



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



2016 Interim Report

企业级信息产品及解决方案提供商

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## RESULTS

	Six-month period ended 30 June	
	2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
Revenue	1,565,229	1,046,698
Profit from operations	43,629	39,981
Finance costs	(17,217)	(20,533)
Gain recognised on disposal of interests in an associate	—	94
Share of losses of associates	(830)	(405)
Profit before tax	25,582	19,137
Income tax (expenses) credit	(6,636)	2,985
Profit for the period	18,946	22,122
Earnings per share		
— Basic and diluted (RMB)	0.06	0.07

## ASSETS AND LIABILITIES

	At 30 June	At 31 December
	2016 RMB'000 Unaudited	2015 RMB'000 Audited
Total assets	1,704,380	1,779,297
Total liabilities	(1,120,687)	(1,207,550)
NET ASSETS	583,693	571,747



## 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 own brand enterprise IT software and hardware 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 2016 (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 RMB439.4 million (2015: approximately RMB386.4 million, this comparative figure was restated by reclassifying RMB39.9 million, being the revenue from sales of low-end servers, to the “sales of other products” category, with IBM having sold this product line to Lenovo in 2014), an increase of approximately RMB53.0 million or 13.7% as compared with the corresponding period in 2015. The sales of IBM products and provision of related services remained a primary revenue generator of the Group and accounted for approximately 28.1% of the total revenue of the Group for the Period (2015: approximately 36.9%).

### Sales of Huawei products

Revenue from sales of Huawei products continued to grow strongly during the Period, surpassing that of IBM products, hence Huawei products has become the major revenue generator of the Group. This business, which included sales of servers, storage and cloud computing products, reported strong growth the two years past and the growth momentum has continued. For the Period under review, it saw a leap of 124.6% in revenue, representing an increase of RMB270.8 million to approximately RMB488.1 million (2015: approximately RMB217.3 million). The amount accounted for approximately 31.2% of the Group’s total revenue for the Period (2015: approximately 20.8%).

### 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 RMB203.0 million (2015: approximately RMB142.1 million), an increase of 42.9% as compared with the corresponding period of 2015. The amount accounted for approximately 13.0% of the Group’s total revenue (2015: approximately 13.6%).

### 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 RMB291.3 million, an increase of approximately RMB140.2 million or 92.8% (2015: approximately RMB151.1 million, this comparative figure was restated as mentioned above). Among the different products in this income category, the revenue from sales of Sugon products increased a marked RMB158.9 million, close to 20 times the amount in the last corresponding period, to approximately RMB166.9 million. Revenue from sales of products in this category accounted for approximately 18.6% of the Group’s total revenue for the Period (2015: approximately 14.4%).

### Provision of services

During the Period, the revenue from provision of services amounted to approximately RMB143.4 million (2015: approximately RMB149.8 million), representing approximately 9.2% of the Group's total revenue (2015: approximately 14.3%).

## FINANCIAL REVIEW

### Revenue

For the Period under view, revenue of the Group increased by approximately RMB518.5 million or a significant 49.5% as compared with the corresponding period in 2015, to approximately RMB1,565.2 million (2015: approximately RMB1,046.7 million). The increase was mainly due to the significant increases in sales of products of Huawei, Sugon and Oracle, which reveals that the market demands for domestic brand products continued to be strong, and that of Oracle products was recovering gradually after a decline in the last year.

### Gross profit

Gross profit of the Group increased by approximately RMB13.3 million or 11.1% to approximately RMB132.6 million for the Period (2015: approximately RMB119.3 million). Gross profit ratio decreased from 11.4% to 8.5%, the change in gross profit ratio was understandable as the reliance of the sales mix of the Group was shifting from traditional overseas brand IT products to domestic brand products that face keen competition in price, however, the Group was able to counter price pressure with sales quantities and the shift in sales focus has given it opportunities to develop new markets and customers.

### Other income, other gains and losses

It comprises mainly interest income from bank deposits, foreign exchange gain, government grants and impairment loss on trade receivables. During the Period, net losses from other income, other gains and losses amounted to approximately RMB9.4 million (2015: approximately RMB3.3 million), representing an increase of approximately RMB6.1 million. The increase in losses was mainly due to the decrease in bank interest income of approximately RMB3.4 million as lesser pledged deposits were placed in the banks as security deposits due to certain bank borrowings have been fully settled last year. Furthermore, the increase in losses was also attributable to the increments in both impairment loss on trade receivables and foreign exchange losses.

### Selling and distribution expenses

For the Period under review, selling and distribution expenses of the Group amounted to approximately RMB59.9 million (2015: approximately RMB56.9 million), representing an increase of approximately 5.4% compared with the corresponding period in 2015. The increase was mainly due to a rise in staff costs with the Group recruiting more sales and technical personnel with the right talents to support the rapid expansion of sales of domestic brand IT products.

### Administrative expenses

Administrative expenses of the Group for the Period amounted to approximately RMB19.6 million (2015: approximately RMB19.1 million), representing an increase of approximately 2.6% compared with the corresponding period in 2015. The increase was mainly due to the increase in back-office staff cost and PRC stamp duty, because of the business development and the volume of sales and purchase contracts increased during the Period.



## Finance costs

Finance costs of the Group continued to decrease by approximately RMB3.3 million or 16.1% from approximately RMB20.5 million for the six-month period ended 30 June 2015 to approximately RMB17.2 million for the Period. The decrease was owed mainly to the improved cash flow and less borrowing during the Period.

## Income tax expenses

With reference to the tax issue mentioned in the 2015 interim report under the section "Management Discussion and Analysis" with heading "Income Tax Expenses", there was a change in income tax rate from 15% to 25% for Beijing Futong Dongfang Technology Co., Ltd. ("**Futong Dongfang**"), a PRC subsidiary of the Company. As a result of the recalculation of deferred tax due to the income tax rate change, approximately RMB9.0 million additional deferred tax assets were credited to and off-set the income tax expenses of the Group in the corresponding period of 2015.

With reference to the tax issue mentioned in the 2015 annual report under the section "Management Discussion and Analysis" with heading "Income Tax Expenses", Futong Dongfang is still in negotiation with the relevant tax authorities to recover the penalty and extra tax, and to reinstate its entitlement to the preferential income tax rate as at the date of this announcement. Thus, Futong Dongfang continued to use an income tax rate of 25% to calculate its income tax provision for the Period.

## Profit for the period attributable to owners of the Company

During the Period under review, profit attributable to owners of the Company was approximately RMB19.4 million, representing a decrease of approximately RMB2.8 million, or 12.4%, from approximately RMB22.1 million of the corresponding period in 2015. The decrease was mainly due to the combined effects of the deferred tax assets adjustment in the income tax expenses last year and the increase in net losses from other income, other gains and losses, and the increase in operation costs as above-mentioned.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 30 June 2016, the Group had total assets of approximately RMB1,704.4 million and had net assets of approximately RMB583.7 million (31 December 2015: approximately RMB1,779.3 million and approximately RMB571.7 million, respectively). The Group's bank balances and cash as at 30 June 2016 amounted to approximately RMB74.4 million (approximately RMB98.3 million as at 30 June 2015 and approximately RMB341.8 million as at 31 December 2015). Bank borrowings amounted to approximately RMB389.1 million (31 December 2015: approximately RMB463.3 million). Taking into account the cash on hand and recurring cash flows from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 30 June 2016, none (31 December 2015: approximately 7.2%) of bank borrowings were at fixed interest rates.

As at 30 June 2016, bank loans 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 2016, certain assets of the Group with carrying value of approximately RMB183.6 million (31 December 2015: approximately RMB186.3 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 ratio as at 30 June 2016 was approximately 42.9 % (as at 31 December 2015 was 9.3%). This ratio was calculated as total bank 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 has entered into a RMB/USD foreign exchange forward contract to hedge the recent volatility in RMB/USD. The foreign exchange forward contract has been fully settled as at the end of the Period. The management will continue to monitor closely its foreign currency exposure and requirements and to 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 2016 (2015: nil).

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had in total 543 (31 December 2015: 508) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB53.7 million (for the six-month period ended 30 June 2015: approximately RMB48.7 million).

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



## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

After deducting share issuance expenses, the net proceeds from the initial public offering of the Company's shares in December 2009 amounted to approximately RMB102.1 million. As at 30 June 2016, the Group had used approximately RMB10.7 million for setting up of 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 centers, approximately RMB10.2 million for setting up of training centers, approximately RMB10.2 million for general working capital purposes of the Group, and approximately RMB9.3 million for the investment in research and development of self-branded software and hardware enterprises IT products. The remaining balance of the net proceeds was placed in bank deposit accounts. The Group will apply the remaining net proceeds in the manner set out in the announcement of the Company dated 11 November 2015 in relation to the change in use of proceeds.

## OUTLOOK

The mainland economy was stable in the first half of 2016, with growth in gross domestic production ("**GDP**") maintained at 6.7% in the second quarter of 2016, and overall GDP growth in the first half year was at the same level. The stable GDP growth has been conducive to the Group growing its businesses steadily. Last year, many PRC enterprises adopted a wait-and-see attitude and scaled back their IT equipment procurement, which resulted in lagging of some expected purchase orders.

In the first half of 2016, thanks to the strong sales growth of domestic brand IT products and purchase orders picking up, the Group's total sales revenue for the Period recorded a near 50% increase against the corresponding period last year. We will continue to seize every opportunity to provide the most suitable products and services to our customers, both in the traditional value-added distribution business, or systems integration and solutions businesses.

In the second half of 2016, we will continue to enhance the capability of the team in terms of technical skills and frontline sale tactics. We will be hiring more young and studious employees, organising training, regular or as required, to equip them with knowledge of latest technology and products. At the same time, we will continue to closely monitor changes in the industry and accordingly adjust the structure of the team that it may respond promptly to new development of the industry as well as the Group's own business emphases. We hope to build a team with experienced senior staff as the backbone and energetic young employees on the frontline to provide customers with optimum quality services helping them solve problems in the field of information technology.

The Group believes keeping pace with the times is the only way for it to grab first opportunities in the fiercely competitive market. Going forward, we will continue to invest in research and development of our own products and through close communication with our customers to know their practical needs and demands, and constantly develop and improve our products, thus enhance the overall competitiveness of the Group.

# Corporate Governance and Other Information

## 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 (the "**Listing Rules**") on 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**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' 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.

## CHANGES IN DIRECTORS' INFORMATION

With effect from 1 April 2016, Mr. Lee Kwan Hung has resigned as an independent non-executive director of Walker Group Holdings Limited, the shares of which have been listed on the Stock Exchange.

Other than the information disclosed above, there were no other changes in Directors' information since the disclosure made in the 2015 annual report of the Company, that were required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## AUDIT COMMITTEE

The Group's unaudited consolidated results for the six-month period ended 30 June 2016 and this 2016 interim report have been reviewed by its audit committee, which was of the opinion that the preparation of such results and report complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## PURCHASE, SALE AND REDEMPTION OF THE SHARES

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



## SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The basis of eligibility of any of the eligible persons to the grant of share options shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The Share Option Scheme became effective on 11 November 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board, which must not be more than 10 years from the date of the grant. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share.

The details of the principal terms and conditions of the Share Option Scheme were summarised in the section headed "Share Option Scheme" in Appendix VI to the prospectus of the Company dated 24 November 2009.

On 15 June 2011, 1,900,000 share options were granted by the Company under the Share Option Scheme. As at 24 August 2016, being the date of this interim report of the Company ("**Interim Report Date**"), there were 900,000 options outstanding.

On 24 August 2015, 900,000 share options were granted by the Company under the Share Option Scheme. As at the Interim Report Date, there were 900,000 options outstanding.

On 18 January 2016, 2,200,000 share options were granted by the Company under the Share Option Scheme. As at the Interim Report Date, there were 2,200,000 options outstanding.

The total number of outstanding share options as at the Interim Report Date was 4,000,000 which represent approximately 1.3% of the total number of issued shares of the Company as at that date.

As at the Interim Report Date, the total number of shares of the Company available for issue pursuant to the grant of further options under the Share Option Scheme is 26,000,000 shares, representing approximately 8.35% of the total number of issued shares of the Company as at the Interim Report Date.

**DETAILS OF SHARE OPTIONS GRANTED BY THE COMPANY**

Category	Date of grant	Exercise period	Exercise price HK\$	Number of share options					
				Outstanding as at 1 January 2016	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30 June 2016
<b>Directors</b>									
Mr. Lee Kwan Hung	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 1)	300,000	—	—	—	—	300,000
	24 August 2015	24 August 2015- 23 August 2025	1.172 (Note 2)	300,000	—	—	—	—	300,000
Mr. Yuan Bo	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 1)	300,000	—	—	—	—	300,000
	24 August 2015	24 August 2015- 23 August 2025	1.172 (Note 2)	300,000	—	—	—	—	300,000
Mr. Ho Pak Tai Patrick	15 June 2011	15 December 2011- 14 June 2021	1.81 (Note 1)	300,000	—	—	—	—	300,000
	24 August 2015	24 August 2015- 23 August 2025	1.172 (Note 2)	300,000	—	—	—	—	300,000
<b>Sub-total</b>				1,800,000	—	—	—	—	1,800,000
<b>Employees</b>									
	15 June 2011	15 December 2011- 14 June 2021 (Note 3)	1.81 (Note 1)	—	—	—	—	—	—
	18 January 2016	18 January 2016- 17 January 2026 (Note 4)	1.004 (Note 5)	—	2,200,000	—	—	—	2,200,000
<b>Sub-total</b>				—	2,200,000	—	—	—	2,200,000
<b>Total</b>				1,800,000	2,200,000	—	—	—	4,000,000



Notes:

1. The closing price of the shares of the Company immediately before the date of grant was HK\$1.8.
2. The closing price of the shares of the Company immediately before the date of grant was HK\$1.1.
3. These options granted to the eligible employees were lapsed in 2015 due to the resignation of the relevant eligible employees.
4. The options are exercisable from 18 January 2016 to 17 January 2026 (both days inclusive) subject to the following vesting periods.
  - (1) up to 30% of the options commencing on 18 January 2016;
  - (2) up to 60% of the options commencing on 18 January 2017; and
  - (3) up to 100% of the options commencing on 18 January 2018.
5. The closing price of the shares of the Company immediately before the date of grant was HK\$0.990.

Details of the value of share options granted are set out in note 16 to the consolidated financial statements.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (i) Long positions in the shares of the Company:

Name of Director	Capacity/nature of interest	Number of Ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Beneficial owner/interest in controlled corporations	219,054,000 (Notes 1, 2, 3 and 4)	70.38
Zhang Yun	Beneficial owner/interest in controlled corporation	42,869,650 (Notes 2 and 5)	13.77

#### (ii) Long positions in the underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of underlying shares held	Approximate percentage of the Company's issued share capital (%)
Lee Kwan Hung	Beneficial owner	600,000 (Note 6)	0.19
Yuan Bo	Beneficial owner	600,000 (Note 6)	0.19
Ho Pak Tai Patrick	Beneficial owner	600,000 (Note 6)	0.19



## (iii) Long positions in the shares of China Group Associates Limited:

Name of Director	Capacity/nature of interest	Number of shares held	Approximate percentage of issued share capital (%)
Chen Jian	Beneficial owner	100	100.00

### Notes:

- 153,947,250 of these shares are held by China Group Associates Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by China Group Associates Limited.
- 42,631,650 of these shares are held by Rich China Investments And Trading Ltd., the entire issued share capital of which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. By virtue of the SFO, both Mr. Chen Jian and Ms. Zhang Yun are deemed to be interested in the shares held by Rich China Investments And Trading Ltd..
- 21,435,100 of these shares are held by Rich World Development Ltd., the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by Rich World Development Ltd..
- 1,040,000 shares of the Company are held by Mr. Chen Jian in his personal interest.
- 238,000 shares of the Company are held by Ms. Zhang Yun in her personal interest.
- These shares are derived from the interest in share options granted by the Company, details of which are set out in the section headed "Share Option Scheme".

Save as disclosed above and those as disclosed under the heading "Discloseable Interests and Short Positions of Substantial Shareholders and Other Persons under the SFO" below, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2016.

### Discloseable Interests and Short Positions of Substantial Shareholders and Other Persons Under the SFO

#### (A) Substantial shareholders

As at 30 June 2016, the following persons or corporations (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or chief executive of the Company:

#### *Long positions in the shares of the Company:*

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital (%)</b>
China Group Associates Limited (Note 1)	Beneficial owner	153,947,250	49.46
Rich China Investments And Trading Ltd. (Note 2)	Beneficial owner	42,631,650	13.70
Ms. Zhang Xin (Note 3)	Interest of spouse	219,054,000	70.38



## (B) Other persons

As at 30 June 2016, save for the person or entities disclosed in sub-section (A) above, the following persons or corporations (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or chief executive of the Company:

### *Long positions in the shares of the Company:*

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital (%)</b>
Mr. Li Xiaoyong	Beneficial owner	26,440,000	8.49
Rich World Development Ltd. (Note 4)	Beneficial owner	21,435,100	6.89

Notes:

1. China Group Associates Limited is a company incorporated in the British Virgin Islands ("BVI") with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of China Group Associates Limited.
2. Rich China Investments And Trading Ltd. is a company incorporated in the BVI with limited liability which is owned as to approximately 66.67% by Mr. Chen Jian and approximately 33.33% by Ms. Zhang Yun. Ms. Zhang Yun is the sole director of Rich China Investments And Trading Ltd..
3. Ms. Zhang Xin is the spouse of Mr. Chen Jian. Under the SFO, Ms. Zhang Xin is taken to be interested in the same number of shares in which Mr. Chen Jian is interested.
4. Rich World Development Ltd. is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of Rich World Development Ltd..

Save as disclosed above, there was no person or corporation, other than a Director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO as at 30 June 2016.

# Deloitte. 德勤

## TO THE BOARD OF DIRECTORS OF FUTONG TECHNOLOGY DEVELOPMENT HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Futong Technology Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 17 to 35, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial (“**IAS 34**”) issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

#### **Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong

24 August 2016

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2016

	NOTES	Six-month period ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>1,565,229</b>	1,046,698
Cost of sales and services		<b>(1,432,662)</b>	(927,387)
<b>Gross profit</b>		<b>132,567</b>	119,311
Other income and gains	5	<b>3,359</b>	6,477
Other losses	5	<b>(12,746)</b>	(9,799)
Selling and distribution expenses		<b>(59,946)</b>	(56,891)
Administrative expenses		<b>(19,605)</b>	(19,117)
<b>Profit from operations</b>		<b>43,629</b>	39,981
Finance costs	6	<b>(17,217)</b>	(20,533)
Gain recognised on disposal of interests in an associate		—	94
Share of losses of associates		<b>(830)</b>	(405)
<b>Profit before tax</b>	7	<b>25,582</b>	19,137
Income tax (expenses) credit	8	<b>(6,636)</b>	2,985
<b>Profit and total comprehensive income for the period</b>		<b>18,946</b>	22,122
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>19,377</b>	22,129
Non-controlling interests		<b>(431)</b>	(7)
		<b>18,946</b>	22,122
<b>Earnings per share (RMB)</b>	10		
Basic and diluted		<b>0.06</b>	0.07

# Condensed Consolidated Statement of Financial Position

At 30 June 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	26,350	27,762
Other intangible assets		4,652	2,509
Interests in associates		10,894	11,724
Deferred tax assets		33,769	36,097
		<b>75,665</b>	78,092
<b>CURRENT ASSETS</b>			
Inventories		342,689	360,680
Trade and other receivables	12	1,046,485	831,230
Pledged deposits		165,102	167,472
Bank balances and cash		74,439	341,823
		<b>1,628,715</b>	1,701,205
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	727,579	740,820
Bank borrowings	14	389,127	463,331
Tax payable		3,981	3,399
		<b>1,120,687</b>	1,207,550
<b>NET CURRENT ASSETS</b>		<b>508,028</b>	493,655
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>583,693</b>	571,747
<b>CAPITAL AND RESERVES</b>			
Share capital	15	27,415	27,415
Reserves		551,044	538,667
Equity attributable to owners of the Company		<b>578,459</b>	566,082
Non-controlling interests		5,234	5,665
		<b>583,693</b>	571,747

# Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2016



	Attributable to owners of the Company								
	Share capital	Share premium	Merger reserve	Statutory reserve	Share options reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015 (Audited)	27,415	81,538	219	69,413	1,102	372,620	552,307	6,033	558,340
Profit and total comprehensive income for the period	—	—	—	—	—	22,129	22,129	(7)	22,122
Transfer of equity-settled share-based payment (note 16)	—	578	—	—	(578)	—	—	—	—
Appropriations	—	—	—	143	—	(143)	—	—	—
Dividend paid (note 9)	—	—	—	—	—	(9,820)	(9,820)	—	(9,820)
Balance at 30 June 2015 (Unaudited)	27,415	82,116	219	69,556	524	384,786	564,616	6,026	570,642
Balance at 1 January 2016 (Audited)	<b>27,415</b>	<b>81,538</b>	<b>219</b>	<b>69,702</b>	<b>751</b>	<b>386,457</b>	<b>566,082</b>	<b>5,665</b>	<b>571,747</b>
Profit and total comprehensive income for the period	—	—	—	—	—	<b>19,377</b>	<b>19,377</b>	<b>(431)</b>	<b>18,946</b>
Recognition of equity-settled share-based payment (note 16)	—	—	—	—	<b>376</b>	—	<b>376</b>	—	<b>376</b>
Appropriations	—	—	—	—	—	—	—	—	—
Dividend paid (note 9)	—	—	—	—	—	<b>(7,376)</b>	<b>(7,376)</b>	—	<b>(7,376)</b>
Balance at 30 June 2016 (Unaudited)	<b>27,415</b>	<b>81,538</b>	<b>219</b>	<b>69,702</b>	<b>1,127</b>	<b>398,458</b>	<b>578,459</b>	<b>5,234</b>	<b>583,693</b>

# Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2016

	<b>Six-month period ended 30 June</b>	
	<b>2016</b> <b>RMB'000</b> <b>(Unaudited)</b>	2015 RMB'000 (Unaudited)
Net cash (used in) from operating activities	<b>(172,704)</b>	81,852
Net cash used in investing activities		
Payments for property, plant and equipment	<b>(2,211)</b>	(3,493)
Research and development costs paid	<b>(2,486)</b>	—
Proceeds on disposal of property, plant and equipment	<b>1,780</b>	—
Purchases of short term investments	—	(47,000)
Withdrawal of short term investments	—	42,550
Disposal of interests in an associate	—	633
Other investing cash flows	<b>1,217</b>	4,569
	<b>(1,700)</b>	(2,741)
Net cash used in financing activities		
Proceeds from bank borrowings	<b>419,377</b>	315,100
Payment of bank borrowings	<b>(493,581)</b>	(606,845)
Withdrawal of pledged bank deposits	<b>54,628</b>	102,567
Placement of pledged bank deposits	<b>(52,258)</b>	(39,184)
Interest paid	<b>(15,987)</b>	(20,926)
Dividend paid	<b>(7,376)</b>	(9,820)
	<b>(95,197)</b>	(259,108)
Net decrease in cash and cash equivalents	<b>(269,601)</b>	(179,997)
Cash and cash equivalents at 1 January	<b>341,823</b>	278,414
Effect of foreign exchange rate changes	<b>2,217</b>	(92)
Cash and cash equivalents at 30 June	<b>74,439</b>	98,325



## 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 considered 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 34 (“**IAS 34**”) *Interim Financial Reporting* issued by the International Accounting Standards Board 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

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 International Accounting Standards Board (“**IASB**”):

Amendments IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments IFRS 1	Disclosure Initiative
Amendments IFRS 16 and IFRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments IFRS 16 and IFRS 41	Agriculture: Bearer Plants
Amendments IFRS 10, IFRS 12 and IFRS 28	Investment Entities: Applying the Consolidation Exception
Amendments IFRSs	Annual Improvements IFRSs 2012-2014 Cycle

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.

## Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2016

### 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 the customers in the PRC. Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to the senior executive management of the Company for the purpose of resources allocation and assessment of performance are 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of goods	1,421,781	896,905
Provision of services	143,448	149,793
	<b>1,565,229</b>	1,046,698

## 5. OTHER INCOME, GAINS AND LOSSES

	Six-month period ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Other income and gains:		
Interest income	1,217	4,569
Government grants (note)	1,393	1,460
Gain on disposal of property, plant and equipment	692	—
Others	57	448
	<b>3,359</b>	6,477
Other losses:		
Impairment loss on trade receivables	(9,908)	(8,175)
Write-off of trade receivables	—	(112)
Net foreign exchange loss	(2,828)	(1,452)
Others	(10)	(60)
	<b>(12,746)</b>	(9,799)

Note: These government grants are 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest expenses on:		
Bank loans and other borrowings wholly repayable within five years	17,217	20,533

## Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2016

### 7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

	Six-month period ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Staff cost:		
Salary and allowance	47,955	43,709
Contributions to retirement benefit schemes	5,367	5,017
Equity-settled share-based payment	376	—
	<b>53,698</b>	48,726
Other items:		
Carrying amount of inventories sold	1,333,986	828,490
Write-down (write-back) and write-off of inventories, included in cost of sales	1,973	(6,801)
	<b>1,335,959</b>	821,689
Operating lease charges in respect of properties	6,176	6,510
Depreciation of property, plant and equipment	2,535	3,131

## 8. INCOME TAX EXPENSES (CREDIT)

	Six-month period ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax:		
Hong Kong	2,259	4,229
PRC Enterprise Income Tax	2,049	2,490
Additional provision (note (iv))	—	2,618
	<b>4,308</b>	9,337
Deferred tax:		
Change in tax rate (note (iv))	—	(9,025)
Charge (credit) for the period	2,328	(3,297)
	<b>2,328</b>	(12,322)
	<b>6,636</b>	(2,985)

Note:

- (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 2016 and 2015 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, except as described in (iv) below, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.
- (iv) In previous periods, a subsidiary of the Group operating in China received a tax notice from relevant tax authority for suspending its entitlement to the preferential income tax rate of 15% that was originally applicable to calendar year 2014 onwards. According to the notice, the subsidiary had made additional provision for income tax using income tax rate of 25% for the calendar year 2014 and calculated income tax using income tax rate of 25% for the year 2015 and the six-month period ended 30 June 2016.

## Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2016

### 9. DIVIDENDS

During the current interim period, a final dividend of HK2.8 cents per share in respect of the year ended 31 December 2015 (six-month period ended 30 June 2015: HK4.0 cents per share in respect of year ended 31 December 2014) 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\$8,715,000 (approximately RMB7,376,000) (six-month period ended 30 June 2015: HK\$12,450,000 (approximately RMB9,820,000)).

The directors have determined that no dividend will be paid in respect of the current interim period (six-month period ended 30 June 2015: nil).

### 10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six-month period ended 30 June 2016 is based on the profit for the period attributable to owners of the Company of RMB 19,377,000 (six-month period ended 30 June 2015: RMB22,129,000) and 311,250,000 (six-month period ended 30 June 2015: 311,250,000) shares in issue during the period.

The computation of diluted earnings per share does not assume the exercise of the Company's share option A (as set out in note 16) because the exercise price of the share option was higher than the average market price of the Company's shares for the six-month periods ended 30 June 2016 and 2015. The quantity of the ordinary shares deemed to be issued for no consideration in respect of share option C and share option D (as set out in note 16) is 1,560,000 shares, which have immaterial impact on basic earnings per share.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2016, the Group spent RMB2,211,000 (six-month period ended 30 June 2015: RMB3,493,000) to acquire furniture, fittings and equipment.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Trade receivables	<b>1,028,845</b>	776,581
Bills receivables	<b>15,134</b>	44,463
Less: allowance for doubtful debts	<b>(49,975)</b>	(40,067)
	<b>994,004</b>	780,977
Prepayment to suppliers	<b>36,743</b>	35,416
Deposits	<b>13,444</b>	13,310
Other receivables	<b>2,294</b>	1,527
	<b>1,046,485</b>	831,230

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:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Current	<b>586,712</b>	585,842
Amount past due:		
— Less than one month past due	<b>149,058</b>	33,483
— 1 to 3 months past due	<b>116,017</b>	46,419
— More than 3 months past due	<b>142,217</b>	115,233
	<b>407,292</b>	195,135
	<b>994,004</b>	780,977

## Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2016

### 13. TRADE AND OTHER PAYABLES

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Trade payables	<b>348,656</b>	342,316
Bills payables	<b>228,240</b>	234,463
Receipts in advance	<b>88,328</b>	142,506
Other payables and accruals	<b>62,355</b>	21,535
	<b>727,579</b>	740,820

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:

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Trade payables		
0-60 days	<b>287,423</b>	215,497
60-90 days	<b>7,111</b>	6,736
Over 90 days	<b>54,122</b>	120,083
	<b>348,656</b>	342,316
Bills payables, aged within 120 days	<b>228,240</b>	234,463

## 14. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB419,377,000 (six-month period ended 30 June 2015: RMB315,100,000) and repaid RMB493,581,000 (six-month period ended 30 June 2015: RMB606,845,000). The loans carry interest at variable market rates varied from 3.01% to 6.50% (31 December 2015: 2.39% to 6.50%) per annum.

## 15. SHARE CAPITAL

	<b>Number of shares</b> '000	<b>Share capital</b> HK\$'000
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016		
Ordinary Shares of HK\$0.1 each	2,000,000	200,000
Issued and fully paid:		
At 1 January 2015, 31 December 2015 and 30 June 2016	311,250	31,125
		RMB'000
Presented as		27,415

## 16. SHARE-BASED PAYMENT TRANSACTION

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 11 November 2009 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the board of directors shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

On 15 June 2011, the Company announces that a total of 1,900,000 share options (the "**2011 Share Options**") to subscribe for shares of HK\$0.10 each in the capital of the Company (the "**Shares**") were granted by the Company to the independent non-executive directors and eligible employees of the Company (collectively, the "**2011 Grantees**"), subject to acceptance of the 2011 Grantees, under the Share Option Scheme. A summary of the grant is set out below:

Exercise price of the 2011 Share Options	HK\$1.81 per Share
Closing price of the Shares on the date of grant	HK\$1.80
Validity period of the 2011 Share Options	Ten (10) years, commencing on 15 June 2011
Vesting date of the 2011 Share Options granted to independent non-executive directors of the Company (" <b>Share Options A</b> ")	100% of the 2011 Share Options vested on 15 December 2011
Vesting date of the 2011 Share Options granted to eligible employees of the Company (" <b>Share Options B</b> ") *	30%, 30% and 40% of the 2011 Share Options vested on each of 15 December 2011, 15 December 2012 and 15 December 2013, respectively

\* The Share Options B were lapsed in 2015 due to the resignation of the relevant eligible employees.

## 16. SHARE-BASED PAYMENT TRANSACTION *(Continued)*

On 24 August 2015, the Company announces that a total of 900,000 share options (the “**2015 Share Options**”) to subscribe for the Shares were granted by the Company to the independent non-executive directors of the Company (the “**2015 Grantees**”), subject to acceptance of the 2015 Grantees, under the Share Option Scheme. A summary of the grant is set out below:

Exercise price of 2015 Share Options	HK\$1.172 per Share
Closing price of the Shares on the date of grant	HK\$0.90
Validity period of the 2015 Share Options	Ten (10) years, commencing on 24 August 2015
Vesting date of the 2015 Share Options granted (“ <b>Share Options C</b> ”)	100% of the 2015 Share Options vested on 24 August 2015

On 18 January 2016, the Company announces that a total of 2,200,000 share options (the “**2016 Share Options**”) to subscribe for the Shares were granted by the Company to the eligible employees of the Group (the “**2016 Grantees**”), subject to the acceptance of the 2016 Grantees, under the Share Option Scheme. A summary of the grant is set out below:

Exercise price of the 2016 Share Options	HK\$1.004 per Share
Closing price of the Shares on the date of grant	HK\$0.990
Validity period of the 2016 Share Options	Ten (10) years, commencing on 18 January 2016
Vesting date of the 2016 Share Options granted (“ <b>Share Options D</b> ”)	30%, 30% and 40% of the 2016 Share Options granted will vest on 18 January 2016, 18 January 2017 and 18 January 2018, respectively

None of the share options were exercised during the current and prior interim period.

The fair values of Share Options A, Share Options B, Share Options C and Share Options D determined at the dates of grant using the Binomial Model option pricing model were RMB523,000 (equivalent to HK\$630,000), RMB579,000 (equivalent to HK\$706,000), RMB231,000 (equivalent to HK\$280,000) and RMB712,000 (equivalent to HK\$847,000) respectively.

The Group recognised the total expense of RMB376,000 for the six-month period ended 30 June 2016 (the six-month period ended 30 June 2015: nil) in relation to Share Options D granted by the Company.

## Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2016

### 17. COMMITMENTS

At the end of each reporting period, the Group was committed to make future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	6,215	8,809
In the second to fifth year inclusive	2,010	3,396
	<b>8,225</b>	12,205

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, at the end of which all terms are renegotiated. None of the leases includes contingent rentals.

### 18. RELATED PARTY TRANSACTIONS

#### (a) Name and relationship with related parties:

The Group entered into the following significant related party transactions during the period.

Name	Relationship
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by Mr Chen Jian, a director of the Company
富通金信有限公司 Futong Technology Advanced Business Service Limited ("Futong Technology")	Associate of the Company
數普金通數據技術有限公司 Centrin-FC Data Device Technology Co. Ltd. ("Centrin-FC")*	Associate of the Company
北京富通金信計算機系統服務有限公司 Beijing Futong Jinxin Computer System Service Co. Ltd. ("Beijing Futong Jinxin")*	Associate of the Company

\*The English translation of the company names is for reference only. The official names of these entities are in Chinese.

## 18. RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Recurring transactions

	Six-month period ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales to Beijing Futong Jinxin	2,150	3,041
Sales to Centrin-FC	531	180
Sales to Beijing Deep Thought	—	768
Purchase from Beijing Futong Jinxin	290	1,960
Purchase from Beijing Deep Thought	—	3,576
Purchase from Centrin-FC	—	3,511

### (c) Amounts due from/to related parties

At the end of the reporting period, the Group had the following balances with related parties:

	30 June	31 December
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Trade receivables from (note):		
Beijing Futong Jinxin	1,229	1,553
Centrin-FC	219	301
	1,448	1,854

## Notes to the Condensed Consolidated Financial Statements

For the six-month period ended 30 June 2016

### 18. RELATED PARTY TRANSACTIONS *(Continued)*

#### (c) Amounts due from/to related parties *(Continued)*

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
Trade payables to (note):		
Beijing Futong Jinxin	<b>1,272</b>	4,158
Centrin-FC	<b>57</b>	4,177
Beijing Deep Thought	<b>—</b>	408
	<b>1,329</b>	8,743
Other receivables from (note):		
Futong Technology	<b>181</b>	212
Other payable to (note):		
Beijing Futong Jinxin	<b>916</b>	866
Beijing Deep Thought	<b>458</b>	458
	<b>1,374</b>	1,324
Prepayment to suppliers (note):		
Beijing Futong Jinxin	<b>1,476</b>	2,318
Centrin-FC	<b>1,450</b>	1,069
	<b>2,926</b>	3,387
Receipts in advance (note):		
Beijing Futong Jinxin	<b>499</b>	2,171

Note:

Amounts due from/to related parties are unsecured, interest free and expected to be recovered/settled within one year.



## 18. RELATED PARTY TRANSACTIONS *(Continued)*

### (d) Key management personnel remuneration

The remuneration of directors of the Company and other members of key management during the period were as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries and other benefits	<b>5,412</b>	6,536
Retirement benefits scheme contributions	<b>266</b>	286
	<b>5,678</b>	6,822

Total remuneration was included under staff costs as set out in note 7 to the condensed consolidated financial statements.

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chen Jian (*Chairman*)

Ms. Zhang Yun (*Chief Executive Officer*)

### Independent Non-executive Directors

Mr. Lee Kwan Hung

Mr. Yuan Bo

Mr. Ho Pak Tai Patrick

## COMPANY SECRETARY

Mr. Siu Hin Leung, *HKICPA, FCCA*

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units B1901 on level 19 and B2001 on level 20 of Tower B  
Chaowaimen Office Center  
No. 26 Chaowai Street  
Chaoyang District  
Beijing, the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 929-935, 9th Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai, Hong Kong

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited  
Nanyang Commercial Bank, Ltd.  
The Hong Kong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
China CITIC Bank International Limited  
China Construction Bank (Asia) Corporation Limited  
Standard Chartered Bank (China) Limited  
HSBC Bank (China) Company Limited  
Bank of Beijing  
China Minsheng Banking Corp., Ltd.  
Ping An Bank Co., Ltd.

## LEGAL ADVISORS

*As to Hong Kong law:*  
King & Wood Mallesons

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