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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 2009

FINANCIAL HIGHLIGHTS

- The shares of the Company were listed on the Stock Exchange on 4 December 2009.
- Revenue of the Group for the year ended 31 December 2009 amounted to approximately HK\$2,586.3 million (2008: approximately HK\$2,554.5 million), representing an increase of approximately 1.2% as compared with the corresponding period in 2008.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2009 amounted to approximately HK\$67.6 million (2008: approximately HK\$49.0 million), representing an increase of 38.0% as compared with the corresponding period in 2008.
- Basic earnings per share for the year ended 31 December 2009 amounted to approximately HK\$0.29 (2008: approximately HK\$0.22).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

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 2009 together with comparative audited figures for the corresponding period in 2008, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	3	2,586,286	2,554,539
Cost of sales		<u>(2,366,497)</u>	<u>(2,365,375)</u>
Gross profit		219,789	189,164
Other income	5	776	2,811
Distribution costs		(85,252)	(81,655)
Administrative expenses		<u>(38,288)</u>	<u>(22,740)</u>
Profit from operations		97,025	87,580
Finance costs	6	<u>(27,532)</u>	<u>(34,209)</u>
Profit before taxation	6	69,493	53,371
Income tax	7	<u>(2,003)</u>	<u>(4,377)</u>
Profit for the year		<u>67,490</u>	<u>48,994</u>
Attributable to:			
Equity shareholders of the Company		67,566	48,994
Minority interests		<u>(76)</u>	<u>—</u>
Profit for the year		<u>67,490</u>	<u>48,994</u>
Earnings per share			
- Basic and diluted (HK\$)	8	<u>0.29</u>	<u>0.22</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year	67,490	48,994
Other comprehensive income for the year		
- Exchange differences on translation of financial statements of operations outside Hong Kong	<u>333</u>	<u>8,552</u>
Total comprehensive income for the year	<u><u>67,823</u></u>	<u><u>57,546</u></u>
Attributable to:		
Equity shareholders of the Company	67,899	57,546
Minority interests	<u>(76)</u>	<u>—</u>
Total comprehensive income for the year	<u><u>67,823</u></u>	<u><u>57,546</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December 2009

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		38,458	39,881
Deferred tax assets		<u>8,694</u>	<u>3,299</u>
Total non-current assets		<u>47,152</u>	<u>43,180</u>
Current assets			
Inventories		356,352	367,021
Trade and other receivables	9	807,393	646,918
Pledged deposits		144,053	90,071
Cash and cash equivalents		<u>210,883</u>	<u>132,684</u>
Total current assets		<u>1,518,681</u>	<u>1,236,694</u>
Current liabilities			
Trade and other payables	10	841,566	828,714
Bank loans		297,075	208,726
Tax payable		<u>3,663</u>	<u>3,329</u>
Total current liabilities		<u>1,142,304</u>	<u>1,040,769</u>
Net current assets		<u>376,377</u>	<u>195,925</u>
Total assets less current liabilities		<u>423,529</u>	<u>239,105</u>
Non-current liabilities			
Bank loans		<u>5,265</u>	<u>—</u>
NET ASSETS		<u>418,264</u>	<u>239,105</u>
CAPITAL AND RESERVES			
Share capital		31,125	390
Reserves		<u>386,959</u>	<u>238,715</u>
Total equity attributable to equity shareholders of the Company		418,084	239,105
Minority interests		<u>180</u>	<u>—</u>
TOTAL EQUITY		<u>418,264</u>	<u>239,105</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise stated)

1. GENERAL INFORMATION

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.

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

The Company’s shares were listed on the Stock Exchange on 4 December 2009 (the “Listing Date”).

2. BASIS OF PRESENTATION

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2008 and 2009 include the results of the Company and its subsidiaries, as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2008 and 2009 have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at 31 December 2008. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the Directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

3. REVENUE

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

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

	Years ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Sales of goods	2,564,851	2,540,370
Provision of services	<u>21,435</u>	<u>14,169</u>
	<u>2,586,286</u>	<u>2,554,539</u>

The Group's customer base is diversified and includes only one customer (2008: none) with whom transactions have exceeded 10% of the Group's revenue in 2009. Revenue from sales of goods to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately HK\$352,394,000 (2008: approximately HK\$34,333,000).

4. SEGMENT REPORTING

The Directors consider that the Group operates in a single business and geographical segment as the revenue and profit are derived entirely from the distribution of enterprise IT products and provision of services to the customers in the PRC. Accordingly, no segmental analysis is presented.

5. OTHER INCOME

	Years ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Interest income on bank deposits	776	2,683
Others	<u>—</u>	<u>128</u>
	<u>776</u>	<u>2,811</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Years ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Finance costs:		
Interest on bank borrowings wholly repayable within five years	17,640	23,087
Other borrowing costs	<u>9,892</u>	<u>11,122</u>
	<u>27,532</u>	<u>34,209</u>
Staff costs:		
Salaries and allowances	61,969	56,844
Contributions to retirement schemes	<u>4,685</u>	<u>3,701</u>
	<u>66,654</u>	<u>60,545</u>
Other items:		
Depreciation	4,765	3,917
Impairment losses on trade receivables	<u>5,171</u>	<u>3,359</u>

7. INCOME TAX

Income tax in the consolidated income statement represents:

	Years ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	699	1,334
Under-provision in respect of prior years	<u>—</u>	<u>780</u>
	<u>699</u>	<u>2,114</u>
Current tax — PRC income tax		
Provision for the year	<u>6,682</u>	<u>4,500</u>
Deferred tax		
Origination and reversal of temporary differences	(5,378)	(2,264)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	<u>—</u>	<u>27</u>
	<u>(5,378)</u>	<u>(2,237)</u>
	<u>2,003</u>	<u>4,377</u>

- (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 provisions for Hong Kong Profits Tax for the year ended 31 December 2009 were calculated at 16.5% (2008: 16.5%) of the estimated assessable profits.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC enterprise income tax at a rate of 25% (2008: 25%) on their assessable profits, except for Beijing Futong Dongfang Technology Co., Ltd. (“Futong Dongfang”).

Being a recognised Advanced and New Technology Enterprise located in the Beijing New Technology Industry Development Experimental Zone, Futong Dongfang was granted a preferential tax rate of 15% and was entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from the first profit-making year in 2004. Consequently, Futong Dongfang is subject to a tax rate of 7.5% for both years ended 31 December 2008 and 2009. Thereafter, tax rate of 15% applies.

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

The deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of Futong Dongfang and it has been determined that it is not probable that profits will be distributed out of Futong Dongfang in the foreseeable future.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity shareholders of the Company of approximately HK\$67,566,000 and weighted average number of 231,062,000 shares in issue during the year.

The weighted average number of ordinary shares is calculated as follows:

	2009 '000
Issuance of shares upon incorporation	—
Issuance of shares on Reorganisation	1,000
Effect of capitalisation issue	224,000
Issuance of shares for placing and public offering	<u>6,062</u>
	<u><u>231,062</u></u>

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to equity shareholders of the Company of approximately HK\$48,994,000 and on the assumption that 225,000,000 shares of the Company are in issue and issuable, after completion of the acquisition of Futong Technology Co. Ltd. and capitalisation issue as if the shares were outstanding throughout the year.

There were no potential dilutive ordinary shares as at 31 December 2008 and 2009.

9. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	798,846	651,066
Less: Allowance for doubtful debts	<u>(26,450)</u>	<u>(28,380)</u>
	772,396	622,686
Prepayments	15,124	7,979
Deposits	10,404	8,517
Other receivables	<u>9,469</u>	<u>7,736</u>
	<u>807,393</u>	<u>646,918</u>

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	574,596	446,500
	-----	-----
Less than 1 month past due	98,544	51,252
1 to 3 months past due	72,863	83,927
More than 3 months past due	<u>26,393</u>	<u>41,007</u>
	197,800	176,186
Amounts past due	<u>197,800</u>	<u>176,186</u>
	<u>772,396</u>	<u>622,686</u>

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

10. TRADE AND OTHER PAYABLES

	At 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	533,978	598,457
Bills payable	170,719	118,261
Amounts due to related parties	121	2,181
Receipts in advance	77,975	63,521
Other payables and accruals	<u>58,773</u>	<u>46,294</u>
	<u>841,566</u>	<u>828,714</u>

An ageing analysis of the trade payables is analysed as follows:

	At 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 60 days	528,600	549,976
Due after 60 days but within 120 days	2,928	36,429
Due after 120 days	<u>2,450</u>	<u>12,052</u>
	<u>533,978</u>	<u>598,457</u>

11. POST BALANCE SHEET EVENT

On 22 January 2010, Futong Dongfang entered into a shareholders agreement with a related party and certain third parties in establishing a jointly controlled entity in the PRC, in which Futong Dongfang will own a 40% equity interest. The company will be principally engaged in design, implementation and solution provision regarding infrastructure of information systems, provision of related services and sale and leasing of information systems products. Details of which are set out in the announcement and circular of the Company dated 22 January 2010 and 11 February 2010 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Sales of IBM's products

For the year ended 31 December 2009, 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 HK\$2,378.2 million (2008: approximately HK\$2,347.1 million) representing an increase of approximately HK\$31.1 million. The distribution of IBM's products and provision of related services remained as the Group's primary revenue generator, and generated approximately 92.0% of total revenue of the Group for the year ended 31 December 2009 (2008: approximately 91.9%).

The growth in revenue from the sales of IBM's products for the year ended 31 December 2009 was mainly due to an increase in demand for IT solutions from telecommunication corporations as they embarked on the launch of 3G services. As the financial downturn led enterprises to be more conservative in capital expenditure for acquiring new equipment to upgrade their IT systems, revenue from sales of IBM's enterprise servers declined by approximately HK\$84.2 million or 4.6% to approximately HK\$1,759.5 million for the year ended 31 December 2009. However, due to customers' needs to expand storage capacity over system upgrade, revenue from sales of IBM's system storage products and related services increased by approximately HK\$80.1 million or 26.0% to approximately HK\$387.9 million for the year ended 31 December 2009. Sales of IBM's software and related services amounted to approximately HK\$230.8 million, representing an increase of approximately HK\$35.2 million or 18.0% for the year ended 31 December 2009.

The Group was awarded the Best Value-Added Distributor from IBM, a solid testimonial of our strong contribution to IBM's business as one of the top authorised distributor in the PRC.

Sales of Oracle's products

Database management software, middleware for application servers from Oracle represent the second largest category of products distributed by the Group. For the year ended 31 December 2009, sales of Oracle's products and related services amounted to approximately HK\$101.8 million, a decline of approximately HK\$56.2 million or 35.6%. The Group had observed a stronger customer demand for Oracle's products in the second half of the year ended 31 December 2009.

Sales of other products

Other sources of revenue for the Group included sales of IT products of Huawei Symantec as its authorised distributor, including servers, storage and IT security products, as well as sales of other accessories. Revenue from these products and services increased to approximately HK\$84.8 million during the year ended 31 December 2009 (2008: approximately HK\$35.3 million) of which approximately HK\$83.3 million represented sales of Huawei Symantec's products and related services.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2009 amounted to approximately HK\$2,586.3 million (2008: approximately HK\$2,554.5 million), representing an increase of approximately 1.2% as compared with the corresponding period in 2008.

The increase was mainly attributable to increase in sales to telecommunication corporations as a result of launch of 3G services in the PRC. However, sales to financial institutions and governmental bodies decreased as a result of decrease in sales of IBM's enterprise servers which was led by (i) financial institutions cutting down their IT purchases as cost control measures when they were hit by the global financial crisis; and (ii) the completion of the Olympic Games 2008 which shrank the demand for IT products from governmental bodies and financial institutions.

Gross profit

Gross profit of the Group increased by approximately HK\$30.6 million, or approximately 16.2%, from approximately HK\$189.2 million for the year ended 31 December 2008, representing a gross profit margin of approximately 7.4%, to approximately HK\$219.8 million for the year ended 31 December 2009, representing a gross profit margin of approximately 8.5%. The Group has managed to capture a higher gross profit margin because the sales in telecommunication sector generally had a relatively higher gross profit margin as a result of sales of more high-end IBM's enterprise servers and system storage products with greater portion of services provided.

Distribution costs

During the year ended 31 December 2009, the distribution costs of the Group amounted to approximately HK\$85.3 million (representing approximately 3.3% of the revenue for the year ended 31 December 2009 and generally in line with approximately 3.2% of the revenue of the Group for the year ended 31 December 2008) which representing an increase of approximately HK\$3.6 million or 4.4% as compared to the corresponding period in 2008. Such increase was mainly the combined effect of increase in staff costs due to the increase in headcount and increase in travelling cost as a result of wider sales and services coverage.

Administrative expenses

Administrative expenses of the Group increased by approximately HK\$15.6 million or 68.7%, from approximately HK\$22.7 million for the year ended 31 December 2008 to approximately HK\$38.3 million for the year ended 31 December 2009, mainly due to (i) inclusion of professional fees amounted to approximately HK\$7.7 million associated with the placing and public offer of the shares of the Company in December 2009; and (ii) increase in salaries and allowances for the management of approximately HK\$4.6 million to cope with the business expansion of the Group.

Finance costs

Finance costs of the Group decreased by approximately HK\$6.7 million or 19.6% from approximately HK\$34.2 million for the year ended 31 December 2008 to approximately HK\$27.5 million for the year ended 31 December 2009. The decrease was mainly attributable to (i) finance cost saved from prompt settlement of the outstanding balances for purchases from IBM; and (ii) lower interest rates charged by banks.

Profit for the year attributable to equity shareholders of the Company

Profit for the year attributable to equity shareholders of the Company increased by approximately HK\$18.6 million or 38.0%, from approximately HK\$49.0 million for the year ended 31 December 2008 to approximately HK\$67.6 million for the year ended 31 December 2009. The increase in profit for the year attributable to equity shareholders of the Company was mainly attributable to increase in gross profit margin and savings in finance costs.

LIQUIDITY AND FINANCIAL RESOURCES

On the Listing Date, 75,000,000 ordinary shares of the Company were issued and offered for subscription at an issue price of HK\$1.63 per share upon the listing of the Company's shares on the Stock Exchange. On 22 December 2009, an additional 11,250,000 ordinary shares were issued and offered for subscription upon exercise of the over-allotment option. The total proceeds from the offer for subscription amounted to approximately HK\$140.6 million before share issue expenses.

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2009, the Group had total assets of approximately HK\$1,565.8 million and had net assets of approximately HK\$418.3 million. The Group's cash and cash equivalents as at 31 December 2009 amounted to approximately HK\$210.9 million and bank borrowings amounted to approximately HK\$302.3 million. Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position was healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

As at 31 December 2009, the bank loans were repayable as follows:

	At 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year or on demand	297,075	208,726
After 1 year but within 2 years	4,178	—
After 2 years but within 5 years	1,087	—
	5,265	—
	<u>302,340</u>	<u>208,726</u>

As at 31 December 2009, approximately 35% (2008: approximately 51%) of total borrowings were at fixed interest rates.

PLEDGE OF ASSETS

As at 31 December 2009, certain assets of the Group with carrying value of approximately HK\$361.3 million (2008: approximately HK\$116.0 million) were pledged to banks for banking facilities granted to the Group and performance security guarantees issued by banks.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratio as at 31 December 2009 was approximately 22% (2008: approximately 32%). This ratio represents total bank loans less cash and cash equivalents divided by total equity.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily through sales and purchases and banking facilities that are denominated in United States dollars, a currency other than the functional currency of its subsidiary in Hong Kong.

As the Hong Kong dollars is pegged to United States dollars, the Group considers the risk of movement in exchange rates between the Hong Kong dollars and the United States dollars to be insignificant.

As at 31 December 2009, 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 further hedging facilities when necessary.

DIVIDEND

The Board does not recommend any dividend payment for the year ended 31 December 2009 (2008: Nil) at the forthcoming annual general meeting.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had 363 (2008: 316) employees in the PRC and Hong Kong. Total staff costs amounted to approximately HK\$66.7 million (2008: approximately HK\$60.5 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 HK\$115.9 million. As at 31 December 2009, the Group had used approximately HK\$60,000 for the set up of new branch offices. The remaining balance of the net proceeds was placed in short-term deposit bank accounts. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date until 31 December 2009.

OUTLOOK

It is the PRC government's policy to encourage the development of the IT industry in the PRC including the promotion of IT applications to enhance productivity in various enterprises, rolling out e-government services as well as other public services, developing an advanced cultural network, nurturing a digital economy, improving information-based facilities in order to enhance the competitiveness of the IT industry in the PRC. The PRC should continue as a relatively vibrant market for IT vendors who can help IT users to achieve efficiency and productivity gains. The Group is well positioned within an industry sector that is steadily growing.

Leveraging on extensive experience of the management team of the Group as a leading provider of quality enterprise IT products, cost effective IT solutions and integrated IT technical support services, the Group intends to enhance its market leading position through (i) extension of its sales network and coverage and diversification of its product distribution portfolio; (ii) broadening of its product sourcing network; and (iii) expansion of its IT services in the PRC.

As at the date of this announcement, the Group has set up two new branch offices in Kunming and Ha'erbin to broaden the Group's network of sales and technical support coverage in the PRC so to reinforce support and response to customers, and thus enhance customer satisfaction. The Group plans to set up three new branch offices in Changsha, Shijiazhuang and Nanning in 2010 to strengthen its establishment in the PRC.

Furthermore, the formation of joint venture with Centrin Data Systems Co., Ltd. is also expected to enhance the Group's ability in providing IT technical support services and expand its range of services, with an aim to generate better return for our shareholders.

CORPORATE GOVERNANCE

The shares of the Company commenced trading on the Stock Exchange on the Listing Date. Since the Listing Date until 31 December 2009, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Code on Corporate Governance Practices as stipulated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the deviations from code provision A.2.1.

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

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding 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 from the Listing Date to 31 December 2009.

AUDIT COMMITTEE

The Group’s audited consolidated results for the year ended 31 December 2009 have been reviewed by its audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

SCOPE OF WORK PERFORMED BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2009 annual report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 31 March 2010

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.