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Futong Technology Development Holdings Limited

富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Futong Technology Development Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six-month period ended 30 June 2024 (the “**Period**”) together with comparative figures. The condensed consolidated interim financial information has not been audited but has been reviewed by the Company’s auditor and audit committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	<i>NOTES</i>	Six-month period ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	66,992	39,364
Cost of sales and services		<u>(54,379)</u>	<u>(32,451)</u>
Gross profit		12,613	6,913
Other income	6	8,249	6,219
Other gains and losses, net	7	(186)	(2,003)
Loss allowance (recognised)/reversed on financial assets		(610)	1,656
Provision for impairment loss on intangible assets	14	(10,334)	(1,150)
Research and development costs		(5,417)	(8,126)
Selling expenses		(18,307)	(26,809)
Administrative expenses		<u>(14,958)</u>	<u>(14,705)</u>
Loss from operations		(28,950)	(38,005)
Finance costs	8	<u>(69)</u>	<u>(67)</u>
Loss before income tax	9	(29,019)	(38,072)
Income tax (expense)/credit	10	<u>(1,519)</u>	<u>585</u>
Loss and total comprehensive income for the period		<u>(30,538)</u>	<u>(37,487)</u>
Loss and total comprehensive income for the period attributable to:			
Owners of the Company		(30,529)	(37,477)
Non-controlling interests		<u>(9)</u>	<u>(10)</u>
		<u>(30,538)</u>	<u>(37,487)</u>
		RMB	RMB
Loss per share			
Basic and diluted	12	<u>(0.10)</u>	<u>(0.12)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	<i>Notes</i>	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	2,788	3,099
Intangible assets	14	34,886	48,759
Right-of-use assets		18,607	19,506
Financial assets at fair value through profit or loss		736	642
Interest in a joint venture		–	–
Deferred tax assets		4,829	4,845
		61,846	76,851
Total non-current assets			
Current assets			
Inventories		–	–
Trade, bill and other receivables	15	75,102	61,188
Bank balances and cash		217,632	245,067
		292,734	306,255
Total current assets			
Current liabilities			
Trade and other payables	16	20,636	21,196
Contract liabilities		42,055	38,881
Lease liabilities		1,784	1,699
		64,475	61,776
Total current liabilities			
Net current assets			
		228,259	244,479
Total assets less current liabilities			
		290,105	321,330
Non-current liabilities			
Lease liabilities		1,022	1,822
		289,083	319,508
NET ASSETS			
CAPITAL AND RESERVES			
Share capital		27,415	27,415
Reserves		257,067	287,483
		284,482	314,898
Equity attributable to owners of the Company			
Non-controlling interests		4,601	4,610
		289,083	319,508
Total equity			
		289,083	319,508

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Share options reserve RMB'000	Statutory reserves RMB'000	Retained profit RMB'000	Total RMB'000	Non- controlling interests RMB'000	
	At 1 January 2023 (audited)	27,415	81,538	219	3,472	81,058	204,072	397,774	
Loss and total comprehensive income for the period	-	-	-	-	-	(37,477)	(37,477)	(10)	(37,487)
Recognition of equity-settled share-based payments	-	-	-	320	-	-	320	-	320
At 30 June 2023 (unaudited)	<u>27,415</u>	<u>81,538</u>	<u>219</u>	<u>3,792</u>	<u>81,058</u>	<u>166,595</u>	<u>360,617</u>	<u>4,571</u>	<u>365,188</u>
At 1 January 2024 (audited)	27,415	81,538	219	3,769	81,058	120,899	314,898	4,610	319,508
Loss and total comprehensive income for the period	-	-	-	-	-	(30,529)	(30,529)	(9)	(30,538)
Recognition of equity-settled share-based payments	-	-	-	113	-	-	113	-	113
At 30 June 2024 (unaudited)	<u>27,415</u>	<u>81,538</u>	<u>219</u>	<u>3,882</u>	<u>81,058</u>	<u>90,370</u>	<u>284,482</u>	<u>4,601</u>	<u>289,083</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

	Six-month period ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	<u>(30,463)</u>	<u>44,825</u>
Cash flows from investing activities		
Bank interest received	7,907	2,229
Development costs paid	(3,661)	(9,642)
Purchase of property, plant and equipment	(297)	(161)
Dividends received from financial assets at fair value through profit or loss	–	3,771
	<u>–</u>	<u>3,771</u>
<i>Net cash generated from/(used in) investing activities</i>	<u>3,949</u>	<u>(3,803)</u>
Cash flows from financing activities		
Interest paid on lease liabilities	(69)	(67)
Repayments on principle portion of lease liabilities	(726)	(763)
	<u>(795)</u>	<u>(830)</u>
<i>Net cash used in financing activities</i>	<u>(795)</u>	<u>(830)</u>
Net (decrease)/increase in cash and cash equivalents	(27,309)	40,192
Cash and cash equivalents at beginning of the period	245,067	231,613
Effect of foreign exchange rate changes	(126)	(569)
	<u>(126)</u>	<u>(569)</u>
Cash and cash equivalents at end of the period	<u>217,632</u>	<u>271,236</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

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 principal activity of the Company is investment holding. The principal activities of its subsidiaries are mainly engaged in provision of enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalised application products.

The directors of the Company consider that the immediate parent and ultimate holding company of the Company is China Group Associates Limited, a company incorporated in the British Virgin Islands (the “**BVI**”).

These condensed consolidated interim financial statements were authorised and approved by the Board for issue on 21 August 2024.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the SEHK.

These condensed consolidated interim financial statements have been prepared under the historical cost except for financial assets at fair value through profit or loss, which are stated at fair value.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2023 annual financial statements, except for those that relate to amended standards or interpretations effective for the first time for periods beginning on or after 1 January 2024. Details of any changes in International Financial Reporting Standards (the “**IFRSs**”) are set out in Note 3.

The preparation of these condensed consolidated interim financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements and estimates were the same as those that applied to the Group’s annual consolidated financial statements for the year ended 31 December 2023.

These condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the IFRSs and should be read in conjunction with the 2023 consolidated financial statements.

2. BASIS OF PREPARATION *(Continued)*

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“ISRE 2410”), issued by the International Auditing and Assurance Standards Board.

Going concern

The Group incurred a loss of approximately RMB30,538,000 during the six-month period ended 30 June 2024, this condition may cast significant doubt about the Group’s ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

For assessing the appropriateness of the use of the going concern basis of accounting in the preparation of the condensed consolidated interim financial statements, the directors of the Company prepared a cash flow projection for a eighteen-month period from 30 June 2024. The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, after considering the cash flows generated from its operations and existing cash position. In addition, the directors of the Company considered that the Group would be able to seek alternative sources of financing when the need arises.

Based on the above, the directors of the Company is of the view that the Group would have sufficient working capital to finance its operation and meet its financial obligations as and when they fall due over the period of the cash flow projection. Accordingly, it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

3. CHANGES IN IFRSs

In the current period, the Group has applied for the first time, the following amended IFRSs that are relevant to and effective for the Group’s condensed consolidated interim financial statements for the annual period beginning on 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of the above amendments to IFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements.

3. CHANGES IN IFRSs (Continued)

The following new or amended IFRSs, potentially relevant to the Group's condensed consolidated interim 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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2027

4. SEGMENT INFORMATION

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

The CODM has identified three operating and reportable segments as follows:

- (a) Enterprise management business engages in the provision of IT infrastructure products, cloud computing management products, services and solutions;
- (b) Intelligent health management business engages in the provision of intelligent health management services; and
- (c) Intelligent application business engages in the provision of intelligent application products.

The CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

The Group's revenue and results are substantially derived from the operations in the PRC. The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 June	Enterprise management business		Intelligent health management business		Intelligent application business		Head office and others		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>61,701</u>	<u>34,715</u>	<u>132</u>	<u>2</u>	<u>5,159</u>	<u>4,647</u>	<u>-</u>	<u>-</u>	<u>66,992</u>	<u>39,364</u>
Segment loss	(2,125)	(5,828)	(17,023)	(15,138)	(3,961)	(7,291)	(7,429)	(9,230)	(30,538)	(37,487)
Depreciation of property, plant and equipment	(21)	(34)	(163)	(141)	(4)	-	(420)	(509)	(608)	(684)
Amortisation of intangible assets	(5,341)	(3,800)	(1,859)	(4,127)	-	-	-	-	(7,200)	(7,927)
Depreciation of right-of-use assets	-	-	-	-	-	-	(1,031)	(1,027)	(1,031)	(1,027)
Provision for impairment loss on intangible assets	-	-	(10,334)	(1,150)	-	-	-	-	(10,334)	(1,150)
Loss allowance (recognised)/reversed on financial assets	<u>(610)</u>	<u>1,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610)</u>	<u>1,656</u>

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following table presents the assets and liabilities information of the Group's operating segments as at 30 June 2024 and 31 December 2023:

	Enterprise management business <i>RMB'000</i>	Intelligent health management business <i>RMB'000</i>	Intelligent application business <i>RMB'000</i>	Head office and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets					
30 June 2024 (unaudited)	<u>98,695</u>	<u>611</u>	<u>5,417</u>	<u>249,857</u>	<u>354,580</u>
31 December 2023 (audited)	<u>90,822</u>	<u>12,927</u>	<u>1,171</u>	<u>278,186</u>	<u>383,106</u>
Segment Liabilities					
30 June 2024 (unaudited)	<u>(53,532)</u>	<u>(7)</u>	<u>(2,916)</u>	<u>(9,042)</u>	<u>(65,497)</u>
31 December 2023 (audited)	<u>(50,263)</u>	<u>(759)</u>	<u>(2,664)</u>	<u>(9,912)</u>	<u>(63,598)</u>

Segment assets primarily consist of all assets excluding interest in a joint venture, financial assets at fair value through profit or loss ("FVTPL"), deferred tax assets, bank balances and cash and corporate assets which are not allocated to the reportable segments.

Segment liabilities primarily consist of all liabilities excluding corporate liabilities which are not allocated to the reportable segments.

The information disclosed above represented the segments to be identified on the basis of interim reports about components of the Group that are regularly reviewed by the CODM for the purpose of assessing their performance and allocating resources to segments.

Information about the Group's non-current assets, excluding interest in a joint venture, financial assets at FVTPL and deferred tax assets, determined based on the geographical location of the assets, is as follows:

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Hong Kong	1,262	1,810
The PRC	<u>55,019</u>	<u>69,554</u>
	<u>56,281</u>	<u>71,364</u>

5. REVENUE

All the Group's revenue is derived from contracts with customers.

Revenue is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition as following tables.

	Six-month period ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Primary geographical markets		
The PRC	66,992	39,364
Major products/services lines		
Enterprise IT products	8,676	10,121
Provision of services	58,316	29,243
	66,992	39,364
Timing of revenue recognition		
At a point in time	40,677	10,121
Transferred over time	26,315	29,243
	66,992	39,364

The following table provides information about receivables and contract liabilities from contracts with customers.

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Receivables (<i>Note 15</i>)	44,927	32,412
Contract liabilities	42,055	38,881

5. REVENUE (Continued)

Contract liabilities mainly relate to the advance consideration received from customers. Balance of RMB8,797,000 as of 1 January 2024 has been recognised as revenue for the six-month period ended 30 June 2024 from performance obligations satisfied due to the completion of services.

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

6. OTHER INCOME

	Six-month period ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	7,907	2,229
Government grants (<i>Note</i>)	1	28
Dividend income	–	3,771
Others	341	191
	<u>8,249</u>	<u>6,219</u>

Note: These grants 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.

7. OTHER GAIN AND LOSSES, NET

	Six-month period ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value gain/(loss) on financial assets at fair value through profit or loss	89	(2,577)
Foreign exchange gains	23	574
Others	(298)	–
	<u>(186)</u>	<u>(2,003)</u>

8. FINANCE COSTS

	Six-month period ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	69	67

9. LOSS BEFORE INCOME TAX

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

	Six-month period ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs:		
Salaries and allowances	35,685	43,558
Contributions to defined contribution retirement plans	4,197	5,146
Equity-settled share-based payment	113	436
Redundancy expense	2,320	23
	42,315	49,163
Less: capitalised as intangible assets	(3,522)	(5,743)
	38,793	43,420
Other items:		
Carrying amount of inventories sold	5,335	9,466
Amortisation of intangible assets (<i>Note</i>)	7,200	7,927
Depreciation of right-of-use assets	1,031	1,027
Depreciation of property, plant and equipment	608	684
Short-term lease expenses	186	949

Note: Amortisation of RMB6,943,000 (six-month period ended 30 June 2023: RMB7,896,000) and RMB257,000 (six-month period ended 30 June 2023: RMB31,000) have been included in cost of sales and services and administrative expenses respectively.

10. INCOME TAX (EXPENSE)/CREDIT

	Six-month period ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
Over provision in respect of prior years	–	758
Withholding tax on dividends received from subsidiary	(1,503)	–
Deferred tax		
Charged for the period	(16)	(173)
	<u>(1,519)</u>	<u>585</u>

- (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 periods ended 30 June 2024 and 2023.
- (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 is 25% in the PRC from 1 January 2008 onwards.

As at 30 June 2024, the Group had unused tax losses of approximately RMB269,660,000 (31 December 2023: RMB239,452,000), 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 RMB50,503,000 (31 December 2023: RMB45,278,000) can be carried forward indefinitely until utilisation and subject to the approval from Inland Revenue Department. The unrecognised tax losses related to PRC subsidiaries amounting to RMB219,157,000 (31 December 2023: RMB194,174,000) can be carried forward for five years from the year that the losses incurred.

- (iv) According to the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

11. DIVIDENDS

During the six-month period ended 30 June 2024, no final dividends in respect of the year ended 31 December 2023 was declared and paid to the owners of the Company (six-month period ended 30 June 2023: Nil).

The directors have determined that no dividends will be paid in respect of the current interim period (six-month period ended 30 June 2023: Nil).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the six-month period ended 30 June 2024 is based on the loss for the period attributable to owners of the Company of RMB30,529,000 (six-month period ended 30 June 2023: RMB37,477,000) and the weighted average of 311,250,000 ordinary shares (six-month period ended 30 June 2023: 311,250,000 ordinary shares) in issue during the interim period.

The computation of diluted loss per share attributable to owners of the Company are the same as basic loss per share as the impact of the exercise of share options was anti-dilutive for the six-month periods ended 30 June 2024 and 30 June 2023.

13. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2024, the Group paid RMB297,000 (six-month period ended 30 June 2023: RMB161,000) for acquisition of furniture, fixtures and equipment.

14. INTANGIBLE ASSETS

	Software copyright RMB'000	Intellectual property rights RMB'000	Capitalised development costs RMB'000 (Note)	Total RMB'000
COST				
1 January 2023 (audited)	4,716	2,832	79,142	86,690
Additions				
– Internally developed	–	–	15,480	15,480
At 31 December 2023 and 1 January 2024 (audited)	4,716	2,832	94,622	102,170
Additions				
– Internally developed	–	–	3,661	3,661
At 30 June 2024 (unaudited)	<u>4,716</u>	<u>2,832</u>	<u>98,283</u>	<u>105,831</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2023 (audited)	4,715	898	17,101	22,714
Amortisation	–	283	15,614	15,897
Impairment	–	–	14,800	14,800
At 31 December 2023 and 1 January 2024 (audited)	4,715	1,181	47,515	53,411
Amortisation	–	143	7,057	7,200
Impairment	–	–	10,334	10,334
At 30 June 2024 (unaudited)	<u>4,715</u>	<u>1,324</u>	<u>64,906</u>	<u>70,945</u>
NET BOOK VALUE				
At 30 June 2024 (unaudited)	<u>1</u>	<u>1,508</u>	<u>33,377</u>	<u>34,886</u>
At 31 December 2023 (audited)	<u>1</u>	<u>1,651</u>	<u>47,107</u>	<u>48,759</u>

Note:

During the six-month period ended 30 June 2024, the Group spent RMB9,078,000 (six-month period ended 30 June 2023: RMB17,768,000) to research, develop and enhance its cloud computing management system. Total of RMB3,661,000 (six-months period ended 30 June 2023: RMB9,642,000) internally generated costs have been recognised as intangible assets in respect of cloud computing management system. The Group's development costs for the completed systems are amortised on straight-line method over its estimated useful life of 5 years.

Customer demand for the personalised integrated health management solutions has been declining under the intelligent health management business. In order to effectively reallocate resources and enhance the overall benefit, the Group has decided to cease this business segment. Consequently, provision for impairment of RMB10,334,000 (six-month period ended 30 June 2023: RMB1,150,000) was recognised for the intelligent digitalised application systems of such business segment during the six-month period ended 30 June 2024.

15. TRADE, BILL AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	96,199	83,052
Less: loss allowance	<u>(51,272)</u>	<u>(50,640)</u>
	44,927	32,412
Bill receivables	<u>439</u>	<u>–</u>
Total trade and bill receivables	45,366	32,412
Prepayments and deposits	24,864	23,805
VAT receivables	4,545	3,713
Other receivables	<u>327</u>	<u>1,258</u>
	<u>75,102</u>	<u>61,188</u>

The Group allows an average credit period of 30 to 90 days (31 December 2023: 30 to 90 days) to its trade customers.

Included in trade and bill receivables are trade debtors (net of loss allowance) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0 – 30 days	5,427	4,908
31 – 60 days	1,670	1,765
61 – 90 days	5,687	533
More than 90 days	<u>32,143</u>	<u>25,206</u>
	<u>44,927</u>	<u>32,412</u>

16. TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	15,320	13,766
Other payables and accruals	4,481	7,308
Other tax payable	835	122
	<u>20,636</u>	<u>21,196</u>

Average credit period on purchases of goods was 30 to 90 days (31 December 2023: 30 to 90 days). The following is the ageing analysis of trade payables, based on the invoice date, as of the end of the reporting period:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Less than 1 month	4,264	4,780
1 to 3 months	1,846	–
More than 3 months	9,210	8,986
	<u>15,320</u>	<u>13,766</u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. The changes included the reclassification of provision for impairment loss on intangible assets previously classified under "Other gains and losses, net" to be a separate item in the condensed consolidated statement of profit or loss and other comprehensives income. The new classification was considered to provide a more appropriate presentation of the consolidated financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading provider of enterprise digital transformation services in China. With extensive experience in the industry and strong research and development (R&D) and innovation capabilities, the Group has been able to widely adopt emerging technologies such as cloud computing, big data and artificial intelligence (AI) to provide corporate customers with digital products, solutions and professional information technology (IT) services. For the six-month ended 30 June 2024 (the “**Period**”), the Group had, taking into account market changes and its own latest developments, integrated its main businesses into three major segments, namely enterprise management business, intelligent application business and intelligent health management business.

Enterprise Management Business

The Group’s enterprise management business has been growing with good momentum over the years, and has been its major sources of income. By collaborating closely with top local and overseas IT companies and cloud resources providers, such as CECloud, H3C, Tencent Cloud and Alibaba Cloud, and complemented by its proprietary CMP2020 multi-cloud management platform and other cloud computing products, the Group has actively provided enterprise customers in China with highly efficient applications and solutions via its cloud products and cloud management services. It also offers system architecture business solutions, and repair and maintenance support for customers’ informatization value-added services, assisting enterprises in pursuing digital transformation. During the Period, the Group further optimized its existing products of the segment and actively launched new products to enhance service revenue, allowing it to significantly boost the revenue and gross profit margin by more than 75.0% and to 18.8%, respectively. The Group will continue to optimize its product portfolio and services to maintain favorable cash flow and boost profit.

Intelligent Application Business

Driven by emerging technologies such as AI and big data, the Group has continued to develop intelligent digitalized application products specifically tailored for the automotive, transportation and medical industries. Employing emerging and advanced AI technologies and tools, the Group has been able to offer products and services that can more precisely meet the needs of customers in specific industries. In particular, the Group has developed Futong Voice of Customer (VOC) products targeting customers of automotive industry. VOC collects and analyzes the voice feedback from consumers of automotive products and services, including their comments, expectations and preferences, and transforms those feedback into effective insights to guide further actions of the customers of the Group. It helps automotive customers of the Group to learn more about their customers' perceptions and interactions with their brands, products and services at various touchpoints and throughout the product usage lifecycle. The customers of the Group will then be able to identify and thoroughly resolve any problems, and create enhanced and more refined experiences for their customers. For medical sector customers, the Group applies leading technologies such as AI, big data, cloud computing, Internet of Things and blockchain to provide them with professional medical quality control products and solutions, empowering them in achieving digital transformation. During the Period, the Group continued to strengthen integration of technologies of its intelligent application business, investing more resources in improving technologies and marketing, as such, succeeded in increasing the revenue of the business segment. The Group will continue to provide services to more customers and actively accumulate industry expertise to lay a solid foundation for future business development.

Intelligent Health Management Business

Using the innovative "AI+Medical" application technology, the Group has launched "5+AI Health" management products that can provide personalized integrated health management solutions to users. The solutions accommodate multi-dimensional integration of nutritional health, sports health, mental health, traditional Chinese medicine and wellness, and chronic disease management, with the aim of providing practical integrated health management solutions. However, affected by the slow down in economic growth of China, customer demand for the personalized integrated health management solutions has been declining during the Period. Thus, the Group has decided to cease such business, so that it may effectively allocate resources for enhancing the overall performance of the Group.

FINANCIAL REVIEW

Revenue

For the Period, revenue of the Group increased by approximately RMB27.6 million or 70.2% as compared with the corresponding period of 2023, to approximately RMB67.0 million (2023: approximately RMB39.4 million). The increase was mainly due to the increase in sales of cloud computing related products and services as corporate customers increased their investment in digital transformation after the IT market recovered from COVID-19 pandemic.

Gross profit

Gross profit of the Group increased by approximately RMB5.7 million or 82.5% to approximately RMB12.6 million for the Period (2023: approximately RMB6.9 million), while the gross profit ratio increased from 17.6% to 18.8%. The increase in gross profit ratio was mainly due to the increase in the proportion of sales of the products of the Group's own brand and services with higher profit margin ratio.

Other income and other gains and losses, net

Other income and other gains and losses, net consist mainly of interest income from bank deposits, foreign exchange gain or loss and government grants. During the Period, net gains from other income and other gains and losses amounted to approximately RMB8.1 million (2023: approximately RMB4.2 million), representing an increase of approximately RMB3.9 million. This increase was mainly due to the combined effect of (i) an increase in interest income of approximately RMB5.7 million; (ii) an increase in fair value gain on financial assets at fair value through profit or loss of approximately of RMB2.7 million; and (iii) a decrease in dividend income of approximately RMB3.8 million received from financial assets at fair value through profit or loss.

Loss allowance (recognised)/reversed on financial assets

For the Period, loss allowance recognised on financial assets amounted to approximately RMB0.6 million (2023: loss allowance reversed of approximately RMB1.7 million). The loss allowance recognised on financial assets was due to the increase in expected credit loss on trade receivables during the Period.

Research and development costs

For the Period, research and development costs of the Group amounted to approximately RMB5.4 million (2023: approximately RMB8.1 million), representing a decrease of approximately RMB2.7 million or 33.3% compared with the corresponding period in 2023. The decrease was mainly due to the reduction in the number of projects developed after the Group's products matured.

Provision for impairment loss on intangible assets

For the Period, the provision for impairment loss on intangible assets amounted to approximately RMB10.3 million (2023: approximately RMB1.2 million). The impairment loss on intangible assets was mainly due to the decision made on the cessation of the intelligent health management business segment of the Group in view of slowdown in China's economic growth and the reduction in customer demand for personalized comprehensive health management.

Selling expenses

For the Period, selling expenses of the Group amounted to approximately RMB18.3 million (2023: approximately RMB26.8 million), representing a decrease of approximately RMB8.5 million or 31.7% when compared with the corresponding period of 2023. The decrease was mainly due to the continuing adjustments of business structure, causing cost saving on staff and other related expenses.

Administrative expenses

Administrative expenses of the Group for the Period amounted to approximately RMB15.0 million (2023: approximately RMB14.7 million). The administrative expenses remained stable.

Finance costs

Finance costs represented the interest portion derived from the lease liabilities. It was maintained at a low level as limited numbers of premises were leased by the Group.

Income tax (expense) /credit

Income tax expense of the Group for the Period amounted to approximately RMB1.5 million (2023: income tax credit amounted to approximately RMB0.6 million), representing an increase of approximately of RMB2.1 million. The increase was mainly due to China's withholding tax on the dividends declared by a PRC subsidiary of the Company during the Period in respect of its retained profits.

Loss and total comprehensive income for the period attributable to owners of the Company

For the Period, the loss and total comprehensive income attributable to owners of the Company amounted to approximately RMB30.5 million (2023: approximately RMB37.5 million), representing a decrease of approximately RMB7.0 million as compared with the corresponding period of 2023. The decrease was mainly due to the increase in sales of cloud computing related products and services as corporate customers increased their investments in digital transformation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations with internally generated cash flows and banking facilities. As at 30 June 2024, the Group had total assets of approximately RMB354.6 million and net assets of approximately RMB289.1 million (31 December 2023: approximately RMB383.1 million and approximately RMB319.5 million, respectively). In respect of the trade and bill receivables of the Group amounted to approximately RMB45.4 million (31 December 2023: approximately RMB32.4 million), net of loss allowance of approximately RMB51.3 million (31 December 2023: approximately RMB50.6 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 RMB217.6 million as at 30 June 2024 (31 December 2023: approximately RMB245.1 million). There was no bank borrowings as at 30 June 2024 and 31 December 2023. 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 30 June 2024, the cash and cash equivalents were held at RMB, USD and Hong Kong dollars.

NET DEBT-TO-CAPITAL RATIO

The Group's net debt-to-capital ratios as at 30 June 2024 and 31 December 2023 were zero. This ratio was calculated as total borrowings less bank balances and cash, and relevant pledged deposits divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

During the Period, the Group did not enter into any hedging arrangement. The management will continue to monitor closely the Group's foreign currency exposure and requirements and arrange for hedging facilities when necessary.

INTERIM DIVIDENDS

The Board resolved not to declare any interim dividends for the Period (2023: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had in total 281 (31 December 2023: 303) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB42.3 million (six-month period ended 30 June 2023: approximately RMB49.2 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, 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.

Emoluments of the Directors of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and/or comparable market statistics.

The Company has share option schemes in place as an incentive to Directors and eligible employees.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS

The Group did not hold any material investments during the Period.

As at the date of this announcement, the Group does not have any plan for material investment or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the Period.

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

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

OUTLOOK

Looking back at the first half of 2024, under the impact of domestic and foreign macroeconomic factors, the Chinese economy grew slower than expected and the overall economic environment was laden with challenges and uncertainties. Nevertheless, with the Group's efforts to adjust its business structure and integrate internal resources in response to market changes in recent years, it was able to control operating costs during the Period, while increasing sales of its proprietary services and products. As such, the Group succeeded in widening the gross profit margin of its products and boosting its overall revenue by more than 70%, testifying to the success of the Group's transformation strategy in recent years.

Looking ahead to the second half of 2024, the IT market of China will turn more competitive and the market environment will still be filled with uncertainties. Capitalizing on the current wave of digital transformation that is in full swing, the Group will, utilising emerging technologies as cloud computing, big data, and AI, strengthen its business development in two major directions, namely digital intelligence business and cloud intelligence business, to create an "AI + products + services" omni-business model for helping its customers to embrace digital transformation. In addition, it will focus on business innovation and industry-specific development for its corporate customers. By combining AI technology with the application scenarios of specific industry customers, and gradually increase investments in R&D, the Group aims at continuously providing customers with more stable and higher-quality products and services.

In the big data era today, industries are all on the quest to deepen digital transformation. Companies are pursuing data-based management and using AI technology to improve business efficiency and reduce operating costs. With years of enterprise service experience under its belt, an extensive industry customer base, and a solid foundation in providing industry system integration and operation and maintenance services, the Group is capable of using AI technology to empower target industries, integrating cutting-edge technologies such as large language model, algorithmic models, machine learning, neural network, and deep learning to aid industry business innovation, helping enterprise clients to quickly achieve digital transformation and innovate their businesses. In recent years, the Group has been focusing on developing innovative proprietary products and intelligent applications. It has established Genesis AI Innovation Center, as well as assembled a specialized and pioneering research team comprising professors, and doctoral and master degree holders from renowned local and overseas universities to provide R&D and technological services on AI products, and conduct R&D on optimization solver, data mining, and knowledge graph. In the future, the Group will continue to timely increase investment in R&D to strengthen its core competitiveness.

At the same time, it will keep strengthening cooperation with different scientific research institutions, leveraging their respective experience and resource advantages to enhance its technological and product innovation capabilities. Among them, the Group is cooperating with Hong Kong Applied Science and Technology Research Institute Company Limited (“**ASTRI**”) on AI, big data, knowledge graph, communication technology and other aspects, carrying out potential applied technology research pinpointing the needs of enterprise clients, as well as promoting together transformation of scientific research results to realize maximum economic benefits.

Having restructured its business and consolidated internal resources in recent years, the Group has succeeded in controlling operating costs. In the coming years, the Group will continuously implement resource management solutions to ensure effective use of resources and maintain high operational efficiency. It will also monitor costs prudently and adopt stringent cost control measures to maintain a sound financial position.

To stand out in the rapidly changing market, the Group must accelerate business innovation and transformation, bring in top-notch high-tech talent, strengthen transformation of scientific research results and its business foundation, as well as step up market expansion and, in firm strides, establish itself as a leading technology and innovation driven enterprise. To come to the fore in today’s complex market environment, the Group will focus on its core production technologies as its steward to attain competitive advantages and continuously support its business development.

CORPORATE GOVERNANCE

During the Period, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code as stipulated in Part 2 of Appendix C1 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Director’s securities transactions. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Period.

REVIEW OF ACCOUNTS

The unaudited condensed consolidated interim financial statements of the Group for the Period have been reviewed by the Company's auditor, BDO Limited, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The auditor's independent review report will be included in the 2024 interim report of the Company. The unaudited condensed consolidated interim financial statements of the Group for the Period have also been reviewed by the audit committee of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the Stock Exchange (www.hkexnews.hk). The 2024 interim report of the Company will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 21 August 2024

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