensive income for the period		**300**	18,946
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**616**	19,377
Non-controlling interests		**(316)**	(431)
		300	18,946
Earnings per share (RMB)	*10*		
Basic and diluted		**0.002**	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTE	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**27,833**	25,883
Other intangible assets		**3,651**	3,817
Interests in associates		**7,023**	7,326
Deferred tax assets		**28,848**	28,701
		67,355	65,727
CURRENT ASSETS			
Inventories		**347,909**	433,486
Trade and other receivables	12	**1,324,671**	1,266,901
Tax recoverable		**2,246**	1,117
Pledged deposits		**189,641**	226,698
Bank balances and cash		**81,759**	172,648
		1,946,226	2,100,850
CURRENT LIABILITIES			
Trade and other payables	13	**730,283**	981,246
Bank and other borrowings		**706,390**	603,728
		1,436,673	1,584,974
NET CURRENT ASSETS		**509,553**	515,876
TOTAL ASSETS LESS CURRENT LIABILITIES		**576,908**	581,603
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**545,183**	549,562
Equity attributable to owners of the Company		**572,598**	576,977
Non-controlling interests		**4,310**	4,626
		576,908	581,603

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by the IASB:

Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to IFRSs	Annual improvements to IFRSs 2014 — 2016 cycle relating to the amendments of IFRS 12

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

The chief operating decision maker considers that the operation of the Group constitutes a single operating segment as the revenue and profit are derived entirely from the provisions of enterprise IT products and services to 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 the same as the amounts reported under IFRSs.

4. REVENUE

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

	Six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods	**1,673,670**	1,421,781
Provision of services	**150,440**	143,448
	1,824,110	1,565,229

5. OTHER INCOME, GAINS AND LOSSES

	Six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income:		
Interest income	**1,056**	1,217
Government grants *(note)*	**780**	1,393
Gain on disposal of property, plant and equipment	**—**	692
Others	**175**	57
	2,011	3,359

5. OTHER INCOME, GAINS AND LOSSES *(Continued)*

	Six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other gains and losses:		
Impairment loss on trade receivables	**(2,715)**	(9,908)
Net foreign exchange loss	**(6,655)**	(2,828)
Others	**(76)**	(10)
	(9,446)	(12,746)

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

6. FINANCE COSTS

	Six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on:		
Bank loans and other borrowings wholly repayable within five years	**20,606**	17,217

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Staff cost:		
Salaries and allowances	**51,343**	47,955
Contributions to retirement benefit schemes	**5,580**	5,367
Equity-settled share-based payment	**216**	376
	57,139	53,698
Other items:		
Carrying amount of inventories sold	**1,585,124**	1,333,986
Write-down and write-off of inventories, included in cost of sales	**149**	1,973
	1,585,273	1,335,959
Operating lease charges in respect of properties	**4,961**	6,176
Depreciation of property, plant and equipment	**1,553**	2,535

8. INCOME TAX EXPENSES

	Six-month period ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**44**	2,259
PRC Enterprise Income Tax	**4,004**	2,049
	4,048	4,308
Deferred tax:		
(Credit) charge for the period	**(147)**	2,328
	3,901	6,636

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

(ii) The provision for Hong Kong Profits Tax for the six-month periods ended 30 June 2017 and 2016 was calculated at 16.5% of the estimated assessable profits.

(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. The Group has not recognised deferred tax of approximately RMB1,461,000 in respect of losses incurred by certain PRC subsidiaries for the period.

9. DIVIDENDS

During the current interim period, a final dividend of HK1.9 cents per share in respect of the year ended 31 December 2016 (six-month period ended 30 June 2016: HK2.8 cents per share in respect of year ended 31 December 2015) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to approximately HK$5,914,000 (approximately RMB5,211,000) (six-month period ended 30 June 2016: HK$8,715,000 (approximately RMB7,376,000)).

The directors have determined that no dividend will be paid in respect of the current interim period (six-month period ended 30 June 2016: nil).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six-month period ended 30 June 2017 is based on the profit for the period attributable to owners of the Company of RMB616,000 (six-month period ended 30 June 2016: RMB19,377,000).

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the share options granted on 18 January 2016. The computation of diluted earnings per share does not assume the exercise of the Company's share options granted on 15 June 2011, 24 August 2015 and 14 October 2016, respectively, because the exercise prices of those share options were higher than the average market price of the Company's shares for the six-month period ended 30 June 2017.

11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2017, the Group spent RMB3,503,000 (six-month period ended 30 June 2016: RMB2,211,000) to acquire furniture, fittings and equipment.

12. TRADE AND OTHER RECEIVABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**1,206,078**	1,195,914
Less: allowance for doubtful debts	**(51,307)**	(48,595)
	1,154,771	1,147,319
Bills receivable	**83,883**	79,176
Prepayment to suppliers	**64,426**	24,660
Deposits	**15,127**	11,122
Other receivables	**6,464**	4,624
	1,324,671	1,266,901

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Current	**957,856**	953,854
Amount past due:		
— Less than one month past due	**109,023**	124,060
— 1 to 3 months past due	**111,718**	43,656
— More than 3 months past due	**60,057**	104,925
	280,798	272,641
	1,238,654	1,226,495

13. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**444,959**	512,329
Bills payable	**126,979**	182,876
Receipts in advance	**128,345**	205,792
Other payables and accruals	**30,000**	80,249
	730,283	981,246

The average credit period on purchases of goods was 30-90 days. The following is an aged analysis of trade and bills payables based on the invoice date at the end of the respective reporting periods:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
0-60 days	**444,959**	353,919
60-90 days	**—**	3,428
Over 90 days	**—**	154,982
	444,959	512,329
Bills payable, aged within 120 days	**126,979**	182,876

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally specialises in providing enterprise IT infrastructure products, services and solutions in the PRC and is an industry leader in its field. It also undertakes research, development and sales of a series of its own brand enterprise IT products. Globally renowned corporations such as IBM, Huawei, Oracle, Sugon, SAP, etc. have been important long-standing partners of the Group.

Sales of IBM products

For the six-month period ended 30 June 2017 (the "**Period**"), revenue from sales of IBM hardware and software products, including enterprise servers, system storage products and software, which are often bundled with value-added services, amounted to approximately RMB461.5 million (2016: approximately RMB439.4 million), an increase of approximately RMB22.1 million, or 5.0%, as compared with the corresponding period in 2016. Sales of IBM products and provision of related services remained a major revenue source of the Group accounting for approximately 25.3% of the total revenue of the Group for the Period (2016: approximately 28.1%).

Sales of Huawei products

Revenue from sales of Huawei products, including servers, storage and cloud computing products continued to grow strongly during the Period. Huawei products contributed revenue totaling RMB713.4 million, RMB225.3 million, or 46.2%, more than in the same period last year (2016: approximately RMB488.1 million). The amount accounted for approximately 39.1% of the Group's total revenue for the Period (2016: approximately 31.2%).

Sales of Oracle products

For the Period under review, revenue from sales of Oracle products, including database management software, middleware for application servers and system products, amounted to approximately RMB304.1 million (2016: approximately RMB203.0 million), an increase of RMB101.1 million, or 49.8%, as compared with the corresponding period of 2016. The amount accounted for approximately 16.7% of the Group's total revenue (2016: approximately 13.0%). As Oracle products enjoy leadership in the market, especially among database management products, the Group's revenue from sales of these products has continued to improve.

Sales of other products

Other sources of revenue for the Group included sales of products of Sugon, Lenovo, EMC, VMware, SAP, its own brand products and other IT products and accessories. Revenue from these income sources amounted to approximately RMB194.7 million (2016: approximately RMB291.3 million). The drop in revenue was mainly due to a decrease in sales of Sugon products and other low-end servers during the Period as compared with the corresponding period of 2016. Revenue from sales of these products accounted for approximately 10.7% of the Group's total revenue for the Period (2016: approximately 18.6%).

Provision of services

During the Period, revenue from provision of services amounted to approximately RMB150.4 million (2016: approximately RMB143.4 million), representing an increase of approximately 4.9% as compared with the corresponding period in 2016. The amount accounted for approximately 8.2% of the Group's total revenue (2016: approximately 9.2%).

Change of composition of the Board

The composition of the Board was changed recently, details were set out in the announcements of the Company dated 10 April 2017, 18 June 2017, 29 June 2017 and 5 July 2017, respectively.

FINANCIAL REVIEW

Revenue

For the Period under review, revenue of the Group increased by approximately RMB258.9 million, or 16.5%, as compared with the corresponding period in 2016, to approximately RMB1,824.1 million (2016: approximately RMB1,565.2 million). The increase was mainly due to the significant increase in sales of Huawei and Oracle products, reflecting that market demands for these products continued to be strong.

Gross profit

Gross profit of the Group decreased by approximately RMB14.9 million, or 11.3%, to approximately RMB117.6 million for the Period (2016: approximately RMB132.6 million). Such decline was mainly caused by a supplier adjusting its incentive programme which led to a cut in the amount of rebate to the Group by approximately RMB15.0 million as compared with the corresponding period in 2016.

Gross profit margin decreased from 8.5% to 6.4%, the result is a reflection of the Group shifting its sales mix previously heavy with traditional overseas brand IT products to domestic brand products that face keen price competition. The Group will review its business mix and consider any necessary adjustment in business directions as and when appropriate.

Other income, other gains and losses

It comprises mainly interest income from bank deposits, foreign exchange gain or loss, government grants and impairment loss on trade receivables. During the Period, net losses from other income, other gains and losses amounted to approximately RMB7.4 million (2016: approximately RMB9.4 million), representing a decrease of approximately RMB2.0 million. The decrease was mainly due to the approximately RMB7.2 million decrease in impairment loss on trade receivables, which was however offset by an increase in foreign exchange losses of approximately RMB3.8 million and decrease in income from other sources.

Selling and distribution expenses

For the Period under review, selling and distribution expenses of the Group amounted to approximately RMB61.8 million (2016: approximately RMB59.9 million), representing a moderate increase of approximately 3.0% compared with the corresponding period in 2016. The increase was mainly due to the increase in staff costs of certain business units responsible for domestic brand products sales and technical support.

Administrative expenses

Administrative expenses of the Group for the Period amounted to approximately RMB23.3 million (2016: approximately RMB19.6 million), representing an increase of approximately RMB3.7 million, or 18.9%, compared with the corresponding period in 2016. The increase mainly reflected the increase in research and development cost for the development of the self-branded products during the Period.

Finance costs

Finance costs of the Group increased by approximately RMB3.4 million, or 19.7%, from approximately RMB17.2 million for the six-month period ended 30 June 2016, to approximately RMB20.6 million for the Period. The increase was mainly due to the rapid expansion in scale of certain domestic brand products business which required intensive financial support. The Group will review its resources management measures to ensure effective use of resources and enhance control of the turnover cycle of receivables.

Income tax expenses

Income tax expenses of the Group for the Period amounted to approximately RMB3.9 million (2016: approximately RMB6.6 million), representing a decrease of approximately RMB2.7 million, or 41.2%, compared with the corresponding period in 2016. The decrease was mainly due to the decrease in deferred tax charged during the Period . The effective tax rate exceeded 25% (being the prevailing income tax rate of the PRC subsidiaries) was mainly due to (i) the deferred tax of approximately RMB1.5 million in respect of losses incurred by certain PRC subsidiaries for the Period has not been recognized as mentioned in note 8(iii) to the financial statements; (ii) the difference between the prevailing income tax rate of 25% and the preferential income tax rate of 15% entitled to a PRC subsidiary of the Company; and (iii) the permanent timing difference of deferred tax of the Company and its certain BVI subsidiaries.

Profit for the period attributable to owners of the Company

During the Period under review, profit attributable to owners of the Company was approximately RMB0.6 million (2016: approximately RMB19.4 million), representing a decrease of approximately RMB18.8 million, or 96.8%, as compared with the corresponding period in 2016. The decrease was mainly the result of the combined effects of the decrease in gross profit and increase in administrative expenses and finance cost as above-mentioned.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations with internally generated cash flows and banking facilities. As at 30 June 2017, the Group had total assets of approximately RMB2,013.6 million and net assets of approximately RMB576.9 million (31 December 2016: approximately RMB2,166.6 million and approximately RMB581.6 million, respectively). Trade receivables of the Group amounted to approximately RMB1,154.8 million (31 December 2016: approximately RMB1,147.3 million), net of allowance for doubtful debts of approximately RMB51.3 million (31 December 2016: approximately RMB48.6 million). The management will regularly review and implement stringent control measures on trade receivables to ensure they are recovered on due dates and it will also closely monitor the Group's liquidity. Bank balances and cash of the Group as at 30 June 2017 amounted to approximately RMB81.8 million (approximately RMB74.4 million as at 30 June 2016 and approximately RMB172.6 million as at 31 December 2016). Bank borrowings amounted to approximately RMB706.4 million (31 December 2016: approximately RMB603.7 million). The banking facilities granted to the Group and the unutilized amounts were approximately RMB942.4 million and RMB334.4 million, respectively (31 December 2016: approximately RMB712.1 million and RMB148.1 million, respectively).

In assessing whether the financial position is sufficient to support the business, the Group has prepared a cash flow forecast for the 18 months ending 31 December 2018, and concluded that the cash flow is sufficient to meet the Group's cash requirements, on the premises that (i) trade receivables are collected within the credit period granted; (ii) trade payables are settled pursuant to the agreed terms of trade; and (iii) banking facilities are available and could be drawn down pursuant to the agreed terms.

As at 30 June 2017, 13.9% (31 December 2016: approximately 11.1%) of total borrowings were at fixed interest rates.

As at 30 June 2017, the borrowings of the Group were advanced in RMB and USD, while cash and cash equivalents were held at RMB, USD and Hong Kong dollars.

PLEDGE OF ASSETS

As at 30 June 2017, certain assets of the Group with carrying value of approximately RMB207.5 million (31 December 2016: approximately RMB244.6 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 30 June 2017 was approximately 89.2% (as at 31 December 2016 was 53.0%). This ratio was calculated as total bank and other borrowings less bank balances and cash, and relevant pledged deposits divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

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

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six-month period ended 30 June 2017 (2016: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had in total 521 (31 December 2016: 499) employees in mainland China and Hong Kong. Total staff costs amounted to approximately RMB57.1 million (for the six-month period ended 30 June 2016: approximately RMB53.7 million).

The Group remunerates employees by taking reference of industry practices and also the performance and experience of individual employees, with the objectives of ensuring it remain competitive in the market where it operates and attracting and retaining the right talent who can help it grow and maximise shareholder value. We place great emphasis on the development of our people as we firmly believe they are the core asset of the Group. Our ongoing staff training programme is designed to encourage employees to develop their talents and advance in their career. We believe such efforts will benefit employees as well as the Group.

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

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 30 June 2017, the Group had used approximately RMB10.7 million for setting up new branch offices, approximately RMB25.5 million for sourcing new enterprise IT products, approximately RMB15.3 million for establishment and expansion of IT solution support centres, approximately RMB10.2 million for setting up training centres, approximately RMB10.2 million as general working capital of the Group, and approximately RMB21.4 million for investment in research and development ("**R&D**") of self-branded enterprise IT products. The remaining balance of the net proceeds was placed in bank deposit accounts. The Group will apply the remaining amount in the manner set out in the announcement of the Company dated 11 November 2015 in relation to the change in use of proceeds.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

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

OUTLOOK

Economic growth in Mainland China slowed down in the first half of 2017 and year-on-year growth in gross domestic production was maintained at 6.9%. The overall economic environment was ridden with challenges and uncertainties. Despite a difficult market environment, the Group demonstrated its growth momentum and achieved a year-on-year growth of approximately 17% in revenue. It was also able to maintain strong revenue growth from sales of Huawei products attributable to the continuous increase in market demand for domestic brand products.

Affected by the adjustment in incentive programme of a supplier, the Group's rebates dropped significantly in the first half of the year and its gross profit margin as well as gross profit were also inevitably affected.

Looking at the second half of the year, the Group will continue to work closely with different suppliers to build and maintain good relationships so as to secure higher rebates. Also, through maintaining close communications with customers, the Group will be better able to understand their needs and implement appropriate product sales strategies to provide a range of value-added service solutions to customers. These efforts will help improve the Group's overall gross profit margin, enabling it to create more comprehensive services and greater value for its customers.

In addition, the Group will implement resources management measures to ensure the effective use of resources and maintain highly effective operations. The Group will also continue to monitor and manage financial resources carefully, step up control on the turnover cycle of receivables, reduce related finance costs and improve its cash flow so as to maintain a stable financial position.

To accommodate the change in the development direction of China's information technology market, the Group will continue to diligently pursue its current strategic development direction and develop its own-brand products and cloud platform business. The Group's cloud computing products were adopted for trial use by certain renowned enterprises during the Period, marking a significant step made by the Group in transforming its business.

Although R&D requires a lot of effort, the Group believes it will be able to stand at the forefront of the ever-changing market through continuous efforts in technological development. Looking ahead, the Group will strengthen its control on R&D costs, capitalise on its own technological advantages and independent innovation capability as well as more effectively utilise R&D expenditures to enhance its competitiveness. Through these efforts it aims to capture new market trends and new opportunities arising from the transformation and development of the industry.

CORPORATE GOVERNANCE

During the Period, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Period.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Group for the six-month period ended 30 June 2017 have been reviewed by the Audit Committee of the Company with assistance offered by an independent firm of accountants.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 2017 interim report of the Company will be despatched 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
Director

Hong Kong, 24 August 2017

As at the date of this announcement, the executive Directors are Mr. Chen Jian, Ms. Zhang Yun and Ms. Chen Jing; and the independent non-executive Directors are Mr. Lee Kwan Hung, Mr. Chow Siu Lui and Mr. Yuan Bo.