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 2016

HIGHLIGHTS

- Revenue of the Group for the six-month period ended 30 June 2016 amounted to approximately RMB1,565.2 million (six-month period ended 30 June 2015: approximately RMB1,046.7 million), representing an increase of approximately 49.5% as compared with the corresponding period in 2015.

- Profit before tax of the Group for the six-month period ended 30 June 2016 amounted to approximately RMB25.6 million (six-month period ended 30 June 2015: approximately RMB19.1 million), representing an increase of approximately 33.7% as compared with the corresponding period 2015.

- Profit attributable to owners of the Company for the six-month period ended 30 June 2016 amounted to approximately RMB19.4 million (six-month period ended 30 June 2015: approximately RMB22.1 million), representing a decrease of approximately 12.4% as compared with the corresponding period in 2015.

- Basic earnings per share for the six-month period ended 30 June 2016 amounted to approximately RMB0.06 (six-month period ended 30 June 2015: approximately RMB0.07).

- The Board does not recommend the payment of an interim dividend for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Futong Technology Development Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six-month period ended 30 June 2016 together with comparative figures. The condensed consolidated interim financial information has not been audited but has been reviewed by the Company's auditor and the audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

		Six-month period ended 30 June	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**1,565,229**	1,046,698
Cost of sales and services		**(1,432,662)**	(927,387)
Gross profit		**132,567**	119,311
Other income and gains	*5*	**3,359**	6,477
Other losses	*5*	**(12,746)**	(9,799)
Selling and distribution expenses		**(59,946)**	(56,891)
Administrative expenses		**(19,605)**	(19,117)
Profit from operations		**43,629**	39,981
Finance costs	*6*	**(17,217)**	(20,533)
Gain recognised on disposal of interests in an associate		**—**	94
Share of losses of associates		**(830)**	(405)
Profit before tax	*7*	**25,582**	19,137
Income tax (expenses) credit	*8*	**(6,636)**	2,985
Profit and total comprehensive income for the period		**18,946**	22,122
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**19,377**	22,129
Non-controlling interests		**(431)**	(7)
		18,946	22,122
Earnings per share (RMB)	*10*		
Basic and diluted		**0.06**	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)
NON-CURRENT ASSETS			
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
		75,665	78,092
CURRENT ASSETS			
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
		1,628,715	1,701,205
CURRENT LIABILITIES			
Trade and other payables	*13*	**727,579**	740,820
Bank borrowings		**389,127**	463,331
Tax payable		**3,981**	3,399
		1,120,687	1,207,550
NET CURRENT ASSETS		**508,028**	493,655
TOTAL ASSETS LESS CURRENT LIABILITIES		**583,693**	571,747
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**551,044**	538,667
Equity attributable to owners of the Company		**578,459**	566,082
Non-controlling interests		**5,234**	5,665
		583,693	571,747

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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 IFRS38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments IFRS 16 and IFRS41	Agriculture: Bearer Plants
Amendments IFRS 10, IFRS12 and IFRS28	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.

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	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods	**1,421,781**	896,905
Provision of services	**143,448**	149,793
	1,565,229	1,046,698

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

	Six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(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
	3,359	6,477

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

	Six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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)
	(12,746)	(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	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank loans and other borrowings wholly repayable within five years	**17,217**	20,533

7. **PROFIT BEFORE TAX**

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

	Six-month period ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(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**	—
	53,698	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)
	1,335,959	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	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong	**2,259**	4,229
PRC Enterprise Income Tax	**2,049**	2,490
Additional provision *(note (iv))*	—	2,618
	4,308	9,337
Deferred tax:		
Change in tax rate *(note (iv))*	—	(9,025)
Charge (credit) for the period	**2,328**	(3,297)
	2,328	(12,322)
	6,636	(2,985)

(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.

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 RMB19,377,000 (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 options granted on 15 June 2011 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.

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally specialises in providing enterprise IT infrastructure products, services and solutions in the PRC and is an industry leader in its field. It also undertakes research, development and sales of a series of 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.

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.

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

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 Director's securities transactions. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Period.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated accounts of the Group for the six-month period ended 30 June 2016 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, 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. The auditor's independent review report will be included in the 2016 interim report of the Company. The unaudited condensed consolidated accounts of the Group for the six-month period ended 30 June 2016 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 designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2016 interim report of the Company will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 24 August 2016

As at the date of this announcement, the executive Directors are Mr. Chen Jian and Ms. Zhang Yun; and the independent non-executive Directors are Mr. Lee Kwan Hung, Mr. Yuan Bo and Mr. Ho Pak Tai Patrick.