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Futong Technology Development Holdings Limited

富通科技發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Futong Technology Development Holdings Limited (the “**Company**”) is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 together with comparative audited figures for the corresponding period in 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	343,061	235,232
Cost of sales and services		<u>(311,837)</u>	<u>(205,518)</u>
Gross profit		31,224	29,714
Other income	6	9,573	8,613
Other gains and losses	6	(3,381)	3,568
(Impairment)/reversal of impairment on financial and contract assets, net		(1,732)	2,554
Selling expenses		(64,468)	(58,153)
Administrative expenses		<u>(46,274)</u>	<u>(46,364)</u>
Loss from operations		(75,058)	(60,068)
Finance costs	7	<u>(93)</u>	<u>(96)</u>
Loss before income tax expense	8	(75,151)	(60,164)
Income tax expense	9	<u>(430)</u>	<u>(12,409)</u>
Loss and total comprehensive income for the year		<u>(75,581)</u>	<u>(72,573)</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss and total comprehensive income for the year attributable to:			
Owners of the Company		(75,553)	(72,695)
Non-controlling interests		(28)	122
		<u>(75,581)</u>	<u>(72,573)</u>
 Loss per share			
— Basic and diluted (RMB)	<i>11</i>	<u>(0.24)</u>	<u>(0.23)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	3,949	5,014
Intangible assets		63,976	48,784
Right-of-use assets		19,624	17,584
Financial assets at fair value through profit or loss		3,632	10,456
Deferred tax assets		4,848	4,531
Total non-current assets		96,029	86,369
Current assets			
Inventories		4,715	51,264
Trade and other receivables	13	51,541	98,421
Contract assets		114,570	31,424
Bank balances and cash		231,613	350,239
Total current assets		402,439	531,348
Current liabilities			
Trade and other payables	14	30,839	41,023
Contract liabilities		61,222	96,583
Lease liabilities		1,465	1,880
Tax payables		758	758
Total current liabilities		94,284	140,244
Net current assets		308,155	391,104
Total assets less current liabilities		404,184	477,473
Non-current liabilities			
Lease liabilities		1,829	378
NET ASSETS		402,355	477,095
CAPITAL AND RESERVES			
Share capital		27,415	27,415
Reserves		370,359	445,071
Equity attributable to owners of the Company		397,774	472,486
Non-controlling interests		4,581	4,609
TOTAL EQUITY		402,355	477,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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 2022

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
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
Amendments to IFRS 3	References to Conceptual Framework

The application of the above amendments to IFRSs that are effective from 1 January 2022 did not have any significant impact on the Group’s account policies.

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

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

Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Making Materiality Judgements ¹
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors ¹
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024

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

3. BASIS OF PREPARATION

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

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

Going concern basis

The Group incurred a loss of approximately RMB75,581,000 and had a net cash used in operating activities of approximately RMB95,351,000 during the year ended 31 December 2022, these conditions may cast significant doubt about the Group’s ability to continue as a going concern.

For assessing the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements, the directors of the Company prepared a cash flow projection for a twelve-month period from 31 December 2022. 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 consolidated financial statements on a going concern basis.

Representation of comparative figures on consolidated statement of cash flows

The Group has implemented the IFRS Interpretations Committee agenda decision on demand deposits with restriction on use, which has resulted in (1) the re-classification of the “pledge deposits” of RMB2,072,000 as at 31 December 2022 to “bank balances and cash” in the Consolidated Statement of Financial Position, and (2) the re-presentation of relevant comparative figures for the year ended 31 December 2022 in the Consolidated Statement of Cash Flows.

4. SEGMENT REPORTING

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

In the previous year, the CODM 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”). In the current year, the Group reorganised its internal reporting structure which resulted in identification of three operating and reportable segments as follows, prior year segment disclosures have also been re-presented to conform with the current year’s presentation.

- (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 manufacturing business engages in the provision of intelligent application products in manufacturing industries.

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, which is a measure of adjusted profit or loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs, fair value gains or loss on financial assets at fair value through profit or loss, head office and corporate income and expenses are excluded from such measurement.

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 years ended	Enterprise management business		Intelligent health management business		Intelligent manufacturing business		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales to external customers	<u>332,814</u>	<u>229,798</u>	<u>4</u>	<u>–</u>	<u>10,243</u>	<u>5,434</u>	<u>343,061</u>	<u>235,232</u>
Segment results	2,649	468	(32,047)	(16,373)	(11,238)	(13,779)	(40,636)	(29,684)
<u>Reconciliation:</u>								
Fair value (loss)/gain on financial assets at fair value through profit and loss							(5,827)	4,140
Interest income							3,947	8,030
Foreign exchange gain/(loss)							2,098	(551)
Other unallocated gains and losses							4,242	3,116
Corporate and other unallocated expenses							<u>(38,975)</u>	<u>(45,215)</u>
Loss before tax							(75,151)	(60,164)
Income tax expense							(430)	(12,409)
Loss for the year							<u>(75,581)</u>	<u>(72,573)</u>

Segment assets and liabilities

The majority of property, plant and equipment is located in the PRC. Financial assets at fair value through profit or loss, deferred tax assets, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segment assets and segment liabilities that are used by the CODM for assessment of segment performance. The following table presents the asset and liability information of the Group's operating segments as at 31 December 2022 and 31 December 2021:

	Enterprise management business <i>RMB'000</i>	Intelligent health management business <i>RMB'000</i>	Intelligent manufacturing business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
31 December 2022	188,507	37,473	2,665	228,645
31 December 2021	179,740	25,578	3,530	208,848
Segment Liabilities				
31 December 2022	(71,024)	(931)	(5,040)	(76,995)
31 December 2021	(129,685)	(423)	(777)	(130,885)

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	166,154	120,951
Customer B	65,931	44,465

5. REVENUE

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Major products/services lines		
Sales of enterprise IT products	224,348	51,847
Provision of services	118,713	183,385
	343,061	235,232

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Primary geographical markets:		
Hong Kong	2,584	4,408
PRC	340,477	230,824
	<u>343,061</u>	<u>235,232</u>
Timing of revenue recognition:		
At a point in time	224,348	51,847
Transferred over time	118,713	183,385
	<u>343,061</u>	<u>235,232</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Receivables	15,341	33,759
Contract assets	114,570	31,424
Contract liabilities	61,222	96,583

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 RMB51,845,000 as of 1 January 2022 has been recognised as revenue during the year from performance obligations satisfied due to the completion of services.

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

6. OTHER INCOME, AND OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income:		
Interest income	3,947	8,030
Government grants (<i>note</i>)	399	176
Others	5,227	407
	<u>9,573</u>	<u>8,613</u>
Other gains and losses:		
Loss on disposals of property, plant and equipment	(6)	(21)
Foreign exchange gain/(loss)	2,098	(551)
Fair value (loss)/gain on financial assets at FVTPL	(5,827)	4,140
Gain on disposal of financial assets at FVTPL	349	—
Gain on lease modification	5	—
	<u>(3,381)</u>	<u>3,568</u>

Note:

During the year of 2022, RMB144,000 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 RMB255,000 (2021: RMB176,000) are unconditional and are received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group’s operation for years ended 31 December 2022 and 2021.

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on lease liabilities	<u>93</u>	<u>96</u>

8. LOSS BEFORE INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration:		
— Audit service	1,400	1,400
— Non-audit service	197	191
Amortisation of intangible assets (<i>note (i)</i>)	10,366	4,764
Cost of services	84,053	156,418
Cost of inventories recognised as an expense, net of write back of inventories	217,418	49,100
Depreciation of property, plant and equipment	1,462	1,666
Depreciation of right-of-use assets	2,124	2,539
Interest on lease liabilities	93	96
Research and development costs	14,592	13,930
Short-term lease expenses	2,713	2,192
Staff costs (including directors' emoluments) (<i>note (ii)</i>):		
— Salaries and wages	105,702	92,339
— Contributions to retirement benefit scheme	10,535	9,356
— Equity-settled share-based payment	841	895
	<u>117,078</u>	<u>102,590</u>
Less: capitalised as intangible assets	<u>(19,217)</u>	<u>(25,424)</u>
	<u><u>97,861</u></u>	<u><u>77,166</u></u>

Notes:

- (i) Amortisation charges of RMB10,366,000 (2021: RMB4,761,000) and Nil (2021: RMB3,000) have included in cost of sales and services and administrative expenses respectively for the year.
- (ii) The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. These subsidiaries are required to contribute certain percentage of payroll costs according to the relevant local authorities to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2021: 5%) of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

Total cost charged to profit or loss of RMB10,535,000 (2021: RMB9,356,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2022. As at 31 December 2022 and 2021, the amount due but not paid to the schemes is insignificant.

9. INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax — PRC income tax		
Dividend tax	747	—
Over provision in respect of prior years	—	(3,305)
	<u>747</u>	<u>(3,305)</u>
Deferred tax		
Origination and reversal of temporary difference	(317)	785
Write-down of deferred tax assets (<i>note (iv)</i>)	—	14,929
	<u>(317)</u>	<u>15,714</u>
	<u>430</u>	<u>12,409</u>

Note:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No Hong Kong profit tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021.
- (iii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except for two subsidiaries have been granted continuously on a three-year interval with a qualification of high-tech enterprise which entitles these two subsidiaries a preferential income tax rate of 15%, the tax rate of the Company’s subsidiaries in the PRC is 25% in 2022 and 2021.
- (iv) At 31 December 2021, management considered that a subsidiary in PRC was no longer probable that sufficient taxable profits would be available to utilise its deferred tax asset. Thus, the carrying amount of RMB14,929,000 was written-down.

10. DIVIDENDS

For the years ended 31 December 2022 and 2021, the directors do not recommend the payment of a final dividend.

11. LOSS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the purpose of basic and diluted loss per share	<u>75,553</u>	<u>72,695</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>311,250</u>	<u>311,250</u>

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares for the year.

12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group spent approximately RMB402,000 (2021: RMB2,087,000) to acquire leasehold improvements and furniture, fixtures and equipment.

13. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	74,367	90,860
Less: allowance for doubtful debts	<u>(59,026)</u>	<u>(57,101)</u>
	15,341	33,759
Prepayments	27,952	43,585
Deposits	2,066	2,410
VAT receivables	4,702	17,417
Other receivables	<u>1,480</u>	<u>1,250</u>
	<u>51,541</u>	<u>98,421</u>

The Group allows an average credit period of 30 - 90 days (2021: 30 - 90 days) to its trade customers. For certain major customers such as the state owned enterprises, the credit term which will be negotiated by management individually.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0-30 days	3,620	18,813
31-60 days	557	114
61-90 days	73	456
More than 90 days	11,091	14,376
	<hr/>	<hr/>
Total	15,341	33,759
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Not yet past due	4,429	20,213
Less than 1 month past due	—	4,665
More than 3 months past due	10,912	8,881
	<hr/>	<hr/>
Total	15,341	33,759
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables of RMB10,912,000 (2021: RMB13,546,000) were past due and certain provision has been provided at 31 December 2022. For remaining amounts not impaired were related to a large number of diversified customers whom had a good track record with the Group. Based on past experience, management believed that there had been no significant change in credit policy and the balances were still considered fully recoverable. The Group does not hold any collaterals or other credit enhancements over these balances.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	57,101	64,118
Transferred from contracted assets	43	111
Impairment losses recognised	2,390	653
Reversal of impairment loss	(852)	(3,250)
Uncollectible amounts written off	—	(4,385)
Exchange alignment	344	(146)
	<hr/>	<hr/>
At end of year	59,026	57,101
	<hr/> <hr/>	<hr/> <hr/>

14. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	16,870	33,163
Other payables and accruals	13,969	7,860
	<hr/>	<hr/>
	30,839	41,023
	<hr/> <hr/>	<hr/> <hr/>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current or less than 1 month	4,148	13,405
1 to 3 months	269	8,580
More than 3 months	12,453	11,178
	<hr/>	<hr/>
	16,870	33,163
	<hr/> <hr/>	<hr/> <hr/>

Average credit period on purchases of goods was 30 - 90 days (2021: 30 - 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the acceptable timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a leading provider of enterprise digital transformation services in Mainland China, the Group specializes in providing enterprise information technology (“IT”) infrastructure products, services and solutions, cloud computing management products, and intelligent digitalized application products. With enterprise clients in China steadily advancing the digitalization of their operations, the Group has actively adjusted its business development direction and consolidated its main business, dividing it into three divisions, namely, enterprise management business, intelligent health management business, and intelligent manufacturing business.

Enterprise Management Business

The Group’s enterprise management business has maintained good growth momentum over the years and has become one of the Group’s key income sources. Through close cooperation with top IT companies and cloud resource providers at home and abroad, such as Tencent Cloud and Alibaba Cloud, complemented by the self-developed CMP2020 multi-cloud management platform and other cloud computing products, the Group actively provides 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’ informationalized value-added services to help enterprises drive their digital transformation. For the year ended 31 December 2022 (the “Year”), the segment’s revenue grew by more than 40% despite an increasingly competitive operating environment, thanks to the concerted efforts of its staff. The Group will optimize its existing product portfolio and boost service income and gross profit margins to ensure that it can maintain good cash flow and improve profits.

Intelligent Health Management Business

As an artificial intelligence (“AI”) technology enterprise, the Group actively utilizes the innovative application technology of “AI+Medical” and has launched the “5+AI Health” management product to provide users with personalized and integrated health management solutions. The Group has stepped up its investment in the development of its intelligent health management business and the Genesis AI Lab (恒先人工智能實驗室), an AI laboratory managed by doctoral degree holders, and collaborated with leading clinical and scientific research institutions in China to promote the integration of nutritional health, sports health, mental health, traditional Chinese medicine and wellness, and chronic disease management, with the objective of providing integrated health management solutions. During the Year, the Group also utilized the innovative “AI+Medical” application to provide medical services during the Beijing 2022 Winter Olympics and 2022 Winter Paralympics by leveraging its technological strengths. Its contributions were recognized by the Beijing Organizing Committee for the 2022 Olympic and Paralympic Winter Games. In addition, the Group has reached the initial cooperation intention stage with professional organizations operating in China’s mainstream health management field for its “5+AI Health” management product. The cooperation will not only help achieve the basic goal of facilitating

proactive health management for individuals, but will also allow the introduction of new active health management models targeting families (to assist in managing the health of the elderly and children) and specific groups. The Group will continue to improve the “5+AI Health” management product and strengthen the integration and upgrading of technologies and marketing to lay a solid foundation for increasing the Group’s future revenues.

Intelligent Manufacturing Business

Driven by emerging technologies such as AI and big data, the Group continues to develop intelligent digital application products specifically tailored to the transportation, automotive and manufacturing industries. Using new and advanced AI technologies and tools, it is able to offer products and services that more precisely meet the needs of industry-specific customers. Among them, the Group’s iAPS intelligent order management platform adopts a multi-objective solution algorithm to provide intelligent, agile, visual and comprehensive production plan management; optimize and standardize production processes and management; and eliminate defects such as data loss and operation omissions found in traditional production plan management, thereby enhancing its rapid response capability, reducing production costs, and facilitating transformation and upgrade. Another intelligent resource management system developed by the Group, iRMS, has been adopted by Beijing Capital International Airport to facilitate resource allocation of aircraft parking stands, boarding gates, etc. for efficient and stable operations. During the Year, the Group also launched the Voice of Customer (VOC) product for the automotive industry. The product collects, analyzes and converts the feedback of automotive customers on products and services (including comments, expectations and preferences) into useful suggestions for further brand promotion efforts, helping automotive companies understand how customers perceive and interact with the brand, products and services at each contact point or throughout the customer lifecycle. The automobile companies can thus identify and solve problems and provide a better experience for their customers. The Group will continue to provide services to more customers and actively expand its industry coverage to build a solid foundation for future business development.

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group increased by approximately RMB107.9 million or 45.8% as compared with the corresponding period in 2021, to approximately RMB343.1 million (2021: approximately RMB235.2 million). The increase was mainly due to the increase in sales of the cloud computing and IT infrastructure products, which reflects that the IT market started to recover.

Gross profit

Gross profit of the Group increased by approximately RMB1.5 million or 5.1% to approximately RMB31.2 million for the Year (2021: approximately RMB29.7 million) while the gross profit ratio decreased from 12.6% to 9.1%. The decrease in gross profit ratio was mainly due to the lower selling prices strategically offered for some projects during the Year.

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. For the Year, net gains from other income and other gains and losses amounted to approximately RMB6.2 million (2021: approximately RMB12.2 million), representing a decrease of approximately RMB6.0 million. This decrease was mainly due to combined effect of (i) a decrease in fair value change on the financial assets at fair value through profit or loss of approximately RMB10.0 million; (ii) a decrease in interest income of approximately RMB4.1 million; (iii) a compensation income of approximately RMB5.0 million from a supplier for a breach of contract; and (iv) a foreign exchange gain of approximately RMB2.1 million incurred.

(Impairment)/reversal of impairment on financial and contract assets, net

For the Year, an impairment on financial and contract assets, net amounted to approximately RMB1.7 million (2021: a reversal of impairment of approximately RMB2.6 million). The impairment on financial and contract assets was provided due to the uncertainty in recoverability of an outstanding debt after the legal proceeding was executed during the Year.

Selling expenses

For the Year, selling expenses of the Group amounted to approximately RMB64.5 million (2021: approximately RMB58.2 million), representing an increase of approximately RMB6.3 million or 10.9% compared with the corresponding period in 2021. The increase was mainly due to increase in legal and professional fee, and the staff related expenses of intelligent health management business.

Administrative expenses

Administrative expenses of the Group for the Year amounted to approximately RMB46.3 million (2021: approximately RMB46.4 million), representing a decrease of approximately RMB0.1 million or 0.2% compared with the corresponding period in 2021. The administrative expenses were maintained at a stable level.

Finance costs

Finance costs represented the interest portion derived from the lease liabilities. It was maintained at a low level at approximately RMB0.1 million (2021: approximately RMB0.1 million) as limited numbers of premises were leased by the Group.

Income tax expense

Income tax expense of the Group for the Year amounted to approximately RMB0.4 million (2021: approximately RMB12.4 million), representing a decrease of approximately RMB12.0 million, or 96.5%, compared with the corresponding period in 2021. The decrease was mainly due to the decline in write-down of deferred tax assets in a subsidiary during the corresponding period in 2021.

Loss 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 RMB75.6 million (2021: approximately RMB72.7 million), representing an increase of approximately RMB2.9 million as compared with the corresponding period in 2021. For the Year, the Group stepped up efforts to develop its new businesses, resulting the research costs and other related expenses to raise accordingly and hence increasing the loss attributable to owners of the Company.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows and banking facilities. As at 31 December 2022, the Group had total assets of approximately RMB498.5 million and net assets of approximately RMB402.4 million (2021: approximately RMB617.7 million and approximately RMB477.1 million, respectively). In respect of the trade receivables and contract assets of the Group which amounted to approximately RMB129.9 million (2021: approximately RMB65.2 million), net of allowance for doubtful debts of approximately RMB59.2 million (2021: approximately RMB57.1 million), the management will perform a regular review and implement stringent control measures on trade receivables with a view to ensuring the recovery of trade receivables on the due dates and closely monitoring the Group's liquidity. The Group's bank balances and cash amounted to approximately RMB231.6 million as at 31 December 2022 (2021: approximately RMB350.2 million). There was no bank borrowings as at 31 December 2022 and 31 December 2021. 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 2022, the cash and cash equivalents were held at Renminbi (“**RMB**”), United States dollars (“**USD**”) and Hong Kong dollars.

Pledge of Assets

As at 31 December 2022, certain assets of the Group with carrying value of approximately RMB2.1 million (2021: approximately RMB17.7 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 2022 and 31 December 2021 was zero. This ratio was calculated as total borrowings less bank balances and cash, divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

During the Year, the Group has entered into certain RMB/USD foreign exchange forward contracts to hedge against the volatility in the RMB/USD exchange rate. The foreign exchange forward contracts have been fully settled as at the Year ended. The management will continue to monitor closely its foreign currency exposure and requirements and to arrange hedging facilities when necessary.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

CLOSURE OF REGISTER OF MEMBERS

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

To determine the identity of shareholders who are entitled to attend and vote at the 2023 AGM

Latest time for lodging transfers:	4:30 p.m. on Friday, 19 May 2023
Closure of register of members:	Monday, 22 May 2023 to Thursday, 25 May 2023 (both dates inclusive)
Record date:	Thursday, 25 May 2023
Date of 2023 AGM:	Thursday, 25 May 2023

In order to be eligible for attending and voting at the 2023 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 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than the latest time for lodging transfers as stated above.

ANNUAL GENERAL MEETING

The 2023 AGM of the Company will be held on Thursday, 25 May 2023. Notice of 2023 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 2022, the Group had 329 (2021: 357) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB117.1 million (2021: approximately RMB102.6 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, 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 2022.

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

In 2022, the COVID-19 pandemic situation was volatile in China, resulting in the introduction of stringent prevention and control measures. Only at the end of the year were these measures gradually relaxed. Consequently, the progress of some of the Group's sales projects and research and development ("R&D") projects was severely affected. Despite the unfavourable market environment, the Group's overall revenue increased as a result of proactive adjustments it made on its business structure in response to market changes in recent years, as well as the Group's concerted efforts.

Looking ahead to 2023, the Chinese economy is expected to start recovering. However, there are still many uncertainties and challenges in the complex market environment. The Group will continue to monitor changes in the situation, make strategic adjustments to enhance its core competitiveness, and steadfastly push forward to achieve its strategic goals. Capitalizing on the current wave of digital transformation that is in full swing, the Group will focus on business innovation and industry-specific development for its enterprise customers. By combining AI technology with the application scenarios of customers' specific industries to create the "AI + products + services" model, the Group will assist customers in realizing digital transformation. Furthermore, the Group is gradually increasing the allocation of R&D resources by continuously focusing on the adoption of AI technologies, while upholding the concept of data governance and strengthening the development of cloud computing and enterprise management services as well as intelligent applications (manufacturing, medical, healthcare and transportation). The Group will also strengthen its presence in the enterprise information technology market by taking the lead in self-developed products and services.

With the gradual maturity of AI technology and the in-depth pursuit of digital transformation in different industries, the Group will combine AI with industry applications and actively participate in key national R&D projects and industry standards formulation, while assisting enterprise customers in realizing digital transformation and adoption of intelligent applications. In recent years, the Group has actively focused on developing innovative proprietary products and intelligent applications. It has established R&D co-centers for the Genesis AI Lab in Southern China (Chengdu) and Northern China (Beijing), as well as a specialized and pioneering research team made up of professors, and doctoral and master's degree holders from renowned universities, to strengthen its product operation and maintenance service capabilities. Through these years of effort, the Group has made solid progress in the R&D of proprietary products and services. For example, it has launched various self-developed products such as "5+AI Health" management products, the CMP2020 multi-cloud management platform, the iAPS intelligent order management platform, and the Voice of Customer (VOC) solution. In order to stand out in the rapidly changing market, the Group will continue to accelerate business innovation and transformation, hire top high-tech talent, consolidate the commercialization of scientific research achievements and its business foundation, step up market expansion, and strengthen technological and product innovation capabilities, so as to establish itself as a technology and innovation-driven enterprise.

Having restructured its business and consolidated internal resources in recent years, the Group has been successful in controlling its operating costs. However, it will continue to face challenges as the COVID-19 pandemic has not yet fully subsided. Looking ahead, the Group will continue to implement resource management solutions to ensure effective use of resources and maintain high operational efficiency. It will also monitor costs prudently and implement stringent cost control measures in order to maintain a sound financial position.

As an innovative technology enterprise, the Group believes that in today's complex market environment, the only way for it to gain a competitive edge is by mastering its core product technologies and providing products and services that truly have core values and address core pain points. The Group will continue to enhance its service capabilities and optimize product features based on the actual needs of customers, assisting more customers to increase efficiency and reduce costs through digital transformation in order to drive business reform, innovation and upgrade.

CORPORATE GOVERNANCE

During the year ended 31 December 2022, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as standard for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors by the Company, during the year ended 31 December 2022, the Directors have confirmed in writing that they complied with the standards set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022 including the accounting principles and practices adopted by the Group, and discussed the risk managements, internal control and financial reporting matters during the review.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2022 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.futong.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2022 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 22 March 2023

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.