Futong 富通

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

中国领先的企业数字化转型服务提供商

Annual Report

2020

Contents

Chairman's Statement

To Our Shareholders,

On behalf of the Board of Directors of Futong Technology Development Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2020 (the "**Year**").

In the past year, the outbreak of the COVID-19 pandemic had dealt a dire blow to economies worldwide including that of China and burdened the enterprise market. During the pandemic, all solution teams remained steadfast in serving customers. Taking to heart its responsibility to help customers, the Group's subsidiaries, namely Beijing Futong Dongfang Technology Co., Ltd. ("**Futong Dongfang**") and Futong Cloud Technology Co., Ltd. ("**Futong Cloud**"), continually launched several free products for customers to help them run their businesses without disruption and respond to changing market situations. The teams also took advantage of the idle time during the pandemic to organize online training, actively took part in cooperation in the academic research realm, adjusted business structure timely and kept developing own brand products. At the same time, the Group honored its corporate responsibility of protecting the interest of its staff and their families, making the commitment to no layoffs and no pay cuts for employees during the pandemic. With perseverance, adaptability, adjustment and dedication as elaborated above, the Group managed to maintain profitability in the very difficult year.

Although the market environment was loaded with uncertainties, it still presented opportunities to the market as well as the Group. Of the different enterprises on the digital transformation bandwagon, the Group continued to focus on serving those with needs for enterprise management services and intelligent medical and healthcare business solutions. It has kept step-by-step increasing allocation of resources to Research and Development ("**R&D**") and building presence in the enterprise information technology ("**IT**") market with its self-developed solutions and services as champions.

For the enterprise management services business, the Group and leading domestic and international technology enterprises continued to share the same focus on areas such as systems integration, cloud computing and related services, and started cooperation on developing professional commercial-use technologies and data storage capacity, which are standard components of cloud management services. During the year, using its algorithm platform for multi-objective resource allocation, Futong Dongfang succeeded in building for Beijing Capital International Airport ("**Capital Airport**") an intelligent resources management system ("**iRMS System**"). Artificial Intelligence (AI) technologies were used to smart up digitalised resources management at the Capital Airport, relieving major airports in China of the reliance all along on imported software products for their resources management systems. The CMP products of Futong Cloud offered to the government as well as the transportation and finance sectors bear evidence to the company's edges, and another Futong Cloud product – ITGo – made the OEM product lists of major manufacturer. The launch of CMP 2.0, the latest edition of the proprietary product, has strengthened functions and technologies for providing customers with more professional solutions and services.

Regarding intelligent medical and healthcare solutions business, the Group continued to step up R&D efforts and build a technological service team. It has in operation an AI laboratory ("**AI Lab**") named Genesis AI Lab (恒先人工智能實驗室), which is managed by professionals holding doctoral and master's degrees from renowned universities in Mainland China. The Genesis AI Lab together with the Chengdu AI Lab, which officially commenced operation during the year, give the Group dual R&D centers, one in Northern and the other Southern China, to help it expedite product development. The Group also cooperated with leading medical organizations and scientific research institutes and participated in national level discussions on development of technologies and their applications in the medical area. During the year, Futong Dongfang joined the Olympic Winter Games Intelligent Medical Protection Key Technology Project (冬奧會智慧醫療保障關鍵技術項目), which is a key R&D project of "Technology Winter Olympics" approved by the Ministry of Science and Technology, and also took part in the Key Big Data-based Technology of Dynamic Perception on the Pandemic and Practical Application of the Technology Project (基於大數據的動態疫情感知關鍵技術與實際應用), which is a key R&D project approved by the Bureau of Science and Technology of Guizhou. At the same time, the Group, by joining various industry organisations, sought to raise its influence in the AI and medical and healthcare fields, that it may make yet more contribution to the industry. During the year, Futong Dongfang became a member unit of the governing board of the Chinese Association for Artificial Intelligence, joined the China Artificial Intelligence Product Development Alliance initiated by the China Academy of Information and Communication Technology, and also the Artificial Intelligence Industry Innovation Alliance jointly initiated by the China Center for Information Industry Development ("**CCID**") under the Ministry of Industry and Information Technology, among other organizations.

Moreover, the Group continued to optimise its self-developed products, solutions and technical capabilities and successfully garnered various awards during the year. Futong Dongfang, as the first to complete the technology innovation, together with Futong Cloud received the 10th Wu Wenjun Artificial Intelligence Science and Technology Award – Second Prize (in Technology Innovation (第十屆吳文俊人工智能科學技術獎「技術發明二等獎」). In addition, Futong Cloud bagged the "Top Cloud Connect Awards – Cloud Contributor on COVID-19 Fight" (「雲鼎獎–雲計算抗疫先鋒企業獎」) at the 8th International Conference on Cloud Computing, whereas Futong Dongfang was named among the "Top 20 Outstanding Companies in the New Infrastructure Industry in 2020" (「2020新基建產業新鋭TOP20」榜單). Furthermore, on the back of the strong edges and outstanding capabilities of its multi-cloud management platform CMP2020, Futong Cloud's transport & finance dual case study was named the "2020 Best Case Study in Information Technology Industry" by the China Academy of Information and Communications Technology. The aforementioned accolades again evidenced industry recognition of the Group and also its commitment to and strategy of developing its own products, plus its outstanding technologies, as well as its achievements in product optimization and technological innovation.

Facing a fast-changing IT market and emerging new technologies and new applications, the Group will consolidate the business and human resources structures of its member companies as conditions required and focus on developing specialised businesses. Building on its more than 20 years' industry experience and braced by its corporate strengths sharpened over the years, it will forge and leverage global technological partnerships to bolster its profile as a premium enterprise IT technology brand. Welcoming the new infrastructure development tide, the Group will continue R&D of its own products and technologies, seek to fully apply its technological edges and expertise in turning fruit of R&D into practical applications to aid the digital transformation, intelligent application and innovative development of more industries.

Last but not least, I would like to take this opportunity to express my sincere gratitude to member companies and our professional teams for their dedicated efforts and contribution in the past year, and also to all shareholders for their unwavering trust and support.

Chen Jian
Chairman

Hong Kong, 25 March 2021

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 cusotmer-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 bidded 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 offically named "Genesis AI Lab (恆先人工智能實驗室)" 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 outweighted 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 ("**HKD**").

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).

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

The declaration of dividends is subject to the discretion of our Board and the approval of the shareholders of the Company. The Directors may recommend a payment of dividends after taking into account, among other things, the results of the Group, cash flows and financial condition and position, operating and capital requirements. Depending on factors including the Group's business operation, earnings, surplus, financial conditions and payments by subsidiaries of dividends to the Group, it is the present intention of the Directors that the Company will generally declare dividends to its shareholders in amount not less than 30% of the audited consolidated profit after tax of the Group in each financial year. The amount of distributable profits is based on International Financial Reporting Standards, the memorandum and articles of association, the Companies Law, applicable laws and regulations and other factors that are relevant to the Group, including, but not limited to, the consent from certain banks which have credit lines with the Group.

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.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2020.

The Group had no significant investment held 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 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.

Directors and Senior Management Profile

BOARD OF DIRECTORS

Executive Director

Mr. Chen Jian (陳健先生), aged 60, has been appointed as an executive Director and chairman of the Company and he is one of the co-founders of the Group. He was appointed a member of Remuneration Committee and Nomination Committee of the Company on 5 February 2018. Mr. Chen is also the director of all subsidiaries of the Company, including Futong Technology Co. Ltd. ("**Futong BVI**"), Etong Technology Holdings Limited, Futong Technology (HK) Company Limited, Futong Technology Development Holdings (HK) Limited, Futong Cloud Technology (HK) Company Limited, Beijing Futong Dongfang Technology Co., Ltd. ("**Futong Dongfang**"), Futong Times Technology Co., Ltd. ("**Futong Times**"), Beijing Etong Dongfang Technology Co., Ltd. ("**Etong Dongfang**") and Futong Cloud Technology Co., Ltd ("**Futong Cloud**"). Mr. Chen is responsible for the strategic development and the Group's business direction, and overseeing the self-developed products business. He has over 30 years of experience in IT industry. Mr. Chen graduated from 中國人民解放軍通信工程學院 (Chinese People's Liberation Army Communication Engineering University) with a bachelor's degree in wireless communications engineering.

Non-executive Director

Ms. Chen Jing (陳靜女士), aged 52, joined the Group in 2005. She has been re-designated as non-executive Director of the Company with effect from 1 November 2019. She was an executive Director of the Company form April 2017 until October 2019. Ms. Chen is the director of all subsidiaries of the Company. She graduated from Beijing Union University (北京聯合大學) with a bachelor degree majoring in mechanical engineering.

Independent non-executive Directors

Mr. Chow Siu Lui (鄒小磊先生), aged 61, was appointed as an independent non-executive Director on 1 December 2016. He is a partner of VMS Investment Group, which is a multi-strategies investment house. Mr. Chow was formerly the chairman of the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants, a member of the Investment Advisory Committee of the Hong Kong Institute of Chartered Secretaries and a member of both of the Listing Committee of the Stock Exchange and the Dual Filing Advisory Group of the Securities and Futures Commission. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Chow had been working with one of the four largest certified public accounting firms in the world as a partner for many years. He has an in-depth knowledge on the accounting standards and business regulations in Hong Kong. Mr. Chow has been serving as an independent non-executive director of Fullshare Holdings Limited (stock code: 00607), Genertec Universal Group Company Limited (stock code: 02666), China Everbright Greentech Limited (stock code: 01257), Shanghai Dazhong Public Utilities (Group) Co., Ltd. (stock code: 01635) and China Tobacco International (HK) Company Limited (stock code: 06055), and a non-execution director of Renrui Human Resources Technology Holdings Limited (stock code: 06919), the shares of which are listed on the Stock Exchange. Mr. Chow has also been serving as an independent non-executive director of Global Cord Blood Corporation (stock code: NYSE: CO), a company listed on the New York Stock Exchange. He was an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (stock code: 06833) from February 2016 to November 2018, Shi Shi Services Limited (stock code: 08181) from February 2015 to October 2015 and NWS Holdings Limited (stock code: 00659) from March 2012 to June 2012.

Mr. Lo Kwok Kwei David (羅國貴先生), aged 61, was appointed as an independent non-executive Director on 5 February 2018. He is a partner in a law firm in Hong Kong and has been practising as a solicitor in Hong Kong for over 30 years. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. Mr. Lo has been a member of The Law Society of Hong Kong since 1987. Mr. Lo is currently an independent non-executive director of each of eSun Holdings Limited (stock code: 00571) and Man Yue Technology Holdings Limited (stock code: 00894). In addition, he was an independent non-executive director of ENM Holdings Limited (stock code: 00128) from June 2010 to June 2016. All the above companies are listed on the Stock Exchange.

Mr. Yao Yun (姚贇先生), aged 54, was appointed as an independent non-executive Director on 25 May 2018. He holds the Graduate Diploma of Management from the Central Queensland University, Australia. Mr. Yao has in depth knowledge in machinery equipment, intelligence devices and IDC centers operations. He has over 20 years' experience in the role of executive directors in various companies. Mr. Yao is currently the executive director of 先控捷聯電氣股份有限公司 (stock code: 833426), a company listed on the National Equities Exchange and Quotations system in the People's Republic of China.

SENIOR MANAGEMENT

Mr. Zhao Wei (趙偉先生), aged 49, joined the Group in 2003. He was appointed as the chief executive officer of the Group in 2017 and he is also the president of Futong Dongfang and Futong Cloud. Mr. Zhao is responsible for business operations and management of the Group. He graduated from 北京理工大學 (Beijing Institute of Technology), majoring in electronic appliances.

Ms. Shen Ai Ai (沈艾艾女士), aged 37, joined the Group in 2018, was appointed as the chief finance officer of the Group. Ms. Shen graduated from 北京工商大學 (Beijing Technology and Business University). She is a member of the Chinese Institute of Certified Public Accountant. Prior to joining the Group, Ms. Shen worked in PwC in China.

Mr. Xie Hui (謝輝先生), aged 51, joined the Group in 2005. He is the senior vice president and one of the co-founders of the Group. He is responsible for overseeing the Group's human resources, administration, project management and IT management. Mr. Xie graduated from 北京航空航天大學 (Beihang University), majoring in mechanical and electrical engineering.

Mr. Dai Si Hong (戴思弘先生), aged 52, joined the Group in May 2019. He is the senior vice president of Futong Cloud. He is responsible for development, technology delivery and project management of the cloud computing management products of the Group. Mr. Dai holds a master degree in information systems focusing on E-commerce from Stevens Institute of Technology, Hoboken, New Jersey, USA.

Mr. Zhou Qi (周頎先生), aged 46, joined the Group in 1999, he is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the industrial system integration business of Futong Dongfang. Mr. Zhou graduated from 上海交通大學 (Shanghai Jiao Tong University), majoring in nuclear engineering.

Ms. Huang Jin Hui (黃金惠女士), aged 46, joined the Group in 2001, she is the vice president of Futong Dongfang. She is responsible for overseeing the day-to-day operations of the industrial system integration business of Futong Dongfang. Ms. Huang graduated from 華中師範大學 (Central China Normal University), majoring in international business.

Mr. Zha Yan (查岩先生), aged 45, joined the Group in 2004, he is the vice president of Futong Dongfang. He is responsible for overseeing the day-to-day operations of the industrial system integration business of Futong Dongfang. Mr. Zha graduated from 南京大學 (Nanjing University), majoring in electronics and information system.

Mr. Sun Jian (孫建先生), aged 44, joined the Group in May 2020, he is the senior vice president of Futong Cloud. He is responsible for overseeing the pre-sales and sales operations of the cloud computing management product business. Mr. Sun graduated from 遼寧大學 (Liaoning University), majoring in computer science and technology.

Mr. Leung Ka Lung (梁嘉龍先生), aged 35, joined the Group in 2017, and was appointed as the company secretary of the Company and financial controller of the Group in 2018. He is a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. He obtained a master degree in Corporate Governance and a bachelor degree in Accountancy from The Hong Kong Polytechnic University. Prior to joining the Group, Mr. Leung worked in an international audit firm as audit manager.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices with a view of being a transparent and responsible organisation, which is open and accountable to the shareholders and for protection of shareholders' and stakeholders' rights and enhance shareholders' value. The Board believes that good corporate governance establishes a framework which is essential for and advantageous to the Group's effective management and sustainable business growth.

The Board is also responsible for performing the corporate governance function of the Company. During the year ended 31 December 2020, the Board has performed the duties and monitored the Company's compliance with 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 ("**CG Code**"). The Board has also reviewed the Company's policies and practice on corporate governance.

COMPLIANCE WITH THE CG CODE

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 CG Code.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Board is collectively and ultimately responsible for the effective oversight of the management, and the strategic direction and performance of the Group. All Directors have full and direct access to the advices and services of the company secretary of the Company. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where they consider relevant and necessary to the discharge of their duties.

The Board has delegated to the management of the Group the authority and responsibilities for implementing the decisions and strategies approved by the Board and managing day-to-day operations of the Group under the leadership and guidance of the Board. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of the Group's major acquisitions and disposals, major capital investments, dividend policy, recommendation, appointment, retirement and remuneration policy of the Directors and senior management, and other significant operational and financial matters. The Board will review the delegation arrangements on a periodic basis to ensure they remain appropriate to the needs of the Group.

The Board has also established three board committees, namely, the Audit Committee (the "**Audit Committee**"), the Remuneration Committee (the "**Remuneration Committee**") and the Nomination Committee (the "**Nomination Committee**"), and delegated to these Board committees certain specific responsibilities as set out in their respective written terms of reference approved by the Board. Further details of these Board committees are set out under the heading "Board Committees".

The Company arranged induction programme for all newly appointed Directors and provided them with comprehensive corporate information and business briefings on their appointments to familiarise them with the Group's operations and business, as well as their responsibilities as a Director.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Composition of the Board

As at the date of this annual report, the Board comprises five Directors, including one executive Director, one non-executive Director and three independent non-executive Directors. Members of the Board are:

Executive Director

Mr. Chen Jian *(Chairman)*

Non-executive Director

Ms. Chen Jing

Independent non-executive Directors

Mr. Chow Siu Lui
Mr. Lo Kwok Kwei David
Mr. Yao Yun

Mr. Chen Jian is the Chairman of the Board, while Mr. Zhao Wei is the CEO of the Company. As such, the roles of the Chairman and CEO are separate and exercised by different individuals.

During the year ended 31 December 2020, the Board's composition has at all time satisfied the requirements of Rule 3.10 and 3.10(A) of the Listing Rules, which stipulate that there should be at least three independent non-executive Directors (representing at least one-third of the Board), and of whom at least one possess appropriate professional qualifications or accounting or related financial management expertise.

The Company has received confirmation from each of the independent non-executive Directors regarding his independence pursuant to the requirements set out in Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that all of the independent non-executive Directors to be independent.

The biographies of the Directors and their relationship with each other are set out under the section headed "Directors and Senior Management Profile" on pages 12 to 14 of this annual report.

Appointment and Re-election of Directors

The Board has established the Nomination Committee, which is responsible for identifying appropriate candidates with suitable skills and experience for consideration by the Board. Further details of the Nomination Committee are set out under the heading "Nomination Committee". All independent non-executive Directors are appointed for an initial term of one year and subject to terms of renewal and termination after their first year of appointments. According to the articles of association of the Company (the "**Articles**"), all Directors are subject to retirement by rotation at least once every three years and any new Directors appointed to fill a casual vacancy or as an addition to the Board shall retire at the first general meeting after appointment. The retiring Directors are eligible for re-election at the general meeting at which he/she retires.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of 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 for the year ended 31 December 2020.

Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Notices of regular meetings are given to all Directors at least 14 days before the meeting is held, while notices of special Board meetings are given as soon as reasonable and practicable in the circumstances.

The company secretary is responsible for preparing the agenda and minutes for Board meetings. Agenda and discussion paper are provided to the Directors in advance of the meetings to allow them sufficient time to understand and consider the matters to be discussed in the meetings. The Directors may request to include matters in the agenda through the company secretary.

Draft Board meeting minutes containing detailed information of matters discussed, decisions reached, and any concerns raised or dissenting views expressed by the Directors at the meetings are dispatched to all Directors for their comments within a reasonable period of time after the meetings. Final version of Board meeting minutes are submitted to the Board for formal adoption after their comments. The adopted minutes are kept by the company secretary and are open for inspection by Directors upon their requests.

Induction and Continuing Development of Directors

Each newly appointed Director would receive an induction package covering the statutory and regulatory obligation of a director of a listed company. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills in their roles as directors pursuant to code provision A.6.5 of the CG Code. Attendance to any professional courses recognized by registered professional bodies such as The Law Society of Hong Kong, the Hong Kong Institute of Certified Public Accountants, and The Hong Kong Institute of Chartered Secretaries, etc., are recognised by the Company for this purpose. The Directors are also provided with materials from time to time to keep afresh of the latest legal and regulatory changes to enable them to discharge their duties.

The individual training record of each director received for the year ended 31 December 2020 is summarised below:

Name of Director	Briefs and updates on the business, operations and corporate governance matters	Attending seminars, workshops or exhibitions relevant to the business or directors' duties
Executive Director		
Mr. Chen Jian	✓	✓
Non-executive Director		
Ms. Chen Jing	✓	✓
Independent non-executive Directors		
Mr. Chow Siu Lui	✓	✓
Mr. Lo Kwok Kwei David	✓	✓
Mr. Yao Yun	✓	✓

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee, with approved written terms of reference to explain their respective role and the authority delegated to them by the Board. The terms of reference and membership of the Board committees are disclosed in full on the Company's website and are also available upon request to the company secretary. The Board committees are provided with sufficient resources to discharge their duties, and as they considered necessary, they may obtain independent professional advice at the Company's cost on any matters within their terms of reference.

Audit Committee

The Audit Committee was established on 11 November 2009 and is regulated by written terms of reference approved by the Board. As at the date of this annual report, the Audit Committee comprises all three independent non-executive Directors, namely Mr. Chow Siu Lui (chairman of the Audit Committee), Mr. Lo Kwok Kwei David and Mr. Yao Yun.

The principal roles and functions of the Audit Committee are:

- to oversee the relation with the external auditors, which includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

- to review the Group's financial information, which includes monitoring the integrity of financial statements, the annual report and accounts, and half year report and reviewing significant financial reporting judgements contained therein; and

- to oversee the Group's financial reporting system, risk management and internal control systems.

The Audit Committee held three meetings during the year ended 31 December 2020, at which the financial results and reports, financial reporting and compliance procedures, risk management and internal control matters and the independence and the appointment of the external auditor were reviewed and discussed.

Remuneration Committee

The Remuneration Committee was established on 11 November 2009 and is regulated by written terms of reference approved by the Board. As at the date of this annual report, the Remuneration Committee comprises all three independent non-executive Directors, namely Mr. Yao Yun (chairman of the Remuneration Committee), Mr. Chow Siu Lui and Mr. Lo Kwok Kwei David, and one executive Director, Mr. Chen Jian, who is also the chairman the Company.

The principal roles and functions of the Remuneration Committee are:

- to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- to have the delegated responsibility to determine the specific remuneration package of all executive Directors and senior management; and

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee held three meetings during the year ended 31 December 2020 to review the remuneration packages of the Directors and senior management. Members of the Remuneration Committee were abstained from voting on resolutions related to his own remuneration package in the meeting.

The compensation structure for the Directors consists of the fixed and variable components. The fixed component mainly comprises salary, retirement benefit scheme contributions and other allowances which are determined with reference to factors including their skills, knowledge and experience, the time commitment, duties and responsibilities required of them and the prevailing market conditions. The variable component comprises bonuses and share options granted under the Company's share option scheme, which are performance-based incentives to the Directors and senior management for aligning the individual and corporate goals and objectives.

Nomination Committee

The Nomination Committee was established on 11 November 2009 with written terms of reference approved by the Board. As at the date of this annual report, the Nomination Committee comprises all three independent non-executive Directors, namely Mr. Chow Siu Lui (chairman of the Nomination Committee), Mr. Lo Kwok Kwei David and Mr. Yao Yun, and one executive Director, Mr. Chen Jian, who is also the chairman of the Company.

The principal roles and functions of the Nomination Committee are:

- to review the structure, size and diversity of the Board;
- to identify and nominate Board candidates for directorship;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on matters relating to the appointment, re-appointment, and succession planning for Directors in particular the chairman and chief executive officer.

The Nomination Committee held one meetings during the year ended 31 December 2020, to review the nomination procedures and process for the nomination of Directors, the structure, size and diversity of the Board, assess the independence of the independent non-executive Directors and make recommendation to the Board on reappointment of Directors.

Summary of Board Diversity Policy

According to the Board diversity policy of the Company, selection of candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge and length of service in the Company etc. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

With reference to the business needs of the Group, the following measurable objectives have been set for implementing the Board diversity policy: (a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors; (b) a prescribed proportion of Board members shall have attained bachelor's degree or above; (c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; (d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialized in; and (e) a prescribed proportion of Board members shall have China-related work experience. Based on the review by the Nomination Committee, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy of the Company for the year under review.

ATTENDANCE RECORDS AND MEETINGS

The attendance records of each Director at the various meetings of the Company during the year ended 31 December 2020 are set out as below:

No. of meetings	General meeting(s)	Board meetings	Audit committee meetings	Remuneration committee meetings	Nomination committee meetings
Executive Director					
Mr. Chen Jian	1/1	5/5	N/A	3/3	1/1
Non-executive Director					
Ms. Chen Jing	1/1	5/5	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Chow Siu Lui	1/1	5/5	3/3	3/3	1/1
Mr. Lo Kwok Kwei David	1/1	5/5	3/3	3/3	1/1
Mr. Yao Yun	1/1	5/5	3/3	3/3	1/1

COMPANY SECRETARY

Mr. Leung Ka Lung was appointed as the company secretary of the Company on 27 June 2018. The biographical details of Mr. Leung are set out under the section headed "Senior Management". He has taken not less than 15 hours of relevant professional training during the year ended 31 December 2020.

EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the year ended 31 December 2020. The Audit Committee has the same view with the Board regarding the selection, appointment, resignation or dismissal of the external auditor.

For the year ended 31 December 2020, the total remuneration in respect of services provided by the external auditor of the Company amounted to approximately RMB1,591,000, which can be analysed as follows:

	RMB'000
Audit services	1,400
Interim review services	191

INTERNAL CONTROL, RISK MANAGEMENT AND FINANCIAL REPORTING

The Board is responsible for managing business and operational risks and maintaining a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets against unauthorised use or disposition. The Board has conducted a review of the effectiveness of the internal control system of the Group. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial and operational controls, and risk management to ensure that its assets and resources remain secure at all times.

The role of the Audit Committee is, through dialogue with management, and the use of risk management and internal audit functions, to review the effectiveness of the internal control systems and to report to the Board any significant risks and issues.

The risk management function is responsible for analysing possible risks that may affect the Group's business operations; find measures to eliminate, prevent and control risk. The Group has developed a risk management system which is an on-going process for identifying, evaluating and managing the significant risks associated with the business of the Group. Designated responsible persons of the relevant business units are responsible to identify, assess, manage the relevant risks covering all material controls including financial, operational and compliance controls and execute mitigation measures. Results of risk evaluation will be reported to the Board through risk management function which will continuously oversee the effectiveness and progress to ensure the relevant control measures be completed within timeline.

In relation to the procedures and internal controls of the Group for the handling and dissemination of inside information during the year under review, employees or Directors possessing such inside information should report the same to the executive Directors, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

The Internal Audit Department has full and complete access to any of the Group's records, physical properties and personnel relevant to a review. The authority of the department is defined by the Audit Committee and reports administratively to the executive Director of the Company and functionally to the Audit Committee. The Internal Audit Department has been carried out internal control review on a regular basis. It is responsible for evaluating the effectiveness of procedures in relation to risk management and internal control systems and submitting their reports of findings to the Audit Committee annually. The Board regularly receives and reviews updates giving an assessment of the Group's performance.

In addition, the Group has engaged RSM Consulting (Hong Kong) Limited ("**RSM**") to assist the Board and the Audit Committee in ongoing monitoring of internal control systems of the Group and in performing the internal audit functions for the Group. The annual review plan of the Group covers major activities and controls including operational, financial and compliance of the Group's business units. It also covers the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment. A report on the result of internal control review report from RSM was provided to the Audit Committee and the Board in March 2021.

The Group also performs daily and/or regular operation compliance audits in accordance with the required compliance procedures set by certain vendors and/or internal control procedures set by the management of the Group to provide an objective evaluation of the quality and effectiveness of the relevant operation cycles. The findings of the operation compliance audit will be reported to the CEO and the relevant vendors. The Internal Audit Department will perform checks and reviews on the works done by the operation compliance audit function.

The Audit Committee provides independent review on effectiveness of the risk management and internal control systems of the Group and gives their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the management. The Board believes that the existing risk management and internal control systems are adequate and effective. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

The Board acknowledges its responsibility for the preparation of the consolidated financial statements which aim to give a true and fair view of the Group's state of affairs. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibility of the external auditors on the Group's consolidated financial statements are set out in the section headed "Independent Auditor's Report" on pages 53 to 58 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of effective communication with the shareholders of the Company. The Company has established a number of communication channels to maintain an ongoing dialogue with its shareholders and enhancing the transparency of the Group. These include (i) holding annual and extraordinary general meetings to provide a forum for shareholders to communicate directly with the Board and the Board committees; (ii) distributing corporate documents and releasing announcements to disseminate the Group's latest information to the shareholders; and (iii) maintaining the Company's website to provide an electronic means of communication with the shareholders and the public.

Shareholders and other interested parties are welcome to access the Group's information from the Company's website at www.futong.com.hk. The Group's corporate information including terms of reference of the Board committees, the Group's financial reports, announcements and circulars are available on the website. In order to enhance shareholders' understanding of the Group's business performance and development, the Company will continue to improve its corporate disclosure on the Company's website and the communication with its shareholders.

SHAREHOLDERS' RIGHTS

Pursuant to Article 64 of the Articles, extraordinary general meeting may be convened on the requisition of one or more shareholder(s) holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

If a shareholder wishes to propose a person other than a retiring Director or the Director proposed for election as a Director at any general meeting (including the annual general meeting), the shareholder should lodge the notices with the company secretary at the Company's head office in Hong Kong at Rooms 2406-2412, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The notices shall be lodged in the period commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting, provided that such period shall be at least seven days. The Company shall publish an announcement and/or issue a supplemental circular upon receipt of the notices from such shareholder in accordance with Rule 13.70 of the Listing Rules. Shareholders' enquiries put to the Board or any proposals to be put forward at general meetings can be emailed to contact@futong.com.hk or by mail to:

Rooms 2406-2412, 24th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year ended 31 December 2020.

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2020 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 59 to 136 of this annual report.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and equity of the Group for the last five financial years is set out on page 137 of this annual report.

SUPPLEMENTAL INFORMATION FOR BUSINESS REVIEW

A fair review of the Group's business, particulars of important events affecting the Group that have occurred during the financial year, an analysis using financial key performance indicators and an indication of likely future development in the Group's business are set out in "Management Discussion and Analysis" section with headings "Business Review", "Financial Review" and "Outlook" on pages 5 to 6, pages 6 to 8 and pages 10 to 11 of this annual report, respectively. An "Environmental, Social and Governance Report" is included on pages 41 to 52, which included a discussion on the Group's environmental policies and performance, the key relationships with its employees, customers and suppliers and others that have a significant impact on the Group.

Principal Risks and Uncertainties Facing the Group

The Group's businesses, financial condition, results of operations or growth prospects may be affected by risks and uncertainties pertaining to the Group's businesses, the Directors believe that the factors set out below are considered to be the principal risks faced by the Group. They do not comprise all of the risks associated with our business and are not set out in priority order, and we acknowledge that additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

Reliance on a small number of key suppliers and products

The Group is an authorized business partner of certain enterprise IT products in the PRC for such as Oracle. The Group's five largest suppliers (on group basis) accounted for approximately 54.6% and 70.0% of the Group's total purchases for each of the years ended 31 December 2020 and 31 December 2019, respectively.

Reliance on a small number of suppliers generally involves several risks, including the possibility of defective products from a supplier which does not provide warranty indemnity, loss of market share of supplier's products, failure of supplier's products to keep updates on IT technology change or consumer preference and a shortage of product supply. Furthermore, some of the non-exclusive business partner agreements with certain of the Group's major suppliers are renewed annually and some of the distribution arrangements may be terminated by the suppliers. If there are significant price fluctuations for such products, any supplier fails to satisfy the requirements of the Group or the Group's relationship with such supplier is terminated or deteriorated for any reason, the Group's revenue and profitability could be materially and adversely affected.

The Group has been continuously diversifying its product bases by sourcing enterprises IT products from a larger variety of suppliers to lower the reliance on a particular group of suppliers.

The Group may not be able to keep updates on IT technology change, its suppliers' technologies and consumer preference

The market for the products of the Group's suppliers is characterized by rapidly-changing IT technology and introduction of new products. The demand for enterprise IT products and services are also subject to business cycles, which may rise or fall along with overall economic growth and business investment environment. The success of the Group will depend upon its technical know-how on these new IT technologies, product features and implementation methods, its ability to respond and adapt quickly to IT technology change and business cycles, as well as its capability to understand the changing needs, preferences and requirements of its customers. If the Group fails to keep updates on IT technology change and introduction of new products, or keep pace with new developments and trends in the IT market and the demands of its customers, its ability to respond effectively to customer demands may be affected, which may undermine the Group's future development and have an adverse impact on the Group's business and financial results.

The management of the Group have extensive experience in the industry which it operates and will closely monitor the change in market trend of the industry. The Group will employ appropriate professional staff possessing the updated technical know-how of the field.

Inventory risks

The inventory of the Group consists mainly of enterprise IT products and other components. These comprised approximately 2.9% and 3.4% of the Group's current assets as at 31 December 2020 and 31 December 2019 respectively.

In practice, the Group maintains its inventory at a certain level with reference to its sales plan. As such, if there is any sudden change in the demand of enterprise IT products, the Group may face an inventory risk if stock levels are not properly monitored or managed. Should the Group fail to manage its inventory properly, provisions will have to be made for slow-moving stocks, which may adversely affect the Group's profitability.

The Group has implemented strict control on the inventory level and has closely monitored the market trend and customer needs before placing purchase orders. The Group also has regular review on the inventory aging to minimise the risk of slow-moving stocks.

Trade, bills and other receivables and contract assets and liquidity risks

Trade, bills and other receivables and contract assets accounted for approximately 26.5% and 32.1% of the Group's total assets as at 31 December 2020 and 31 December 2019 respectively. There may be a risk of delay in payment by the Group's customers from their respective credit period, which in turn may result in an impairment loss provision. There is no assurance that the Group will be able to fully recover its receivables from the customers or their settlements are made on a timely manner. In the event the settlements from the customers are not made in full or not on a timely manner, the financial position, profitability and cash flow of the Group may be adversely affected.

Furthermore, the Group is generally required to purchase its products from its suppliers first before it sells to its customers. This means that the Group will generally have to pay its suppliers first before it collects payment from its customers. There is a risk that any mismatch between the time the Group sources its products and the time it collects payment from its customers may affect the Group's liquidity if it is not managed properly. If the Group is unable to maintain a sufficient level of liquidity in its business operations, its financial condition and performance may also be adversely affected.

The management have performed regular reviews and implement stringent control measures on trade receivables and contract assets with a view to ensuring the recovery of trade receivables and contact assets on the due dates and closely monitoring the Group's liquidity.

Foreign exchange considerations

The exchange rates for RMB against foreign currencies, including USD and HKD, are susceptible to movements based on external factors and there can be no assurance that RMB may not be subject to devaluation. As the Group's revenue and purchases are primarily denominated in RMB and USD, fluctuations in exchange rates may adversely affect the value of the Group's net assets and earnings. Furthermore, the Group may incur foreign currency denominated borrowings which may expose the Group to currency risk. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect the Group's results of operations. Although the Group may, from time to time, enter into hedging transactions to mitigate its foreign currency exchange risk exposure, the effectiveness of such hedges may be limited and the Group may not be able to successfully hedge its exposure.

The management have monitored closely its foreign currency exposure and requirements and will arrange hedging facilities when necessary, or take other appropriate actions to minimise its foreign currency exchange risk exposure.

Reduced spending on enterprise IT products and services may affect the Group's business

The Group's business and revenue growth not only depends on the Group's ability to attract customers to purchase its enterprise IT products and services, but also on the level of spending on enterprise IT products, systems and solutions of its customers.

Furthermore, the general health of the PRC economy will also have an effect on the level of spending on enterprise IT products and services of consumers in the PRC as a whole. Any general economic, business or industry conditions that cause customers or potential customers to reduce or delay their investments in enterprise IT products and services could harm the Group's business. If there is a significant downturn in the PRC market or a significant reduction in consumer demand in the PRC for products or services offered by the Group, the Group's business may be adversely affected.

The Group will closely monitor the general economic of the PRC and any trend of reduction in spending of enterprises IT products and services of its customers or potential customers, take timely actions to react to the changes, such as modifying the Group's business direction to accommodate for the changes.

Political and economic policies of the PRC government could affect the Group's business

With the commencement of the PRC government's efforts to reform the Chinese economic system in the late 1970s, the PRC government has placed increasing emphasis on the utilization of market forces to develop the PRC economy. Over the last four decades, the PRC government's reform measures have resulted in the PRC economy experiencing significant growth and social progress. However, any revision or modification to the economic and political strategies and policies of the PRC government could have a material adverse effect on the overall development of the enterprise IT products and services market in the PRC. With all of the Group's main operating assets and customers located in China, the Group's operations and financial results could be adversely affected by any stagnation in the development of this market in the PRC. There is no guarantee that the PRC government will not impose economic and regulatory controls that would harm the Group's business.

The Group will closely monitor if there any change in economic and regulatory controls imposed by the PRC government that would harm to the Group's business, and take timely actions to react to the changes, such as modifying the Group's the strategic direction to accommodate for the changes.

Compliance with the Relevant Laws and Regulations

The Group strives to comply in all material respects with the relevant laws and regulations which are regarded as having a significant impact on the Group, and has not come across incidence of material breach or non-compliance during the year under review.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements. The Company does not hold any properties for development and/or sale or investment purposes which exceeds 5% of the percentage ratios under rule 14.04(9) of the Listing Rules.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

The service agreements entered into by the Company with each of the executive Directors, which are currently in force and were in force during the year ended 31 December 2020, contain permitted indemnity provisions for the benefit of the executive Director.

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the year under review and as at the date of this report, pursuant to which every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

In addition, the Company has also taken out and maintained directors' liability insurance during the year which provides appropriate cover for the Directors and directors of the subsidiaries of the Company.

During the year ended 31 December 2020, no claims were made against the Directors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 61 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB294.4 million.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2010 are set out in note 26 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers, on individual entity basis, accounted for approximately 70.1% of the total revenue for the year and sales to the largest customer, on individual entity basis, included therein amounted to approximately 39.5%. Purchases from the Group's five largest suppliers, on individual entity basis, accounted for approximately 54.6% of the total purchases for the year and purchases from the largest supplier, on individual entity basis, included therein amounted to approximately 23.5%.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued share of the Company) has any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Director
Mr. Chen Jian *(Chairman)*

Non-executive Director
Ms. Chen Jin

Independent non-executive Directors
Mr. Chow Siu Lui
Mr. Lo Kwok Kwei David
Mr. Yao Yun

According to article 105 of the Company's Articles, not less than one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Chen Jian and Mr. Yao Yun will retire as Directors and, being eligible, offer themselves for re-election as Directors at the 2021 AGM.

The Company has received confirmations from each of the independent non-executive Directors regarding his independence pursuant to the requirements set out in Rule 3.13 of the Listing Rules. Based on these confirmations, the Board considers that all of the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 12 to 14 of this annual report.

DIRECTORS' SERVICE AGREEMENT

The executive Director, namely Mr. Chen Jian, has entered into a service agreement with the Company for a term of three years and thereafter renewable automatically for successive terms of one year each, unless terminated by either the Company or the Director by serving not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

Details of Directors' remuneration are set out in note 12 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACT

As disclosed in note 34 to the consolidated financial statements in this report, certain related party transactions of the Group during the year ended 31 December 2020 constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules, which were all fully exempted under Chapter 14A of the Listing Rules. Save for the above, no other Director or entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, 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/ Chief Executive	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	215,708,000 (Notes 1, 2, 3, 4 and 5)	69.30
Chen Jing	Beneficial owner	1,238,000 (Note 6)	0.40
Zhao Wei	Beneficial owner	1,646,000 (Note 7)	0.53

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

Name of Director/ Chief Executive	Capacity/nature of interest	Number of underlying shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Beneficial owner	2,000,000 (Note 8)	0.64
Chen Jing	Beneficial owner	1,900,000 (Note 8)	0.61
Chow Siu Lui	Beneficial owner	2,000,000 (Note 8)	0.64
Lo Kwok Kwei David	Beneficial owner	500,000 (Note 8)	0.16
Yao Yun	Beneficial owner	500,000 (Note 8)	0.16
Zhao Wei	Beneficial owner	3,400,000 (Note 8)	1.09

Notes:

1. 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.

2. 28,421,100 of these shares are held by Rich China Investments And Trading 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 China Investments And Trading Ltd..

3. 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..

4. 10,710,550 of these shares are held by Long Joy Group 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 Long Joy Group Limited.

5. 1,194,000 shares of the Company are held by Mr. Chen Jian as beneficial owner

6. 1,238,000 shares of the Company are held by Ms. Chen Jing as beneficial owner

7. 1,646,000 shares of the Company are held by Mr. Zhao Wei as beneficial owner

8. 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 31 December 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

SHARE OPTION SCHEME

On 16 May 2019, the shareholders of the Company approved and adopted a new share option scheme (the "**New Share Option Scheme**") and terminated the share option scheme adopted on 11 November 2009 (the "**Old Share Option Scheme**") (together, the "**Share Option Schemes**"). The share option schemes were adopted 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 New Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 16 May 2019.

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 Schemes 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 Schemes for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Schemes 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 New Share Option Scheme were summarised in the circular of the Company dated 11 April 2019. The details of the principal terms and conditions of the Old 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 (the "**Prospectus**").

The total number of outstanding share options as at the Annual Report Date was 21,260,000 which represent approximately 6.83% of the total number of issued shares of the Company as at that date.

As at the Annual Report Date, the total number of shares of the Company available for issue pursuant to the grant of further options under the Share Option Schemes is 9,865,000 shares, representing approximately 3.17% of the total number of issued shares of the Company as at the Annual Report Date.

Details of the movement in outstanding share options, which have been granted under the Old Share Option Scheme, during the year ended 31 December 2020 were as below:

Name or category of participants	Date of grant	Exercise price (HK$)	Exercise period	As at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 2020
Directors								
Ms. Chen Jing	18 January 2016 (Note 6)	1.004 (Note 1)	18 January 2016 to 17 January 2026	400,000	–	–	–	400,000
	28 March 2019	0.81 (Note 3)	28 March 2019 to 27 March 2029	1,000,000	–	–	–	1,000,000
Sub-total				1,400,000	–	–	–	1,400,000
Chief executive								
Mr. Zhao Wei	18 January 2016 (Note 7)	1.004 (Note 1)	18 January 2016 to 17 January 2026	400,000	–	–	–	400,000
	28 March 2019	0.81 (Note 3)	28 March 2019 to 27 March 2029	1,000,000	–	–	–	1,000,000
				1,400,000	–	–	–	1,400,000
Employees	18 January 2016	1.004 (Note 1)	18 January 2016 to 17 January 2026	400,000	–	–	–	400,000
	14 October 2016	1.250 (Note 2)	14 October 2016 to 13 October 2026	900,000	–	–	(300,000)	600,000
	28 March 2019	0.81 (Note 3)	28 March 2019 to 27 March 2029	4,900,000	–	–	(1,000,000)	3,900,000
Sub-total				6,200,000	–	–	(1,300,000)	4,900,000
Total				**9,000,000**	**–**	**–**	**(1,300,000)**	**7,700,000**

Details of the movement in outstanding share options, which have been granted under the New Share Option Scheme, during the year ended 31 December 2020 were as below:

Name or category of participants	Date of grant	Exercise price (HK$)	Exercise period	As at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 2020
Directors								
Mr. Chen Jian	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	2,000,000	–	–	2,000,000
Ms. Chen Jing	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	500,000	–	–	500,000
Mr. Chow Siu Lui	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	2,000,000	–	–	2,000,000
Mr. Lo Kwok Kwei David	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	500,000	–	–	500,000
Mr. Yao Yun	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	500,000	–	–	500,000
Sub-total				–	5,500,000	–	–	5,500,000
Chief executive								
Mr. Zhao Wei	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	2,000,000	–	–	2,000,000
Employees	1 April 2020	0.57 (Note 4)	1 April 2021 to 31 March 2030	–	3,000,000	–	(240,000)	2,760,000
	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	–	4,300,000	–	(1,000,000)	3,300,000
Sub-total				–	7,300,000	–	(1,240,000)	6,060,000
Total				**–**	**14,800,000**	**–**	**(1,240,000)**	**13,560,000**

Save as disclosed above, no share options were granted to other participants.

Notes:

1. 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.

   The closing price of the shares of the Company immediately before the date of grant was HK$0.990.

2. The options are exercisable from 14 October 2016 to 13 October 2026 (both days inclusive) subject to the following vesting periods.

   (1) up to 30% of the options commencing on 14 October 2016;

   (2) up to 60% of the options commencing on 14 October 2017; and

   (3) up to 100% of the options commencing on 14 October 2018.

   The closing price of the shares of the Company immediately before the date of grant was HK$1.25.

3. The options are execisable from 28 March 2019 to 27 March 2029 (both days inclusive) subject to the following vesting periods.

   (1) up to 30% of the options commencing on 28 March 2019;

   (2) up to 60% of the options commencing on 28 March 2020; and

   (3) up to 100% of the options commencing on 28 March 2021.

   The closing price of the shares of the Company immediately before the date of grant was HK$0.81.

4. The options are exercisable from 1 April 2021 to 31 March 2030 (both days inclusive) subject to the following resting periods.

    (1) up to 20% of the options commencing on 1 April 2021;

    (2) up to 40% of the options commencing on 1 April 2022;

    (3) up to 70% of the options commencing on 1 April 2023; and

    (4) up to 100% of the options commencing on 1 April 2024.

    The closing price of the shares of the Company immediately before the date of grant was HK$0.58.

5. The options are exercisable from 11 November 2021 to 10 November 2030 (both days inclusive) subject to the following resting periods.

    (1) up to 20% of the options commencing on 11 November 2021;

    (2) up to 40% of the options commencing on 11 November 2022;

    (3) up to 70% of the options commencing on 11 November 2023; and

    (4) up to 100% of the options commencing on 11 November 2024.

    The closing price of the shares of the Company immediately before the date of grant was HK$0.51.

6. These share options were granted to Ms. Chen Jing before she became a Director.

7. These share options were granted to Mr. Zhao Wei before he became the chief executive officer.

Details of the value of share options granted are set out in note 30 to the consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS UNDER THE SFO

As at 31 December 2020, 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:

Name	Capacity/nature of interest	Number of ordinary shares held/ Deemed interest pursuant to the SFO	Approximate percentage of the Company's issued share capital (%)
China Group Associates Limited (Note 1)	Beneficial owner	153,947,250	49.46
Rich China Investments And Trading Ltd. (Note 2)	Beneficial owner	28,421,100	9.13
Ms. Zhang Xin (Note 3)	Interest of spouse	217,708,000	69.95
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 wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian 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 31 December 2020.

CONTRACT OF SIGNIFICANCE

There was no contract of significance between the Company or any of subsidiaries and a controlling Shareholder or any of its subsidiaries during the year. There was also no contract of significance for the provision of services to the Company or its subsidiaries by a controlling Shareholder or any of its subsidiary.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

CORPORATE GOVERNANCE

Report for the corporate governance practice adopted by the Company is set out on pages 15 to 24 of this annual report.

AUDITOR

BDO Limited has been appointed as auditor of the Company for the year ended 31 December 2020.

BDO Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Chen Jian
Chairman

Hong Kong, 25 March 2021

Over the years, while creating product value and fulfilling its economic responsibilities, the Group has never forgotten its corporate social and environmental responsibilities, hence has consistently strived to meet the expectations of all stakeholders including its customers, suppliers and employees, and also the environment and society. This Environmental, Social and Governance Report has taken into account the Company and its subsidiaries as listed in note 32 to the consolidated financial statements.

The Group complied with the provisions set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" for the year ended 31 December 2020.

PROVIDED HIGH QUALITY AND SAFE PRODUCTS AND SERVICES AND ENHANCED CUSTOMER SATISFACTION

The Group is committed to enhancing the experience of users of its products and services. It has established a healthy and effective model of cooperation with AWS, Oracle and other leading international IT manufacturers. During the outbreak of the COVID-19 pandemic, taking to heart its responsibility to help customers, the Group continually launched several free products such as the 90-day use permissions for the CloudDoorDeskTop secure desktop cloud platform, the ITGo virtualized operation and maintenance management platform, the enterprise cloud drive and other products. Futong Cloud also cooperated with Microsoft to assist enterprises in remote office work by providing them with free platform consulting and planning services, as well as remote assistance to help customers data migrate to the cloud.

In the systems integration services business area, on the back of manufacturers famed for their products, services, technical capabilities and brand names, we provide value-added system integration services ranging from pre-sale technical program advice to after-sale product installation, tuning, optimization, operation and maintenance, availing to customers more comprehensive, high quality and convenient services. By cooperating closely with the manufacturers who have well-establihsed relationship with it, the Group is able to provide employees with all-around training to enhance their product and market knowledge, and also opportunities for further education and promotion. Moreover, the Group has been active in improving its different channel systems, organizing regular marketing activities, participating in exhibitions and giving out publicity brochures and via other means promoting its products and services to customers. These aforementioned efforts have enabled it to consolidate and rally channel partnerships nationwide and establish a better sales system.

Regarding its own brand products and services, the Group has in place strict product development management policies in accordance with the relevant international and national guidelines for IT products and services management, and has continued to invest in research and development.

In the cloud computing management products area, the Group participated in the The 8th Interop & Cloud Connect China (第八屆全球雲計算大會) and on the strength of its leading full-scope cloud management services and outstanding contribution to the cloud computing industry, the Group garnered the "Top Cloud Connect Awards - Cloud Contributor on COVID-19 Fight" (「雲鼎獎 – 雲計算抗疫先鋒企業獎」). Furthermore, with cloud computing management products boasting outstanding strength, Futong Cloud's transport & finance dual case study was named the "2020 Best Case Study in Information Technology Industry" by the China Academy of Information and Communications Technology. Futong Cloud also won the "2020 Cloud Service Enterprise Innovation Award" (「2020年度雲服務企業創新獎」) from DOIT and the "Most Valuable Enterprise for Commercial Cooperation in 2020 Cloud Service Platform Field" (「2020雲服務平台領域最具商業合作價值企業」) from Data Yuan. These accolades and certifications stand not only for the recognition the Group's cloud computing management products enjoy, but also recognition of the Group's dedication to optimizing its customer-cenric products and innovative technologies.

The Group participated in 2020 Industrial Innovation and Development Conference

In the intelligent digitalised products area, the Group now has two R&D centers, one in Bejing and the other in Chengdu, with the AI laboratory in Bejing offically named "Genesis AI Lab (富通恒先人工智能實驗室)". The two centers are together paticipating in the key national and provincial level research and development projects, helping improve the Group's innovation capabilities and developing AI algorithms so as to expand AI applications in various industries. Furthermore, to develop in depth AI technology and applications in the medical industry, the Group also joined the 冬奧會智慧醫療保障關鍵技術 ("the Olympic Winter Games Intelligent Medical Protection Key Technology Project), which is a key "Technology Winter Olympics" R&D project approved by the Ministry of Science and Technology.

Affording superior research expertise, Futong Dongfang, as the first to complete the technology innovation, together with Futong Cloud received the "10th Wu Wenjun Artificial Intelligence Science and Technology Award – Second Prize (in Technology Innovation)", the highest honor in China's intelligent science and technology. At the same time, by joining various industry organisations, the Group has sought to raise its influence in the AI and medical and healthcare fields, that it may make yet more contribution to the industry. For example, the Group became a member unit of the governing board of the Chinese Association for Artificial Intelligence, and joined the China Artificial Intelligence Product Development Alliance and the Artificial Intelligence Industry Innovation Alliance.

As at the end of 2020, the Group owned copyrights of a total of 143 software and 4 patents, of which 21 copyrights and 3 patents were new additions during the year. Currently, the Group, through forging cooperative relationships with leading public cloud service providers, helps customers migrate their business from the traditional IT environment to the public cloud environment. It also cooperates with many innovative small and medium enterprises in the cloud computing and big data industries to provide customers with appropriate value-added cloud services. At the same time, the Group has been putting major efforts into developing proprietary intelligent digitalised products and cloud computing software products, so that it may offer enterprise customers comprehensive digitalised services and solutions. When serving customers, the Group strictly complies with the Customer Information Act and its provisions, and requires employees to use customer information solely for providing customers with better products, services and for technical purposes. Unless given customer consent or required by law, it prohibits employees to disclose or provide customer information to third-parties.


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As an IT service provider trusted over the years by customers, the Group abides by international laws and regulations and also the rules and regulations in the countries or regions where it operates, plus the service and product standards and practices of the manufacturers it works with and the industry. It carries out relevant audits each year matching partner manufacturers' requirements. In 2020, there were no incidents of serious violation of product and service rules and related litigation and disputes.

The Group participated in different conferences and forums

The Group participated in 2020 intelligent Medical Academic Conference and Dr. Li, the head of Futong Genesis AI Lab has delivered a speech on "Knowledge Reasoning and Intelligent Optimization in Active Health Management"

RESPONSIBLE PROCUREMENT

The Group fully understands the importance of environmental protection and its social obligations. Thus, in addition to promoting sustainable business development, it partners with major suppliers to promote environmental protection, joining force to pave the way for green development.

AWS, which is a cloud computing management products business partner of the Group, has long been committed to a substainable future. In 2019, AWS and Global Optimism announced The Climate Pledge, promising to meet 10 years earlier the requirements of the Paris Agreement. The contents of the Climate Pledge included regularly measure and report greenhouse gas emissions, implement decarbonization strategies in line with the Paris Agreement by making real business changes and innovations, and neutralize any remaining emissions with additional and quantifiable offset activities, so as to achieve net zero annual carbon emissions by 2040. AWS is the first signatory of this pledge.

Oracle, a world renowned enterprise, has adopted a series of mechanisms to monitor and evaluate implementation of its environmental management system, including using professional self-assessment procedures, establishing an environmental performance database, carrying out internal audits independent of the environmental department and practices as commanded by the ISO 14001 environmental management system standard certification. Oracle awards management in environmental protection work and commends Oracle organizations for their achievements and progress made in environmental protection. In addition, Oracle places utmost care on employees' health and safety and has carried out a series of work to improve the health of employees around the world. Starting from the actual needs of employees, Oracle China focuses on medical insurance, employee safety, and health check-ups to protect employees' health in all aspects. As a value-added distributor of Oracle, the Group has diligently complied with the client's requirements regarding environmental protection, emissions reduction and safeguarding employee rights.

UPHOLD OPERATIONAL INTEGRITY, ABIDE BY LAW, REGULATIONS AND BUSINESS ETHICS

The Group recognizes the importance of fighting corruption and fraud, and sees that as a part of its social responsibility. It complies with international and government anti-corruption laws and regulations, as well as strictly supervises and implements anti-corruption measures. It upholds the principle of "prevention is better than cure", thus has been proactive in providing anti-corruption education to employees.

In 2020, the Group reviewed and updated a series of rules including Provision on Management of Anti-corruption and Anti-bribery Measures, Procedures for Investigation of Anti-corrouption and Anti-bribery Matters, and Rules for Monitoring and Examination of Compliance and Management of and Control over Risks relating to Anti-corruption and Anti-bribery.

During the year, the Group offered anti-corruption pre-job training to new recruits, and attained the goal of giving anti-corruption education to all staff. It also provided regular anti-corruption training to the management team and other employees and emphasized that Futong's employees must understand and meet compliance requirements, that workwise the contract is the only and final reference and anything outside of contractual arrangements are strictly prohibited and so are acts of deception or concealment, as the Group has zero tolerance for illegal acts.

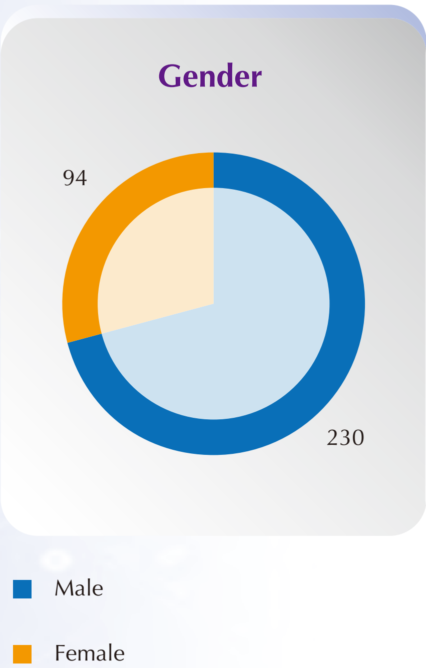
Embracing its anti-corruption and anti-bribery responsibilities, the Group has devoted considerable effort to setting up a prevention-based anti-corruption oversight system with four tiers namely the Board, the management team, Business and Functions Department and the Internal Audit Department. As for the supervisory responsibilities, a three- layered organization making up of the Financial Department, Compliance Department and Internal Audit Department is in place, for effective cross-supervision and restriction, to practically fulfill the Group's social responsibility.

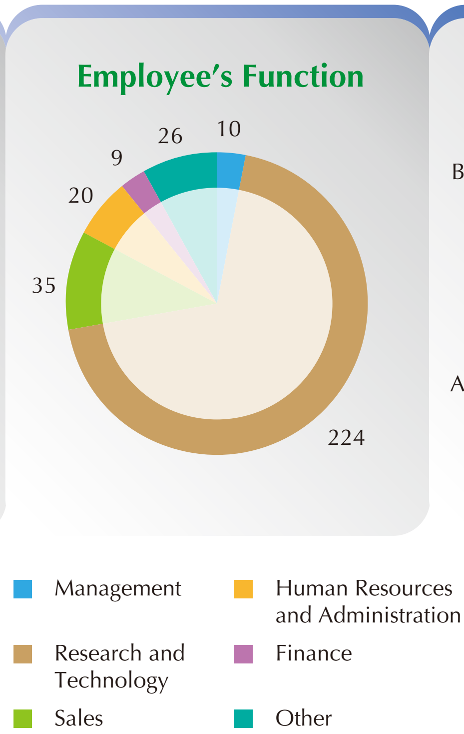
During the Reporting Period, the Group had strictly abided by all laws and regulations related to bribery, extortion, fraud and money laundering. No employees had been found having committed any acts of bribery, fraud and corruption, and no such complaints from any third party had been received by the Group.

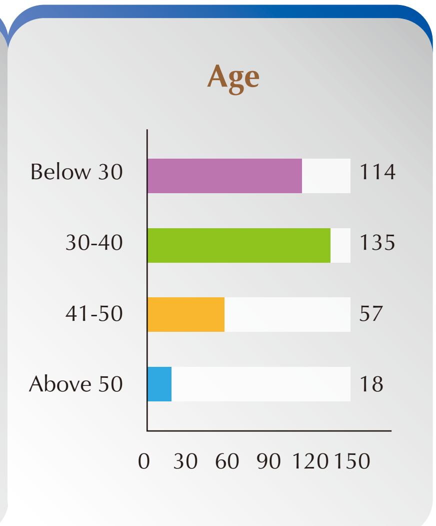
PEOPLE-ORIENTED, DEDICATED TO FOSTERING GROWTH OF EMPLOYEES

Consistently adhering to its "people-oriented" philosophy, the Group provides a fair and equal employment work environment to its staff, focusing on nurturing the capabilities and realizing the potentials of employees. This approach has helped enhance the core competitiveness of the Group and assure it has access to high quality human resources.

The Group's staff hiring and dismissal procedures agree with national and local laws and regulations, as well as internal rules and practices. In view of the job nature of its employees, The Group generally implements standard working hours to reasonably arrange employees to work overtime, in light of job requirements, provide overtime compensation to our staff in accordance to legal requirements and arrange compensation leave for staff. Specific training is given to new recruits and professional staffers to nurture their specialty skills for contributing to the Group.







ADHERE TO EQUAL EMPLOYMENT, PROMOTE DIVERSIFICATION

Given the characteristics of the industry in which the Group belongs and with a staff predominantly made up of personnel specializing in science and engineering, there is a slant in the male and female employee ratio. Despite that, adhereings to the diversification principle, Futong insists on fairness in recruitment and protecting equally the right to employment of both men and women. In 2020, female employees accounted for 29% of its entire workforce. The Group also actively participates in social welfare activities and aims to help solve the employment problem of persons with disabilities. During the Year, the Group hired seven disabled employees. In addition, Futong has a number of offices across the country contributing to local employment. During the year, it also stepped up recruitment of fresh graduates, thus opening more job opportunities to university graduates.

PROTECT LEGAL RIGHTS AND INTERESTS OF AND IMPROVE COHESION AMONG EMPLOYEES

The Group strictly abides by government and local regulations, as well as its internal rules and constantly improves its internal management system and processes relating to recruitment and dismissal of employees. Standard working hours are implemented based in the job nature of employees. It advocates timely and efficient work, thus does not encourage employees to work overtime. However, for inevitable and necessary overtime work, reasonable arrangement will be made and employees will be compensated in payment and leave in accordance with the requirements of laws and regulations.

The Group also emphasizes work-life balance for employees. On top of statutory national holidays, annual leave and full pay sick leave, female employees and young employees can enjoy respectively leave on March 8 Women's Day and May 4 Youth Day. Furthermore, for employees who have children under 10-years-old, they can enjoy a day off on June 1.

The intelligent diagnosis products was launched

Futong 2020 "The Best Office Seat Competition"

CARE FOR EMPLOYEES, ENHANCE STAFF CONTENT

The Group is committed to enhancing satisfaction among its staff in different aspects, for example, their careers. Thus, it would design a reasonable and scientific career plan for and together with each employee heeding his or her preferences and also matching its development objectives, so that employees would have a clear appreciation of their value and directions, and also their importance to the team.

As for employees' work environment, the Group devotes its best efforts to creating a pleasant work environment for employees with the help of regular checks and analysis to ascertain whether the environment and conditions at work is good for their physical and mental health, whether a work position matches the interest of an employee, whether an employee enjoys his or her work, etc. In addition, the Group organizes different personal interest activities from time to time, such as photography competitions with attractive prizes, to add fun to employees' life after work.

OPTIMIZE SALARY SYSTEM TO MOTIVATE EMPLOYEES

The Group has a comprehensive remuneration and benefits system to provide employees with competitive remuneration packages. An employee's performance and remuneration and also personal development are closely linked, and internal promotion, performance rewards and salary adjustment mechanisms have been devised to recognize good perfomance employee and motivate outstanding employees in delivering excellent work.

The Group, as required by relevant laws, contributes to social insurance and housing funds or mandatory provident funds for all employees. It also provides employees with different benefits including meal allowances, transportation allowances, telephone bill allowances, holiday allowances, medical insurance, personal accident insurance, paid annual leave, paid sick leave, health examinations, etc. In addition, it has also established an online medical consultation platform for employees, making it quick and easy for them to have a consultation, a move to help employees address practical needs.

PROMOTE OCCUPATIONAL HEALTH AND PROVIDE MEDICAL SECURITY

The Group cares about the safety of employees at work and strives to provide them with a safe and healthy working environment. Increasing plant coverage and replacement rates, continuously improving indoor air quality and drinking water quality are some of the many measures implemented in the offices of the Company across the country. Their purpose is to provide employees with a clean, bright, comfortable and harmonious working environment, thereby boost their motivation and morale, and, in turn, their work efficiency.

Occupational health of its employees is a top priority of the Group in opearting its business. The Group contributes to social insurance, as required by law, and provides employees with supplementary medical insurance and accident protection commercially available. Annual health examinations are arranged for employees so that they may know more about their physical conditions and well-being. Abiding by laws, reasonable work arrangements will be made for pregnant or breast-feeding women employees to make sure they and their fetuses or babies will not be exposed to any danger. In addition, holidays will be provided for female employees during pregnancy or lactation. The Group has insisted on minimizing work risks to protect the occupational health and safety of employees.

Moreover, the Group engages third-party medical institutions to provide health consulting and other medical services to employees, and regularly holds online medical lectures and other activities to enrich employees' knowledge of such as healthy diet and sports, and different medical issues, so that they can better understand their own physical conditions.

The Group has consistently complied with all relevant laws and regulations with significant bearing on providing employees with a safe work environment and protecting them from occupational hazards. All these years in operation, the Group had neither serious health and safety incidents nor related disputes with employees.

IMPROVE STAFF TRAINING SYSTEM TO BUILD A PROFESSIONAL TEAM

To help new recruits quickly adapt in the new work environment, the Group provides various forms of training customized by the training development team and taught by the Group's senior lecturers. On top of learning in great detail about the Group's corporate culture, personnel, financial position, and administrative and business systems and procedures, participants are also coached on operational skills in IT, availing to them the opportunity to benefit from comprehensive training services. In 2020, more than 40 new recruits in total received the regular training. Moreover, during the year, training videos on different topics were added in the Group's online training APP to allow employees to sharpen their skills anytime, anywhere.

For employees to have a full grasp of the Company's regulations and systems and procedures, the said regulations and systems have been uploaded onto the public cloud drive, so that employees can conveniently check and find the information they need to help themenhance work efficiency.

The Group also organizes at least one training session a week for technical staff, covering topics such as the Group's products and technologies. Furthermore, the Group invites experts from partners to explain relevant products and technologies to its technical staff to help hone their overall skills.

PARTICIPATE IN SOCIAL AND CHARITABLE ACTIVITIES, PROMOTE COMMUNITY DEVELOPMENT

In terms of minimizing the Group's impact on the environment and natural resources, it has always upheld the philosophy of "taking root in society, giving back to society", through policies and practical measures that proactively fulfil its corporate social responsibility. Apart from taking the initiative to join Greening Integration of Urban and Rural Beijing activities to contribute to ecological protection work of the motherland, it has also actively organized and encouraged employees to participate in various social and charitable activities. In 2020, the Group made a donation to the Heart Health Research Center ("HHRC"). HHRC is a non-profit academic institution, which mainly focuses on cardiovascular health. It cooperates with leading international institutions and experts in the cardiovascular field on improving treatment and prevention of cardiovascular diseases. These initiatives can see the Group advance and sustain development not only of itself as a corporation, but also of employees and the society at the same time.

ACTIVELY PROMOTE ENERGY CONSERVATION AND EMISSIONS REDUCTION TO PROTECT THE ENVIRONMENT

Green operation, energy conservation and lowering carbon emissions are integral parts of the Group's efforts to protect the environment. It has in place a set of rules and procedures to help cut down usage of resources and carbon emissions, as well as encourages employees to follow such rules and procedures in daily operational activities. In addition, via energy usage situation review, the Group identifies areas of high energy consumption where improvements in energy efficiency need to be made.

Measures to reduce resources consumption, waste and emissions of the Group include:

1. Centralized handling of electronic waste and obsolete office equipment and all material for disposal or recycling will be conducted by appointed professional waste recycling companies;

2. Separate waste and set up individual locations for recyclable waste and non-recyclable waste;

3. Purchase office equipment and supplies made from recycled materials;

4. Encourage employees to lead a "low-carbon commute" lifestyle by, taking public transport at least once a week instead of driving;

5. Refrigerators and microwave ovens in the pantry are cleaned and maintained by professional cleaning staff each week and temperatures of the refrigerators and freezers are set at optimum levels for energy conservation;

6. To reduce greenhouse gas emissions, a notice reminding staff to save power is placed next to air conditioning switches in the Beijing office. During summer, the temperature of air conditioners are set at 26 degrees Celsius adhering strictly to regulations on air conditioner usage in office buildings set by the Beijing municipal government. Designated staff members ensure the rule is followed and that nobody should adjust air conditioning temperature at will. When air conditioners are in operation, all doors and windows in the office are closed to reduce energy wastage and carbon emissions;

7. All employees are strictly required to switch off their computers and other electronic equipment before leaving the office after work to lower electricity consumption, and for equipment that can be switched off at night, designated staff members of the administration department will check to make sure they are switched off after office hours;

8. During daytime when lighting is good, designated staff members of the administration department will dim lights in the office in accordance with the practice of "trimming power for lighting by half during daytime"

9. Employees are prohibited from using high-voltage electrical equipment and there are penalties for violations;

10. Water-saving notices are posted in washrooms, requiring employees to only turn on the faucet when needed and not waste water;

11. To transition towards a paperless office, double-sided printing is preferred, if keeping paper records of documents is necessary. Furthermore, reuse is encouraged such as using recycled paper for facsimiles, notes, memos, etc. The volume of paper procured by the Group consequently decreased in 2020 due to the aforementioned measures.

12. Regulate usage of company vehicles by strictly prohibiting private use. Approvals from supervisors shall be obtained before using a company vehicle and the vehicle and driving route must be reasonably arranged to reduce fuel consumption;

13. Green plants are put in suitable office areas to absorb greenhouse gas emissions and reduce noise.

Since the Group does not engage in manufacturing, its major emissions are limited to greenhouse gases from the consumption of electricity in the office; sewage from office water consumption, domestic waste and carbon dioxide, methane, nitrous oxide, and other gases from the combustion of vehicle fuel. The Group does not typically produce any toxic waste gas and waste water that have serious impact on the environment. In 2020, the Group strengthened development of its own-brand software products and acquired additional equipment to support increase in services. However, the Group has continuously implemented measures to reduce energy consumption and emissions, at such, it was able to maintain the emissions indicators such as water consumption and electricity consumption at a stable level, and total greenhouse gas emissions declined by approximately 8%. The Group will exert still greater effort on energy conservation and reducing emissions to contribute to the betterment of society. The Group has complied with all relevant laws and regulations with significant bearing on (i) emissions; (ii) staff employment, including meeting labor standards with regard to providing a safe work environment and protecting employees from occupational hazards; (iii) product/service responsibility; and (iv) anti-corruption, bribery, extortion, fraud and money laundering.

The following are data of the Group's energy consumption, emissions of greenhouse gases, waste and sewage for the year ended 31 December 2020. (Dragon: Please use the figures in Chinese version)

Emissions Indicator	Unit	2020	2019
Direct emissions of greenhouse gas	Tonne of CO2e	8.86	12.71
Of which: Direct emissions of carbon dioxide (CO2)	Tonne	8.83	12.67
Direct emissions of methane (CH4)	Tonne	0.01	0.01
Direct emissions of nitrous oxide (N2O)	Tonne	0.02	0.03
Indirect emissions of greenhouse gas	Tonne of CO2e	233.28	249.77
Total emissions of greenhouse gas	Tonne of CO2e	242.14	262.48
Emissions of greenhouse gas/staff per capita	Tonne of CO2e/staff	0.7496	0.8126
Total waste discharge	Tonne	28.30	27.31
Waste discharge/staff per capita	Tonne/staff	0.0876	0.0846
Total discharge of domestic sewage	Square meter	1,636.41	1,627.24

Energy and Water Consumption Indicator	Unit	2020	2019
Electricity consumption	(kWH)	335,089.00	334,267.00
Gasoline consumption	(L)	4,661.98	5,823.11
Comprehensive energy consumption	(ton of standard coal)	46.19	47.34
Comprehensive energy consumption/staff per capita	Ton of standard coal/staff	0.1430	0.1466
Paper consumption	(kg)	1,496.88	2,057.45
Municipal water consumption	(ton)	1,934.02	1,921.41
Comprehensive water consumption/staff per capita	ton/staff	5.9877	5.9486

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TO THE SHAREHOLDERS OF
FUTONG TECHNOLOGY DEVELOPMENT HOLDINGS LIMITED
富通科技發展控股有限公司
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Futong Technology Development Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") set out on pages 59 to 136, which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 7 and the Group's significant accounting policies in relation to revenue recognition set out in note 4.13 to the consolidated financial statements

We have identified revenue recognition as a key audit matter during the year, a majority of recorded revenue transactions are related to the Group's revenue arrangements for sales of enterprise IT products and provision of services. Sales transactions are generally recorded in the system kept and maintained by the Group when goods/services are delivered and titles have been passed, while certain sales arrangements are evidenced by customers' acceptance. The amount and volume of sales transactions are significant to the consolidated financial statements.

Our response

Our audit procedures in relation to revenue recognition included:

– Evaluating key controls in connection with the recognition of revenue;

– Evaluating the Group's IT systems and related computer controls that are relevant to the recording of sales transactions;

– Analysing the sales data during the year kept in the systems and maintained by the Group for major trends throughout the year. Identifying significant fluctuations and comparing and contrasting them with explanations elaborated by management to identify significant unusual deviations and, where necessary, investigating related deviations therefore noted; and

– Testing the sales recorded, on a sample basis, by referring to evidence obtained including third party documentation of deliveries and, where appropriate, customers' acceptance and by checking the fulfilment of necessary contractual rights and obligations in the sales arrangements during the year as well as around the year end.

KEY AUDIT MATTERS *(Continued)*

Impairment of trade and bills receivables

Refer to note 21 and the Group's significant accounting policies and the critical accounting estimates and judgements in relation to impairment of trade and bills receivables set out in note 4.11(ii) and note 5(iii) to the consolidated financial statements

We have identified impairment of trade and bills receivables as a key audit matter because such an impairment require management's best estimate over the expected losses arising from the collection of the debts incurred as at the reporting date and at the same time trade receivables represent a significant asset on the Group's consolidated statement of financial position as at 31 December 2020. The recoverability of trade and bills receivables is crucial in the Group's cash management.

Significant management judgement is required in determining an appropriate level of impairment to be made with reference to the assessment of the expected collection of each of trade debts individually that is based on various factors including credit history of customers.

Our response

Our audit procedures in relation to impairment of trade receivables included:

– Understanding key internal controls which govern credit control, debt collection and estimate of impairment;

– Assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;

– Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

– Inspecting settlements from customers after the financial year end relating to trade receivables balances as at 31 December 2020, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 25 March 2021

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	7	**616,272**	848,773
Cost of sales and services		**(530,484)**	(731,149)
Gross profit		**85,788**	117,624
Other income	8	**14,979**	8,687
Other gains and losses	8	**(3,637)**	813
Reversal of/(provision for) impairment on financial assets, net		**12,692**	(799)
Selling expenses		**(69,979)**	(76,035)
Administrative expenses		**(29,201)**	(40,914)
Profit from operations		**10,642**	9,376
Finance costs	9	**(297)**	(1,471)
Profit before income tax expense	10	**10,345**	7,905
Income tax expense	11	**(7,423)**	(5,149)
Profit and total comprehensive income for the year		**2,922**	2,756
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,967**	2,865
Non-controlling interests		**(45)**	(109)
		2,922	2,756
Earnings per share			
Basic and diluted (RMB)	15	**0.01**	0.01

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**4,614**	3,496
Intangible assets	17	**26,163**	11,651
Right-of-use assets	18	**20,662**	19,171
Financial assets at fair value through profit or loss	19	**6,563**	–
Deferred tax assets	28	**20,245**	29,197
Total non-current assets		**78,247**	63,515
Current assets			
Inventories	20	**19,642**	22,598
Trade, bills and other receivables	21	**145,674**	197,431
Contract assets	22	**55,067**	36,197
Pledged deposits	23	**19,058**	32,788
Bank balances and cash	24	**440,882**	374,969
Total current assets		**680,323**	663,983
Current liabilities			
Trade and other payables	25	**73,090**	89,021
Contract liabilities	22	**128,303**	79,116
Bank borrowings	26	**–**	10,600
Lease liabilities	27	**2,046**	993
Tax payable		**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	27	**2,295**	–
NET ASSETS		**548,773**	545,453
CAPITAL AND RESERVES			
Share capital	29(a)	**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

On behalf of the directors

Chen Jian
Director

Chen Jing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital RMB'000	Share premium RMB'000 (note 29b(i))	Merger reserve RMB'000 (note 29b(ii))	Share option reserve RMB'000	Statutory reserves RMB'000 (note 29b(iii))	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	27,415	81,538	219	1,200	75,246	357,532	543,150	4,641	547,791
Profit and total comprehensive income for the year	–	–	–	–	–	2,865	2,865	(109)	2,756
Recognition of equity-settled share-based payments (note 30)	–	–	–	905	–	–	905	–	905
Lapse of share options (note 30)	–	–	–	(533)	–	533	–	–	–
Appropriation to statutory reserves	–	–	–	–	2,580	(2,580)	–	–	–
Dividends (note 14)	–	–	–	–	–	(5,999)	(5,999)	–	(5,999)
At 31 December 2019 and 1 January 2020	**27,415**	**81,538**	**219**	**1,572**	**77,826**	**352,351**	**540,921**	**4,532**	**545,453**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**2,967**	**2,967**	**(45)**	**2,922**
Recognition of equity-settled share-based payments (note 30)	**–**	**–**	**–**	**398**	**–**	**–**	**398**	**–**	**398**
Lapse of share options (note 30)	**–**	**–**	**–**	**(191)**	**–**	**191**	**–**	**–**	**–**
Appropriation to statutory reserves	**–**	**–**	**–**	**–**	**3,232**	**(3,232)**	**–**	**–**	**–**
At 31 December 2020	**27,415**	**81,538**	**219**	**1,779**	**81,058**	**352,277**	**544,286**	**4,487**	**548,773**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before income tax expense		**10,345**	7,905
Adjustments for:			
Interest income	8	**(8,887)**	(6,010)
Loss on disposals of property, plant and equipment	8	**50**	22
Finance costs	9	**297**	1,471
Depreciation of property, plant and equipment	10	**2,136**	3,442
Depreciation of right-of-use assets	10	**3,210**	1,912
Amortisation of intangible assets	10	**1,880**	1,526
Impairment losses on inventories		**489**	142
Write back of inventories		**(1,679)**	(998)
(Reversal of)/provision for impairment on financial assets, net		**(12,692)**	799
Recognition of recognition of share-based payment expenses		**398**	905
Operating (loss)/profit before working capital changes		**(4,453)**	11,116
Decrease in trade, bills and other receivables		**64,620**	96,299
(Increase)/decrease in contract assets		**(18,941)**	26,918
Decrease in inventories		**4,146**	42,129
Decrease in trade and other payables		**(15,163)**	(70,050)
Increase/(decrease) in contract liabilities		**49,316**	(76,548)
Cash generated from operations		**79,525**	29,864
Income taxes refunded/(paid)		**3,070**	(614)
Net cash generated from operating activities		**82,595**	29,250
Cash flows from investing activities			
Interest income received	8	**8,887**	6,010
Purchases of property, plant and equipment	16	**(3,306)**	(551)
Purchase of financial assets at fair value through profit or loss		**(6,563)**	–
Purchase of intangible assets		**–**	(2,841)
Development costs paid		**(16,392)**	(8,525)
Withdrawal of pledged bank deposits		**32,788**	23,349
New pledged bank deposits		**(19,058)**	(32,788)
Net cash used in investing activities		**(3,644)**	(15,346)

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from new bank borrowings		**–**	10,600
Repayments of bank borrowings		**(10,600)**	(30,725)
Interest paid on bank borrowings		**(178)**	(1,320)
Payments on principal portion of lease liabilities		**(2,478)**	(1,335)
Interest paid on lease liabilities		**(119)**	(151)
Dividends paid		**–**	(5,999)
Net cash used in financing activities		**(13,375)**	(28,930)
Net increase/(decrease) in cash and cash equivalents		**65,576**	(15,026)
Cash and cash equivalents at 1 January	24	**374,969**	390,523
Effect of foreign exchange rate changes		**337**	(528)
Cash and cash equivalents at 31 December	24	**440,882**	374,969

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. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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 significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised IFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

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 each reporting period. The measurement bases are fully described in note 4.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Foreign currency translation

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly.

Exchange difference arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Property, plant and equipment

Property, plant and equipment held for use in the supply of goods or services, or for administrative purposes are stated at valuation less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off the costs net of estimated residual values over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The rate of depreciation per annum are as follows:

Leasehold improvements	33% – 50% or the shorter of the lease
Furniture, fixtures and office equipment	18% – 33%
Motor vehicles	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.5 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses, if any.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Intangible assets *(Continued)*

Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of each asset in the unit. The carrying amount of an asset is note reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using moving weighted average method. Net realisable value represents the estimated selling price for inventories.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks (excluding pledged bank deposits) and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.10 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" ("**IFRS 16**") at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12-months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets (Continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as following measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Debt instruments (Continued)

FVTPL: These include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables, contract assets, financial assets measured at amortised cost and debt instruments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are ECLs that result from possible default events within the 12-months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(v) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.12 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**").

(i) Sales of enterprise IT products

Customers obtain control of the enterprise IT products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the enterprise IT products. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

(ii) Provision of services

Revenue is recognised over time as those services are provided. Invoices for provision of services are issued on a monthly basis and are usually payable within 30 to 90 days.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

(iii) Other income

Other service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.14 Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods/services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when the Group completes the delivery under such services contracts but yet certified by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the delivery is certified by customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Borrowing costs

Borrowing costs directly attribute to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.16 Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.17 Employee benefits

(i) Retirement benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme which are defined contribution retirement benefit plans are recognised as an expense when employees have rendered the related services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Employee benefits *(Continued)*

(ii) Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employee such as wages and salaries, annual leave and sick leave after deducting any amount already paid.

4.18 Income taxes

Income taxes for the year comprise current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Income taxes *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.19 Share-based payments

The Group operates an equity-settled share-based compensation plan, which was a share option scheme by the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. These are indirectly determined by reference to the share options. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the, revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to retained profit. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Dividend

Final dividends proposed by the directors are classified as a separate allocation of retained profit within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and amortisation

The Group depreciates property, plant and equipment, intangible assets and right-of-use assets in accordance with the accounting policies stated in note 4.4, note 4.5 and note 4.10 respectively. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets. Management reassesses the estimated useful lives at the end of each reporting period.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business. Management is required to make best estimates of the net realisable value of inventories, in particular for obsolete inventory items and significant judgement is required. In identifying inventory items, the net realisable value of which may fall below their costs, management refers to changes in product specifications noted in the recent order requests from customers as well as the ageing analysis of the inventories. Management reassesses these estimations at the end of each reporting period to ensure inventory is stated at the lower of cost and net realisable value.

As at 31 December 2020, the carrying amount of inventories is RMB19,642,000 (2019: RMB22,598,000).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Impairment of receivables

Management assesses impairment of receivables on a regular basis. This estimate is based on the credit history of the customers and debtors and current market conditions. Management reassesses the impairment of receivables at the end of each reporting period.

(iv) Estimates of current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

(v) Fair value of financial instruments

Fair values of financial instruments that are not quoted in active markets are determined by using various valuation techniques according to the nature of the financial instruments. These include third party price quotation and a discounted cash flow. These models are built by reputable system suppliers and are widely used in the market. They are reviewed and calibrated by the independent professional valuers. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modelling techniques.

6. 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.

6. SEGMENT REPORTING *(Continued)*

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

	2020 **RMB'000**	2019 RMB'000
Customer A	**243,496**	277,178
Customer B	**111,877**	72,222

7. 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 **RMB'000**	2019 RMB'000
Revenue within the scope of IFRS 15		
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 of revenue recognition.

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

7. REVENUE *(Continued)*

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

	2020 **RMB'000**	2019 RMB'000
Receivables	**74,628**	129,423
Contract assets (note 22(a))	**55,067**	36,197
Contract liabilities (note 22(b))	**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 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 had an original expected duration of one year or less.

8. OTHER INCOME, AND OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Other income:		
Interest income	**8,887**	6,010
Government grants (note)	**2,045**	1,126
Bad debts recovered	**2,475**	1,017
Others	**1,572**	534
	14,979	8,687
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)
	(3,637)	813

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.

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank borrowings	**178**	1,320
Interest on lease liabilities	**119**	151
	297	1,471

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

10. PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 RMB'000	2019 RMB'000
Auditor's remuneration		
– Audit service	**1,400**	1,400
– Non-audit service	**191**	195
Amortisation of intangible assets (note 17 and note (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 (note 16)	**2,136**	3,442
Depreciation of right-of-use assets (note 18)	**3,210**	1,912
Interest on lease liabilities (note 9)	**119**	151
Research and development costs	**12**	592
Short-term leases expenses	**1,991**	2,475
Staff cost (including directors' emoluments): (note (ii))		
– Salaries and wages	**88,105**	87,058
– Contributions to retirement benefit scheme	**1,026**	8,158
– Equity-settled share-based payment	**398**	905
	89,529	96,121
Less: capitalised as intangible assets	**(15,596)**	(8,367)
	73,933	87,754

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.

10. PROFIT BEFORE INCOME TAX EXPENSE *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

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.

11. INCOME TAX EXPENSE

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

	2020 RMB'000	2019 RMB'000
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
	(1,418)	3,944
Deferred tax (note 28)		
Origination and reversal of temporary difference	**5,257**	1,205
Write-down of deferred tax assets (note (iv))	**3,584**	–
	8,841	1,205
	7,423	5,149

Notes:

(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, the tax rate of the Company's subsidiaries, except for two subsidiaries have been granted continuously on a three years interval with a qualification of high-tech enterprise which entitles these 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.

11. INCOME TAX EXPENSE *(Continued)*

Income tax expense for the year can be reconciled to profit before income tax expense per consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **RMB'000**	2019 RMB'000
Profit before income tax expense	**10,345**	7,905
Tax calculated at applicable tax rate of 25% (2019: 25%)	**2,586**	1,976
Effect of different tax rates	**(2,603)**	(7,449)
Tax effect of tax losses not recognised	**5,611**	5,504
Tax effect of income not taxable for tax purposes	**(485)**	(763)
Tax effect of expenses not deductible for tax purposes	**1,669**	1,280
Write-down of deferred tax assets	**3,584**	–
Effect on opening deferred tax balances resulting from an increase in applicable tax rate	**–**	(665)
Over-provision in respect of prior years	**(2,939)**	–
Withholding tax on dividend	**–**	5,266
Income tax expense	**7,423**	5,149

12. DIRECTORS' EMOLUMENTS

The aggregate amounts of the emoluments paid or payable to the directors are as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Share-based payment RMB'000	Defined contribution scheme RMB'000	Total RMB'000
2020					
Executive director					
Mr. Chen Jian	**–**	**2,102**	**19**	**116**	**2,237**
Non-executive director					
Ms. Chen Jing (i)	**250**	**–**	**45**	**–**	**295**
Independent non-executive directors					
Mr. Chow Siu Lui	**250**	**–**	**18**	**–**	**268**
Mr. Lo Kwok Kwei David	**250**	**–**	**5**	**–**	**255**
Mr. Yao Yun	**250**	**–**	**5**	**–**	**255**
	1,000	**2,102**	**92**	**116**	**3,310**

	Fees RMB'000	Salaries and allowances RMB'000	Share-based payment RMB'000	Defined contribution scheme RMB'000	Total RMB'000
2019					
Executive director					
Mr. Chen Jian	–	2,132	–	202	2,334
Non-executive director					
Ms. Chen Jing (i)	43	841	105	47	1,036
Independent non-executive directors					
Mr. Chow Siu Lui	255	–	–	–	255
Mr. Lo Kwok Kwei David	255	–	–	–	255
Mr. Yao Yun	255	–	–	–	255
Mr. Yuan Bo (ii)	96	–	–	–	96
	904	2,973	105	249	4,231

12. DIRECTORS' EMOLUMENTS *(Continued)*

The non-executive director's and the independent non-executive directors' emoluments shown above were for their services as directors of the Company, and the executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(i) Ms. Chen Jing was re-designated as a non-executive director of the Company on 1 November 2019.

(ii) Mr. Yuan Bo retired as the director of the Company on 16 May 2019.

There was no bonus paid or receivable by Directors which are discretionary and are based on the Company's, the Group's or any member of the Group's performance during the years ended 31 December 2020 and 2019. No directors received any emoluments from Group as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 2019. No directors waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

13. THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2019: one) was director of the Company whose emoluments was included in the disclosures in note 12 above. The emoluments of the remaining four (2019: four) individuals were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other emoluments	**4,087**	4,286
Defined contribution scheme	**487**	487
Equity-settled share-based payment	**133**	258
	4,707	5,031

Their emoluments were within the following bands:

	2020 **Number of** **individuals**	2019 Number of individuals
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

13. THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

SENIOR MANAGEMENT

Emoluments paid or payable to members of senior management were within the following bands:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**4**	4
HK$1,500,001 to HK$2,000,000	**1**	1
	9	10

14. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
2018 final dividend: HK2.2cents		
(equivalent to RMB1.9 cents) per share	**–**	5,999

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

15. EARNINGS PER SHARE

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

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

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
1 January 2019	9,728	19,925	2,030	31,683
Additions	82	469	–	551
Disposals	–	(2,172)	–	(2,172)
Exchange alignment	8	4	27	39
At 31 December 2019 and 1 January 2020	**9,818**	**18,226**	**2,057**	**30,101**
Additions	**440**	**1,446**	**1,420**	**3,306**
Disposals	**–**	**(5,000)**	**–**	**(5,000)**
Exchange alignment	**(21)**	**(12)**	**(75)**	**(108)**
At 31 December 2020	**10,237**	**14,660**	**3,402**	**28,299**
ACCUMULATED DEPRECIATION				
1 January 2019	7,542	16,298	1,437	25,277
Depreciation	575	2,648	219	3,442
Written back on disposals	–	(2,151)	–	(2,151)
Exchange alignment	7	3	27	37
At 31 December 2019 and 1 January 2020	**8,124**	**16,798**	**1,683**	**26,605**
Depreciation	**155**	**1,645**	**336**	**2,136**
Written back on disposals	**–**	**(4,950)**	**–**	**(4,950)**
Exchange alignment	**(21)**	**(11)**	**(74)**	**(106)**
At 31 December 2020	**8,258**	**13,482**	**1,945**	**23,685**
NET BOOK VALUE				
At 31 December 2020	**1,979**	**1,178**	**1,457**	**4,614**
At 31 December 2019	1,694	1,428	374	3,496

17. INTANGIBLE ASSETS

	Software copyright RMB'000	Intellectual property rights RMB'000 (note i)	Capitalised development costs RMB'000 (note ii)	Total RMB'000
COST				
1 January 2019	4,706	–	1,283	5,989
Additions				
– Internally developed	–	–	8,525	8,525
– Externally acquired	9	2,832	–	2,841
At 31 December 2019 and 1 January 2020	**4,715**	**2,832**	**9,808**	**17,355**
Additions				
– Internally developed	**–**	**–**	**16,392**	**16,392**
At 31 December 2020	**4,715**	**2,832**	**26,200**	**33,747**
ACCUMULATED AMORTISATION				
At 1 January 2019	2,895	–	1,283	4,178
Amortisation	1,328	47	151	1,526
At 31 December 2019 and 1 January 2020	**4,223**	**47**	**1,434**	**5,704**
Amortisation	**489**	**283**	**1,108**	**1,880**
At 31 December 2020	**4,712**	**330**	**2,542**	**7,584**
NET BOOK VALUE				
At 31 December 2020	**3**	**2,502**	**23,658**	**26,163**
At 31 December 2019	492	2,785	8,374	11,651

17. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) Pursuant to the announcement on 30 September 2019, the Group entered into a sales and purchase agreement to acquire some intellectual property rights at a consideration of RMB3,200,000 from a company which is controlled by a director of the Company. After deducting the VAT taxes, a total of RMB2,832,000 was recognised as intangible assets by the Group.

(ii) During the year, the Group spent RMB16,404,000 (2019: RMB9,117,000) to research, develop and enhance its cloud computing management system and intelligent digitalised application systems. Total of RMB16,392,000 (2019: RMB8,525,000) internally generated costs have been recognised as intangible assets in respect of cloud computing management system of RMB10,337,000 (2019: RMB5,356,000) and intelligent digitalised application systems of RMB6,055,000 (2019: RMB3,169,000), respectively. Part of the enhancement of cloud computing management system and research and development of intelligent digitalised application systems was completed in February and March 2021. Management estimated remaining enhancement on cloud computing management system will be completed in second half of 2021. The Group's development costs for the completed systems are amortised on straight-line method over its estimated useful life of 5 years.

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
COST	
1 January 2019	20,240
Additions	488
Exchange alignment	361
At 31 December 2019 and 1 January 2020	**21,089**
Additions	**1,954**
Effect of lease modification	**3,955**
Exchange alignment	**(1,298)**
At 31 December 2020	**25,700**
ACCUMULATED DEPRECIATION	
At 1 January 2019	–
Depreciation	1,912
Exchange alignment	6
At 31 December 2019 and 1 January 2020	**1,918**
Depreciation	**3,210**
Exchange alignment	**(90)**
At 31 December 2020	**5,038**
NET BOOK VALUE	
At 31 December 2020	**20,662**
At 31 December 2019	19,171

18. RIGHT-OF-USE ASSETS *(Continued)*

	2020 **RMB'000**	2019 RMB'000
Expense relating to short-term leases	**1,991**	2,475
Total cash outflow for leases	**4,588**	3,806
Additions to right-of-use assets	**5,909**	488

In 2020 and 2019, the Group leases a number of properties for its operations. The leases run for an initial period ranged from two to three years (2019: one to two years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In 2019, the Group entered into a new lease for office premise that was not yet commenced, with non-cancellable period of 3 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB4,004,000.

The Group regularly entered into short-term leases for warehouse and office premises (2019: same). As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 10.

Details of the lease maturity analysis of lease liabilities are set out in notes 27 and 38(b).

As at 31 December 2020, leased properties of RMB17,234,000 (2019: RMB18,067,000) were pledged as securities for the Group's bank borrowings (note 26).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **RMB'000**
Unlisted investment fund in Hong Kong	**6,563**

The financial assets at FVTPL are denominated in United State Dollar ("**US$**").

20. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Trading stocks	**55,442**	64,029
Less: Impairment for inventories	**(35,800)**	(41,431)
	19,642	22,598

The Group has recognised a reversal of RMB1,679,000 (2019: RMB998,000), being part of inventories written down in the previous financial years, as these inventories were sold above the carrying amounts in 2020.

Inventories of RMB4,053,000 (2019: nil), being part of inventories written down in the previous financial years, were write-off.

21. TRADE, BILLS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables	**134,069**	216,937
Less: allowance for doubtful debts	**(64,118)**	(88,014)
	69,951	128,923
Bills receivables (note)	**4,677**	500
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	**2,396**	1,594
	145,674	197,431

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 managed its bills receivables used the business model whose objective was achieved by both collect contractual cash flows and sell such financial assets and hence, they were classified as financial asset at FVOCI.

21. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

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. Details of the Group's credit policy are set out in note 38(a).

The following is 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 RMB'000
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 RMB'000
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

The Group recognised impairment loss based on the accounting policy stated in note 4.11(ii) for the years ended 31 December 2020 and 2019.

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.

21. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

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

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

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 **RMB'000**	2019 RMB'000
Contract assets arising from:		
Sale of enterprise IT products	**55,178**	36,237
Less: Impairment	**(111)**	(40)
	55,067	36,197

Typical payment terms which impact on the amount of contract assets are as follows:

Sale of enterprise IT products

The Group may take a 10% – 40% (2019: 10% – 40%) deposit on acceptance of the order, with the remainder of the consideration payable at the earlier of delivery of the finished goods. If the customer cancels the order, then the Group is immediately entitled to receive payment for the goods sold.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 and 2019 are within one year.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(a) Contract assets *(Continued)*

Sale of enterprise IT products *(Continued)*

Movements in contract assets are as follows:

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**36,237**	63,155
New contract assets increased during the year	**53,285**	36,237
Amount recognised as trade receivables during the year	**(34,344)**	(63,155)
At end of year	**55,178**	36,237

The significant increase in contract assets in the result of the new contracts entered during the year.

Movements in loss allowance for impairment of contract assets are as follows:

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**40**	43,216
Transferred to trade receivables	**(40)**	(43,216)
Impairment losses recognised	**111**	40
At end of year	**111**	40

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(a) Contract assets *(Continued)*

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	Gross carrying amount RMB'000	Expected loss rate %	Loss allowance RMB'000
As at 31 December 2020			
Collective assessment			
Current	**55,178**	**0.20%**	**111**
As at 31 December 2019			
Collective assessment			
Current	36,237	0.11%	40

(b) Contract liabilities

	2020 RMB'000	2019 RMB'000
Contract liabilities arising from:		
Sale of enterprise IT products	**128,303**	79,116

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of enterprise IT products

As noted above, the 10% – 40% (2019: 10% – 40%) deposit the Group receives on sales of enterprise IT products remains as a contract liability until such time as the work completed to date outweighs it.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities *(Continued)*

Movements in contract liabilities are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**79,116**	155,664
Amount recognised as revenue during the year	**(61,188)**	(145,172)
New contract liabilities increased during the year	**110,504**	68,580
Exchange alignment	**(129)**	44
At end of year	**128,303**	79,116

23. PLEDGED DEPOSITS

Pledged deposits represent deposits placed to banks as security for performance guarantee letters issued by the banks (2019: banking facilities granted to the Group (note 26), bills issued by the banks and performance guarantee letters issued by the banks).

Pledged deposits carry interest at fixed rates which range from 0.04% to 4.05% (2019: 0.04% to 2.00%) per annum.

24. BANK BALANCES AND CASH

Bank balances and cash comprise of cash and cash equivalents.

At 31 December 2020, the balance included bank balances and cash in the PRC of approximately RMB431,510,000 (2019: RMB361,719,000). The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Bank balances carry interest at variable rates which range from 0.01% to 0.22% (2019: 0.01% to 0.22%) per annum.

25. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**59,436**	76,599
Other payables and accruals	**13,654**	12,422
	73,090	89,021

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 RMB'000	2019 RMB'000
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
	59,436	76,599

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.

26. BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Secured bank borrowings:		
Repayable within one year	**–**	10,600
Fixed-rate borrowings	**–**	10,500
Variable-rate borrowings	**–**	100
	–	10,600

26. BANK BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2020	2019
Fixed-rate borrowings	**Not applicable**	4.35-5.22%
Variable-rate borrowings	**Not applicable**	4.79%

No interest was capitalised for the years ended 31 December 2020 and 2019.

The amount of banking facilities and the utilisation are set as follows:

	2020 RMB'000	2019 RMB'000
Banking facilities		
– Secured	**50,000**	81,000
– Unsecured	**21,000**	–
	71,000	81,000
Amount utilised	**–**	10,600

The secured banking facilities were secured by the following:

	2020 RMB'000	2019 RMB'000
Pledged deposits	**–**	11,350
Leased properties	**17,234**	18,067
	17,234	29,417

At 31 December 2019, none of bank borrowings, with a clause which entitled the bank an unconditional right to demand immediate repayment, was subject to the fulfilment of certain financial covenants, as were commonly found in lending arrangements with financial institutions, relating to certain ratio on the individual company's statement of financial position. If the financial covenants were breached, the drawn down facilities would become payable on demand.

26. BANK BORROWINGS *(Continued)*

The Company regularly monitors its compliance with these covenants and does not consider it probable that the bank will exercise its discretion to demand repayments so long as the Group continues to meet these requirements. Details of the Group's management of liquidity risk are set out in note 38(b).

27. LEASE LIABILITIES

Future lease payments are due as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
As at 31 December 2020			
Due within one year	**2,144**	**98**	**2,046**
Within a period of more than one year but not exceeding two years	**1,955**	**38**	**1,917**
Within a period of more than two years but not exceeding five years	**384**	**6**	**378**
	4,483	**142**	**4,341**
As at 31 December 2019			
Due within one year	1,007	14	993

28. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised

Deferred tax assets recognised in the consolidated statement of financial position and movements during the year are as follows:

	Write-down of inventories RMB'000	Impairment losses on trade receivables and contract assets RMB'000	Accrued expenses, unutilised tax losses and others RMB'000	Total RMB'000
At 1 January 2019	6,475	19,516	4,335	30,326
Charged for the year	(213)	(802)	(190)	(1,205)
Exchange alignment	–	–	76	76
At 31 December 2019 and 1 January 2020	**6,262**	**18,714**	**4,221**	**29,197**
Charged for the year	**(551)**	**(5,230)**	**(3,060)**	**(8,841)**
Exchange alignment	**–**	**–**	**(111)**	**(111)**
At 31 December 2020	**5,711**	**13,484**	**1,050**	**20,245**

(b) Deferred tax assets not recognised

As at 31 December 2020, the Group had unused tax losses of approximately RMB93,024,000 (2019: RMB72,639,000), available to offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams. The unrecognised tax losses related to Hong Kong subsidiaries amounted to RMB30,255,000 (2019: RMB9,651,000) can be carried forward indefinitely until utilisation. The unrecognised tax losses related to PRC subsidiaries amounted to RMB62,769,000 (2019: RMB62,988,000) will expire in the following years:

	2020 RMB'000	2019 RMB'000
2020	**–**	12,480
2021	**16,316**	16,316
2022	**10,254**	10,254
2023	**12,306**	12,306
2024	**11,632**	11,632
2025	**12,261**	–
	62,769	62,988

28. DEFERRED TAX ASSETS *(Continued)*

(b) Deferred tax assets not recognised *(Continued)*

At the reporting period end, the Group has accumulated deductible temporary differences of RMB9,994,000 (2019: RMB6,949,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

(c) Deferred tax liabilities not recognised

Under the EIT Law prevailing in the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profit of the PRC subsidiaries amounting to RMB330,158,000 (2019: RMB308,855,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. CAPITAL AND RESERVES

(a) Share capital

	2020		2019	
	Number of shares ’000	**Nominal value HK$’000**	Number of shares ’000	Nominal value HK$’000
Authorised ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid ordinary share of HK$0.1 each	**311,250**	**31,125**	311,250	31,125
		RMB’000		RMB’000
Presented as		**27,415**		27,415

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regards to the Company’s residual assets.

29. CAPITAL AND RESERVES *(Continued)*

(b) Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 61. Movements in the Company's reserves are as follows:

THE COMPANY	Share premium RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019	81,538	219	1,200	227,811	310,768
Recognition of equity-settled share-based payments (note 30)	–	–	905	–	905
Lapse of share options (note 30)	–	–	(533)	533	–
Loss for the year	–	–	–	(1,869)	(1,869)
Dividend (note 14)	–	–	–	(5,999)	(5,999)
At 31 December 2019 and 1 January 2020	**81,538**	**219**	**1,572**	**220,476**	**303,805**
Recognition of equity-settled share-based payments (note 30)	**–**	**–**	**398**	**–**	**398**
Lapse of share options (note 30)	**–**	**–**	**(191)**	**191**	**–**
Loss for the year	**–**	**–**	**–**	**(9,820)**	**(9,820)**
At 31 December 2020	**81,538**	**219**	**1,779**	**210,847**	**294,383**

The following describes the nature and purpose of each reserve within owners' equity:

(i) Share premium

This represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividends are proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

29. CAPITAL AND RESERVES *(Continued)*

(b) Reserves *(Continued)*

(ii) Merger reserve

Pursuant to the reorganisation, the Company issued 999,999 ordinary shares of HK$0.1 each to the shareholders of Futong Technology Co., Ltd. ("**Futong BVI**") in consideration of acquiring their equity interests held in Futong BVI. The difference between the shareholders' total capital contributions to Futong BVI over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of reorganisation.

(iii) Statutory reserves

Statutory surplus funds comprise statutory reserve fund and enterprise expansion fund. In accordance with relevant rules and regulation on enterprise established in the PRC, the Company's PRC subsidiaries are required to transfer a portion of their profit after income tax to the statutory surplus fund, until the accumulated balance of the fund reaches 50% of their respective paid-in capital. The statutory surplus fund may be distributed to shareholders in the form of bonus issue. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC.

(c) Capital management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group defines "capital" as including all components of equity.

Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group.

29. CAPITAL AND RESERVES *(Continued)*

(c) Capital management *(Continued)*

The gearing ratio at the end of reporting period was as follows:

	2020 **RMB'000**	2019 RMB'000
Debt	**–**	(10,600)
Cash and cash equivalents	**440,882**	374,969
Pledged Deposits	**19,058**	11,350
Net capital	**459,940**	375,719
Equity	**548,773**	545,453
Net debt to equity ratio	**Not applicable**	Not applicable

30. SHARE-BASED PAYMENTS

On 16 May 2019, the shareholders of the Company approved and adopted a new share option scheme (the "**New Share Option Scheme**") and terminated the share option scheme adopted on 11 November 2009 (the "**Old Share Option Scheme**") (together, the "**Share Option Schemes**"). The share option schemes were adopted 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 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 announced that a total of 900,000 share options (the "**Share Options A**") 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 of the Company (the "**Share Options A Grantees**"), subject to acceptance of the Share Options A Grantees, under the Old Share Option Scheme. A summary of this grant is set out below:

Exercise price of Share Options A	HK$1.81 per Share
Closing price of the Shares on the date of grant	HK$1.80
Validity period of the Share Options A	10 years, commencing on 15 June 2011
Vesting date of Share Options A	All the Share Options A were vested in 2011

30. SHARE-BASED PAYMENTS *(Continued)*

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

Exercise price of Share Options B	HK$1.172 per Share
Closing price of the Shares on the date of grant	HK$0.90
Validity period of the Share Options B	10 years, commencing on 24 August 2015
Vesting date of Share Options B	All the Share Options B were vested in 2015

On 18 January 2016, the Company announced that a total of 2,200,000 share options (the "**Share Options C**") to subscribe for the Shares were granted by the Company to an non-executive director and the eligible employees of the Group (the "**Share Options C Grantees**"), subject to acceptance of the Share Options C Grantees, under the Old Share Option Scheme. A summary of this grant is set out below:

Exercise price of Share Options C	HK$1.004 per Share
Closing price of the Shares on the date of grant	HK$0.990
Validity period of the Share Options C	10 years, commencing on 18 January 2016
Vesting date of Share Options C	All Share Options C were vested in 2018

On 14 October 2016, the Company announced that a total of 1,200,000 share options (the "**Share Options D**") to subscribe for Shares were granted by the Company to the eligible employees of the Group (the "**Share Option D Grantees**"), subject to acceptance of the Share Options D Grantees, under the Old Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options D	HK$1.25 per Share
Closing price of the Shares on the date of grant	HK$1.25
Validity period of the Share Options D	10 years, commencing on 14 October 2016
Vesting date of Share Options D	All Share Options D were vested in 2018

On 28 March 2019, the Company announced that a total of 7,700,000 share options (the "**Share Options E**") to subscribe for Shares were granted by the Company to an non-executive director and the eligible employees of the Group (the "**Share Option E Grantees**"), subject to acceptance of the Share Options E Grantees, under the Old Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options E	HK$0.81 per Share
Closing price of the Shares on the date of grant	HK$0.81
Validity period of the Share Options E	10 years, commencing on 28 March 2019
Vesting date of Share Options E	30%, 30% and 40% of the Share Options E were vested on 28 March 2019 and 28 March 2020, and will be vested on 28 March 2021, respectively

30. SHARE-BASED PAYMENTS *(Continued)*

On 1 April 2020, the Company announced that a total of 3,000,000 share options (the "**Share Options F**") to subscribe for Shares were granted by the Company to the eligible employees of the Group (the "**Share Option F Grantees**"), subject to acceptance of the Share Options F Grantees, under the New Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options F	HK$0.57 per Share
Closing price of the Shares on the date of grant	HK$0.57
Validity period of the Share Options F	10 years, commencing on 1 April 2020
Vesting date of Share Options F	20%, 20%, 30% and 30% of the Share Options F will be vested on 1 April 2021, 1 April 2022, 1 April 2023 and 1 April 2024, respectively

On 11 November 2020, the Company announced that a total of 11,800,000 share options (the "**Share Options G**") to subscribe for Shares were granted by the Company to the directors and chief executive officer of the Company (the "**Share Option G Grantees**"), subject to acceptance of the Share Options G Grantees, under the New Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options G	HK$0.518 per Share
Closing price of the Shares on the date of grant	HK$0.510
Validity period of the Share Options G	10 years, commencing on 11 November 2020
Vesting date of Share Options G	20%, 20%, 30% and 30% of the Share Options G will be vested on 11 November 2021, 11 November 2022, 11 November 2023 and 11 November 2024, respectively

30. SHARE-BASED PAYMENTS *(Continued)*

The following tables disclose movements of the Share Options A, Share Options B, Share Options C, Share Options D, Share Options E, Share Options F and Share Options G in 2020 and 2019:

Category	**Outstanding as at 1 January 2020**	**Granted during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2020**
Share Options C	**1,200,000**	**–**	**–**	**1,200,000**
Share Options D	**900,000**	**–**	**(300,000)**	**600,000**
Share Options E	**6,900,000**	**–**	**(1,000,000)**	**5,900,000**
Share Options F	**–**	**3,000,000**	**(240,000)**	**2,760,000**
Share Options G	**–**	**11,800,000**	**(1,000,000)**	**10,800,000**
	9,000,000	**14,800,000**	**(2,540,000)**	**21,260,000**
Exercisable share options	**4,170,000**			**5,340,000**
Weighted average exercise price	**HK$0.96**			**HK$0.90**

Category	Outstanding as at 1 January 2019	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2019
Share Options A	300,000	–	(300,000)	–
Share Options B	300,000	–	(300,000)	–
Share Options C	1,500,000	–	(300,000)	1,200,000
Share Options D	1,200,000	–	(300,000)	900,000
Share Options E	–	7,700,000	(800,000)	6,900,000
	3,300,000	7,700,000	(2,000,000)	9,000,000
Exercisable share options	3,300,000			4,170,000
Weighted average exercise price	HK$1.15			HK$0.96

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

30. SHARE-BASED PAYMENTS *(Continued)*

The fair values of the Share Options A, Share Options B, Share Options C, Share Options D, Share Options E, Share Options F and Share Options G determined at the dates of the grants were RMB523,000 (equivalent to HK$630,000), RMB231,000 (equivalent to HK$280,000), RMB712,000 (equivalent to HK$847,000), RMB518,000 (equivalent to HK$598,000) and RMB1,227,000 (equivalent to HK$1,435,000), RMB504,000 (equivalent to HK$551,000) and RMB2,101,000 (equivalent to HK$2,347,000) respectively. These fair values were calculated using Binomial Model.

The inputs into the model for Share Option F and Share Option G granted during the current year were as follows:

	Share Options F	**Share Options G**
Weighted average share price	HK$0.57	HK$0.510
Exercise price	HK$0.57	HK$0.518
Expected volatility	35.76%	36.57%
Expected life	10 years	10 years
Risk-free rate	0.62%	0.57%
Expected dividend yield	0.00%	0.00%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last ten years.

The Group recognised the total expense of RMB398,000 for the year ended 31 December 2020 in relation to the Share Options E, Share Options F and Share Options G (2019: RMB905,000 in relation to the Share Options E).

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		**243,419**	243,419
Current assets			
Amounts due from subsidiaries		**109,402**	117,525
Bank balances and cash		**249**	267
Total current assets		**109,651**	117,792
Current liabilities			
Other payables and accruals		**528**	463
Amounts due to subsidiaries		**30,744**	29,528
Total current liabilities		**31,272**	29,991
Net current assets		**78,379**	87,801
NET ASSETS		**321,798**	331,220
CAPITAL AND RESERVES			
Share capital	29(a)	**27,415**	27,415
Reserves	29(b)	**294,383**	303,805
TOTAL EQUITY		**321,798**	331,220

On behalf of the directors

Chen Jian
Director

Chen Jing
Director

32. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries, all of which are corporations in the form of business structure, are as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ operation and principal activity	Issued and fully paid up capital/ registered capital	Percentage of ownership interests/voting rights/ profit share 2020	2019
Interests held directly					
Futong Technology Co. Ltd.	Corporation	Investment holding in the British Virgin Islands ("**BVI**")	US dollars ("**US$**")50,000	**100**	100
Interests held indirectly					
Etong Technology Holdings Limited	Corporation	Investment holding in the BVI	US$1	**100**	100
Futong Technology IT Services Co., Ltd.	Corporation	Investment holding in the BVI	US$1	**100**	100
Futong Technology (HK) Company Limited	Corporation	Provision of enterprise IT products and services in Hong Kong	HK$1,000,000	**100**	100
Futong Technology Development Holdings (HK) Limited	Corporation	Provision of enterprise IT products in Hong Kong	HK$57,779,100	**81**	81
Futong Cloud Technology (HK) Company Limited	Corporation	Provision of enterprise IT products and services, and cloud computing products in Hong Kong	HK$1,000,000	**100**	100
Futong Transcend Technology (HK) Company Limited (note (iv))	Corporation	Investment holding in Hong Kong	HK$1,000,000	**–**	100
北京富通東方科技有限公司 Futong Dongfang (note (i) and (ii))	Corporation	Provision of enterprise IT products and services in the PRC	RMB100,000,000	**100**	100
富通時代科技有限公司 Futong Times Technology Co., Ltd. (note (i) and (ii))	Corporation	Provision of enterprise IT products and services in the PRC	RMB100,000,000	**100**	100

32. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Form of business structure	Place of incorporation/ operation and principal activity	Issued and fully paid up capital/ registered capital	Percentage of ownership interests/voting rights/ profit share 2020	2019
北京易通東方科技有限公司 Beijing Etong Dongfang Technology Co., Ltd. (note (i) and (ii))	Corporation	Provision of enterprise IT products in the PRC	RMB50,000,000	**81**	81
富通雲騰科技有限公司 Futong Cloud Technology Co., Ltd. (note (i) and (ii))	Corporation	Provision of enterprise IT products and service, and cloud computing product in the PRC	RMB50,000,000	**100**	100

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(i) These entities are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the company name is for reference only. The official names of these entities are in Chinese.

(iii) In accordance with the transitional provisions set out in section 37 of schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the company's share capital.

(iv) The company was deregistered on 29 April 2020.

33. NON-CONTROLLING INTERESTS

Futong Technology Development Holdings (HK) Limited, a 81% (2019: 81%) owned subsidiary of the Company, and its subsidiary (hereinafter collectively referred to as the "**Futong HK Group**") has material non-controlling interests ("**NCI**").

Summarised financial information in relation to NCI of Futong HK Group, before intra-group eliminations, is presented below:

	2020 **RMB'000**	2019 RMB'000
For the year ended 31 December		
Revenue	**–**	77
Loss for the year	**(236)**	(573)
Total comprehensive loss	**(236)**	(573)
Loss allocated to NCI	**(45)**	(109)
For the year ended 31 December		
Cash flows (used in)/generated from operating activities	**(1,415)**	463
Cash flows generated from investing activities	**55**	38
Net cash (outflows)/inflows	**(1,360)**	501
As at 31 December		
Current assets	**29,708**	31,221
Current liabilities	**(6,092)**	(7,369)
Net assets	**23,616**	23,852
Accumulated non-controlling interests	**4,487**	4,532

34. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant transactions with related parties:

(a) Name and relationship with related parties:

Name of party	Relationships
數普金通數據技術有限公司 Supool Jintong Data Technology Co., Ltd. (“**Supool Jintong**”) *	A company controlled by Mr. Chen Jian, a director of the Company

* The English translation of the company name is for reference only. The official names of this entity is in Chinese.

(b) Significant related party transactions

Particulars of significant related party transactions during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Acquisition of intangible assets		
Supool Jintong	**–**	2,832
Provision of service		
Supool Jintong	**230**	–
Rental expenses		
Supool Jintong	**210**	–

34. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due from related parties

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

	2020	2019
	RMB'000	RMB'000
Prepayment (note):		
Supool Jintong	**19**	–
Trade receivables (note):		
Supool Jintong	**220**	–

Note:

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

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 12 and certain of the highest paid employees as disclosed in note 13, is as follows:

	2020	2019
	RMB'000	RMB'000
Salaries and allowances	**9,574**	11,382
Contribution to retirement benefits schemes	**869**	1,100
Equity-settled share-based payment	**170**	443
	10,613	12,925

Total remuneration was included in "staff costs" (note 10).

35. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financial activities:

	Bank borrowings (note 26)		Lease liabilities (note 27)	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**10,600**	30,725	**993**	1,903
Changes from cash flows:				
Proceeds from new bank loans	**–**	10,600	**–**	–
Repayment of bank loans	**(10,600)**	(30,725)	**–**	–
Capital element of lease liabilities paid	**–**	–	**(2,478)**	(1,335)
Interest paid	**(178)**	(1,320)	**(119)**	(151)
Total changes from financing cash flows	**(10,778)**	(21,445)	**(2,597)**	(1,486)
Exchange adjustments	**–**	–	**(83)**	(63)
Other changes:				
New leases entered	**–**	–	**5,909**	488
Interest expenses	**178**	1,320	**119**	151
Total other changes	**178**	1,320	**6,028**	639
At 31 December	**–**	10,600	**4,341**	993

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into three (2019: one) new lease agreements for the use of office premises for two to three years (2019: two years). On the lease commencement, the Group recognised RMB5,909,000 (2019: RMB488,000) of right-of-use assets and lease liabilities respectively.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2020 RMB'000	2019 RMB'000
Financial assets		
At FVOCI:		
Bills receivables	–	500
At FVTPL:		
Unlisted investment fund	6,563	–
At amortised cost:		
Trade, bills and other receivables	80,963	135,079
Contract assets	55,067	36,197
Pledged deposits	19,058	32,788
Bank balances and cash	440,882	374,969
	602,533	579,533
Financial liabilities		
At amortised costs:		
Trade and other payables	71,402	87,904
Bank borrowings	–	10,600
Lease liabilities	4,341	993
	75,743	99,497

The Group's major financial instruments include trade, bills and other receivables, financial assets at FVTPL, pledged deposits, cash and cash equivalents, trade and other payables, bank borrowings and lease liabilities.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

		Group			
		2020			
	Notes	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL					
Unlisted investment fund	(b)	**–**	**–**	**6,563**	**6,563**

		2019			
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVOCI					
Bills receivables	(a)	–	500	–	500

Notes:

(a) The fair value of bills receivables was determined based on their carrying amount due to the short-term nature and the discount rates used were adjusted for counterparty or own credit risk. There were no changes in valuation techniques during the years ended 31 December 2020 and 2019.

(b) The unlisted investment fund is denominated in US$. Fair value of unlisted investment fund included in level 3 has been determined based on fair values of underlying investments provided by the administer of the fund.

The following table presents the changes in level 3 instruments for the year ended 31 December 2020.

	2020 RMB'000
Balance as at 1 January	**–**
Additions	**6,563**
Balance as at 31 December	**6,563**

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at		Significant unobservable inputs	Range of significant unobservable inputs		Relationship of unobservable inputs to fair value	Sensitivity of fair value to the input(s)
	2020	2019		**2020**	2019		
	HK$'000	RMB'000					
Unlisted investment fund	**6,563**	–	Not applicable	**Not applicable**	Not applicable	Higher the fair value of the underlying investments, higher the fair value and vice versa	5% increase/ (decrease) in the fair value of the underlying investments would result in increase/ (decrease) in fair value of approximately RMB$328,000 (2019: nil)

There were no transfers between levels during the years ended 31 December 2020 and 2019.

38. FINANCIAL RISK MANAGEMENT

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to trade, bills and other receivables and contract assets.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The credit risk on pledged deposits and liquid funds is limited because the counterparties are reputable banks with high credit ratings.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 30 – 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In addition, the Group reviews the recoverable amount of each individual receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is not significantly increased.

Trade and bills receivables and contract assets

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets:

	Gross carrying amount RMB'000	Expected loss rate %	Loss allowance RMB'000
2020			
Collective assessment			
Current (not past due)	**109,125**	**0.19%**	**206**
Less than 1 month past due	**3,983**	**0.28%**	**11**
1 to 3 months past due	**1,150**	**0.78%**	**9**
More than 3 Months past due	**17,298**	**9.45%**	**1,635**
	131,556		**1,861**
Individual assessment	**62,368**	**100%**	**62,368**
	193,924		**64,229**

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Trade and bills receivables and contract assets *(Continued)*

	Gross carrying amount RMB'000	Expected loss rate %	Loss allowance RMB'000
2019			
Collective assessment			
Current (not past due)	67,649	0.11%	75
Less than 1 month past due	2,658	0.26%	7
1 to 3 months past due	2,075	1.16%	24
More than 3 Months past due	100,692	7.30%	7,348
	173,074		7,454
Individual assessment	80,600	100%	80,600
	253,674		88,054

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and bills receivables and contract assets during the year is as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**88,054**	91,538
Impairment losses recognised	**125**	4,977
Reversal of impairment loss	**(12,817)**	(4,178)
Bad debts written off	**(10,718)**	(4,461)
Exchange alignment	**(415)**	178
At end of year	**64,229**	88,054

Maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Trade and bills receivables and contract assets *(Continued)*

The Group does not have any significant concentration of credit risk. Trade and bills receivables and contract assets consist of a large number of customers, spreading across diverse industries in the PRC.

Other receivables and deposits

Other receivables and deposits, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

(b) Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2020, the Group has available unutilised short-term bank loan facilities of approximately RMB71,000,000 (2019: RMB70,400,000), details of which are set out in note 26.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting year.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 31 December 2020					
Non-derivative:					
Trade and other payables	**71,402**	**71,402**	**71,402**	**–**	**–**
Lease liabilities	**4,341**	**4,483**	**2,144**	**1,955**	**384**
	75,743	**75,885**	**73,546**	**1,955**	**384**
As at 31 December 2019					
Non-derivative:					
Trade and other payables	87,904	87,904	87,904	–	–
Bank borrowings					
– Fixed rates	10,500	10,961	10,961	–	–
– Variable rates	100	105	105	–	–
Lease liabilities	993	1,007	1,007	–	–
	99,497	99,977	99,977	–	–

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged deposits (notes 23).

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to trade receivables, cash and cash equivalents and trade and bill payables that are denominated in foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2020		2019	
	US$	**HK$**	US$	HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Assets				
Cash and cash equivalents	**5,523**	**2,735**	2,183	1,342
Trade and bills receivables	**8,102**	**–**	20,927	–
Other receivables	**–**	**1,204**	–	409
Liabilities				
Trade payables	**(5,703)**	**–**	(9,330)	6
Other payables	**(2,534)**	**(625)**	(89)	(42)

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 7% increase and decrease in RMB against USD and 6% against HKD. The % is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 7% and 6% change in foreign currency rates. A positive number below indicates a decrease in post-tax profit where RMB strengthen against foreign currencies. For a weakening situation of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	USD		**HKD**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**312**	526	**186**	32

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(e) Fair values

The fair value of financial instruments at fair value is determined in accordance with note 37.

The fair value of financial assets and financial liabilities recorded at amortised cost is 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 consolidated financial statements approximate their fair values.

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**616,272**	848,773	1,777,113	3,662,931	3,441,198
Profit from operations	**10,642**	9,376	37,101	15,977	59,850
Finance costs	**(297)**	(1,471)	(13,014)	(45,263)	(33,086)
Loss on disposal of interests in associates	**–**	–	(822)	–	(647)
Share of profit/(loss) of associates	**–**	–	720	(85)	(1,234)
Profit/(loss) before income tax expense	**10,345**	7,905	23,985	(29,371)	24,883
Income tax expense	**(7,423)**	(5,149)	(4,574)	(10,523)	(8,255)
Profit/(loss) and total comprehensive income for the year	**2,922**	2,756	19,411	(39,894)	16,628
Profit/(loss) and total comprehensive Income for the year attributable to:					
– Owners of the Company	**2,967**	2,865	19,427	(39,924)	17,667
– Non-controlling interests	**(45)**	(109)	(16)	30	(1,039)
	2,922	2,756	19,411	(39,894)	16,628

	At 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**78,247**	63,515	56,725	65,539	65,727
Net current assets	**472,821**	481,938	491,066	470,901	515,876
Non-current liabilities	**(2,295)**	–	–	–	–
NET ASSETS	**548,773**	545,453	547,791	536,440	581,603
Capital and reserves					
Share capital	**27,415**	27,415	27,415	27,415	27,415
Reserves	**516,871**	513,506	515,735	504,368	549,562
Total equity attributable to owners of the Company	**544,286**	540,921	543,150	531,783	576,977
Non-controlling interests	**4,487**	4,532	4,641	4,657	4,626
TOTAL EQUITY	**548,773**	545,453	547,791	536,440	581,603
Earnings/(loss) per share					
– Basic and diluted (RMB)	**0.01**	0.01	0.06	(0.13)	0.06

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Chen Jian *(Chairman)*

Non-executive Director

Ms. Chen Jing

Independent Non-executive Directors

Mr. Chow Siu Lui
Mr. Lo Kwok Kwei David
Mr. Yao Yun

COMPANY SECRETARY

Mr. Leung Ka Lung

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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
HSBC Bank (China) Company Limited
Standard Chartered Bank (China) Limited
China Merchants Bank Co., Ltd.
Bank of Beijing

LEGAL ADVISORS

As to Hong Kong law:
Chiu & Partners

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITOR

BDO Limited

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