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 2019

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 2019 (the "**Period**") together with comparative figures. The condensed consolidated interim financial information has not been audited but has been reviewed by the Company's auditor and audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

2. BASIS OF PREPARATION *(Continued)*

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

3. CHANGES IN IFRSs

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

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

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

3. CHANGES IN IFRSs *(Continued)*

IFRS 16, Lease ("IFRS 16")

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

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

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

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

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

3. CHANGES IN IFRSs *(Continued)*

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

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

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

Leases previously accounted for as operating leases

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

Based on the foregoing, as at 1 January 2019:

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

3. CHANGES IN IFRSs *(Continued)*

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

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

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

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

(b) Summary of new accounting policies

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

Right-of-use assets

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

3. CHANGES IN IFRSs *(Continued)*

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

(b) Summary of new accounting policies *(Continued)*

Lease liabilities

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

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

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

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

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

4. USE OF JUDGEMENTS AND ESTIMATES

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

5. SEGMENT INFORMATION

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

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

6. REVENUE

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

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

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

6. **REVENUE** *(Continued)*

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

	30 June 2019	1 January 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables *(note 14)*	**97,743**	279,681
Contract assets	**209,687**	19,939
Contract liabilities	**52,946**	155,644

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

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

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

7. **OTHER INCOME, OTHER GAINS AND LOSSES**

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

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

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

8. FINANCE COSTS

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

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

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

10. INCOME TAX EXPENSE

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

10. INCOME TAX EXPENSE *(Continued)*

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

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

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

(iii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except for a subsidiary which has been granted continuously on a three years interval with a qualification of high-tech enterprise which entitles this subsidiary a preferential income tax rate of 15% from 2016 and onwards, the tax rate of the Company's subsidiaries is 25% from 1 January 2008 onwards. The Group has not recognised deferred tax of approximately RMB1,467,000 (six-month period ended 30 June 2018: RMB1,886,000) in respect of losses incurred by certain PRC subsidiaries for the period.

(iv) According to the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

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

11. DIVIDENDS

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

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

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

12. EARNINGS PER SHARE

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

14. TRADE, BILLS AND OTHER RECEIVABLES

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

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Systems integration service business

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

Development and sale of own-brand cloud products

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

Development and sale of intelligent digitalised products

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

FINANCIAL REVIEW

Revenue

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

Gross profit

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

Other income, other gains and losses

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

Selling expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

Profit for the period attributable to owners of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

PLEDGE OF ASSETS

As at 30 June 2019, certain assets of the Group with carrying value of approximately RMB28.0 million (31 December 2018: approximately RMB23.3 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratios as at 30 June 2019 and 31 December 2018 were zero. This ratio was calculated as total borrowings less bank balances and cash, and relevant pledged deposits divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

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

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

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.

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

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

OUTLOOK

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

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

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

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

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

CORPORATE GOVERNANCE

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 (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 Period have been reviewed by the Company's auditor, BDO Limited, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The auditor's independent review report will be included in the 2019 interim report of the Company. The unaudited condensed consolidated accounts of the Group for the Period have also been reviewed by the audit committee of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the Stock Exchange (www.hkexnews.hk). The 2019 interim report of the Company will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 21 August 2019

As at the date of this announcement, the executive Directors are Mr. Chen Jian and Ms. Chen Jing; and the independent non-executive Directors are Mr. Chow Siu Lui, Mr. Lo Kwok Kwei David and Mr. Yao Yun.