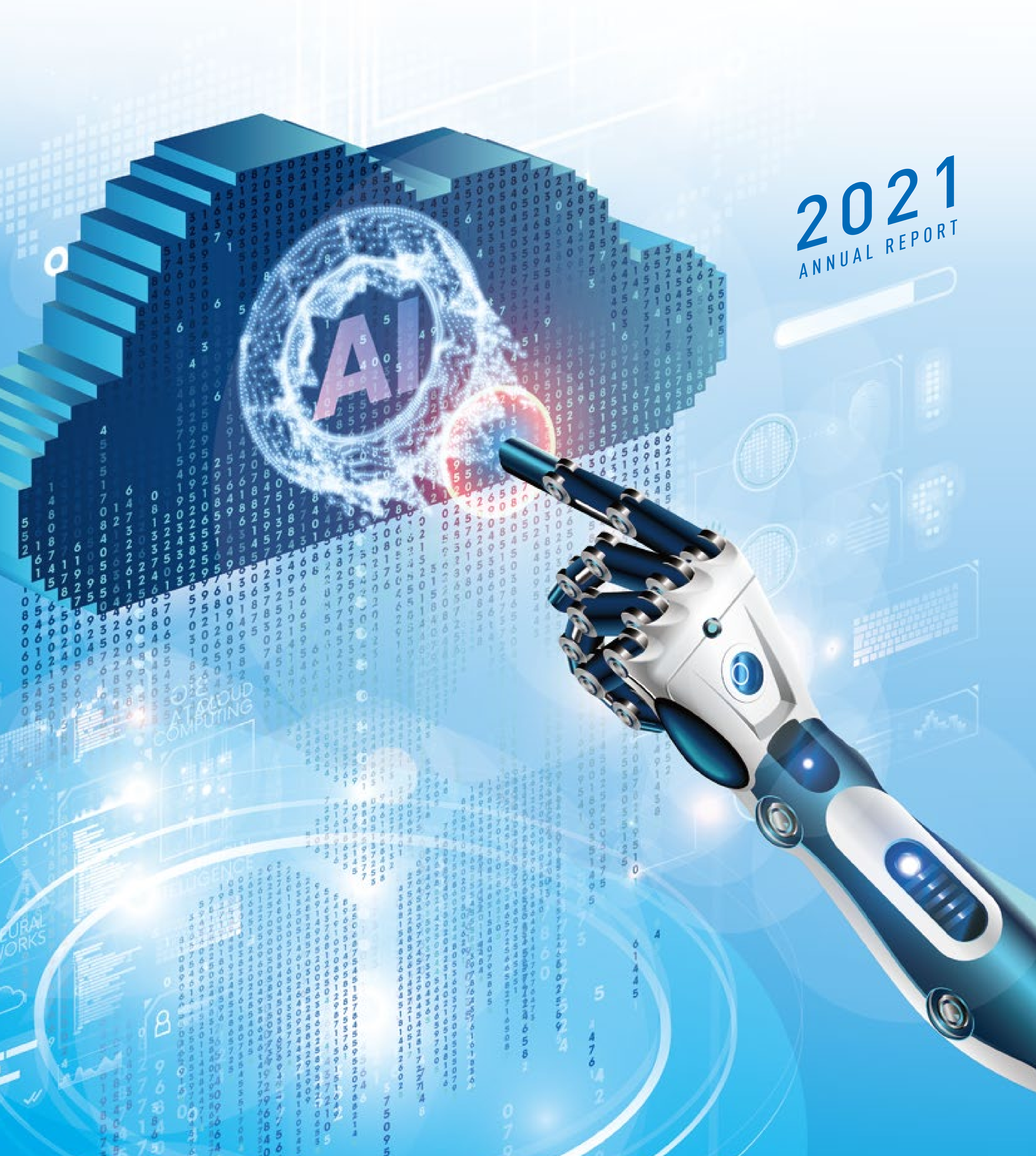
Futong
富通

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



2021
ANNUAL REPORT

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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 2021 (the "**Year**").

2021 was a challenging year for the Group and an important year for it in the pursuit of reform and growth. In recent years, the Group has sped up the transformation from an informatisation service enterprise to a technology application product enterprise focusing on research and development ("**R&D**") of own products. As of 2021, it set up a number of core research institutions including artificial intelligence ("**AI**") laboratories, healthcare field research centres, creative design centres, multi-cloud management, intelligent health management, intelligent manufacturing, and also a number of product lines, giving it a core productivity system in line with its key development direction. These new teams have given a major impetus to the Group to develop and achieve solid growth in related fields.

Although some uncertainties have worsened in the market environment, there are still opportunities in the market and for the Group. Riding the digital transformation tide, the Group has forged ahead with developing enterprise management services and intelligent healthcare business and continued to gradually increase investing resources in R&D. It has also expanded its presence in the enterprise information technology ("**IT**") market on the back of its self-developed products and services.

For its enterprise management services business, the Group has continued to focus on system integration, cloud computing and related services, and commenced cooperation with leading domestic and overseas enterprises to develop professional commercial-use technologies and strong data reserve required to support cloud management services. During the Year, Futong Cloud obtained certifications from top domestic cloud enterprises such as Tencent Cloud, cloud.Baidu, H3C Cloud(新華三雲) and Alibaba Cloud, forming a solid ecosystem to great the imminent arrival of the hybrid cloud era. Futong Dongfang's "intelligent public opinion monitoring service platform" (智數輿情監測服務平台) and iAPS intelligent order management platform 2.0 products (iAPS智能排產平台2.0產品) gained high recognition from the automobile manufacturing industry in the first year of business and orders were secured from lighthouse customers. The Group's integration services business also continued to land new orders from clients in the financial industry for services their key informatisation projects require.

Regarding the intelligent health management business, with investment of resources made in R&D and at the technical service team's effort in recent years, the health management service "5+AI Health" was officially launched and the Group became the only provider of the (software) service bundled with related health insurance products. In 2021, the Group established the independent company Beijing Futong Intelligent Health Technology Co., Ltd. (北京富通智康科技有限公司) to focus on developing more precisely relevant business. In addition, Futong Dongfang participated in the "Intelligent Analysis and Exploration of Key Technologies and Demonstrative Applications of PB-level Multi-Source Hygiene, Health and Science Big Data" Project (面向PB級多源衛生健康科學大數據的智能分析與挖掘關鍵技術及示範應用項目), which is a key undertaking in the Ministry of Science and Technology's national key R&D program. Futong Dongfang stood out in the fierce competition and was given the green light to embark on the project, the second national key technology R&D project it took up following the first in 2020. At the same time, the Group actively sought to join industry organisations, including China Electronics Standardization Institute AI Knowledge Graph Sub-Committee Member Unit (中國電子化標準研究院人工智能知識圖譜分委會會員單位) and China Association of Health-Protection Food Member Unit, so as to raise its influence in the AI and medical and healthcare arenas and make yet more contribution to the industry.

Moreover, the Group has continued to optimise its self-developed products, solutions, and technical capabilities. It won a good number of awards during the Year including the 2021 Digital Health Technology Innovation Award by Futong Dongfang, Futong Cloud making it onto China Internet Weekly's "Cloud Computing Ranking (by Classification)" list — Cloud Computing Management Platform (MSP cloud management service) in 2020, and IaaS (infrastructure as a service) in 2020, as well as 2021 China's Data Intelligence Industry Map. The aforementioned industry recognitions and accolades evidenced industry and market recognition for the perseverance of the Group in developing its own products and also its technologies, plus the outstanding achievements of the Genesis AI Lab in scientific research, innovation, and turning the fruit of R&D into practical applications.

Heeding the ever-changing IT market and evolving technologies, the Group will consolidate as required the business and human resources structures of its member companies and focus on developing specialised businesses. Armed with more than 20 years industry experience, Futong will forge and build on global technological partnerships to bolster its profile as a premium enterprise IT brand. In the future, at the brace of its capabilities amassed over the past years, the Group will deepen transformation, continue its research on self-developed products and technologies, give full play to its edges in technology and transform R&D results into products and services, so that it may contribute to intelligent applications and innovation-driven development.

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 Year, and also to all shareholders for their unwavering trust and support over the years.

Chen Jian
Chairman

Hong Kong, 25 March 2022

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 division 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 ("**HKD**").

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 HKD.

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).

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 Act of the Cayman Islands, 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 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.

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 2021.

The Group had no significant investment held 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 IT 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.

BOARD OF DIRECTORS

Executive Director

Mr. Chen Jian (陳健先生), aged 61, 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, Futong Intelligent Health (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**"). Futong Cloud Technology Co., Ltd ("**Futong Cloud**") and Beijing Futong Intelligent Health Technology Co., Ltd. ("**Futong Intelligent**"). 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 53, 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 62, 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 (currently known as the Hong Kong Chartered Governance Institute) 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 AGTech Holdings Limited (stock code: 08279), 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 Fullshare Holdings Limited (stock code: 00607) from December 2013 to December 2021, 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 62, 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 55, 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 50, 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, Futong Cloud and Futong Intelligent Health. 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 38, 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 52, 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 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 53, 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 47, joined the Group in 1999, he is the vice president of Futong Cloud. He is responsible for overseeing the day-to-day operations of the sales of Futong Cloud. 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 47, 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 Wisdom number and public opinion 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 46, joined the Group in 2004, he is the vice president of Futong Cloud. He is responsible for overseeing the day-to-day operations of the sales of Futong Cloud. Mr. Zha graduated from 南京大學 (Nanjing University), majoring in electronics and information system.

Mr. Sun Jian (孫建先生), aged 45, joined the Group in May 2020, he is the senior vice president of Futong Cloud. He is responsible for overseeing the operations of pre-sales, sales, delivery, project management and business centre 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 36, 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 Chartered Governance Institute (formerly known as 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 2021, the Board has performed the duties and monitored the Company's compliance with the Corporate Governance Code 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 2021, 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 chief executive officer ("**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 2021, 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. Independent non-executive Directors have been instrumental in ensuring independent views and input are available to the Board. The chairman holds meeting with the independent non-executive directors without the presence of other directors at least annually.

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 11 to 13 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 2021.

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 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 Chartered Governance Institute (formerly known as 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 2021 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 four meetings during the year ended 31 December 2021, 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 one meeting during the year ended 31 December 2021 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 meeting during the year ended 31 December 2021, 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. In terms of gender diversity, the Board currently comprises one female director (representing 20% of the Board), and will target to review the implementation and effectiveness of the board diversity policy on an annual basis as well as achieve an ultimate goal of gender parity as soon as practicable. The Company has taken and will continue to take measures to promote gender diversity across all levels. Among 357 employees in total (including senior management, middle management and general staff) as of 31 December 2021, approximately 67.8% of the employees are male and 32.2% are female. The Company will continue to take gender diversity into consideration during recruitment such that there is a pipeline of female senior management and potential successors to the Board in the future.

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 2021 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	4/4	N/A	1/1	1/1
Non-executive Director					
Ms. Chen Jing	1/1	4/4	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Chow Siu Lui	1/1	4/4	4/4	1/1	1/1
Mr. Lo Kwok Kwei David	1/1	4/4	4/4	1/1	1/1
Mr. Yao Yun	1/1	3/4	3/4	0/1	0/1

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 2021.

EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the year ended 31 December 2021. 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 2021, 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 during the year ended 31 December 2021. 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.

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, as well as the Group's environmental, social and governance performance and reporting, 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 69 to 74 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. The Board has reviewed the implementation of the shareholders' communications policy and is satisfied that it is effective for the Board to understand the views and opinion of the shareholders through the available channels.

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 2021.

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2021.

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 loss for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 75 to 148 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 149 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 4 to 5, pages 5 to 7 and pages 9 to 10 of this annual report, respectively. An "Environmental, Social and Governance Report" is included on pages 40 to 68, 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 71.1% and 54.6% of the Group's total purchases for each of the years ended 31 December 2021 and 31 December 2020, 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 9.6% and 2.9% of the Group's current assets as at 31 December 2021 and 31 December 2020 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 21.0% and 26.5% of the Group's total assets as at 31 December 2021 and 31 December 2020 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 agreement entered into by the Company with the executive Director, which is currently in force and was in force during the year ended 31 December 2021, contains 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 2021, 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 2021.

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 77 of this annual report.

DISTRIBUTABLE RESERVES

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB288.3 million.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2021, the Group made charitable contributions totalling approximately RMB15,000.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers, on individual entity basis, accounted for approximately 81.0% of the total revenue for the year and sales to the largest customer, on individual entity basis, included therein amounted to approximately 51.4%. Purchases from the Group's five largest suppliers, on individual entity basis, accounted for approximately 71.1% of the total purchases for the year and purchases from the largest supplier, on individual entity basis, included therein amounted to approximately 22.7%.

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 Jing

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. Ms. Chen Jing and Mr. Chow Siu Lui will retire as Directors and, being eligible, offer themselves for re-election as Directors at the 2022 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 11 to 13 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.

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 2021 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 2021, 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 2021.

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 total number of outstanding share options as at the date of this annual report was 20,960,000 which represent approximately 6.73% of the total number of issued shares of the Company as at that date.

As at the date of this annual report, the total number of shares of the Company available for issue pursuant to the grant of further options under the Share Option Schemes is 10,165,000 shares, representing approximately 3.27% of the total number of issued shares of the Company as at the date of this annual report.

Details of the movement in outstanding share options, which have been granted under the Old Share Option Scheme, during the year ended 31 December 2021 were as below:

Name or category of participants	Date of grant	Exercise price (HK$)	Exercise period	As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 2021
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	600,000	–	–	–	600,000
	28 March 2019	0.81 (Note 3)	28 March 2019 to 27 March 2029	3,900,000	–	–	(300,000)*	3,600,000
Sub-total				4,900,000	–	–	(300,000)	4,600,000
Total				**7,700,000**	**–**	**–**	**(300,000)**	**7,400,000**

* 300,000 share options were lapsed during the year ended 31 December 2021.

Details of the movement in outstanding share options, which have been granted under the New Share Option Scheme, during the year ended 31 December 2021 were as below:

Name or category of participants	Date of grant	Exercise price (HK$)	Exercise period	As at 1 January 2021	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31 December 2021
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	2,760,000	–	–	–	2,760,000
	11 November 2020	0.518 (Note 5)	11 November 2021 to 10 November 2030	3,300,000	–	–	–	3,300,000
Sub-total				6,060,000	–	–	–	6,060,000
Total				**13,560,000**	**–**	**–**	**–**	**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 2021, 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 2021.

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 14 to 23 of this annual report.

AUDITOR

BDO Limited has been appointed as auditor of the Company for the year ended 31 December 2021.

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 2022

BOARD STATEMENT

Dear Stakeholders,

Futong Technology Development Holdings Limited (the "**Company**", together with its subsidiaries, hereinafter referred to as the "**Group**" or "**we**" or "**us**") is pleased to present the Environmental, Social and Governance ("**ESG**") Report (the "**Report**") for the year ended 31 December 2021. We put the sustainable development of its business as the top priority of its long-term development goals, and incorporate climate-related issues and ESG elements into its long-term business strategic planning. As the most important leading role of the Group, the board of directors (the "**Directors**") of the Company (the "**Board**") has the sole responsibility to oversee, manage and monitor the Group's ESG issues and progress directly.

The Group has set clear short-term and long-term sustainable development vision and goals to achieve ongoing emission reduction according to governmental requirements of different countries and regions. Relevant emission reduction targets and corresponding strategies are established and sustainable development factors have been incorporated into the Group's strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management approach, including reviewing the Group's ESG performance and adjusting corresponding action plans. Effective implementation of ESG policies relies on the collaboration of different departments. Following the recommendations given by the Stock Exchange of Hong Kong Limited (the "**SEHK**"), in order to endeavor to achieve the objective of sustainability development, the Group has established an inter-departmental ESG working group to coordinate different departments and enhance their mutual co-operation, for ensuring consistent work performance which could be aligned with the stakeholders' expectations.

The Group strives to ensure the establishment of appropriate and effective risk management and internal control systems for supervising the identification and assessment of ESG and climate-related risks and opportunities, and to respond to the challenges and impacts of different times.

Looking ahead, the Board will continue to review and monitor the environmental, social and corporate governance performance of the Group and provide material, reliable, consistent and comparable environmental, social and corporate governance information to its stakeholders for making contributions to create a better future.

Yours faithfully,
For and on behalf of the Board

Chen Jian
Chairman

Hong Kong, 25 March 2022

ABOUT US

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 various leading international information technology ("**IT**") manufacturers. Combined with years of enterprise service experience and a wealth of industry customer deposits, based on the industry's solid system integration, operation and maintenance services, the use of artifical intelligence ("**AI**") technology and industry integration, algorithmic models, neural networks, deep learning and other cutting-edge technology, applied to the industry's innovative business, to help enterprise-level customers achieve business digital transformation.

In the system 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 presale 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-established relationship with it, the Group is able to provide employees with all-round 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 ("**R&D**").

Awards and Recognitions

In the cloud computing management products area, based on the strength of its leading full-scope cloud management services and outstanding contribution to the cloud computing industry, Futong Cloud was shortlisted in China Internet Weekly's "**2021 Hybrid Cloud TOP50**" list (2021混合雲TOP50榜單). Furthermore, with cloud computing management products boasting outstanding strength, Futong Cloud's hybrid cloud management project has won the Outstanding Case Award at the First China Hybrid Cloud Conference (中國混合雲大會優秀案例獎項) held by The China Academy of Information and Communications Technology (CAICT). These accolades and certifications stand not only for the recognition the Group's cloud computing management products, but also recognition of the Group's dedication to optimizing its customer-centric products and innovative technologies.

In the intelligent digitalized products area, the Group now has dual R&D centers, one in Beijing and the other in Chengdu, with the Genesis AI laboratory (富通恒先人工智能實驗室) in Beijing. The two centers are together participating in the key national and provincial level R&D projects, helping to 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 participated in the "Intelligent Analysis and Exploration of Key Technologies and Demonstrative Applications of PB-level Multi-Source Hygiene, Health and Science Big Data" Project (面向PB級多源衛生健康科學大數據的智能分析與挖掘關鍵技術及示範應用項目), which is a key undertaking in the Ministry of Science and Technology's national key R&D program and was the second national key technology R&D project the Group took up following the first in 2020.

At the same time, by joining various industry organizations, the Group has sought to raise its influence in the AI, medical and healthcare fields, that it may make yet more contribution to the industry and the society. For example, the Group became a member unit of China Electronics Standardization Institute AI Knowledge Graph Sub-Committee Member Unit (中國電子化標準研究院人工智能知識圖譜分委會會員單位) and China Association of Health-Protection Food Member Unit (中國藥膳研究會單位會員).

ABOUT THIS REPORT

The Group contributes to sustainable development by delivering ESG benefits to all stakeholders in a balanced way. 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. We are pleased to present our Report for the year ended 31 December 2021 for the purpose of demonstrating our efforts on sustainable developments to our stakeholders. In the event of contradiction or inconsistency between the Chinese version and the English version, the English version shall prevail.

REPORTING PERIOD

The Report illustrates the overall performance of the Group regarding the environmental and social aspects from 1 January 2021 to 31 December 2021 (the "**Reporting Period**").

REPORTING SCOPE

The Group specializes in providing enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalized application products. The Group's main business is divided into two divisions, namely, enterprise management business, and development and sale of intelligent digitalized products. The information disclosed in the Report covers the core and material units of the Company and its subsidiaries as listed in note 32 to the consolidated financial statements. The relevant environmental and social key performance indicators ("**KPI(s)**") cover all the operation units of the Group in the Reporting Period, including the offices and warehouses in the People's Republic of China (the "**PRC**") and Hong Kong.

We are committed to improving internal data collection procedures and gradually expanding the scope of the disclosure. If the scope and boundaries of the specific contents vary, they are noted in the relevant section of the Report.

REPORTING BASIS

This Report has been prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the SEHK. The Group has complied with all "comply or explain" provisions set out in the ESG Reporting Guide and followed the four reporting principles – materiality, quantitative, balance and consistency, in the preparation of the Report.

REVIEW AND APPROVAL

The Board confirms that they have the responsibility to ensure the integrity of this Report, and to their best knowledge, the Report expounds all relevant important issues and fairly presents the ESG performance of the Group. This Report was reviewed and approved by the Board on 25 March 2022.

INFORMATION AND FEEDBACKS

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to share with the Group at contact@futong.com.hk or by mail to:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

The Group is committed to integrating ESG factors into its operations, creating sustainable value for stakeholders and fulfilling its responsibilities as a corporate citizen. The Group has established an Environmental, Social and Governance Working Group (the "**Working Group**"). The Working Group is composed of core members from different departments of the Group and is authorized by the Board according to its terms of reference. It is responsible for reviewing and evaluating the effectiveness of the sustainability structure, and managing ESG issues and performance material to the Group. The progress of achieving emission reduction targets is monitored by the Working Group, the members are also responsible for communicating and collaborating with external consultants to compile annual ESG report. The Working Group reports to the Board on the implementation of ESG measures and performance of the business units. In response to the Group's ESG development, we will review and increase the frequency of the Working Group meetings according to actual needs in the future, to ensure that proper attention is given to the relevant issues.

The Board is responsible for setting the Group's sustainable development strategy and clear emission reduction targets, assessing the actual and potential climate-related risks and opportunities that affect the Group's operations, and ensuring that the Group has established appropriate and effective ESG risk management and internal control system. The management reviews these risks and the effectiveness of the internal control system and confirms to the Board.

STAKEHOLDER ENGAGEMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholder engagement helps the Group to develop a business strategy that meets the stakeholders' needs and expectation, enhances the ability to identify risk and strengthens important relationships. Stakeholders can deliver their valuable opinions on ESG to us through various channels. The relevant stakeholders of the Group and their engagement platforms are as follows:

Stakeholder	Engagement Platform
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information
Certification bodies	• Regular audit
Shareholders and investors	• Annual general meetings and other general meetings of shareholders • Company website • Announcements • Annual reports, interim reports, ESG reports and other public information
Employee	• Training • Meetings • Performance evaluation

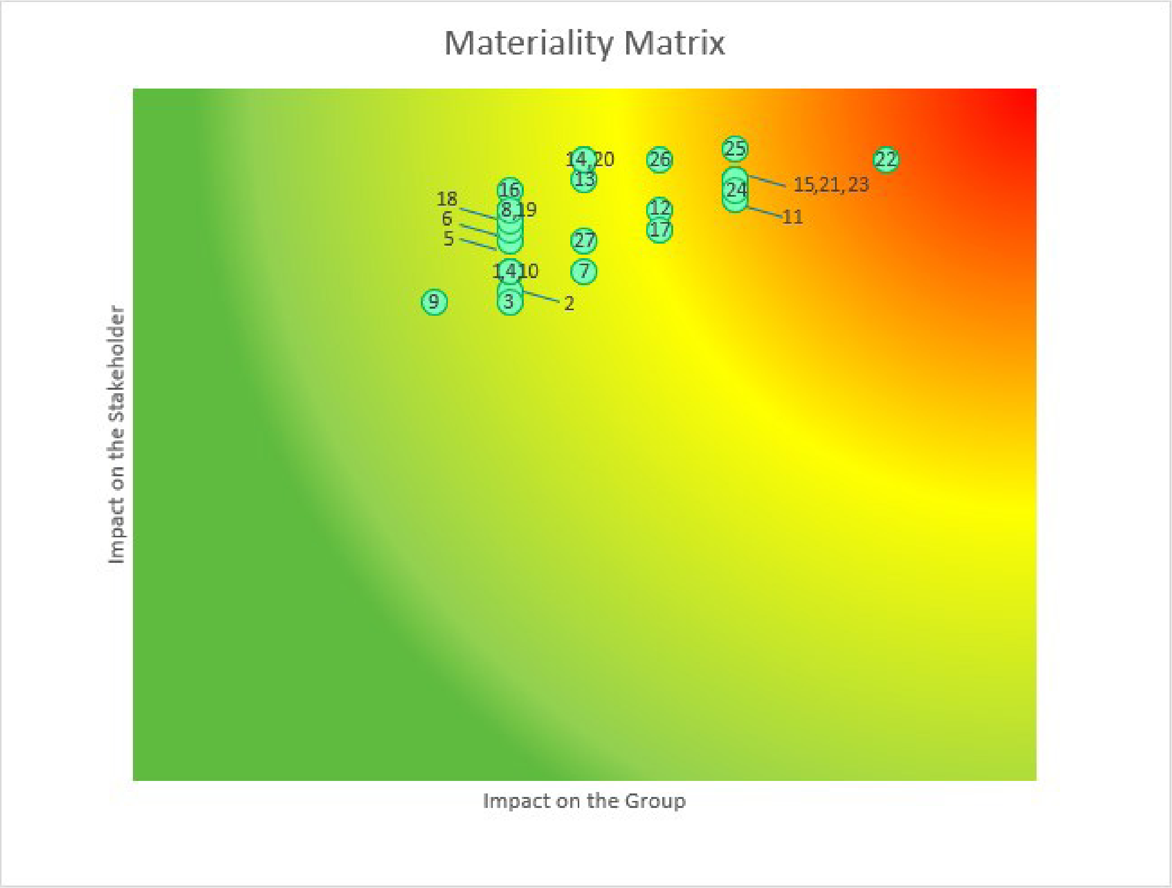
Stakeholder	Engagement Platform
Customer	• Fax, email and customer service hotline • Product and service feedback
Supplier	• Annual audit • Meetings • On-site visits

MATERIALITY ASSESSMENT

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. By considering the dependence and influence to the Group of the stakeholders and the availability of the resources for the Group, the management has identified key stakeholders and conducted survey with them. They have expressed their opinions and recommendations on the sustainability issues related to the Group's operation via a survey.

Consolidating the results of internal assessment and the survey, the issues that are identified with high importance are listed as follows:

- Intellectual property;
- Business ethics;
- Safety and quality of products and services;
- Customer satisfaction; and
- Development and training of staff.



1 Air emissions
2 Greenhouse gas emissions
3 Effluents management
4 Waste management
5 Energy efficiency
6 Water efficiency
7 Use of raw materials and packaging materials
8 Environmental compliance
9 Land use, pollution and restoration
10 Climate change
11 Employment practices
12 Diversity and equal opportunities
13 Anti-discrimination
14 Occupational health and safety of staff
15 Development and training of staff
16 Child labour and forced labour
17 Responsible supply chain management
18 Environmental friendliness on products or service purchased
19 Compliance with regulations on marketing, product and service labelling
20 Customers' privacy and confidentiality
21 Customer satisfaction
22 Intellectual property
23 Safety of products and services
24 Quality of products and services
25 Business ethics
26 Anti-corruption training for management and employees
27 Contributions to the society
28 Communication and connection with local community

ENVIRONMENTAL ASPECTS

Environmental Management Policy

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 materials 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 is 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 without authorization or permission 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 avoid water wastage;
11. Transition towards a paperless office, double-sided printing is preferred if physical paper records of documents are necessary, furthermore, reuse is encouraged such as using recycled paper for facsimiles, notes, memos, etc.;
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; and
13. Green plants are put in suitable office areas to absorb greenhouse gas emissions and reduce noise.

In addition, the Group advocates energy saving and carbon reduction, and is committed to achieving sustainable operations. To this end, we have set clear emission reduction targets, aiming to reduce all our emissions (including air pollutants, greenhouse gas, hazardous and non-hazardous wastes, and sewage), energy consumption (including electricity), consumption of resources (including water and paper) by 3%, compared to corresponding emissions and consumptions of the Reporting Period, before 2026. Moreover, we are investing more resources in recycling to help the development of circular economy.

Emissions

Policy of the Group, Laws and Regulations Related to Emissions

The Group's business operation strictly abide by the laws and regulations of the PRC and Hong Kong, including but not limited to *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), *Law of the PRC on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), *Law of the PRC on the Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), the *Air Pollution Ordinance (Cap. 311), the Waste Disposal Ordinance (Cap. 354), the Water Pollution Control Ordinance (Cap. 358)* and other laws and regulations.

To the best of our Directors' knowledge, the Group was not aware of any violation against laws and regulations regarding air emissions, greenhouse gas emissions, wastewater emissions, discharge on land, and hazardous and non-hazardous wastes, and the Group did not receive any fine, complaint or warning related to any material non-compliance in this regard during the Reporting Period.

Types of Air Emissions and Emission data

The Group's air emissions were mainly from our vehicle fleets. Looking ahead, we consider replacing our fleet with vehicles of higher emission performance or electric vehicles in the future, in order to achieve the reduction target.

In the Reporting Period, the Group's air emission type and respective emissions data[1] are listed as below:

Air Emissions[2]	Unit	2021
Nitrogen oxide (NO x)	kilograms	0.52
Sulphur dioxide (SO x)	kilograms	0.31
Particle matter (PM)	kilograms	0.08

1 Totals may not be the exact sum of numbers shown here due to rounding.

2 The figures covered the emissions from Group-owned vehicles in the PRC and Hong Kong. The calculation method of the corresponding air emission assessment figures and the emission factors used in the calculation are based on "Technical Guidelines for Compiling the Air Pollutant Emission Inventory of Road Mobile Vehicles (Trial)" ("道路機動車大氣污染物排放清單編制技術指南(試行)"), "How to Prepare an ESG Report" and its annex "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK.

Greenhouse Gas Emissions Data

The Group strictly follows the low-carbon development goals of China's 14th Five-Year Plan and the Hong Kong's "Climate Action Plan 2050". We promote corporate green transformation and strives to realize the corporate vision of carbon neutrality. The Group's direct greenhouse gas emissions (Scope 1) were mainly from petrol consumed in our vehicle fleet. Indirect greenhouse gas emissions (Scope 2) were mainly from purchased electricity consumed internally. Due to the business nature of the Group, most of our greenhouse gas emissions was from Scope 2 emissions.

In the Reporting Period, the Group's total greenhouse gas emissions and intensity[3] are listed as below:

GHG Emission[4]	Unit	2021
Scope 1[5]	tonnes CO_2-equivalent	9.50
Scope 2[6]	tonnes CO_2-equivalent	349.84
Total Greenhouse Gas Emissions	tonnes CO_2-equivalent	359.34
Greenhouse Gas Emissions Intensity	tonnes CO_2-equivalent/total number of staff[7]	1.01

3 Totals may not be the exact sum of numbers shown here due to rounding.

4 The figures covered the direct and indirect greenhouse gas emissions from the Group's offices and warehouses in the PRC and Hong Kong. The calculation method of the corresponding greenhouse gas emission figures and the emission factors used in the calculation are based on "How to Prepare an ESG Report" and its annex "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK, and the "Emission Factors of China's Regional Power Grid Baseline for Emission Reduction Projects" ("減排項目中國區域電網基准線排放因子").

5 Scope 1: The direct emission from the business operations owned or controlled by the Group, including stationary combustion sources and mobile combustion sources, as well as fugitive emissions.

6 Scope 2: The "indirect energy" emissions caused by the internal consumption of purchased electricity consumption within the Group.

7 As at 31 December 2021, the total number of staff in the Group was 357.

Waste Data and Management

Due to the business nature of the Group, we did not produce any material hazardous waste. Use of fourteen toner cartridges were recorded in the Reporting Period. They were collected and recycled by the supplier on regular basis. Non-hazardous waste was mainly generated from office paper usage and was collected for burial in landfill. Looking ahead, the Group is committed to improving the recycling system.

In the Reporting Period, the Group's waste data[8] are listed as below:

Types of Waste	Unit	2021
Total non-Hazardous Waste[9]	tonnes	11.38
Non-Hazardous Waste Intensity	tonnes/total number of staff[10]	0.03

Our business operation did not involve in any material sewage discharge. All our domestic wastewater was discharged into the municipal pipe network under the requirements of nation and local laws and regulations.

8 Totals may not be the exact sum of numbers shown here due to rounding.

9 The figure covered non-hazardous waste generated in offices and warehouses in the PRC and Hong Kong.

10 As at 31 December 2021, the total number of staff in the Group was 357.

Use of Resources

Resources Policies and Relevant Laws and Regulations regarding Energy Conservation

The Group's business operation strictly abides by the laws and regulations of the PRC and Hong Kong, including but not limited to *Energy Conservation Law of the PRC* (《中華人民共和國節約能源法》) and other laws and regulations. We are committed to improving the efficiency of energy use, advocating conservation of resources, and improving the efficiency of energy and resource consumption.

In the Reporting Period, the Group was not aware of any material non-compliance or breach of relevant laws and regulations regarding energy conservation.

Energy Consumption and Intensity

In the Reporting Period, the data of Group's total energy consumption[11] by type are listed as below:

		Unit	2021
Energy Consumption[12]	**Direct Energy Consumption**	kWh	38,870
	Petrol	litre	4,217
	Indirect Energy Consumption	kWh	379,280
	Purchased electricity	kWh	379,280
	Total Energy Consumption	kWh	418,150
	Energy Consumption Intensity	kWh/total number of staff[13]	1,170

Water Consumption and Intensity

In the Reporting Period, the Group was not aware of any material issue in sourcing water that is fit for purpose. In the Reporting Period, the Group's total water consumption are estimated to be around 2,140 tonnes (intensity: 6 tonnes per staff).

Paper Consumption

The paper used in the Reporting Period was mainly from the offices in the PRC and Hong Kong. In the Reporting Period, the Group's paper consumption was around 11.38 tonnes.

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11 Totals may not be the exact sum of numbers shown here due to rounding.

12 The figures covered the direct and indirect energy consumption in the Group's offices and warehouses in the PRC and Hong Kong. The calculation method of the corresponding energy consumption figures and the emission factors used in the calculation are based on "How to Prepare an ESG Report" and its annex "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the SEHK.

13 As at 31 December 2021, the total number of staff in the Group was 357.

Packaging Material

The Group's operation and products did not involve any material packaging material consumption.

THE ENVIRONMENT AND NATURAL RESOURCES

Since the Group does not engage in manufacturing, its major emissions are limited to greenhouse gases from the consumption of electricity in the office; wastewater from office water consumption, domestic waste, air pollutant emissions and green house gas emissions from the combustion of vehicle fuel. The Group does not typically produce any toxic waste gas and wastewater that have serious impact on the environment. 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. The Group will exert still greater effort on energy conservation and reducing emissions to contribute to the betterment of society.

CLIMATE CHANGE

Climate change is one of the biggest global challenges faced by the society nowadays, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus of news. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides, and floods can cause serious damage to assets such as buildings, warehouses, and goods in storage, resulting in financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

The COVID-19 pandemic has presented many new challenges this year, but it has not changed our commitment to climate action. The pace of change has expedited around the world, underscoring the importance for us to accelerate its transition to a low-carbon economy.

The Group essentially plans to respond to local government initiatives and follow local governments' emission reduction requirements. We aim to reduce emissions by around 3% by 2026 and ensure the Group's greenhouse gas emissions will comply with the local requirements in or before 2030. Our target is to achieve carbon neutrality by 2050 in Hong Kong region and by 2060 in PRC. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency and maintain efficient management support, in order to safeguard the Group's reputation.

The Group has identified a series of climate-related risks and opportunities relevant to our assets and services which are significant to us. These transition and physical risks are discussed in the sections below.

	Risks	**Opportunities**
Short term (0 – 1 year)	• Physical risks from extreme weather events • Securing the skills and capability required to implement climate strategy	• New services to help communities decarbonize • Technologies to enhance the performance of operation and energy efficiency
Medium term (5 years)	• Transition risks – Implementation of low-carbon policies for the operation • Transition risks – Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account.	• Transitioning to low carbon economy market to meet government decarbonization targets • Opportunities arising from transition enablers
Medium to long term (5+ years)	• Transition risks – Potential new regulation and policies • Transition risks – Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness • Transition risks – the Group reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy	• Transitioning to low carbon economy market to meet government decarbonization targets • Opportunities arising from transition enablers • To work as a pioneer in the industry and build up the relevant reputations

These climate and weather events can cause physical damage to our assets or reduce operational efficiency, increase our repair and maintenance costs, and service disruptions for customers or even stop our operation temporary. The Company's operations could also be affected directly and indirectly by these events, for instance damage to assets along the supply chain and water supply, in particular the procurement of materials and food, may affect the Group's ability to reliably deliver services.

OUR PATH TO 2050

We are determined to deliver on our purpose to provide safe, reliable, and affordable services for customers, and we are fully aware that our environmental responsibility has never been greater. The Group is ready to face this challenge and committed to reviewing our reduction targets at least every 5 years. We believe that everyone in the society should take up the responsibility and together we can speed up the pace of low carbon transition for the betterment of a green future.

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

Employment

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 strictly abides by the laws and regulations of the PRC and Hong Kong regarding employment, including but not limited to *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), *Employment Promotion Law of the PRC* (《中華人民共和國就業促進法》), the *Employment Ordinance (Cap. 57), the Disability Discrimination Ordinance (Cap. 487), Sex Discrimination Ordinance (Cap. 480)* and other laws and regulations.

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 with 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.

Our employment management policies cover resources planning, performance evaluation, training, compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination, and other benefits and welfare.

In the Reporting Period, the Group was not aware of any material non-compliance or breach of relevant laws and regulations regarding employment.

Recruitment and Dismissal

The Group's staff hiring and dismissal procedures adhere to the principle of transparency and equality. Potential candidates are required to pass a two-stage interview before successful admission and qualified persons are recruited in strict accordance with the personal competencies required in the job description. If an employee resigns during the probationary period, he or she have to notify the Group in writing three days in advance and submit a "Futong Employee Separation Application" through the system; if the employee proves to be unqualified for employment during the probationary period, the Group may terminate the employment relationship at any time by notice to the employee. Upon completion of the probationary period, employees must resign 30 days in advance by submitting an "Exit Application Form" through the system and following the Group's requirements for exit procedures.

Dirersity and Equal Opportunity

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, adhering to the diversification principle, we insist on fairness in recruitment and protecting equally the right to employment of both men and women. The Group also actively participates in social welfare activities and aims to help solve the employment problem of persons with disabilities. In the Reporting Period, the Group hired 8 disabled employees. In addition, we have a number of offices across the country contributing to local employment. During the Reporting Period, it also stepped-up recruitment of fresh graduates, thus opening more job opportunities to university graduates and young people.

Promotion, Remuneration and Benefits

The Group has a comprehensive remuneration and benefits system to provide employees with competitive remuneration packages. An employee's performance, remuneration and prospect are closely associated. Internal promotion, performance rewards and salary adjustment mechanisms are set up to recognize good performance employee and motivate outstanding employees in delivering high quality 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.

Additional benefits are provided according to its business development and management needs. Additional benefits, including but not limited to supplementary insurance plans, holiday benefits, company trips, medical check-ups, year-end parties, are provided to employees at the discretion of the Group in accordance with the needs of business development and management. Additional benefits are reviewed and adjusted from time to time as necessary and in accordance with local practice.

The Group emphasizes work-life balance for employees. Our daily standard working duration is less than eight hours. In case of special working conditions that require overtime work, employees are conditionally given the choice of compensatory time off or overtime paid in accordance with the law. On top of statutory national holidays, annual leave and full pay sick leave, female employees and young employees can enjoy respectively leave on Women's Day (婦女節) and Youth Day (青年節). Furthermore, for employees who have children under 10 years old, they can enjoy an extra day off from work for a family day in June.

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 personal 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 are 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.

Maintaining a joyful atmosphere at work is essential to employees' motivation and team spirit. The Group organizes different personal interest activities from time to time, such as photography competitions with attractive prizes.

As at 31 December 2021, the Group had 357 employees. The data of Group's number of employees and turnover by type in the Reporting Period are listed as below:

		2021	2020
Employee Number	**Total**	**357**	324
	By Gender		
	Male	**242**	230
	Female	**115**	94
	By Age Group		
	Below 30	**160**	114
	30-50	**185**	192
	Above 50	**12**	18
	By Level		
	Senior management	**13**	11
	Middle management	**55**	49
	General staff	**289**	264
	By Employment Type		
	Full time	**357**	324
	Part-time	**0**	0
	By Geographical Regions		
	The PRC	**353**	320
	Hong Kong	**4**	4

		2021
Employees Turnover Rate[14]	**Overall number (Turnover rate)**	181 (50.7%)
	By Gender	
	Male (Turnover rate)	142 (58.7%)
	Female (Turnover rate)	39 (33.9%)
	By Age Group	
	Below 30 (Turnover rate)	82 (51.3%)
	30-50 (Turnover rate)	94 (50.8%)
	Above 50 (Turnover rate)	5 (41.7%)
	By Geographical Regions	
	The PRC (Turnover rate)	181 (51.3%)
	Hong Kong (Turnover rate)	0 (0.0%)

[14] turnover rate = number of employees in the specified category leaving employment / number of employees in the specified category at the end of the Reporting Period.

Health and Safety

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 operating 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 strictly abides by the labour laws and regulations of the PRC and Hong Kong, including but not limited to *Labour Law of the PRC* (《中華人民共和國勞動法》), *Law of the PRC on Prevention and Treatment of Occupational Diseases* (《中華人民共和國職業病防治法 》), *Fire Control Law of the PRC* (《中華人民共和國消防法》), the *Occupational Safety and Health Ordinance (Cap. 509)* and other laws and regulations.

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 during the Reporting Period. All these years in operation, the Group had neither serious health and safety incidents nor related disputes with employees.

The outbreak of the COVID-19 brought challenges to both the Group's operations and customers. As such, the Group implemented a number of measures across business units to safeguard the health of customers and employees. The Group operated in strict accordance with the crowd control and social distancing rules issued by respective governments, and proactively implement additional disinfection steps to maintain a safe and hygienic environment.

In the Reporting Period, there was a record of one lost working day related to work injuries and there was no official record of work-related fatality for at least three consecutive reporting years including the Reporting Period.

Development and Training

To help new recruits quickly adapt in the new working environment, the Group provides various forms of training customized by the training development team and taught by the Group's seniors. 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. Moreover, training videos on different topics were added in the Group's online training application 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 them enhance work efficiency.

The Group also organizes at least one training session a week for technical staff, covering different 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.

The employee training data of the Group in the Reporting Period are listed as below:

		2021
Number of Trained Employee and percentage[15]	**Overall**	248 (69.5%)
	By Gender	
	Male	174 (71.9%)
	Female	74 (64.3%)
	By Level	
	Senior management	4 (30.8%)
	Middle management	4 (7.3%)
	General staff	240 (83.0%)
Average Training Hours[16] **(hour/employee)**	**Overall**	5.22
	By Gender	
	Male	5.42
	Female	4.79
	By Level	
	Senior management	4.08
	Middee management	0.65
	General Staff	6.14

15 Percentage of trained employee = Number of employees received training during the Reporting Period/Number of employees at the end of the Reporting Period.

16 Average Training Hours = Total training hours during the Reporting Period/Total number of employees at the end of the Reporting Period.

Labour Standards

The Group strictly abides by the national and local labour laws and regulations, including but not limited to those listed in the "Employment" section of the Report, and Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), the Employment of Children Regulation in the Employment Ordinance (Cap. 57) and other laws and regulations. Apart from that, the Group is committed to preventing any form of child labour and forced labour. According to our Employee Handbook, no personnel of under age sixteen will be considered in recruitment. During the recruitment process, the Group would verify the actual age and background of the applicants by checking their identity documentations, proof of previous working experience and other relevant records and documents to avoid child labour and forced labour. If any violation is discovered, it will be handled in a serious manner, and depending on the actual situation, it will be handled in accordance with national and local laws and regulations, and the Group's internal codes.

In the Reporting Period, there was no official record of any material non-compliance or breach of relevant laws and regulations regarding child labour and forced labour.

OPERATING PRACTICES

Supply Chain Management

The Group fully understands the importance of environmental protection and its social obligations. Thus, in addition to promoting sustainable business development, we partners with major suppliers which have good reputation and ESG performance, to manage environmental and social risks along the supply chain, to promote environmental protection and environmentally preferable services, and substantially joining force to pave the way for green development.

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.

In the Reporting Period, the Group's suppliers by geographical distribution are listed as below:

Location	2021
The PRC	93
The USA	2
Total	95

Product Responsibility

The Group believes that we could only gain trust and support from our customers upon creating the best value for them. In response to the rapidly changing market and the increasing demand, the Group will continue to put the focus of our development on high quality products, innovations and to pay attention to our customers' needs. We are persistent in improving our operation system. We treasure honesty, put the customers' needs as our top priority, and act in a proactive and responsible manner to maintain a win-win relationship with our customers. We strive to attain a deep understanding of our customers' requirements and try our very best to meet their needs and even exceed their expectations. While collaborating with our customers and working partners, we grow and make progress together. In the Reporting Period, the Group did not receive any material compliant regarding its services and products. In addition, no product was subject to recall given our business nature.

The Group strictly abides by the relevant laws and regulations in the PRC and Hong Kong, including the *Patent Law of the PRC* (《中華人民共和國專利法》), the *Copyright Law of the PRC* (《中華人民共和國著作權法》), the *Trademark Law of the PRC* (《中華人民共和國商標法》), the *Copyright Ordinance (Cap. 528), the Sale of Goods Ordinance (Cap. 26), the Supply of Services (Implied Terms) Ordinance (Cap. 457) and the Personal Data (Privacy) Ordinance (Cap. 486)*. In the Reporting Period, the Group did not have any significant non-compliance issues in this regard.

The Group has been accredited with the ISO 9001 Quality Management and ISO 27001 Information Security Management certificates. As a technology company, we always put information security and protection of intellectual property right as priority. As at the end of 2021, the Group owned copyrights of a total of 159 software and 8 patents, of which 16 copyrights and 4 patents were new additions during the Reporting Period. 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.

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 the Reporting Period, there was no material non-compliance or violation in intellectual property, product quality and safety, advertising, labelling, and data privacy.

Anti-corruption

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.

The Group strictly abides by national and local laws and regulations related to bribery, extortion, fraud and money laundering, including but not limited to *Company Law of the PRC* (《中華人民共和國公司法》), *Anti-Money Laundering Law of the PRC* (《中華人民共和國反洗錢法》), A*nti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), *Prevention of Bribery Ordinance (Cap. 201)* and other laws and regulations.

The Group has reviewed and updated a series of policies including Provision on Management of Anti-corruption and Anti-bribery Measures, Procedures for Investigation of Anti-corruption 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. Under the Group's Procedures for Investigation of Anti-corruption, employees can report any potential non-compliant activities to the Internal Audit Department. According to the case nature and scale, the Internal audit Department may carry out the investigation by itself or joint force with other departments, an independent investigation team may also be established depending on the seriousness of the potential incompliance. The investigation process in kept in confidence and an investigation report is issued for the investigation result.

In the Reporting Period, 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 the Group'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. All of the Directors and over 99% of our staff have participated in anti-corruption training, which combined to over three hundred training hours in total, during the Reporting Period.

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.

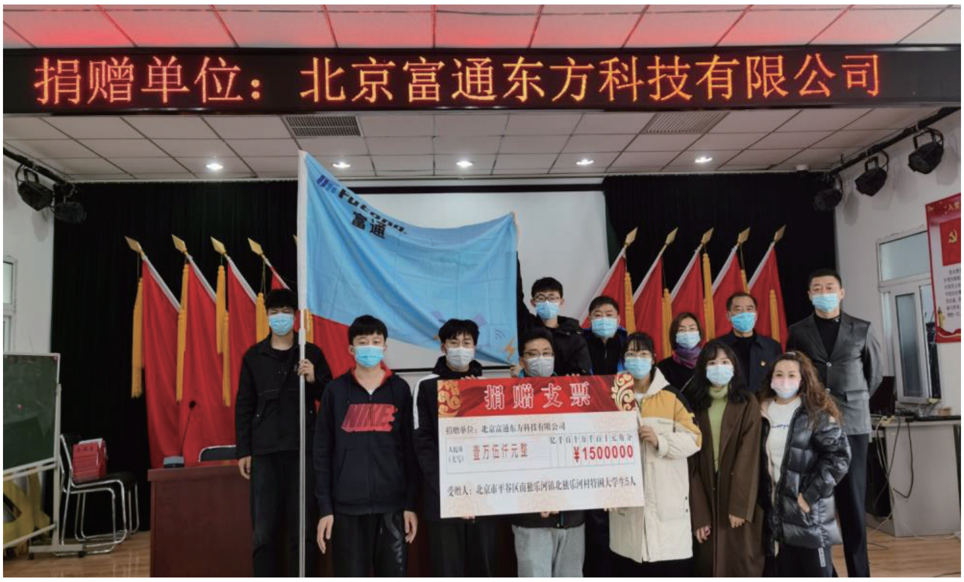
In the Reporting Period, the Group had strictly abided by all laws and regulations related to bribery, extortion, fraud and money laundering. There was no material non-compliance or violations regarding corruptions and no concluded legal case regarding corruption practices brought against the Company or its employees during the Reporting Period.

COMMUNITY

Community Investment

The Group 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 contribute to ecological protection work of the motherland, we have also actively organized and encouraged employees to participate in various social and charitable activities.

In 2021, the Group has donated a total of RMB15,000 of education grants to five college students from the Beidufu Village (北獨富村) with extreme financially difficulties. We hope to express our care to the college students and motivate them to become the pillars of our society. We also actively provide opportunities for professional counterparts such as internships and employment. Looking ahead, we will continue to invest in environmental protection and community work, and achieve the sustainable development of the company, employees and the society.



THE STOCK EXCHANGE "ESG GUIDE" CONTENT INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emissions
KPI A1.1	The types of emissions and respective emissions data	Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Emissions
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Use of Resources
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change
KPI A4.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Climate Change
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Health and Safety
KPI B2.2	Lost days due to work injury	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Health and Safety
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g.: senior management, middle management)	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and Training
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply Chain Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Supply Chain Management
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs)		Section/Statement
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff	Anti-corruption
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment

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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 75 to 148, which comprise the consolidated statement of financial position as at 31 December 2021 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 2021, 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, provision of IT maintenance and support services as well as the provision of cloud solution service. 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 2021. 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 2021, 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 2022

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	7	**235,232**	616,272
Cost of sales and services		**(205,518)**	(530,484)
Gross profit		**29,714**	85,788
Other income	8	**8,613**	14,979
Other gains and losses	8	**3,568**	(3,637)
Reversal of impairment on financial assets, net		**2,554**	12,692
Selling expenses		**(58,153)**	(69,979)
Administrative expenses		**(46,364)**	(29,201)
(Loss)/profit from operations		**(60,068)**	10,642
Finance costs	9	**(96)**	(297)
(Loss)/profit before income tax expense	10	**(60,164)**	10,345
Income tax expense	11	**(12,409)**	(7,423)
(Loss)/profit and total comprehensive income for the year		**(72,573)**	2,922
(Loss)/profit and total comprehensive income for the year attributable to:			
Owners of the Company		**(72,695)**	2,967
Non-controlling interests		**122**	(45)
		(72,573)	2,922
(Loss)/earnings per share			
Basic and diluted (RMB)	15	**(0.23)**	0.01

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**5,014**	4,614
Intangible assets	17	**48,784**	26,163
Right-of-use assets	18	**17,584**	20,662
Financial assets at fair value through profit or loss	19	**10,456**	6,563
Deferred tax assets	28	**4,531**	20,245
Total non-current assets		**86,369**	78,247
Current assets			
Inventories	20	**51,264**	19,642
Trade, bills and other receivables	21	**98,421**	145,674
Contract assets	22	**31,424**	55,067
Pledged deposits	23	**17,708**	19,058
Bank balances and cash	24	**332,531**	440,882
Total current assets		**531,348**	680,323
Current liabilities			
Trade and other payables	25	**41,023**	73,090
Contract liabilities	22	**96,583**	128,303
Lease liabilities	27	**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	27	**378**	2,295
NET ASSETS		**477,095**	548,773
CAPITAL AND RESERVES			
Share capital	29(a)	**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

On behalf of the directors

Chen Jian
Director

Chen Jing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	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 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 2010 and 1 January 2021	**27,415**	**81,538**	**219**	**1,779**	**81,058**	**352,277**	**544,286**	**4,487**	**548,773**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(72,695)**	**(72,695)**	**122**	**(72,573)**
Recognition of equity-settled share-based payments (note 30)	**–**	**–**	**–**	**895**	**–**	**–**	**895**	**–**	**895**
Lapse of share options (note 30)	**–**	**–**	**–**	**(43)**	**–**	**43**	**–**	**–**	**–**
At 31 December 2021	**27,415**	**81,538**	**219**	**2,631**	**81,058**	**279,625**	**472,486**	**4,609**	**477,095**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax expense		**(60,164)**	10,345
Adjustments for:			
Interest income	8	**(8,030)**	(8,887)
Loss on disposals of property, plant and equipment	8	**21**	50
Finance costs	9	**96**	297
Depreciation of property, plant and equipment	10	**1,666**	2,136
Depreciation of right-of-use assets	10	**2,539**	3,210
Amortisation of intangible assets	10	**4,764**	1,880
Impairment losses on inventories		**689**	489
Write back of inventories		**(3,199)**	(1,679)
Reversal of impairment on financial assets, net		**(2,554)**	(12,692)
Recognition of recognition of share-based payment expenses		**895**	398
Fair value gain on financial asset at FVTPL	8	**(4,140)**	–
Operating loss before working capital changes		**(67,417)**	(4,453)
Decrease in trade, bills and other receivables		**49,599**	64,620
Decrease/(increase) in contract assets		**23,600**	(18,941)
(Increase)/decrease in inventories		**(29,131)**	4,146
Decrease in trade and other payables		**(36,049)**	(15,163)
(Decrease)/increase in contract liabilities		**(27,447)**	49,316
Cash (used in)/generated from operations		**(86,845)**	79,525
Income taxes refunded		**–**	3,070
Net cash (used in)/generated from operating activities		**(86,845)**	82,595
Cash flows from investing activities			
Interest income received	8	**8,030**	8,887
Purchases of property, plant and equipment	16	**(2,087)**	(3,306)
Purchase of financial assets at fair value through profit or loss		**–**	(6,563)
Purchase of intangible assets		**(1)**	–
Development costs paid		**(27,384)**	(16,392)
Withdrawal of pledged bank deposits		**19,058**	32,788
New pledged bank deposits		**(17,708)**	(19,058)
Net cash used in investing activities		**(20,092)**	(3,644)

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Repayments of bank borrowings		**–**	(10,600)
Interest paid on bank borrowings		**–**	(178)
Payments on principal portion of lease liabilities		**(2,028)**	(2,478)
Interest paid on lease liabilities		**(96)**	(119)
Net cash used in financing activities		**(2,124)**	(13,375)
Net (decrease)/increase in cash and cash equivalents		**(109,061)**	65,576
Cash and cash equivalents at 1 January	24	**440,882**	374,969
Effect of foreign exchange rate changes		**710**	337
Cash and cash equivalents at 31 December	24	**332,531**	440,882

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. 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 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 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, which are stated at fair value, at the end of 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.

4.3 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 except cloud 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) IT maintenance and support services

The Group has a stand-ready obligation to perform the IT maintenance and support services on an ongoing basis over the contract period. Revenue from the provision of IT maintenance and support services is recognised over time as those services are provided because the customers simultaneously receive and consume the benefits provided by the Group throughout the contract period. 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) Cloud services

The Group has a stand-ready obligation to provide cloud solution services on an ongoing basis over the contract period. Revenue from the provision of cloud solution service is recognised over time as those services are provided because the customers simultaneously receive and consume the benefits provided by the Group throughout the contract period. Invoices for provision of cloud solution services are issued on a quarterly 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.

(iv) Other income

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4.15 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Income taxes *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Share-based payments *(Continued)*

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.

4.20 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Related parties *(Continued)*

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.

4.21 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.

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

(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 2021, the carrying amount of inventories is RMB51,264,000 (2020: RMB19,642,000).

(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.

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

(vi) Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is an indication that non-financial assets including property, plant and equipment, right-of-use assets and intangible assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount and performs a test of impairment for the asset. The recoverable amount is measured at the present value of the estimated future cash flow of the asset, whichever is higher. This requires an estimate of the expected future cash flows from the asset or the cash generating unit to which the asset was allocated and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is recognised when the carrying amount of property, plant and equipment, right-of-use assets and intangible assets exceeds the recoverable amount. The carrying amount is written down to the recoverable amount and the write-down is charged to current profit or loss, while corresponding provision for asset impairment is also made.

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:

	2021 RMB'000	2020 RMB'000
Customer A	**120,951**	243,496
Customer B	**44,465**	111,877

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:

	2021 RMB'000	2020 RMB'000
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 of revenue recognition.

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

7. REVENUE *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Receivables	**33,759**	74,628
Contract assets (note 22(a))	**31,424**	55,067
Contract liabilities (note 22(b))	**96,583**	128,303

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 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

	2021 **RMB'000**	2020 RMB'000
Other income:		
Interest income	**8,030**	8,887
Government grants (note)	**176**	2,045
Bad debts recovered	**–**	2,475
Others	**407**	1,572
	8,613	14,979
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)
	3,568	(3,637)

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 year ended 31 December 2021 and 2020.

9. FINANCE COSTS

	2021 **RMB'000**	2020 RMB'000
Interest on bank borrowings	**–**	178
Interest on lease liabilities	**96**	119
	96	297

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

10. (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 (note 17 and note (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 (note 16)	**1,666**	2,136
Depreciation of right-of-use assets (note 18)	**2,539**	3,210
Interest on lease liabilities (note 9)	**96**	119
Research and development costs	**13,930**	12
Short-term leases expenses	**2,192**	1,991
Staff cost (including directors' emoluments): (note (ii))		
– Salaries and wages	**92,339**	88,105
– Contributions to retirement benefit scheme	**9,356**	1,026
– Equity-settled share-based payment	**895**	398
	102,590	89,529
Less: capitalised as intangible assets	**(25,424)**	(15,596)
	77,166	73,933

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 a 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.

Under the state-managed retirement benefit scheme in the PRC and the Mandatory Provident Fund Scheme, the Group's employer contributions vest fully with the employees when contributed and no contribution may be forfeited and used by the Group as the employer to reduce the existing level of contributions.

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

Notes: *(Continued)*

(ii) *(Continued)*

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.

11. INCOME TAX EXPENSE

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

	2021 **RMB'000**	2020 RMB'000
Current tax – PRC income tax		
Tax for the year	**–**	1,521
Over provision in respect of prior year	**(3,305)**	(2,939)
	(3,305)	(1,418)
Deferred tax (note 28)		
Origination and reversal of temporary difference	**785**	5,257
Write-down of deferred tax assets (note (iv))	**14,929**	3,584
	15,714	8,841
	12,409	7,423

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 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 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 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.

11. INCOME TAX EXPENSE *(Continued)*

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

	2021 RMB'000	2020 RMB'000
(Loss)/profit before income tax expense	**(60,164)**	10,345
Tax calculated at applicable tax rate of 25% (2020: 25%)	**(15,041)**	2,586
Effect of different tax rates	**469**	(2,603)
Tax effect of tax losses not recognised	**17,472**	5,611
Tax effect of income not taxable for tax purposes	**(3,158)**	(485)
Tax effect of expenses not deductible for tax purposes	**1,212**	1,669
Write-down of deferred tax assets	**14,929**	3,584
Over-provision in respect of prior years	**(3,305)**	(2,939)
Utilisation of tax loss previously not recognized for tax purpose	**(169)**	–
Income tax expense	**12,409**	7,423

12. DIRECTORS' EMOLUMENTS

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

	Fee RMB'000	Salaries and allowances RMB'000	Share-based payment RMB'000	Defined contribution scheme RMB'000	Total RMB'000
2021					
Executive director					
Mr. Chen Jian	**–**	**2,048**	**139**	**81**	**2,268**
Non-executive director					
Ms. Chen Jing	**239**	**–**	**43**	**–**	**282**
Independent non-executive directors					
Mr. Chow Siu Lui	**239**	**–**	**128**	**–**	**367**
Mr. Lo Kwok Kwei David	**239**	**–**	**32**	**–**	**271**
Mr. Yao Yun	**239**	**–**	**32**	**–**	**271**
	956	**2,048**	**374**	**81**	**3,459**
2020					
Executive director					
Mr. Chen Jian	–	2,102	19	116	2,237
Non-executive director					
Ms. Chen Jing	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

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.

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 2021 and 2020. 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 2021 and 2020. No directors waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

13. THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2020: one) was director of the Company whose emoluments was included in the disclosures in note 12 above. The emoluments of the remaining four (2020: four) individuals were as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other emoluments	**4,073**	4,087
Defined contribution scheme	**467**	487
Equity-settled share-based payment	**204**	133
	4,744	4,707

Their emoluments were within the following bands:

	2021 **Number of individuals**	2020 Number of individuals
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	4	4

SENIOR MANAGEMENT

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

	2021 **Number of individuals**	2020 Number of individuals
Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**4**	4
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	9	9

There was no bonus paid or receivable by the five individuals 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 2021 and 2020. None of the five individuals 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 2021 and 2020.

14. DIVIDENDS

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

15. (LOSS)/EARNINGS PER SHARE

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

	2021 **RMB'000**	2020 RMB'000
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	**(72,695)**	2,967

	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**311,250**	311,250

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.

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 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 and 1 January 2021	**10,237**	**14,660**	**3,402**	**28,299**
Additions	**72**	**2,015**	**–**	**2,087**
Disposals	**(3,774)**	**(1,552)**	**(583)**	**(5,909)**
Exchange alignment	**(9)**	**(5)**	**(33)**	**(47)**
At 31 December 2021	**6,526**	**15,118**	**2,786**	**24,430**
ACCUMULATED DEPRECIATION				
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 and 1 January 2021	**8,258**	**13,482**	**1,945**	**23,685**
Depreciation	**219**	**889**	**558**	**1,666**
Written back on disposals	**(3,774)**	**(1,537)**	**(577)**	**(5,888)**
Exchange alignment	**(9)**	**(5)**	**(33)**	**(47)**
At 31 December 2021	**4,694**	**12,829**	**1,893**	**19,416**
NET BOOK VALUE				
At 31 December 2021	**1,832**	**2,289**	**893**	**5,014**
At 31 December 2020	1,979	1,178	1,457	4,614

17. INTANGIBLE ASSETS

	Software copyright RMB'000	Intellectual property rights RMB'000	Capitalised development costs RMB'000 (note)	Total RMB'000
COST				
1 January 2020	4,715	2,832	9,808	17,355
Additions				
– Internally developed	–	–	16,392	16,392
At 31 December 2020 and 1 January 2021	**4,715**	**2,832**	**26,200**	**33,747**
Additions				
– Internally developed	**–**	**–**	**27,384**	**27,384**
– Externally acquired	**1**	**–**	**–**	**1**
At 31 December 2021	**4,716**	**2,832**	**53,584**	**61,132**
ACCUMULATED AMORTISATION				
At 1 January 2020	4,223	47	1,434	5,704
Amortisation	489	283	1,108	1,880
At 31 December 2020 and 1 January 2021	**4,712**	**330**	**2,542**	**7,584**
Amortisation	**3**	**284**	**4,477**	**4,764**
At 31 December 2021	**4,715**	**614**	**7,019**	**12,348**
NET BOOK VALUE				
At 31 December 2021	**1**	**2,218**	**46,565**	**48,784**
At 31 December 2020	3	2,502	23,658	26,163

Note:

During the year, the Group spent RMB41,314,000 (2020: RMB16,404,000) to research, develop and enhance its cloud computing management system and intelligent digitalised application systems. Total of RMB27,384,000 (2020: RMB16,392,000) internally generated costs have been recognised as intangible assets in respect of cloud computing management system of RMB10,110,000 (2020: RMB10,337,000) and intelligent digitalised application systems of RMB17,274,000 (2020: RMB6,055,000), respectively. 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 2020	21,089
Additions	1,954
Effect of lease modification	3,955
Exchange alignment	(1,298)
At 31 December 2020 and 1 January 2021	**25,700**
Derecognition	**(2,483)**
Exchange alignment	**(630)**
At 31 December 2021	**22,587**
ACCUMULATED DEPRECIATION	
At 1 January 2020	1,918
Depreciation	3,210
Exchange alignment	(90)
At 31 December 2020 and 1 January 2021	**5,038**
Depreciation	**2,539**
Derecognition	**(2,483)**
Exchange alignment	**(91)**
At 31 December 2021	**5,003**
NET BOOK VALUE	
At 31 December 2021	**17,584**
At 31 December 2020	20,662

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

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2021 RMB'000	2020 RMB'000
Ownership interests in leasehold land and buildings, carried at depreciated cost with remaining lease term of:		
– 34 years (2020: 35 years)	**16,251**	17,234
Other properties leased for own use, carried at depreciated cost over lease terms of 1 to 2 years (2020: 2 to 3 years)	**1,333**	3,428
	17,584	20,662

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**2,192**	1,991
Total cash outflow for leases	**4,368**	4,469
Additions to right-of-use assets	**–**	5,909

In 2021 and 2020, the Group leases a number of properties for its operations. The leases run for an initial period ranged from two to three years (2020: two to three 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.

The Group regularly entered into short-term leases for warehouse and office premises. As at 31 December 2021 and 2020, 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 2021, no leased properties (2020: RMB17,234,000) were pledged as securities for the Group's banking facilities (note 26).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted investment fund in Hong Kong	**10,456**	6,563

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

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Trading stocks	**83,770**	55,442
Less: Impairment for inventories	**(32,506)**	(35,800)
	51,264	19,642

The Group has recognised a reversal of RMB3,199,000 (2020: RMB1,679,000), being part of inventories written down in the previous financial years, as these inventories were sold above the carrying amounts in 2021.

In 2020, inventories of RMB4,053,000, being part of inventories written down in the previous financial years, were write-off.

21. TRADE, BILLS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**90,860**	134,069
Less: allowance for doubtful debts	**(57,101)**	(64,118)
	33,759	69,951
Bills receivables (note)	**–**	4,677
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	**1,250**	2,396
	98,421	145,674

Note:

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

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

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. 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.

	2021 **RMB'000**	2020 RMB'000
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
Total	**33,759**	74,628

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

	2021 **RMB'000**	2020 RMB'000
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
Total	**33,759**	74,628

The Group recognised impairment loss based on the accounting policy stated in note 4.11(ii) for the years ended 31 December 2021 and 2020.

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 quality and the balances were still considered fully recoverable. 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:

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

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 **RMB'000**	2020 RMB'000
Contract assets arising from:		
Sale of enterprise IT products	**31,467**	55,178
Less: Impairment	**(43)**	(111)
	31,424	55,067

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% (2020: 10% – 40%) deposit on acceptance of the order, with the remainder of the consideration payable at delivery of the finished goods. If the customer cancels the order, then the Group is immediately entitled to the ownership of the deposit. The Group's rights to consideration for goods delivered but not certified the receipt by customers at the reporting date related to the sales of enterprise IT products that was recognised as contract assets. 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.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 and 2020 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:

	2021 RMB'000	2020 RMB'000
At beginning of year	**55,178**	36,237
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	**31,467**	53,285
Amount recognised as trade receivables during the year	**(55,178)**	(34,344)
At end of year	**31,467**	55,178

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**111**	40
Transferred to trade receivables	**(111)**	(40)
Impairment losses recognised	**43**	111
At end of year	**43**	111

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 2021			
Collective assessment			
Current	31,467	0.14%	43
As at 31 December 2020			
Collective assessment			
Current	55,178	0.20%	111

(b) Contract liabilities

	2021 RMB'000	2020 RMB'000
Contract liabilities arising from:		
Sale of enterprise IT products	**96,583**	128,303

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% (2020: 10% – 40%) deposit the Group receives on sales of enterprise IT products remains as a contract liability until such time as the value of enterprise IT products transferred outweighs it.

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

(b) Contract liabilities *(Continued)*

Movements in contract liabilities are as follows:

	2021 **RMB'000**	2020 RMB'000
At beginning of year	**128,303**	79,116
Amount recognised as revenue during the year	**(80,984)**	(61,188)
Cash received in advance of performance and not recognised as revenue during the year	**49,361**	110,504
Exchange alignment	**(97)**	(129)
At end of year	**96,583**	128,303

23. PLEDGED DEPOSITS

Pledged deposits represent deposits placed to banks as security for performance guarantee letters issued by the banks.

Pledged deposits carry interest at fixed rates which range from 0.04% to 3.7% (2020: 0.04% to 4.05%) per annum.

24. BANK BALANCES AND CASH

Bank balances and cash comprise of cash and cash equivalents.

At 31 December 2021, the balance included bank balances and cash in the PRC of approximately RMB324,396,000 (2020: RMB431,510,000). 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% (2020: 0.01% to 0.22%) per annum.

25. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**33,163**	59,436
Other payables and accruals	**7,860**	13,654
	41,023	73,090

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 RMB'000	2020 RMB'000
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
	33,163	59,436

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.

26. BANKING FACILITIES

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

	2021 RMB'000	2020 RMB'000
Banking facilities		
– Secured	**51,310**	50,000
– Unsecured	**94**	21,000
	51,404	71,000
Amount utilised	**–**	–

26. BANKING FACILITIES *(Continued)*

The secured banking facilities were secured by the following:

	2021 **RMB'000**	2020 RMB'000
Leased properties	**–**	17,234

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 2021			
Due within one year	**1,917**	**37**	**1,880**
Within a period of more than one year but not exceeding two years	**384**	**6**	**378**
	2,301	**43**	**2,258**
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

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 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 and 1 January 2021	**5,711**	**13,484**	**1,050**	**20,245**
Charged for the year	**(2,598)**	**(12,248)**	**(868)**	**(15,714)**
At 31 December 2021	**3,113**	**1,236**	**182**	**4,531**

(b) Deferred tax assets not recognised

As at 31 December 2021, the Group had unused tax losses of approximately RMB134,770,000 (2020: RMB93,024,000), 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 RMB31,618,000 (2020: RMB30,255,000) can be carried forward indefinitely until utilisation. The unrecognised tax losses related to PRC subsidiaries amounted to RMB103,152,000 (2020: RMB62,769,000) will expire in the following years:

	2021 RMB'000	2020 RMB'000
2021	**–**	16,316
2022	**10,254**	10,254
2023	**12,306**	12,306
2024	**11,632**	11,632
2025	**12,261**	12,261
2026	**56,699**	–
	103,152	62,769

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 RMB13,422,000 (2020: RMB9,994,000). 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 RMB260,550,000 (2020: RMB330,158,000) 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

	2021		2020	
	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 77. 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 profit RMB'000	Total RMB'000
At 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 and 1 January 2021	**81,538**	**219**	**1,779**	**210,847**	**294,383**
Recognition of equity-settled share-based payments (note 30)	**–**	**–**	**895**	**–**	**895**
Lapse of share options (note 30)	**–**	**–**	**(43)**	**43**	**–**
Loss for the year	**–**	**–**	**–**	**(6,999)**	**(6,999)**
At 31 December 2021	**81,538**	**219**	**2,631**	**203,891**	**288,279**

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 Act 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:

	2021 RMB'000	2020 RMB'000
Debt	–	–
Cash and cash equivalents	**332,531**	440,882
Pledged Deposits	**17,708**	19,058
Net capital	**350,239**	459,940
Equity	**477,095**	548,773
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 18 January 2016, the Company announced that a total of 2,200,000 share options (the "**Share Options A**") to subscribe for the Shares were granted by the Company to a non-executive director and the eligible employees of the Group (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$1.004 per Share
Closing price of the Shares on the date of grant	HK$0.990
Validity period of the Share Options A	10 years, commencing on 18 January 2016
Vesting date of Share Options A	All Share Options A were vested in 2018

30. SHARE-BASED PAYMENTS *(Continued)*

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

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

On 28 March 2019, the Company announced that a total of 7,700,000 share options (the "**Share Options C**") to subscribe for Shares were granted by the Company to a 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 the grant is set out below:

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

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

Exercise price of Share Options D	HK$0.57 per Share
Closing price of the Shares on the date of grant	HK$0.57
Validity period of the Share Options D	10 years, commencing on 1 April 2020
Vesting date of Share Options D	20%, 20%, 30% and 30% of the Share Options D were vested 1 April 2021 and will be vested on 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 E**") to subscribe for Shares were granted by the Company to the directors, the chief executive officer and the eligible employees of the Company (the "**Share Options E Grantees**"), subject to acceptance of the Share Options E Grantees, under the New Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options E	HK$0.518 per Share
Closing price of the Shares on the date of grant	HK$0.510
Validity period of the Share Options E	10 years, commencing on 11 November 2020
Vesting date of Share Options E	20%, 20%, 30% and 30% of the Share Options E were vested 11 November 2021 and will be vested on 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 and Share Options E in 2021 and 2020:

Category	**Outstanding as at 1 January 2021**	**Granted during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2021**
Share Options A	**1,200,000**	**–**	**–**	**1,200,000**
Share Options B	**600,000**	**–**	**–**	**600,000**
Share Options C	**5,900,000**	**–**	**(300,000)**	**5,600,000**
Share Options D	**2,760,000**	**–**	**–**	**2,760,000**
Share Options E	**10,800,000**	**–**	**–**	**10,800,000**
	21,260,000	**–**	**(300,000)**	**20,960,000**
Exercisable share options	**5,340,000**			**10,112,000**
Weighted average exercise price	**HK$0.90**			**HK$0.78**

Category	Outstanding as at 1 January 2020	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2020
Share Options A	1,200,000	–	–	1,200,000
Share Options B	900,000	–	(300,000)	600,000
Share Options C	6,900,000	–	(1,000,000)	5,900,000
Share Options D	–	3,000,000	(240,000)	2,760,000
Share Options E	–	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

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 and Share Options E determined at the dates of the grants were 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 Options D and Share Options E granted during 2020 were as follows:

	Share Options D	**Share Options E**
Weighted average share price	HK$0.57	HK$0.518
Exercise price	HK$0.57	HK$0.510
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 RMB895,000 for the year ended 31 December 2021 in relation to the Share Options C, Share Options D and Share Options E (2020: RMB398,000 in relation to the Share Options C, Share Options D and Share Options E).

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		**243,419**	243,419
Current assets			
Amounts due from subsidiaries		**107,229**	109,402
Bank balances and cash		**241**	249
Total current assets		**107,470**	109,651
Current liabilities			
Other payables and accruals		**427**	528
Amounts due to subsidiaries		**34,768**	30,744
Total current liabilities		**35,195**	31,272
Net current assets		**72,275**	78,379
NET ASSETS		**315,694**	321,798
CAPITAL AND RESERVES			
Share capital	29(a)	**27,415**	27,415
Reserves	29(b)	**288,279**	294,383
TOTAL EQUITY		**315,694**	321,798

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 2021	2020
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 Intelligent Health (HK) Company Limited (note (iv))	Corporation	Investment holding in Hong Kong	HK$1,000,000	**100**	N/A
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
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

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	
				2021	2020
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 products in the PRC	RMB50,000,000	**100**	100
北京富通智康科技有限公司 Beijing Futong Intelligent Health Technology Co., Ltd. (note (i), (ii) and (v))	Corporation	Provision of intelligent application products in the PRC	RMB100,000,000	**100**	N/A

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 incorporated on 9 August 2021.

(v) The company was incorporated on 2 September 2021.

33. NON-CONTROLLING INTERESTS

Futong Technology Development Holdings (HK) Limited, a 81% (2020: 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:

	2021 **RMB'000**	2020 RMB'000
For the year ended 31 December		
Revenue	**672**	–
Profit/(loss) for the year	**643**	(236)
Total comprehensive income/(loss)	**643**	(236)
Profit/(loss) allocated to NCI	**122**	(45)
For the year ended 31 December		
Cash flows generated from/(used in) operating activities	**105**	(1,415)
Cash flows generated from investing activities	**30**	55
Net cash inflows/(outflows)	**135**	(1,360)
As at 31 December		
Current assets	**32,534**	29,708
Current liabilities	**(8,275)**	(6,092)
Net assets	**24,259**	23,616
Accumulated non-controlling interests	**4,609**	4,487

34. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related party:

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:

	2021 **RMB'000**	2020 RMB'000
Purchase of inventories		
Supool Jintong	269	–
Provision of service		
Supool Jintong	80	230
Rental expenses		
Supool Jintong	229	210

The significant related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amount due (to)/from a related party

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

	2021 **RMB'000**	2020 RMB'000
Prepayment (note):		
Supool Jintong	**–**	19
Trade receivables (note):		
Supool Jintong	**–**	220
Trade payables (note):		
Supool Jintong	**(219)**	–

Note:

Amount due (to)/from a related party is 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 director as disclosed in note 12 and certain of the highest paid employees as disclosed in note 13, is as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and allowances	**9,566**	9,574
Contribution to retirement benefits schemes	**917**	869
Equity-settled share-based payment	**616**	170
	11,099	10,613

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		Lease liabilities (note 27)	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	**–**	10,600	**4,341**	993
Changes from cash flows:				
Repayment of bank loans	**–**	(10,600)	**–**	–
Capital element of lease liabilities paid	**–**	–	**(2,028)**	(2,478)
Interest paid	**–**	(178)	**(96)**	(119)
Total changes from financing cash flows	**–**	(10,778)	**(2,124)**	(2,597)
Exchange adjustments	**–**	–	**(55)**	(83)
Other changes:				
New leases entered	**–**	–	**–**	5,909
Interest expenses	**–**	178	**96**	119
Total other changes	**–**	178	**96**	6,028
At 31 December	**–**	–	**2,258**	4,341

36. MAJOR NON-CASH TRANSACTIONS

There was no major non-cash transactions for the year ended 31 December 2021.

During 2020, the Group entered into three new lease agreements for the use of office premises for two to three years. On the lease commencement, the Group recognised RMB5,909,000 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:

	2021 RMB'000	2020 RMB'000
Financial assets		
At FVTPL:		
Unlisted investment fund	**10,456**	6,563
At amortised cost:		
Trade, bills and other receivables	**37,419**	80,963
Contract assets	**31,424**	55,067
Pledged deposits	**17,708**	19,058
Bank balances and cash	**332,531**	440,882
	429,538	602,533
Financial liabilities		
At amortised costs:		
Trade and other payables	**40,490**	71,402
Lease liabilities	**2,258**	4,341
	42,748	75,743

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 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			
		2021			
	Notes	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL					
Unlisted investment fund	(a)	–	–	10,456	10,456
		2020			
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL					
Unlisted investment fund	(a)	–	–	6,563	6,563

Notes:

(a) 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 fund.

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

	2021 RMB'000	2020 RMB'000
Balance as at 1 January	**6,563**	–
Additions	**–**	6,563
Fair value changes	**4,140**	–
Exchange alignment	**(247)**	–
Balance as at 31 December	**10,456**	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)
	2021	2020		**2021**	2020		
	HK$'000	RMB'000					
Unlisted investment fund	**10,456**	6,563	N/A	**N/A**	N/A	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 RMB523,000 (2020: RMB$328,000)

There were no transfers between levels during the years ended 31 December 2021 and 2020.

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 2021, 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
2021			
Collective assessment			
Current (not past due)	**51,722**	**0.16%**	**85**
Less than 1 month past due	**4,680**	**0.32%**	**15**
More than 3 Months past due	**9,791**	**9.29%**	**910**
	66,193		**1,010**
Individual assessment	**56,134**	**100%**	**56,134**
	122,327		**57,144**

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
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

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:

	2021 RMB'000	2020 RMB'000
At beginning of year	**64,229**	88,054
Impairment losses recognised	**696**	125
Reversal of impairment loss	**(3,250)**	(12,817)
Bad debts written off	**(4,385)**	(10,718)
Exchange alignment	**(146)**	(415)
At end of year	**57,144**	64,229

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 2021, the Group has available unutilised short-term bank loan facilities of approximately RMB51,404,000 (2020: RMB71,000,000), 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 2021					
Non-derivative:					
Trade and other payables	**40,490**	**40,490**	**40,490**	**–**	**–**
Lease liabilities	**2,258**	**2,301**	**1,917**	**384**	**–**
	42,748	**42,791**	**42,407**	**384**	**–**
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

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:

	2021		2020	
	US$	**HK$**	US$	HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Assets				
Cash and cash equivalents	**7,174**	**846**	5,523	2,735
Trade and bills receivables	**–**	**–**	8,102	–
Other receivables	**–**	**368**	–	1,204
Liabilities				
Trade payables	**(5,483)**	**–**	(5,703)	–
Other payables	**(192)**	**(857)**	(2,534)	(625)

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 2% (2020: 7%) increase and decrease in RMB against USD and 3% (2020: 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 2% (2020: 7%) and 3% (2020: 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	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**29**	312	**9**	186

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				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**235,232**	616,272	848,773	1,777,113	3,662,931
(Loss)/profit from operations	**(60,068)**	10,642	9,376	37,101	15,977
Finance costs	**(96)**	(297)	(1,471)	(13,014)	(45,263)
Loss on disposal of interests in associates	**–**	–	–	(822)	–
Share of profit/(loss) of associates	**–**	–	–	720	(85)
(Loss)/profit before income tax expense	**(60,164)**	10,345	7,905	23,985	(29,371)
Income tax expense	**(12,409)**	(7,423)	(5,149)	(4,574)	(10,523)
(Loss)/profit and total comprehensive income for the year	**(72,573)**	2,922	2,756	19,411	(39,894)
(Loss)/profit and total comprehensive Income for the year attributable to:					
– Owners of the Company	**(72,695)**	2,967	2,865	19,427	(39,924)
– Non-controlling interests	**122**	(45)	(109)	(16)	30
	(72,573)	2,922	2,756	19,411	(39,894)

	At 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**86,369**	78,247	63,515	56,725	65,539
Net current assets	**391,104**	472,821	481,938	491,066	470,901
Non-current liabilities	**(378)**	(2,295)	–	–	–
NET ASSETS	**477,095**	548,773	545,453	547,791	536,440
Capital and reserves					
Share capital	**27,415**	27,415	27,415	27,415	27,415
Reserves	**445,071**	516,871	513,506	515,735	504,368
Total equity attributable to owners of the Company	**472,486**	544,286	540,921	543,150	531,783
Non-controlling interests	**4,609**	4,487	4,532	4,641	4,657
TOTAL EQUITY	**477,095**	548,773	545,453	547,791	536,440
(Loss)/earnings per share					
– Basic and diluted (RMB)	**(0.23)**	0.01	0.01	0.06	(0.13)

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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PRINCIPAL BANKERS

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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