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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 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Futong Technology Development Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six-month period ended 30 June 2021 (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 2021*

	<i>NOTE</i>	<b>Six-month period ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	6	<b>144,174</b>	394,307
Cost of sales and services		<u><b>(126,521)</b></u>	<u>(349,925)</u>
<b>Gross profit</b>		<b>17,653</b>	44,382
Other income	7	<b>4,730</b>	3,675
Other gains, net	7	<b>2,832</b>	4,724
Selling expenses		<b>(31,321)</b>	(31,529)
Administrative expenses		<u><b>(16,416)</b></u>	<u>(13,085)</u>
<b>(Loss)/profit from operations</b>		<b>(22,522)</b>	8,167
Finance costs	8	<u><b>(56)</b></u>	<u>(66)</u>
<b>(Loss)/profit before income tax</b>	9	<b>(22,578)</b>	8,101
Income tax credit/(expense)	10	<u><b>616</b></u>	<u>(4,941)</u>
<b>(Loss)/profit and total comprehensive income for the period</b>		<u><b>(21,962)</b></u>	<u>3,160</u>
<b>(Loss)/profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(21,954)</b>	3,166
Non-controlling interests		<u><b>(8)</b></u>	<u>(6)</u>
		<u><b>(21,962)</b></u>	<u>3,160</u>
<b>(Loss)/earnings per share</b>			
Basic and diluted (RMB)	12	<u><b>(0.07)</b></u>	<u>0.01</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	4,418	4,614
Intangible assets	14	37,948	26,163
Right-of-use assets		19,147	20,662
Financial assets at fair value through profit or loss		6,489	6,563
Deferred tax assets		17,833	20,245
<b>Total non-current assets</b>		<b>85,835</b>	78,247
<b>Current assets</b>			
Inventories		10,092	19,642
Trade, bill and other receivables	15	97,591	145,674
Contract assets		28,935	55,067
Pledged deposits		21,795	19,058
Bank balances and cash		397,503	440,882
<b>Total current assets</b>		<b>555,916</b>	680,323
<b>Current liabilities</b>			
Trade and other payables	16	39,895	73,090
Contract liabilities		70,190	128,303
Lease liabilities		2,062	2,046
Tax payable		1,035	4,063
<b>Total current liabilities</b>		<b>113,182</b>	207,502
<b>Net current assets</b>		<b>442,734</b>	472,821
<b>Total assets less current liabilities</b>		<b>528,569</b>	551,068
<b>Non-current liabilities</b>			
Lease liabilities		1,242	2,295
<b>NET ASSETS</b>		<b>527,327</b>	548,773
<b>CAPITAL AND RESERVES</b>			
Share capital		27,415	27,415
Reserves		495,433	516,871
<b>Equity attributable to owners of the Company</b>		<b>522,848</b>	544,286
<b>Non-controlling interests</b>		<b>4,479</b>	4,487
<b>Total equity</b>		<b>527,327</b>	548,773

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Share options reserve	Statutory reserves	Retained profit	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020 (audited)	27,415	81,538	219	1,572	77,826	352,351	540,921	4,532	545,453
Profit and total comprehensive income for the period	–	–	–	–	–	3,166	3,166	(6)	3,160
Recognition of equity-settled share-based payments	–	–	–	258	–	–	258	–	258
Lapse of share-based payments	–	–	–	(155)	–	155	–	–	–
<b>Balance at 30 June 2020 (unaudited)</b>	<b>27,415</b>	<b>81,538</b>	<b>219</b>	<b>1,675</b>	<b>77,826</b>	<b>355,672</b>	<b>544,345</b>	<b>4,526</b>	<b>548,871</b>
Balance at 1 January 2021 (audited)	27,415	81,538	219	1,779	81,058	352,277	544,286	4,487	548,773
Loss and total comprehensive income for the period	–	–	–	–	–	(21,954)	(21,954)	(8)	(21,962)
Recognition of equity-settled share-based payments	–	–	–	516	–	–	516	–	516
<b>Balance at 30 June 2021 (unaudited)</b>	<b>27,415</b>	<b>81,538</b>	<b>219</b>	<b>2,295</b>	<b>81,058</b>	<b>330,323</b>	<b>522,848</b>	<b>4,479</b>	<b>527,327</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021*

	<b>Six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash (used in)/generated from operating activities	<u><b>(30,266)</b></u>	<u>15,710</u>
Net cash (used in)/generated from investing activities		
Bank interest received	<b>4,539</b>	3,253
Purchase of property, plant and equipment	<b>(669)</b>	(916)
Development cost paid	<b>(13,534)</b>	(8,877)
Placement of pledged bank deposits	<b>(3,028)</b>	(2,727)
Withdrawal of pledged bank deposits	<b>291</b>	15,231
	<u><b>(12,401)</b></u>	<u>5,964</u>
Net cash used in financing activities		
Repayment of borrowings	–	(10,500)
Interest paid on bank borrowings	–	(9)
Interest paid on lease liabilities	<b>(56)</b>	(57)
Payments on principle portion of lease liabilities	<b>(1,012)</b>	(1,254)
	<u><b>(1,068)</b></u>	<u>(11,820)</u>
Net (decrease)/increase in cash and cash equivalents	<b>(43,735)</b>	9,854
Cash and cash equivalents at 1 January	<b>440,882</b>	374,969
Effect of foreign exchange rate changes	<b>356</b>	221
Cash and cash equivalents at 30 June	<u><b>397,503</b></u>	<u>385,044</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

## 1. GENERAL INFORMATION

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

The directors of the Company consider that the immediate parent and ultimate holding company of the Company is China Group Associates Limited.

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.

## 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 were authorised for issue on 25 August 2021.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new and amended standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. 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 areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

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 2020 annual 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 2020 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 (“**IAASB**”).

## 3. CHANGES IN IFRSs

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

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 in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

## 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

## 5. 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, 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 provisions of enterprise IT products and services to customers in the People’s Republic of China (the “**PRC**”). Accordingly, no segment analysis is presented. The majority of property, plant and equipment is located in the PRC. The information reported to senior executive management of the Company for the purpose of resources allocation and assessment of performance are same as the amounts reported under IFRSs.

## 6. 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	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>Primary geographical markets</b>		
The PRC	143,810	391,657
Hong Kong	364	2,650
	<u>144,174</u>	<u>394,307</u>
<b>Major products/services lines</b>		
Enterprise IT products	31,141	232,820
Provision of services	113,033	161,487
	<u>144,174</u>	<u>394,307</u>
<b>Timing of revenue recognition</b>		
At a point in time	32,114	232,820
Transferred over time	112,060	161,487
	<u>144,174</u>	<u>394,307</u>

## 6. REVENUE (Continued)

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

	<b>30 June 2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	31 December 2020 <i>RMB'000</i> <b>(Audited)</b>
Receivables ( <i>note 15</i> )	44,748	74,628
Contract assets	28,935	55,067
Contract liabilities	<u>70,190</u>	<u>128,303</u>

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

Contract liabilities mainly relate to the advance consideration received from customers. Balance of RMB75,808,000 as of 1 January 2021 has been recognised as revenue for the six-month period ended 30 June 2021 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.

## 7. OTHER INCOME AND OTHER GAINS, NET

	<b>Six-month period ended 30 June</b>	
	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	2020 <i>RMB'000</i> <b>(Unaudited)</b>
Other income:		
Interest income	4,539	3,253
Government grants ( <i>note</i> )	148	420
Others	<u>43</u>	<u>2</u>
	<u>4,730</u>	<u>3,675</u>

	<b>Six-month period ended 30 June</b>	
	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	2020 <i>RMB'000</i> <b>(Unaudited)</b>
Other gains, net:		
Reversal of impairment loss on trade receivables and contract assets, net	2,822	3,650
Net foreign exchange (losses)/gains	(51)	1,074
Others	<u>61</u>	<u>–</u>
	<u>2,832</u>	<u>4,724</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 operation.

## 8. FINANCE COSTS

	Six-month period ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	–	9
Interest on lease liabilities	56	57
	<u>56</u>	<u>66</u>

For the six-month period ended 30 June 2020, interest on bank borrowings was wholly derived from loans which were repayable within one year.

## 9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six-month period ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs:		
Salaries and allowances	43,886	42,862
Contributions to retirement benefit schemes	3,297	476
Equity-settled share-based payment	516	258
	<u>47,699</u>	<u>43,596</u>
Less: capitalised as intangible assets	(12,179)	(8,395)
	<u>35,520</u>	<u>35,201</u>
Other items:		
Carrying amount of inventories sold	28,020	217,352
Inventory write-down and write-off net of reversals, included in cost of sales	(3,222)	169
	<u>24,798</u>	<u>217,521</u>
Amortisation of intangible assets ( <i>note</i> )	1,749	1,006
Depreciation of right-of-use assets	1,297	1,626
Depreciation of property, plant and equipment	865	1,350
Short-term lease expenses	939	958
	<u>939</u>	<u>958</u>

*Note:* Amortisation charges of RMB1,747,000 (six-month period ended 30 June 2020: RMB695,000) and RMB2,000 (six-month period ended 30 June 2020: RMB311,000) have included in cost of sales and services and administrative expenses respectively.

## 10. INCOME TAX CREDIT/(EXPENSE)

	Six-month period ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC income tax		
Tax for the period	(121)	(2,538)
Over provision in respect of prior years	3,149	–
	<u>3,028</u>	<u>(2,538)</u>
Deferred tax:		
Charged for the period	(2,412)	(2,403)
	<u>616</u>	<u>(4,941)</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“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 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 is 25% in the PRC from 1 January 2008 onwards. The Group has not recognised deferred tax of approximately RMB3,238,000 (30 June 2020: RMB1,617,000) in respect of losses incurred by certain PRC subsidiaries for the period.
- (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.

As at 30 June 2021, the Group has not recognised deferred tax liabilities of RMB15,808,000 (30 June 2020: RMB15,763,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounted to RMB316,166,000 (30 June 2020: RMB314,803,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

## 11. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2020 was declared and paid to the owners of the Company (six-month period ended 30 June 2020: nil).

The directors have determined that no dividend will be paid in respect of the current interim period (six-month period ended 30 June 2020: nil).

## **12. (LOSS)/EARNINGS PER SHARE**

The calculation of basic and diluted loss per share for the six-month period ended 30 June 2021 is based on the loss for the period attributable to owners of the Company of RMB21,954,000 (six-month period ended 30 June 2020: profit for the period of RMB3,166,000) and the weighted average of 311,250,000 ordinary shares (six-month period ended 30 June 2020: 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 period ended 30 June 2021.

The computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average market price of the Company's shares for the six-month period ended 30 June 2020.

## **13. PROPERTY, PLANT AND EQUIPMENT**

During the six-month period ended 30 June 2021, the Group paid RMB669,000 (six-month period ended 30 June 2020: RMB916,000) for acquisition of furniture, fixtures and equipment.

## **14. INTANGIBLE ASSETS**

During the six-month period ended 30 June 2021, the Group paid RMB13,534,000 (six-month period ended 30 June 2020: RMB8,877,000) in development of its cloud computing management systems and intelligent digitalised application systems.

## 15. TRADE, BILL AND OTHER RECEIVABLES

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Trade receivables	101,662	134,069
Less: impairment losses	<u>(56,914)</u>	<u>(64,118)</u>
	44,748	69,951
Bill receivables	<u>–</u>	<u>4,677</u>
Total trade and bill receivables	44,748	74,628
Prepayments	31,382	47,771
Deposits	2,637	3,939
VAT receivables	17,863	16,940
Other receivables	<u>961</u>	<u>2,396</u>
	<b><u>97,591</u></b>	<b><u>145,674</u></b>

The Group allows an average credit period of 30 to 90 days (31 December 2020: 30 to 90 days) to its trade customers.

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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
0 – 30 days	25,110	19,262
31 – 60 days	279	31,706
61 – 90 days	5,499	243
More than 90 days	<u>13,860</u>	<u>23,417</u>
	<b><u>44,748</u></b>	<b><u>74,628</u></b>

## 16. TRADE AND OTHER PAYABLES

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Trade payables	33,419	59,436
Other payables and accruals	6,476	13,654
	<u>39,895</u>	<u>73,090</u>

Average credit period on purchases of goods was 30 to 90 days (31 December 2020: 30 to 90 days). The following is ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Less than 1 month	10,875	38,183
1 to 3 months	753	2,742
More than 3 months	21,791	18,511
	<u>33,419</u>	<u>59,436</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As a leading enterprise digital transformation services provider in China, the Group specialises in providing enterprise IT infrastructure products, services and solutions, cloud computing products and intelligent digitalized application products. With enterprise clients in China stepping up the transformation of their operations through digitalisation, the Group has adjusted its business development direction and consolidated its main businesses, putting them under three divisions, namely, systems integration services, development and sale of own-brand cloud computing management products, and development and sale of intelligent healthcare-related products.

### System integration services

The Group's systems integration services business has been growing with good momentum over the years. The segment mainly provides customer-specific systems structure business solutions, and repair and maintenance support to customers' informationalised value-added services. Through close and extensive collaboration with incumbent domestic and foreign IT companies, the Group has been looking for cooperation and business opportunities in the advanced technology sectors, with the aim of maintaining its position and strengths as a technology pioneer in the industry while growing its businesses. In the six months ended 30 June 2021 (the "Period"), although competition was fierce for the segment, it continued to be one of the Group's key income sources. The Group will further optimise its existing product mix, push to increase services income and widen gross profit margin, thereby ensure it has good cash flow and can earn more profit.

### Development and sale of own-brand cloud computing management products

After several years of investment of resources and pursuing research and development ("R&D"), cloud computing management products have become one of the Group's key businesses. To enhance the reliability, functionality and market recognition of its own-brand products, the Group has continued to integrate and improve relevant technologies and promote them in the market. At the same time, it has started cooperating with top domestic and overseas cloud resources providers, such as AWS, Tencent Cloud and Alibaba Cloud, to actively provide enterprise customers in China with highly efficient applications and solutions comprising cloud products and cloud management services. During the Period, the Group actively developed the latest edition of its multicloud management platform and other cloud computing products, offering to customers better hybrid cloud management services that can help them with digitalisation to transform their business.

## **Development and sale of intelligent healthcare-related products**

With the help of such emerging technologies as artificial intelligence (“AI”) and big data, the Group has been developing a health management operation platform integrating those technologies and expertise in multiple realms. Through partnering with authoritative scientific research institutions in various fields in China, and covering five dimensions of health management, the platform can be used for individual screening, forecast, assessment, and provision of multi-dimensional continuous intervention solutions. Moreover, it can provide one-stop, closed-loop solutions to enable enterprises to conduct R&D in multiple fields, to help them with operational management and decision making. During the Period, the Group kept allocating more resources to the Futong Genesis AI Lab and brought in more talent to build a professional technical service team. Moreover, strategic cooperation agreements had been signed with a number of leading scientific research institutions to commence AI-based cooperation in many fields, including intelligent platforms, clinical research, risk alert, assessment models, intervention plans and comprehensive management, and ultimately foster the conversion and industrialisation of scientific research outcomes.

## **FINANCIAL REVIEW**

### **Revenue**

For the Period, revenue of the Group decreased by approximately RMB250.1 million or 63.4% as compared with the corresponding period of 2020, to approximately RMB144.2 million (2020: approximately RMB394.3 million). The decline was mainly due to the continuing impact of the outbreak of COVID-19 pandemic and macroeconomic uncertainty which led to some of the Group’s customers having remained cautious with their spending.

### **Gross profit**

Gross profit of the Group decreased by approximately RMB26.7 million or 60.2% to approximately RMB17.7 million for the Period (2020: approximately RMB44.4 million), while the gross profit ratio increased from 11.3% to 12.2%. The increase in gross profit ratio was mainly contributed by the Group’s effort to reduce the sales of products with low profit margin and the increase in sales of the Group’s own branded product and services which have higher profit margin.

### **Other income and other gains, net**

Other income and other gains, net consist mainly of interest income from bank deposits, foreign exchange gain or loss, government grants and impairment loss on financial assets. During the Period, net gains from other income and other gains amounted to approximately RMB7.6 million (2020: approximately RMB8.4 million), representing a decrease of approximately RMB0.8 million. This decrease was mainly due to the combined effect of (i) the increase in interest income of approximately RMB1.3 million; (ii) the decrease in the reversal of impairment loss on financial assets of approximately RMB0.8 million; and (iii) the foreign exchange loss of approximately RMB0.1 million (2020: the foreign exchange gain of approximately RMB1.1 million) incurred for the Period.

## **Selling expenses**

For the Period, selling expenses of the Group amounted to approximately RMB31.3 million (2020: approximately RMB31.5 million), representing a slight decrease of approximately RMB0.2 million or 0.7% when compared with the corresponding period of 2020. The slight decrease was mainly due to the continuing adjustments of business structure, causing the staff and other related expenses to fall accordingly.

## **Administrative expenses**

Administrative expenses of the Group for the Period amounted to approximately RMB16.4 million (2020: approximately RMB13.1 million), representing an increase of approximately RMB3.3 million or 25.5% when compared with the corresponding period of 2020. The increase was mainly due to the increase in rental and other related expenses of the AI Labs and the increase in consultancy costs of the intelligent health business.

## **Finance costs**

Finance costs of the Group maintained at approximately RMB0.1 million for the Period and the corresponding period of 2020. It mainly represented the interest portion derived from the lease liabilities.

## **Income tax credit/(expense)**

Income tax credit of the Group for the Period amounted to approximately RMB0.6 million (2020: income tax expense amounted to approximately RMB4.9 million), representing a decrease of approximately of RMB5.5 million. The decrease in income tax was mainly due to the over provision of income tax in prior years of approximately RMB3.1 million and the decrease in current tax of approximately RMB2.4 million.

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

For the Period, the loss and comprehensive income attributable to owners of the Company amounted to approximately RMB22.0 million (2020: the profit and comprehensive income attributable to owners amounted to approximately RMB3.2 million), representing a decrease of approximately RMB25.2 million as compared with the corresponding period of 2020. The loss was primarily due to the Group has yet to derive major revenue from the new businesses, and the continuing impact of the outbreak of COVID-19 pandemic and macroeconomic uncertainty which led to some of the Group's customers having remained cautious with their spending.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its daily operations with internally generated cash flows and banking facilities. As at 30 June 2021, the Group had total assets of approximately RMB641.8 million and net assets of approximately RMB527.3 million (31 December 2020: approximately RMB758.6 million and approximately RMB548.8 million, respectively). In respect of the trade receivables and contract assets of the Group amounted to approximately RMB73.7 million (31 December 2020: approximately RMB125.0 million), net of allowance for doubtful debts of approximately RMB57.0 million (31 December 2020: approximately RMB64.2 million). The management will perform a regular review and implement stringent control measures on trade receivables and contract assets 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 RMB397.5 million as at 30 June 2021 (31 December 2020: approximately RMB440.9 million). There was no bank borrowings as at 30 June 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 30 June 2021, the cash and cash equivalents were held at RMB, USD and Hong Kong dollars.

## **PLEDGE OF ASSETS**

As at 30 June 2021, certain assets of the Group with carrying value of approximately RMB21.8 million (31 December 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 ratios as at 30 June 2021 and 31 December 2020 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 entered into certain RMB/USD foreign exchange forward contracts to hedge against the volatile RMB/USD exchange rate. The foreign exchange forward contracts were fully settled as at the end of the Period. The management will continue to monitor closely the Group's foreign currency exposure and requirements and arrange for hedging facilities when necessary.

## **SIGNIFICANT INVESTMENTS**

During the Period, the Group did not hold any material investments.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six-month period ended 30 June 2021 (2020: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had in total 339 (31 December 2020: 324) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB47.7 million (six-month period ended 30 June 2020: approximately RMB43.6 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, 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.

## **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

In the first half of 2021, although the Chinese economy started to recover, the overall economic environment was still ridden with challenges and uncertainties by the sporadic outbreak of COVID-19. As a result, certain customers were cautious with large-scale infrastructural purchases, hence the Group's larger order sales were affected. Nevertheless, the Group was able to adhere to its business direction amid the challenging market environment and step up efforts to develop its two major businesses namely cloud computing multi-cloud management services and smart health, keep putting technical capabilities into building intellectual property platforms and develop in firm strides a smart technology-oriented product portfolio. As a result of its strategy to actively adjust its business structure, integrate internal resources and develop new businesses in recent years, the Group was able to seize opportunities in a highly competitive environment during the period countering pressure on its overall revenue.

Looking ahead at the second half of 2021, development of the COVID-19 pandemic remains unpredictable and the complicated market environment also has many uncertainties. The Group will continue to heed changing circumstances and adjust its strategies to enhance its core competitiveness and diligently push towards its strategic goals. Capitalising on the digital transformation tide, the Group will ensure stable development of its system integration services business for enterprise customers, at the same time focusing on rendering enterprise management services and intelligent healthcare business solutions. It will continue to step-by-step increase allocation of resources to R&D and, with its self-developed solutions and service as champions, build presence in the enterprise information technology market. In addition, the Group is setting up a new subsidiary which will focus on development of intelligent healthcare business, and more centralised and effective resource management and investment, and marketing will be pursued to raise acceptance of the products.

To match requirements in the new IT environment with fast emerging technologies, such as internet+, cloud computing and artificial intelligence, the Group will focus on coming up with innovative proprietary products and intelligent applications, strengthening product maintenance and services capabilities, plus improving the reliability and functionality of its self-developed products. At the same time, to further bolster the functions and technologies of products and services and provide customers with more professional solutions and services, the Group has set up the Genesis Artificial Intelligence Laboratory and has built a professional team staffed by professors, doctoral and master's degree holders from renowned universities in the country and armed with leading technologies and specialised R&D expertise. The Group also cooperates with leading medical organisations and scientific research institutes and has participated in national level discussions on development of technologies. However, the IT market is constantly changing and new technologies in different realms are surfacing fast. Thus, the Group will put more resources into the laboratory, recruit more talent to strengthen the R&D team, and look for and acquire, where feasible, suitable companies and businesses to help it maintain competitiveness in the ever-changing IT market.

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 future will still be full of challenges. For the Group to stand out in the harsh market, effective control on operating costs continues to be one of its major tasks. 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 IT enterprise, the Group believes the only way for it to gain competitive advantage in today's complex market environment is to embrace its core product technologies. 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 raise its overall technological and servicing capability. The Group will also keep its finger on the pulse on market development and flexibly adjust its product portfolio so that it may provide customers with professional solutions and services that suit their needs.

## **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 and Corporate Governance Report as stipulated in Appendix 14 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 10 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 2021 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](http://www.futong.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 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, 25 August 2021

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