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Futong Technology Development Holdings Limited

富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Futong Technology Development Holdings Limited (the “**Company**”) is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with comparative audited figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	235,232	616,272
Cost of sales and services		<u>(205,518)</u>	<u>(530,484)</u>
Gross profit		29,714	85,788
Other income	6	8,613	14,979
Other gains and losses	6	3,568	(3,637)
Reversal of impairment on financial assets, net		2,554	12,692
Selling expenses		(58,153)	(69,979)
Administrative expenses		<u>(46,364)</u>	<u>(29,201)</u>
(Loss)/profit from operations		(60,068)	10,642
Finance costs	7	<u>(96)</u>	<u>(297)</u>
(Loss)/profit before income tax expense	8	(60,164)	10,345
Income tax expense	9	<u>(12,409)</u>	<u>(7,423)</u>
(Loss)/profit and total comprehensive income for the year		<u>(72,573)</u>	<u>2,922</u>

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/profit and total comprehensive income for the year attributable to:			
Owners of the Company		(72,695)	2,967
Non-controlling interests		<u>122</u>	<u>(45)</u>
		<u>(72,573)</u>	<u>2,922</u>
 (Loss)/earnings per share			
— Basic and diluted (RMB)	<i>11</i>	<u>(0.23)</u>	<u>0.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	5,014	4,614
Intangible assets		48,784	26,163
Right-of-use assets		17,584	20,662
Financial assets at fair value through profit or loss		10,456	6,563
Deferred tax assets		4,531	20,245
Total non-current assets		86,369	78,247
Current assets			
Inventories		51,264	19,642
Trade, bills and other receivables	13	98,421	145,674
Contract assets		31,424	55,067
Pledged deposits		17,708	19,058
Bank balances and cash		332,531	440,882
Total current assets		531,348	680,323
Current liabilities			
Trade and other payables	14	41,023	73,090
Contract liabilities		96,583	128,303
Lease liabilities		1,880	2,046
Tax payables		758	4,063
Total current liabilities		140,244	207,502
Net current assets		391,104	472,821
Total assets less current liabilities		477,473	551,068
Non-current liabilities			
Lease liabilities		378	2,295
NET ASSETS		477,095	548,773
CAPITAL AND RESERVES			
Share capital		27,415	27,415
Reserves		445,071	516,871
Equity attributable to owners of the Company		472,486	544,286
Non-controlling interests		4,609	4,487
TOTAL EQUITY		477,095	548,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 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 2021

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	COVID-19 Related Rent Concessions

The application of the above amendments to IFRSs that are effective from 1 January 2021 did not have any significant impact on the Group’s account policies.

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

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

Amendments to IFRS 3	Reference to the Conceptual Framework ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Making Materiality Judgements ²
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors ²
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
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 ¹
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ²

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

3. BASIS OF PREPARATION

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

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

4. SEGMENT REPORTING

IFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by senior executive management of the Company, the chief operating decision maker, in order to allocate resources and to assess performance.

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

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Customer A	120,951	243,496
Customer B	44,465	111,877

5. REVENUE

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Revenue within the scope of IFRS 15		
Sales of enterprise IT products	51,847	316,764
Provision of services	183,385	299,508
	235,232	616,272

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Primary geographical markets:		
Hong Kong	4,408	5,153
PRC	<u>230,824</u>	<u>611,119</u>
	<u><u>235,232</u></u>	<u><u>616,272</u></u>
Timing of revenue recognition:		
At a point in time	51,847	316,764
Transferred over time	<u>183,385</u>	<u>299,508</u>
	<u><u>235,232</u></u>	<u><u>616,272</u></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Receivables	33,759	74,628
Contract assets	31,424	55,067
Contract liabilities	<u>96,583</u>	<u>128,303</u>

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 RMB80,984,000 as of 1 January 2021 has been recognised as revenue during the year from performance obligations satisfied due to the completion of services.

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

6. OTHER INCOME, AND OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income:		
Interest income	8,030	8,887
Government grants (<i>note</i>)	176	2,045
Bad debts recovered	—	2,475
Others	407	1,572
	<u>8,613</u>	<u>14,979</u>
Other gains and losses:		
Loss on disposals of property, plant and equipment	(21)	(50)
Foreign exchange loss	(551)	(2,747)
Fair value gain on financial assets at FVTPL	4,140	—
Others	—	(840)
	<u>3,568</u>	<u>(3,637)</u>

Note:

During the year of 2020, RMB500,000 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 did not have other unfulfilled obligations relating to this program.

The remaining government grants of RMB176,000 (2020: RMB1,545,000) 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 2021 and 2020.

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank borrowings	—	178
Interest on lease liabilities	96	119
	<u>96</u>	<u>297</u>

For the year ended 31 December 2020, interest on bank borrowings was wholly derived from loans which were repayable within one year.

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2021 RMB'000	2020 RMB'000
Auditor's remuneration:		
— Audit service	1,400	1,400
— Non-audit service	191	191
Amortisation of intangible assets (<i>note (i)</i>)	4,764	1,880
Cost of services	156,418	239,549
Cost of inventories recognised as an expense, net of write back of inventories	49,100	289,544
Depreciation of property, plant and equipment	1,666	2,136
Depreciation of right-of-use assets	2,539	3,210
Interest on lease liabilities	96	119
Research and development costs	13,930	12
Short-term lease expenses	2,192	1,991
Staff costs (including directors' emoluments) (<i>note (ii)</i>):		
— Salaries and wages	92,339	88,105
— Contributions to retirement benefit scheme	9,356	1,026
— Equity-settled share-based payment	895	398
	<u>102,590</u>	<u>89,529</u>
Less: capitalised as intangible assets	<u>(25,424)</u>	<u>(15,596)</u>
	<u><u>77,166</u></u>	<u><u>73,933</u></u>

Notes:

- (i) Amortisation charges of RMB4,761,000 (2020: RMB1,391,000) and RMB3,000 (2020: RMB489,000) 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 certain percentage of payroll costs according to the relevant local authorities 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% (2020: 5%) of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

Total cost charged to profit or loss of RMB9,356,000 (2020: RMB1,026,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2021. As at 31 December 2021 and 2020, the amount due but not paid to the schemes is insignificant.

9. INCOME TAX EXPENSE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax — PRC income tax		
Tax for the year	—	1,521
Over provision in respect of prior years	<u>(3,305)</u>	<u>(2,939)</u>
	<u>(3,305)</u>	<u>(1,418)</u>
Deferred tax		
Origination and reversal of temporary difference	785	5,257
Write-down of deferred tax assets (<i>note (iv)</i>)	<u>14,929</u>	<u>3,584</u>
	<u>15,714</u>	<u>8,841</u>
	<u><u>12,409</u></u>	<u><u>7,423</u></u>

Note:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No Hong Kong profit tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.
- (iii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except for two subsidiaries have been granted continuously on a three-year interval with a qualification of high-tech enterprise which entitles these two subsidiaries a preferential income tax rate of 15%, the tax rate of the Company’s subsidiaries in the PRC is 25% in 2021 and 2020.
- (iv) At 31 December 2021, management considers that a subsidiary in PRC (2020: a subsidiary in Hong Kong) is no longer probable that sufficient taxable profits will be available to utilise its deferred tax asset. Thus, the carrying amount of RMB14,929,000 (2020: RMB3,584,000) is written-down.

10. DIVIDENDS

For the years ended 31 December 2021 and 2020, the directors do not recommend the payment of a final dividend.

11. (LOSS)/EARNINGS PER SHARE

Calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/earnings for the purpose of basic and diluted earnings per share	<u>(72,695)</u>	<u>2,967</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>311,250</u>	<u>311,250</u>

For the years ended 31 December 2021 and 2020, the computation of diluted (loss)/earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares for the year.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the Group spent approximately RMB2,087,000 (2020: RMB3,306,000) to acquire leasehold improvements and furniture, fixtures and equipment.

13. TRADE, BILLS AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	90,860	134,069
Less: allowance for doubtful debts	<u>(57,101)</u>	<u>(64,118)</u>
	33,759	69,951
Bills receivables (<i>note</i>)	<u>—</u>	<u>4,677</u>
Total trade and bills receivables	33,759	74,628
Prepayments	43,585	47,771
Deposits	2,410	3,939
VAT receivables	17,417	16,940
Other receivables	<u>1,250</u>	<u>2,396</u>
	<u>98,421</u>	<u>145,674</u>

Note:

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

The Group allows an average credit period of 30 - 90 days (2020: 30 - 90 days) to its trade customers. For certain major customers such as the state owned enterprises, the credit term which will be negotiated by management individually.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	18,813	19,262
31-60 days	114	31,706
61-90 days	456	243
More than 90 days	14,376	23,417
	<hr/>	<hr/>
Total	33,759	74,628
	<hr/> <hr/>	<hr/> <hr/>

Ageing of trade and bills receivables, net of allowance for doubtful debts, based on past due date is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Not yet past due	20,213	53,852
Less than 1 month past due	4,665	3,972
1 to 3 months past due	—	1,141
More than 3 months past due	8,881	15,663
	<hr/>	<hr/>
Total	33,759	74,628
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills receivables of RMB13,546,000 (2020: RMB20,776,000) were past due but not impaired as at 31 December 2021. These related to a large number of diversified customers whom had a good track record with the Group. Based on past experience, management believed that there had been no significant change in credit policy and the balances were still considered fully recoverable. The Group does not hold any collaterals or other credit enhancements over these balances.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	64,118	88,014
Transferred from contracted assets	111	40
Impairment losses recognised	653	14
Reversal of impairment loss	(3,250)	(12,818)
Uncollectible amount written off	(4,385)	(10,718)
Exchange alignment	(146)	(414)
	<u>57,101</u>	<u>64,118</u>

14. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	33,163	59,436
Other payables and accruals	7,860	13,654
	<u>41,023</u>	<u>73,090</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current or less than 1 month	13,405	38,183
1 to 3 months	8,580	2,742
More than 3 months	11,178	18,511
	<u>33,163</u>	<u>59,436</u>

Average credit period on purchases of goods was 30 - 90 days (2020: 30 - 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading enterprise digital transformation services provider in China, the Group specializes in providing enterprise IT infrastructure products, services and solutions, cloud computing management products, and intelligent digitalized application products. With enterprise clients in China stepping up the transformation of their operations through digitalization, the Group has also actively adjusted its business development direction and consolidated its main business, dividing it into two divisions, namely, enterprise management business, and development and sale of intelligent products.

Enterprise management business

Enterprise management business focuses on system integration, cloud computing and related services.

The Group's system integration services business has been growing with good momentum over the years. The segment mainly provides customer-specific systems structure business solutions, and repair and maintenance support to customers' informationalized value-added services. Via collaborating closely with incumbent domestic and foreign IT companies, the Group has been looking for cooperation and business opportunities in the advanced technology space. Its objective is to while growing its business, maintain its position and advantages as a technology pioneer in the industry. For the year ended 31 December 2021 (the "Year"), although competition intensified for the segment, it continued to be one of the Group's key income sources. The Group will optimize the existing product portfolio, boost services income and gross profit margin, so as to ensure it has good cash flow and can enhance profit.

After investing resources in R&D for several years, cloud computing management products have become one of the Group's key businesses. To enhance the reliability, functionality, and market acceptance of its products, the Group has continued to integrate and improve relevant technologies and promote its own brand of 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 Tencent Cloud and Alibaba Cloud, to actively provide enterprise customers in China with highly efficient applications and solutions via its cloud products and cloud management services. During the Year, the Group's CMP multi-cloud management platform passed the assessment of "Trusted Cloud·Multi-cloud Management Platform Solution" ("可信雲·多雲管理平台解決方案") and obtained compatible adaptation certifications from renowned cloud vendors as Alibaba Cloud, Tencent Cloud, Huawei Cloud, China Electronics Cloud and H3C Cloud. It is capable of offering enterprise users better hybrid cloud management services to drive their digital transformation. Moreover, the CMP multi-cloud management platform achieved breakthroughs in the insurance sector. Its hybrid cloud management project was delivered to insurance companies and has won the Outstanding Case Award at the First China Hybrid Cloud Conference held by The China Academy of Information and Communications Technology (CAICT). This award-winning case has given the Group a good foundation for generating future revenue.

Development and sale of intelligent products

Empowered by such emerging technologies as artificial intelligence (“AI”) and big data, the Group has continued to develop intelligent digitalized application products specifically to include the medical and transportation industries. Using new and advanced AI technologies and tools, it is able to offer products and services that can more precisely meet the needs of customers in specific industries. The Group has also continued to allocate 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. During the Year, the Group officially introduced its “5+AI” health management product and became the sole provider of health management service (software) bundled with related health insurance products. It was also confirmed that it would launch health management services to a city in China, a large conglomerate client, and the C-end users of a health check service organization. In addition, during the Year, the Group introduced the wisdom number and public opinion (智數輿情) monitoring service platform and iAPS V.Plus intelligent production scheduling platform, which have been highly acclaimed by the automotive manufacturing industry, and has garnered an order from a lighthouse client. The Group will continue to provide services to more customers and actively expand industry coverage, so as to cement its foundation for future business development.

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group decreased by approximately RMB381.1 million or 61.8% as compared with the corresponding period in 2020, to approximately RMB235.2 million (2020: approximately RMB616.3 million). The decline was mainly due to the Group stepped up efforts to transform its business and focused on developing its new businesses such as the intelligent health business, causing a decline in revenue of the traditional system integration services business while the major revenue has yet to be derived from the new businesses as they are in the marketing and development stage.

Gross profit

Gross profit of the Group decreased by approximately RMB56.1 million or 65.4% to approximately RMB29.7 million for the Year (2020: approximately RMB85.8 million) while the gross profit ratio decreased from 13.9% to 12.6%. The decrease in gross profit ratio was mainly due to the decrease in selling price during the period of economic uncertainties.

Other income and other gains and losses, net

Other income and other gains and losses, net comprises 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 RMB12.2 million (2020: approximately RMB11.3 million), representing an increase of approximately RMB0.9 million. This increase was mainly due to combined effect of (i) a fair value gain on the financial assets at fair value through profit or loss of approximately RMB4.1 million; (ii) a decrease in foreign exchange loss of approximately RMB2.2 million; and (iii) a decrease in government grant of approximately RMB1.9 million.

Reversal of impairment on financial assets, net

For the Year, a reversal of impairment on financial assets, net amounted to approximately RMB2.6 million (2020: approximately RMB12.7 million). The reversal of impairment on financial assets was due to the strengthened 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 RMB58.2 million (2020: approximately RMB70.0 million), representing a decrease of approximately RMB11.8 million or 16.9% compared with the corresponding period in 2020. 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 RMB46.4 million (2020: approximately RMB29.2 million), representing an increase of approximately RMB17.2 million or 58.8% compared with the corresponding period in 2020. The increase was mainly due to the increase in investing resources in developing the Group's new businesses, causing the research costs and other related expenses to raise accordingly.

Finance costs

Finance costs of the Group decreased by approximately RMB0.2 million or 67.7%, from approximately RMB0.3 million for the year ended 31 December 2020 to approximately RMB0.1 million for the Year. The decrease was mainly due to the Group has no borrowings during the Year as it maintained sufficient working capital and good cash flow.

Income tax expense

Income tax expense of the Group for the Year amounted to approximately RMB12.4 million (2020: approximately RMB7.4 million), representing an increase of approximately RMB5.0 million, or 67.2%, compared with the corresponding period in 2020. The increase was mainly due to the write-down of deferred tax assets in a subsidiary.

(Loss)/profit and total comprehensive income for the year attributable to owners of the Company

For the Year, the loss and total comprehensive income attributable to owners of the Company was approximately RMB72.7 million (2020: the profit and total comprehensive income attributable to owners of the Company was approximately RMB3.0 million), representing a turnaround from profit to loss. For the Year, the Group stepped up efforts to transform its business and focused on developing its new businesses, causing a decline in revenue and an increase in R&D expenses.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2021, the Group had total assets of approximately RMB617.7 million and net assets of approximately RMB477.1 million (2020: approximately RMB758.6 million and approximately RMB548.8 million, respectively). In respect of the trade receivables and contract assets of the Group which amounted to approximately RMB65.2 million (2020: approximately RMB125.0 million), net of allowance for doubtful debts of approximately RMB57.1 million (2020: approximately RMB64.2 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 RMB332.5 million as at 31 December 2021 (2020: approximately RMB440.9 million). There was no bank borrowings as at 31 December 2021 and 31 December 2020. 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 2021, the cash and cash equivalents were held at Renminbi ("RMB"), United States dollars ("USD") and Hong Kong dollars.

Pledge of Assets

As at 31 December 2021, certain assets of the Group with carrying value of approximately RMB17.7 million (2020: approximately RMB36.3 million) were pledged to banks for banking facilities and bank guarantees granted to the Group.

Net Debt-To-Capital Ratio

The Group's net debt-to-capital ratio as at 31 December 2021 and 31 December 2020 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 2021 (2020: nil).

CLOSURE OF REGISTER OF MEMBERS

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

To determine the identity of shareholders who are entitled to attend and vote at the 2022 AGM

Latest time for lodging transfers:	4:30 p.m. on Wednesday, 18 May 2022
Closure of register of members:	Thursday, 19 May 2022 to Wednesday, 25 May 2022 (both dates inclusive)
Record date:	Wednesday, 25 May 2022
Date of 2022 AGM:	Wednesday, 25 May 2022

In order to be eligible for attending and voting at the 2022 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 2022 AGM of the Company will be held on Wednesday, 25 May 2022. Notice of 2022 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 2021, the Group had 357 (2020: 324) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB102.6 million (2020: approximately RMB89.5 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 2021.

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 2021, although the Chinese economy started to recover, the overall economic environment was still ridden with challenges and uncertainties from the sporadic outbreak of COVID-19. However, the Group was able to adhere to its business direction, step up research and development efforts, and actively cope with the market environment. Although its overall revenue was under pressure during the Year, the Group, having actively adjusted its business structure, integrated internal resources, and developed new businesses in recent years, was able to seize opportunities in the highly competitive environment.

Looking ahead to 2022, there are still many uncertainties and challenges in the complicated market environment. The Group will continue to heed changing circumstances, make strategic adjustments to enhance its core competitiveness, and remain steadfast in pushing to achieve its strategic goals. Riding the digital transformation tide, the Group will ensure stable development of its system integration services business for enterprise customers and strengthen cloud computing services and intelligent (manufacturing, medical, healthcare) advancement. It will increase the step-by-step allocation of resources to R&D, with self-developed solutions and services as champions, and deploy resources for tapping into the enterprise information technology market. In addition, the Group is setting up a new wholly-owned subsidiary which will focus on developing smart health management business, such that more centralized and effective resource management and investment, and marketing could be carried out to help raise product acceptance.

With different sectors embarking on digital transformation and AI technologies becoming more mature, the Group has integrated AI with industry applications, actively participated in key national research and development projects and formulation of industry standards, and also assisted enterprise customers in realizing digital transformation and intelligent applications. In recent years, the Group has actively focused on developing innovative proprietary products and intelligent applications, strengthening product operation maintenance service capabilities. It has set up the Genesis Artificial Intelligence Laboratory and a team staffed by professors, doctoral and master's degree holders from renowned domestic universities and armed with leading technologies and specialized R&D expertise. After these years of hard work, the Group has achieved certain results in the R&D of proprietary products and services. To stand out in the ever-changing market, the Group will continue to speed up innovation and transformation of its businesses, bring in top high-tech talent, consolidate commercialization of scientific research results and its business foundation, step up market expansion and strengthen technological and product innovation capabilities, so as to shape itself into a technology and innovation-driven enterprise.

Having restructured its business and consolidated internal resources in recent years, the Group prides lower operating costs. However, as the COVID-19 pandemic has not totally receded, the business environment is still full of challenges. Looking ahead, the Group will continue to implement resources management solutions to ensure it uses resources effectively and maintain high operational efficiency. It will also remain prudent in monitoring cost and implement stringent cost control measures, so as to maintain a robust financial position.

As an innovative technology enterprise, the Group believes the only way for it to gain a competitive advantage in today's complex market environment is to embrace its core product technologies. Hence, it will increase investment in developing innovative proprietary products, intelligent applications, and services, step up R&D efforts, amass technologies and also strengthen cost controls, thereby raising its overall technological and servicing capability. The Group will also keep its finger on the pulse of market development and flexibly adjust its product portfolio so that it may provide customers with suitable professional solutions and services.

CORPORATE GOVERNANCE

During the year ended 31 December 2021, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, during the year ended 31 December 2021, the Directors have confirmed in writing that they complied with the standards set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 including the accounting principles and practices adopted by the Group, and discussed the risk managements, internal control and financial reporting matters during the review.

SCOPE OF WORK PERFORMED BY AUDITOR

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2021 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

For and on behalf of the Board

Futong Technology Development Holdings Limited

Chen Jian

Chairman

Hong Kong, 25 March 2022

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