

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020

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 2020 together with comparative audited figures for the corresponding period in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	616,272	848,773
Cost of sales and services		<u>(530,484)</u>	<u>(731,149)</u>
Gross profit		85,788	117,624
Other income	6	14,979	8,687
Other gains and losses	6	(3,637)	813
Reversal of/(provision for) impairment on financial assets, net		12,692	(799)
Selling expenses		(69,979)	(76,035)
Administrative expenses		<u>(29,201)</u>	<u>(40,914)</u>
Profit from operations		10,642	9,376
Finance costs	7	<u>(297)</u>	<u>(1,471)</u>
Profit before income tax expense	8	10,345	7,905
Income tax expense	9	<u>(7,423)</u>	<u>(5,149)</u>
Profit and total comprehensive income for the year		<u>2,922</u>	<u>2,756</u>

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		2,967	2,865
Non-controlling interests		<u>(45)</u>	<u>(109)</u>
		<u>2,922</u>	<u>2,756</u>
Earnings per share			
— Basic and diluted (RMB)	<i>11</i>	<u>0.01</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>12</i>	4,614	3,496
Intangible assets		26,163	11,651
Right-of-use assets		20,662	19,171
Financial assets at fair value through profit or loss		6,563	—
Deferred tax assets		20,245	29,197
Total non-current assets		78,247	63,515
Current assets			
Inventories		19,642	22,598
Trade, bills and other receivables	<i>13</i>	145,674	197,431
Contract assets		55,067	36,197
Pledged deposits		19,058	32,788
Bank balances and cash		440,882	374,969
Total current assets		680,323	663,983
Current liabilities			
Trade and other payables	<i>14</i>	73,090	89,021
Contract liabilities		128,303	79,116
Bank borrowings		—	10,600
Lease liabilities		2,046	993
Tax payables		4,063	2,315
Total current liabilities		207,502	182,045
Net current assets		472,821	481,938
Total assets less current liabilities		551,068	545,453
Non-current liabilities			
Lease liabilities		2,295	—
NET ASSETS		548,773	545,453
CAPITAL AND RESERVES			
Share capital		27,415	27,415
Reserves		516,871	513,506
Equity attributable to owners of the Company		544,286	540,921
Non-controlling interests		4,487	4,532
TOTAL EQUITY		548,773	545,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in provision of enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalised application products. There were no significant changes in the business during the year.

As at 31 December 2020, the Company’s immediate and ultimate parent is China Group Associates Limited which was incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Chen Jian, who is also the chairman and executive director of the Company.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

2.1 Adoption of new/revised IFRSs – effective from 1 January 2020

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform

The application of the above amendments to IFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s account policies.

2.2 New/revised IFRSs that have been issued but are not yet effective

The following new/ revised IFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to IFRS 3	Reference to the Conceptual Framework ³
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39	Interest Rate Benchmark Reform – Phase 2 ²
Amendment to IFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to IAS 1 and IFRS Practice Statement 2	Making Materiality Judgements ⁴
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors ⁴
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Annual Improvements to IFRSs 2018-2020 Cycle	Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, IFRS 9, Financial Instruments, IFRS 16, Lease and IAS 41, Agriculture ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

The directors expect that the adoption of the above standards will have no material impact on the consolidated financial statements in the year of initial application.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations (hereinafter collectively referred to as “**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

The consolidated financial statements have been prepared under historical cost except for financial assets at fair value through profit or loss (2019: bills receivables), which are stated at fair value, at the end of reporting period.

4. SEGMENT REPORTING

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 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 provision of enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalised application products to customers in the People’s Republic of China (“PRC”). Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to the chief operating decision maker for the purpose of resources allocation and assessment of performance are same as the amounts reported under IFRSs.

Revenue from customer of the year contributing over 10% of the Group’s total revenue is as follows:

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Customer A	243,496	277,178
Customer B	111,877	72,222

5. REVENUE

Revenue includes the sale of enterprise IT products and provision of services for both of the years. The amount of each significant category of revenue recognised during the year is as follows:

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Revenue within the scope of IFRS 15		
“Revenue from contracts with customers”		
Sales of enterprise IT products	316,764	479,076
Provision of services	299,508	369,697
	616,272	848,773

In following tables, revenue is disaggregated by primary geographical market and timing on revenue recognition.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Primary geographical markets:		
Hong Kong	5,153	8,150
PRC	611,119	840,623
	<u>616,272</u>	<u>848,773</u>
Timing of revenue recognition:		
At a point in time	316,764	479,076
Transferred over time	299,508	369,697
	<u>616,272</u>	<u>848,773</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Receivables	74,628	129,423
Contract assets	55,067	36,197
Contract liabilities	128,303	79,116

Contract assets primarily relate to the Group's rights to consideration for work completed but not certified the receipt by customers at the reporting date on revenue related to the sales of enterprise IT products and provision of services. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the delivery is certified and the Group provides the invoice to the customer.

Contract liabilities mainly relate to the advance consideration received from customers. Balance of RMB61,188,000 as of 1 January 2020 has been recognised as revenue during the year from performance obligations satisfied due to the completion of services.

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

6. OTHER INCOME, AND OTHER GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income:		
Interest income	8,887	6,010
Government grants (<i>note</i>)	2,045	1,126
Bad debts recovered	2,475	1,017
Others	1,572	534
	<u>14,979</u>	<u>8,687</u>
Other gains and losses:		
Loss on disposals of property, plant and equipment	(50)	(22)
Foreign exchange (loss)/gain	(2,747)	1,076
Others	(840)	(241)
	<u>(3,637)</u>	<u>813</u>

Note:

During the year, RMB500,000 (2019: nil) of government grants was obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

The remaining government grants of RMB1,545,000 (2019: RMB1,126,000) are unconditional and are received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group’s operation for years ended 31 December 2020 and 2019.

7. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank borrowings	178	1,320
Interest on lease liabilities	119	151
	<u>297</u>	<u>1,471</u>

For the years ended 31 December 2020 and 2019, interest on bank borrowings is wholly derived from loans which are repayable within one year.

8. PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remuneration:		
— Audit service	1,400	1,400
— Non-audit service	191	195
Amortisation of intangible assets (<i>note (i)</i>)	1,880	1,526
Cost of services	239,549	306,006
Cost of inventories recognised as an expense, net of write back of inventories	289,544	425,143
Depreciation of property, plant and equipment	2,136	3,442
Depreciation of right-of-use assets	3,210	1,912
Interest on lease liabilities	119	151
Research and development costs	12	592
Short-term lease expenses	1,991	2,475
Staff costs (including directors' emoluments) (<i>note (ii)</i>):		
— Salaries and wages	88,105	87,058
— Contributions to retirement benefit scheme	1,026	8,158
— Equity-settled share-based payment	398	905
	<u>89,529</u>	<u>96,121</u>
Less: capitalised as intangible assets	<u>(15,596)</u>	<u>(8,367)</u>
	<u><u>73,933</u></u>	<u><u>87,754</u></u>

Notes:

- (i) Amortisation charges of RMB1,391,000 (2019: RMB199,000) and RMB489,000 (2019: RMB1,327,000) have included in cost of sales and services and administrative expenses respectively for the year.
- (ii) The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. These subsidiaries are required to contribute a 0% to 16% (2019: 8% to 20%) of payroll costs (subject to a cap) to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2019: 5%) of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

Total cost charged to profit or loss of RMB1,026,000 (2019: RMB8,158,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2020. As at 31 December 2020 and 2019, the amount due but not paid to the schemes is insignificant.

9. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — PRC income tax		
Tax for the year	1,521	2,891
Over provision in respect of prior years	(2,939)	—
Dividend tax	—	1,053
	<u>(1,418)</u>	<u>3,944</u>
Deferred tax		
Origination and reversal of temporary difference	5,257	1,205
Write-down of deferred tax assets (<i>note (iv)</i>)	3,584	—
	<u>8,841</u>	<u>1,205</u>
	<u><u>7,423</u></u>	<u><u>5,149</u></u>

Note:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No Hong Kong profit tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019.
- (iii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except for two subsidiaries have been granted continuously on a three-year interval with a qualification of high-tech enterprise which entitles these two subsidiaries a preferential income tax rate of 15%, the tax rate of the Company’s subsidiaries in the PRC is 25% in 2020 and 2019.
- (iv) At 31 December 2020, management considers that a subsidiary in Hong Kong is no longer probable that sufficient taxable profit will be available to utilise its deferred tax asset. Thus, the carrying amount of RMB3,584,000 is written down.

10. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2018 final dividend: HK2.2 cents (equivalent to RMB1.9 cents) per share	—	5,999
	<u><u>—</u></u>	<u><u>5,999</u></u>

For the years ended 31 December 2020 and 2019, the directors do not recommend the payment of a final dividend.

11. EARNINGS PER SHARE

Calculation of the basic and diluted earnings per share is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>2,967</u>	<u>2,865</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>311,250</u>	<u>311,250</u>

For the years ended 31 December 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares for the year.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2020, the Group spent approximately RMB3,306,000 (2019: RMB551,000) to acquire leasehold improvements, furniture, fixtures and equipment and motor vehicles.

13. TRADE, BILLS AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	134,069	216,937
Less: allowance for doubtful debts	<u>(64,118)</u>	<u>(88,014)</u>
	69,951	128,923
Bills receivables (<i>note</i>)	<u>4,677</u>	<u>500</u>
Total trade and bills receivables	74,628	129,423
Prepayments	47,771	43,960
Deposits	3,939	4,562
VAT receivables	16,940	17,892
Other receivables	<u>2,396</u>	<u>1,594</u>
	<u>145,674</u>	<u>197,431</u>

Note:

In 2020, the Group managed its bills receivables used the business model whose objective was achieved by collect contractual cash flows and hence, they were classified as financial asset at amortised cost.

In 2019, the Group manages its bills receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets and hence, they are classified as financial asset at fair value through other comprehensive income.

The Group allows an average credit period of 30 - 90 days (2019: 30 - 90 days) to its trade customers. For certain major customers such as the state owned enterprises, the credit term which will be negotiated by management individually.

The following is an ageing analysis of trade and bills receivables net of allowance for doubtful debts as at the end of each reporting period based on invoice date.

	2020 RMB'000	2019 <i>RMB'000</i>
0-30 days	19,262	18,584
31-60 days	31,706	8,326
61-90 days	243	15
More than 90 days	23,417	102,498
Total	74,628	129,423

Ageing of trade and bills receivables which are past due but not impaired is as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Less than 1 month past due	3,972	2,651
1 to 3 months past due	1,141	2,051
More than 3 months past due	15,663	93,344
Total	20,776	98,046

Trade and bills receivables of RMB20,776,000 (2019: RMB98,046,000) were past due but not impaired as at 31 December 2020. These related to a large number of diversified customers for whom there was no recent history of default. The Group does not hold any collaterals or other credit enhancements over these balances.

The below table reconciles the allowance for doubtful debts for the year:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	88,014	48,322
Transferred from contracted assets	40	43,216
Impairment losses recognised	14	4,937
Reversal of impairment loss	(12,818)	(4,178)
Uncollectible amount written off	(10,718)	(4,461)
Exchange alignment	(414)	178
	<hr/>	<hr/>
At end of year	64,118	88,014
	<hr/> <hr/>	<hr/> <hr/>

14. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	59,436	76,599
Other payables and accruals	13,654	12,422
	<hr/>	<hr/>
	73,090	89,021
	<hr/> <hr/>	<hr/> <hr/>

All of the above balances are expected to be settled within one year.

Included in trade payables are trade creditors with the following ageing analysis, based on invoice date at the end of reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current or less than 1 month	38,183	55,930
1 to 3 months	2,742	6,270
More than 3 months	18,511	14,399
	<hr/>	<hr/>
	59,436	76,599
	<hr/> <hr/>	<hr/> <hr/>

Average credit period on purchases of goods was 30 - 90 days (2019: 30 - 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading enterprise digital transformation services provider in China, the Group specialises in providing enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalised application products. With enterprise clients in China stepping up transforming their operations through digitalisation, the Group adjusted its business development direction and consolidated its main business, dividing it into three divisions, namely, systems integration services, development and sale of own-brand cloud computing management products, and development and sale of intelligent digitalised products.

Systems integration services

The Group's systems integration services business has been growing with good momentum over the years. The segment mainly provides customer-specific systems structure business solutions, and repair and maintenance support to customers' informationalised value-added services. Capitalizing on its close collaborative relationship with incumbent domestic and foreign IT companies, the Group has been looking for cooperation and business opportunities in the advanced technology sectors. Its objective is to maintain its position and strength as a technology pioneer in the industry while growing its businesses. For the year ended 31 December 2020 (the "Year"), although competition intensified for the segment, it continued to be one of the Group's key income sources. The Group will further optimise its existing product portfolio to boost services income and gross profit margin, thereby assure good cash flow and enhance profit.

Development and sale of own-brand cloud computing management products

After investing time and resources for several years in related research and development ("R&D"), cloud computing management products have become one of the Group's key businesses. To enhance the reliability, functionality and market recognition of the products, the Group has continued to integrate and improve relevant technologies and promote its own-brand cloud computing management products in the market. At the same time, it has commenced cooperation with top local and overseas cloud resources providers, such as AWS, Tencent Cloud and Alibaba Cloud, to actively provide enterprise customers in China with highly efficient applications and solutions comprising cloud products and cloud management services. During the Year, on top of launching CMP2.0, the latest edition of its multi-cloud management platform, the Group also introduced other products such as ITGo virtual operation maintenance and management platform, and enterprise cloud drive, offering to customers better hybrid cloud management services that can help them with digitalisation to transform their business. In addition, the Group bided for and won a number of major projects from the government and in the transportation and financial sectors, cases that showcase its competitive strengths and help lay a solid foundation for generating income in the future.

Development and sale of intelligent digitalized products

Empowered by such emerging technologies as artificial intelligence (AI) and big data, the Group has pressed on with developing intelligent digitalised application products specifically for including the medical and transportation industries. Using new and advanced AI technologies and tools, the Group is able to offer products and services that can more precisely meet the needs of customers in specific industries.

The Group has also kept allocating more resources to developing intelligent digitalised products and an AI laboratory (AI Lab) managed by professionals holding doctoral and master's degrees from renowned universities in Mainland China has been set up. During the year, the laboratory was officially named "Genesis AI Lab (富通先人工智能實驗室)" and the AI Lab in Chengdu also formally commenced operation, giving the Group two R&D centers, one in Southern and the other Northern China. These centers working together are going to speed up product development for the Group, in order to help the Group further optimise its AI algorithm models and compile knowledge graphs.

Furthermore, having partners in a number of renowned medical organisations and scientific research institutions, the Group was able to secure the Ministry of Science and Technology-approved 冬奧會智慧醫療保障關鍵技術項目 (the Olympic Winter Games Intelligent Medical Protection Key Technology Project). The project has given the Group the chance to turn its latest cutting-edge technologies into practical applications. The Group will continue to provide services to different customers and actively build up industry reserves, thereby cement its foundation for future business development.

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group decreased by approximately RMB232.5 million or 27.4% as compared with the corresponding period in 2019, to approximately RMB616.3 million (2019: approximately RMB848.8 million). The decline was mainly due to the outbreak of COVID-19 pandemic as well as the macroeconomic uncertainty which led to some of the Group's customers delaying their purchase plan and having remained cautious with their spending. Besides, the sales of IBM products and services were affected after the termination of the various business partnership agreements entered into between IBM and certain members of the Group.

Gross profit

Gross profit of the Group decreased by approximately RMB31.8 million or 27.1% to approximately RMB85.8 million for the Year (2019: approximately RMB117.6 million) while the gross profit ratio maintained at 13.9%. The gross profit ratio maintained at a stable level was mainly due to the Group maintained the stable product mix, selling price and purchase price during the period of economic downturn.

Other income, and other gains and losses, net

Other income and other gains and losses, net comprises of mainly interest income from bank deposits, foreign exchange gain or loss and government grants. For the Year, net gains from other income and other gains and losses, net amounted to approximately RMB11.3 million (2019: approximately RMB9.5 million), representing an increase of approximately RMB1.8 million. This increase was mainly due to combined effect of (i) a foreign exchange loss of approximately RMB2.7 million incurred; (ii) an increase in government grants of approximately RMB0.9 million; and (iii) an increase in interest income of approximately RMB2.9 million.

Reversal of/(provision for) impairment on financial assets, net

For the Year, a reversal of impairment on financial assets, net amounted to approximately RMB12.7 million (2019: a provision for impairment on financial assets, net of approximately RMB0.8 million). The reversal of impairment on financial assets was due to the strengthen control over the trade receivables and contract assets by the Group during the Year.

Selling expenses

For the Year, selling expenses of the Group amounted to approximately RMB70.0 million (2019: approximately RMB76.0 million), representing a decrease of approximately RMB6.0 million or 8.0% compared with the corresponding period in 2019. The decrease was mainly due to the adjustments of business structure; causing the staff costs and other related expenses to fall accordingly.

Administrative expenses

Administrative expenses of the Group for the Year amounted to approximately RMB29.2 million (2019: approximately RMB40.9 million), representing a decrease of approximately RMB11.7 million or 28.6% compared with the corresponding period in 2019. The decrease was mainly due to the Group's implementation of tight cost control measures during the Year, and the reduction in number of administrative staff following the consolidation of its internal resources, causing the staff costs and other related expenses to fall accordingly.

Finance costs

Finance costs of the Group decreased by approximately RMB1.2 million or 79.8%, from approximately RMB1.5 million for the year ended 31 December 2019 to approximately RMB0.3 million for the Year. The decrease was mainly due to the significant reduction in borrowings as the Group maintained sufficient working capital and good cash flow during the Year.

Income tax expense

Income tax expense of the Group for the Year amounted to approximately RMB7.4 million (2019: approximately RMB5.1 million), representing an increase of approximately RMB2.3 million, or 44.2%, compared with the corresponding period in 2019. The increase was mainly due to the decline in deferred tax assets in respect of the reversal of impairment losses on financial assets outweighed the decrease in current tax.

Profit and total comprehensive income for the year attributable to owners of the Company

For the Year, the profit and total comprehensive income attributable to owners of the Company was approximately RMB3.0 million (2019: approximately RMB2.9 million), representing an increase of approximately RMB0.1 million as compared with the corresponding period in 2019. With the Group's efforts in recent years to restructure business and consolidate internal resources, resulting in lower operating costs, the Group succeeded in maintaining the profit and total comprehensive income for the year attributable to owners of the Company at a stable level.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2020, the Group had total assets of approximately RMB758.6 million and net assets of approximately RMB548.8 million (2019: approximately RMB727.5 million and approximately RMB545.5 million, respectively). In respect of the trade receivables and contract assets of the Group which amounted to approximately RMB125.0 million (2019: approximately RMB165.1 million), net of allowance for doubtful debts of approximately RMB64.2 million (2019: approximately RMB88.1 million), the management will perform a regular review and implement stringent control measures on trade receivables with a view to ensuring the recovery of trade receivables on the due dates and closely monitoring the Group's liquidity. The Group's bank balances and cash amounted to approximately RMB440.9 million as at 31 December 2020 (2019: approximately RMB375.0 million). There was no bank borrowings as at 31 December 2020 (2019: approximately RMB10.6 million). Taking into account the cash on hand and recurring cash flow from its business, the Group's financial position remained healthy and was sufficient to achieve its business objectives.

As at 31 December 2020, no (31 December 2019: 99.1%) bank borrowings were at fixed interest rates.

As at 31 December 2020, the borrowings of the Group were advanced in RMB while cash and cash equivalents were held at RMB, United State dollars ("USD") and Hong Kong dollars.

Pledge of Assets

As at 31 December 2020, certain assets of the Group with carrying value of approximately RMB36.3 million (2019: approximately RMB50.9 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 31 December 2020 and 31 December 2019 was zero. This ratio was calculated as total borrowings less bank balances and cash, and relevant pledged deposits divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

During the Year, the Group has entered into certain RMB/USD foreign exchange forward contracts to hedge against the volatility in the RMB/USD exchange rate. The foreign exchange forward contracts have been fully settled as at the Year ended. The management will continue to monitor closely its foreign currency exposure and requirements and to arrange hedging facilities when necessary.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed during the following periods:

To determine the identity of shareholders who are entitled to attend and vote at the 2021 AGM

Latest time for lodging transfers:	4:30 p.m. on Thursday, 13 May 2021
Closure of register of members:	Friday, 14 May 2021 to Friday, 21 May 2021 (both dates inclusive)
Record date:	Friday, 21 May 2021
Date of 2021 AGM:	Friday, 21 May 2021

In order to be eligible for attending and voting at the 2021 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2021 AGM of the Company will be held on Friday, 21 May 2021. Notice of 2021 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company and despatched to the shareholders of the Company in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 324 (2019: 337) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB89.5 million (2019: approximately RMB96.1 million).

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

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 year ended 31 December 2020.

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

The Directors are not aware of any important events affecting the Company that have occurred since the end of the financial year.

OUTLOOK

Looking back at 2020, at the COVID-19 outbreak, the global economy spiralled downward and overall economic environment was ridden with challenges and uncertainties. The Group, however, was able to adhere to its business direction, remain steadfast at delivering its business obligations and respond flexibly to the market environment in different ways and with diverse means. It kicked off remote technological development and cooperation, drove business expansion using different tactics, and organized training and business exchange activities for its staff and customers. Although overall revenue of the Group was suppressed because of the sluggish market, thanks to the Group’s efforts in recent years to restructure business and consolidate internal resources, resulting in lower operating costs and further gain the trust from customer, the Group succeeded in maintaining profitability in the difficult operating environment.

Looking at 2021, with the pandemic starting to ease, the global economy is expected to rebound. However, competition in the PRC Information Technology (IT) market has continued to intensify and the complicated market environment is still laden with uncertainties. In coping, the Group will execute its strategic goals as planned and continue to adjust strategies to enhance its core competitive strengths. While ensuring stable development of its system integration services business for enterprise customers, the Group will also keep moving forward in two other directions, namely cloud computing multi-cloud management services and medical intelligence. It will continue to apply its technical capabilities and intellectual property in building platform for developing a series of intelligent technology-driven products.

To match requirements in the new IT environment with emerging technologies, such as internet+, cloud computing and artificial intelligence, rapidly developing, the Group will focus on coming up with innovative proprietary products and intelligent applications, strengthening product maintenance and services capabilities, plus improving the reliability and functionality of its self-developed software. With the Genesis Artificial Intelligence Laboratory set up, the Group now has the support of a team staffed by professors, doctoral and master's degree holders from renowned domestic universities and armed with leading technologies and specialised Research and Development (R&D) expertise. However, the IT market is constantly changing with new technologies in different realms surfacing fast. Thus, in the coming years, the Group will put more resources into the lab and recruit more talent to strengthen the R&D team, and seek and acquire suitable companies and businesses where feasible, to the end of maintaining the Group's competitiveness in the ever-changing IT market.

Having restructured its business and consolidated internal resources in recent years, the Group has lowered its operating costs. However, as the COVID-19 pandemic has not totally receded yet, the future will still be full of challenges. For the Group to stand out in the difficult market, effective control on operating costs remains as one its major tasks. In the year ahead, the Group will continue to implement resources management solutions to ensure it uses resources effectively and maintains high operational efficiency. It will also continue to prudently monitor cost and implement stringent cost control measures, so as to maintain a robust financial position.

As an IT enterprise, the Group believes the only way for it to gain competitive advantage in today's complex market environment is to embrace its core product technologies. It will increase investment in developing innovative proprietary products, and intelligent applications and services, step up R&D efforts, amass technologies and also strengthen cost controls. It will keep pushing to turn the fruit of its R&D efforts into practical and new applications to help it provide customers with professional solutions and services.

CORPORATE GOVERNANCE

During the year ended 31 December 2020, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, during the year ended 31 December 2020, the Directors have confirmed in writing that they complied with the standards set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020 including the accounting principles and practices adopted by the Group, and discussed the risk managements, internal control and financial reporting matters during the review.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary 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 2020 annual report of the Company will be dispatched 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, 25 March 2021

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