Futong 富通

Futong Technology Development Holdings Limited
富 通 科 技 發 展 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 465)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 together with comparative audited figures for the corresponding period in 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*5*	**145,562**	343,061
Cost of sales and services		**(120,957)**	(311,837)
Gross profit		**24,605**	31,224
Other income	*6*	**11,689**	9,573
Other gains and losses	*6*	**(2,754)**	(3,381)
Reversal/(provision) of impairment on financial and contract assets, net		**1,622**	(1,732)
Provision of impairment loss on intangible assets		**(14,800)**	—
Research and development costs		**(15,420)**	(14,592)
Selling expenses		**(55,582)**	(64,468)
Administrative expenses		**(33,243)**	(31,682)
Loss from operations		**(83,883)**	(75,058)
Finance costs	*7*	**(142)**	(93)
Loss before income tax	*8*	**(84,025)**	(75,151)
Income tax credit/(expense)	*9*	**755**	(430)
Loss and total comprehensive income for the year		**(83,270)**	(75,581)

	Notes	2023 RMB'000	2022 RMB'000
Loss and total comprehensive income for the year attributable to:			
Owners of the Company		**(83,299)**	(75,553)
Non-controlling interests		**29**	(28)
		(83,270)	(75,581)
Loss per share			
— Basic and diluted (RMB)	*11*	**(0.27)**	(0.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**3,099**	3,949
Intangible assets		**48,759**	63,976
Right-of-use assets		**19,506**	19,624
Financial assets at fair value through profit or loss		**642**	3,632
Interest in a joint venture		—	—
Deferred tax assets		**4,845**	4,848
Total non-current assets		**76,851**	96,029
Current assets			
Inventories		—	4,715
Trade and other receivables	13	**61,188**	51,541
Contract assets		—	114,570
Bank balances and cash		**245,067**	231,613
Total current assets		**306,255**	402,439
Current liabilities			
Trade and other payables	14	**21,196**	30,839
Contract liabilities		**38,881**	61,222
Lease liabilities		**1,699**	1,465
Tax payables		—	758
Total current liabilities		**61,776**	94,284
Net current assets		**244,479**	308,155
Total assets less current liabilities		**321,330**	404,184
Non-current liabilities			
Lease liabilities		**1,822**	1,829
NET ASSETS		**319,508**	402,355
CAPITAL AND RESERVES			
Share capital		**27,415**	27,415
Reserves		**287,483**	370,359
Equity attributable to owners of the Company		**314,898**	397,774
Non-controlling interests		**4,610**	4,581
TOTAL EQUITY		**319,508**	402,355

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 2023, 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 2023

Amendments to IAS 1	Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
IFRS 17	Insurance Contracts

The application of the above amendments to IFRSs that are effective from 1 January 2023 did not have any significant impact on the Group's account policies.

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

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

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined

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 RMB83,270,000 during the year ended 31 December 2023, 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 consolidated financial statements, the directors of the Company prepared a cash flow projection for a twelve-month period from 31 December 2023. 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 for at least twelve months from 31 December 2023, 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 at least twelve months from 31 December 2023. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

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.

The CODM has identified the following reportable segments:

(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.

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.

	Enterprise management business		**Intelligent health management business**		**Intelligent manufacturing business**		**Head office and others**		**Total**	
For the years ended	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**134,814**	332,814	**2,648**	4	**8,100**	10,243	**–**	–	**145,562**	343,061
Segment loss	**(25,046)**	(20,084)	**(42,679)**	(32,047)	**(14,208)**	(11,944)	**(1,337)**	(11,506)	**(83,270)**	(75,581)
Depreciation of property, plant and equipment	**(96)**	(160)	**(302)**	(278)	**—**	—	**(900)**	(1,024)	**(1,298)**	(1,462)
Amortisation of intangible assets	**(7,857)**	(5,798)	**(8,040)**	(4,568)	**—**	—	**—**	—	**(15,897)**	(10,366)
Depreciation of right-of-use assets	**—**	—	**—**	—	**—**	—	**(2,139)**	(2,124)	**(2,139)**	(2,124)
Impairment losses on intangible assets	**—**	—	**(14,800)**	—	**—**	—	**—**	—	**(14,800)**	—
Reversal/(provision) of impairment on financial and contract assets, net	**1,622**	(1,732)	**—**	—	**—**	—	**—**	—	**1,622**	(1,732)

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, bank balances and cash, 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 2023 and 31 December 2022:

	Enterprise management business *RMB'000*	Intelligent health management business *RMB'000*	Intelligent manufacturing business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets					
31 December 2023	**90,822**	**12,927**	**1,171**	**278,186**	**383,106**
31 December 2022	188,507	37,473	2,665	269,823	498,468
Segment Liabilities					
31 December 2023	**(50,263)**	**(759)**	**(2,664)**	**(9,912)**	**(63,598)**
31 December 2022	(71,024)	(931)	(5,040)	(19,118)	(96,113)

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

	2023 ***RMB'000***	2022 *RMB'000*
Customer A	**N/A**[1]	166,154
Customer B	**80,159**	65,931

1 The corresponding revenue did not contribute over 10% of total revenue of the Group.

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.

	2023 ***RMB'000***	2022 *RMB'000*
Major products/services lines		
Sales of enterprise IT products	**18,240**	224,348
Provision of services	**127,322**	118,713
	145,562	343,061

	2023	2022
	RMB'000	*RMB'000*
Primary geographical markets:		
Hong Kong	—	2,584
PRC	**145,562**	340,477
	145,562	343,061
Timing of revenue recognition:		
At a point in time	**95,821**	224,348
Transferred over time	**49,741**	118,713
	145,562	343,061

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

	2023	2022
	RMB'000	*RMB'000*
Receivables	**32,412**	15,341
Contract assets	—	114,570
Contract liabilities	**38,881**	61,222

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 RMB33,213,000 as of 1 January 2023 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

	2023	2022
	RMB'000	*RMB'000*
Other income:		
Interest income	**5,093**	3,947
Government grants *(note)*	**130**	399
Dividend income	**3,705**	—
Others	**2,761**	5,227
	11,689	9,573
Other gains and losses:		
Loss on disposals of property, plant and equipment	**(4)**	(6)
Foreign exchange gain	**271**	2,098
Fair value loss on financial assets at FVTPL	**(3,021)**	(5,827)
Gain on disposal of financial assets at FVTPL	**—**	349
Gain on lease modification	**—**	5
	(2,754)	(3,381)

Note:

During the year of 2023, RMB130,000 (2022: RMB255,000) 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 2023 and 2022.

During the year of 2022, RMB144,000 (equivalent to HK$168,000) 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.

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**142**	93

8. LOSS BEFORE INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Auditor's remuneration:		
— Audit service	**1,500**	1,400
— Non-audit service	**207**	197
Amortisation of intangible assets *(note (i))*	**15,897**	10,366
Cost of services	**91,836**	84,053
Cost of inventories recognised as an expense, net of write back of inventories	**13,224**	217,418
Depreciation of property, plant and equipment	**1,298**	1,462
Depreciation of right-of-use assets	**2,139**	2,124
Interest on lease liabilities	**142**	93
Short-term lease expenses	**1,662**	2,713
Staff costs (including directors' emoluments) *(note (ii))*:		
— Salaries and wages	**89,439**	105,702
— Contributions to retirement benefit scheme	**9,705**	10,535
— Equity-settled share-based payment	**423**	841
	99,567	117,078
Less: capitalised as intangible assets	**(11,576)**	(19,217)
	87,991	97,861

Notes:

(i) Amortisation charges of RMB15,614,000 (2022: RMB10,366,000) and RMB283,000 (2022: Nil) 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% (2022: 5%) of relevant payroll costs (subject to a cap) to the scheme, which contribution is matched by employees.

Total cost charged to profit or loss of RMB9,705,000 (2022: RMB10,535,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2023. As at 31 December 2023 and 2022, the amount due but not paid to the schemes is insignificant.

9. INCOME TAX (CREDIT)/EXPENSE

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

	2023	2022
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Dividend tax	**—**	747
Over provision in respect of prior years	**(758)**	—
	(758)	747
Deferred tax		
Origination and reversal of temporary difference	**3**	(317)
	(755)	430

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 2023 and 2022.

(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 2023 and 2022.

10. DIVIDENDS

For the years ended 31 December 2023 and 2022, 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:

	2023	2022
	RMB'000	*RMB'000*
Loss for the purpose of basic and diluted loss per share	**83,299**	75,553
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**311,250**	311,250

For the years ended 31 December 2023 and 2022, 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 2023, the Group spent approximately RMB452,000 (2022: RMB402,000) to acquire leasehold improvements and furniture, fixtures and equipment.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**83,052**	74,367
Less: allowance for doubtful debts	**(50,640)**	(59,026)
	32,412	15,341
Prepayments	**22,657**	27,952
Deposits	**1,148**	2,066
VAT receivables	**3,713**	4,702
Other receivables	**1,258**	1,480
	61,188	51,541

The Group allows an average credit period of 30-90 days (2022: 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.

	2023	2022
	RMB'000	*RMB'000*
0-30 days	**4,908**	3,620
31-60 days	**1,765**	557
61-90 days	**533**	73
More than 90 days	**25,206**	11,091
Total	**32,412**	15,341

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

	2023	2022
	RMB'000	*RMB'000*
Not yet past due	**5,904**	4,429
More than 3 months past due	**26,508**	10,912
Total	**32,412**	15,341

Trade receivables of RMB26,508,000 (2022: RMB10,912,000) were past due and certain provision has been provided at 31 December 2023. 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:

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**59,026**	57,101
Transferred from contracted assets	**194**	43
Impairment losses recognised	**40**	2,390
Reversal of impairment loss	**(1,662)**	(852)
Uncollectible amounts written off	**(7,007)**	—
Exchange alignment	**49**	344
At end of year	**50,640**	59,026

14. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**13,766**	16,870
Other payables and accruals	**7,308**	13,439
Other tax payable	**122**	530
	21,196	30,839

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:

	2023	2022
	RMB'000	*RMB'000*
Current or less than 1 month	**4,780**	4,148
1 to 3 months	**—**	269
More than 3 months	**8,986**	12,453
	13,766	16,870

Average credit period on purchases of goods was 30-90 days (2022: 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 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 stepping up the transformation of their operations through digitalization, the Group has also actively adjusted its business development direction and consolidated its main business, dividing it into three divisions, namely, enterprise management business, intelligent health management business, and intelligent manufacturing business.

Enterprise Management Business

The Group's enterprise management business has been growing with good momentum over the years, and has been among its key source of income. By collaborating closely with top local and overseas IT companies and cloud resource providers, such as Tencent Cloud and Alibaba Cloud, complemented by its self-developed 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 customer-specific systems architecture business solutions, and repair and maintenance support for customers' informatization value-added services, helping enterprises drive their digital transformation. For the year ended 31 December 2023 ("**the Year**"), the Group further optimized its existing products and actively launched new products, which enhanced service revenue and substantially increased gross profit margin, leading to sustained and favorable cash flow and a boost in revenue.

Intelligent Health Management Business

As an artificial intelligence ("**AI**") technology enterprise, the Group has actively leveraged the innovative application technology "AI+ Medical" and launched the "5+AI Health" management product to provide personalized integrated health management solutions for users. The Group has also continued to allocate greater resources to develop the intelligent health management business and the Genesis AI Lab (恒先人工智能實驗室), an AI laboratory, which is managed by doctoral degree holders. Furthermore, it has 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 aim of providing integrated health management solutions. During the Year, the Group reached the initial cooperation intention stage with professional institutions in China's mainstream health management field, and signed the first contract in relation to a university campus health management project, which generated revenue for the Group. The Group will continue to optimize the "5+AI Health" management product, strengthen integration and improve relevant technologies, and step up marketing activities in a bid to lay a favorable foundation for the Group's future income.

Intelligent Manufacturing 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 transportation, automotive and manufacturing industries. Using advanced AI technologies and tools, it is able to offer products and services that more precisely meet the needs of industry-specific customers. In particular, the Group has developed Futong Voice of Customer VOC products for the automotive industry. VOC collects and analyzes the voice feedback of automotive customers on products and services, including comments, expectations and preferences, and transforms the feedback into effective insights. This helps automotive companies to learn more about customers' perceptions and interactions with their brands, products and services throughout the lifecycle and at various touchpoints. Moreover, the Group is also able to thoroughly understand problems and resolve them, leading to enhanced customer experiences. During the Year, a leading independent car brand in northern China selected VOC as its internal digital management support platform for comprehensively managing customers' opinions and meeting its user-centric philosophy, which is a testament to VOC's digital construction capability and results. The Group will continue to provide high-quality services to more customers and actively amass industry expertise to lay a solid foundation for future business development.

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group decreased by approximately RMB197.5 million or 57.6% as compared with the corresponding period in 2022, to approximately RMB145.6 million (2022: approximately RMB343.1 million). The decrease was mainly due to the Group focusing on the sales of its own brand products and services, and strategically reducing the sales of traditional low profit margin products.

Gross profit

Gross profit of the Group decreased by approximately RMB6.6 million or 21.2% to approximately RMB24.6 million for the Year (2022: approximately RMB31.2 million) while the gross profit ratio significantly increased from 9.1% to 16.9%. The significant increase in gross profit ratio was mainly due to the increase in the proportion of sales of own brand products 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. For the Year, net gains from other income and other gains and losses amounted to approximately RMB8.9 million (2022: approximately RMB6.2 million), representing an increase of approximately RMB2.7 million. This increase was mainly due to the combined effect of (i) an increase in dividend of approximately RMB3.7 million received from the investment of financial assets; (ii) a decrease in fair value loss on financial assets at fair value through profit or loss of approximately RMB2.8 million; (iii) an increase in interest income of approximately RMB1.1 million; and (iv) a decrease in foreign exchange gain of approximately RMB1.8 million.

Reversal/(provision) of impairment on financial and contract assets, net

For the Year, a reversal of impairment loss on financial and contract assets, net amounted to approximately RMB1.6 million (2022: a provision of impairment loss of approximately RMB1.7 million). The reversal of impairment loss on financial and contract assets was due to the strengthened control over the trade receivables and contract assets by the Group during the Year.

Research and development costs

For the Year, research and development costs of the Group amounted to approximately RMB15.4 million (2022: approximately RMB14.6 million), representing an increase of approximately RMB0.8 million or 5.7% compared with the corresponding period in 2022. The increase was mainly due to the research and development costs being expensed off during the Year while those research and development costs incurred were capitalized as intangible assets in the corresponding period of 2022.

Provision of impairment loss on intangible assets

For the Year, a provision of impairment loss on intangible assets amounted to approximately RMB14.8 million (2022: Nil). The impairment loss on intangible assets was mainly due to the slowdown in China's economic growth, some of the Group's customers were cautious about their expenditures. As a result, the revenue from the intelligent health business did not meet the expectations, and hence the related intangible assets were impaired.

Selling expenses

For the Year, selling expenses of the Group amounted to approximately RMB55.6 million (2022: approximately RMB64.5 million), representing a decrease of approximately RMB8.9 million or 13.8% compared with the corresponding period in 2022. The 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 Year amounted to approximately RMB33.2 million (2022: approximately RMB31.7 million), representing an increase of approximately RMB1.5 million or 4.9% compared with the corresponding period in 2022. 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 as limited numbers of premises were leased by the Group.

Income tax credit/(expense)

Income tax credit of the Group for the Year amounted to approximately RMB0.8 million (2022: income tax expense amounted to approximately RMB0.4 million), representing a decrease of approximately RMB1.2 million, compared with the corresponding period in 2022. The decrease was mainly due to a tax credit being recognized for the over-provision of income tax from prior years of approximately RMB0.8 million during the Year.

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 RMB83.3 million (2022: approximately RMB75.6 million), representing an increase of approximately RMB7.7 million as compared with the corresponding period in 2022. For the Year, the increase was mainly due to the impairment loss of intangible assets exceeding the Group's operating costs reduction after the integration of internal resources, resulting in an increase in losses attributable to the 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 2023, the Group had total assets of approximately RMB383.1 million and net assets of approximately RMB319.5 million (2022: approximately RMB498.5 million and approximately RMB402.4 million, respectively). In respect of the trade receivables and contract assets of the Group which amounted to approximately RMB32.4 million (2022: approximately RMB129.9 million), net of allowance for doubtful debts of approximately RMB50.6 million (2022: approximately RMB59.2 million), the management will perform a regular review and implement stringent control measures on trade receivables with a view to ensuring the recovery of trade receivables on the due dates and closely monitoring the Group's liquidity. The Group's bank balances and cash amounted to approximately RMB245.1 million as at 31 December 2023 (2022: approximately RMB231.6 million). There was no bank borrowings as at 31 December 2023 and 31 December 2022. 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 2023, 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 2023, certain assets of the Group with carrying value of approximately RMB2.5 million (2022: approximately RMB2.1 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 2023 and 31 December 2022 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 did not enter into any hedging arrangement. 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 2023 (2022: 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 2024 AGM

Latest time for lodging transfers:	4:30 p.m. on Monday, 20 May 2024
Closure of register of members:	Tuesday, 21 May 2024 to Friday, 24 May 2024 (both dates inclusive)
Record date:	Friday, 24 May 2024
Date of 2024 AGM:	Friday, 24 May 2024

In order to be eligible for attending and voting at the 2024 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 2024 AGM of the Company will be held on Friday, 24 May 2024. Notice of 2024 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 2023, the Group had 303 (2022: 329) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB99.6 million (2022: approximately RMB117.1 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.

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 2023, the overall economic environment in China was challenging and uncertain, with slower economic growth and more cautious customer consumption. 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 reduce operating costs, while further improving the gross profit margin of its products and increasing the sales of self-developed services and products during the Year. The Group's overall gross profit margin increased from 9.1% last year to 16.9%, testifying to the success of the Group's transformation strategy in recent years.

Looking ahead to 2024, China's economy is expected to stabilize, but competition in the country's IT market will become fiercer. The complex market environment will still be filled with uncertainties and challenges. The Group will therefore continue to make strategic adjustments based on actual local scenarios to enhance its core competitiveness, and to steadfastly push forward and 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. Besides, the Group will continue to cooperate with top scientific research institutions and technology manufacturers to strengthen R&D capabilities and raise the quality of products and services, so that the Group will remain competitive in the dynamic IT market. In addition, the Group will introduce cooperative partners in due course to strengthen the development of cloud computing services and smart applications (in manufacturing, healthcare, health, and transportation industries). With smart technologies at its core, the Group will strive to expand its presence in the enterprise IT market by making full use of its self-developed products and services.

With continuous technological reforms and the in-depth pursuit of digital transformation in different industries, more enterprises and organizations are beginning to use AI and cloud computing technologies to optimize their IT architecture, improve work efficiency and lower costs. As such, the Group will integrate AI with industry applications, actively participate in key national research and development projects and formulation of industry standards, and also assist enterprise customers in realizing digital transformation and intelligent applications. In recent years, the Group has 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 assembled a specialized and pioneering research team comprising professors, and doctoral and master degree holders from renowned local and overseas universities to strengthen its product operation and maintenance service capabilities. During the Year, the Group not only optimized and upgraded its existing products, but also launched different innovative products and services. However, to stand out in the rapidly changing market, the Group still needs to accelerate business innovation and transformation, introduce top high-tech talent, consolidate the transformation of scientific research results and business foundation, step up market expansion, strengthen technological and product innovation capabilities, and 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 further face various challenges as the global economy remains volatile and external factors continue to affect the domestic market environment. In the coming year, the Group will continuously introduce resource management solutions to ensure effective use of resources and maintain high operational efficiency. It will also monitor costs carefully and employ stringent cost reduction measures in order to maintain a sound financial position. Besides, the Group will divest some unprofitable businesses in due course.

As an innovative technology enterprise, the Group believes that in today's complex market environment, the only way for it to gain competitive advantages is by mastering its core product technologies and providing products and services that truly address key pain points. The Group will therefore continue to focus on developing innovative proprietary products and intelligent applications and services, strengthen R&D capabilities, and enhance its overall technological and service competence. By paying attention to the actual needs of customers, the Group will be able to assist them to realize efficient operation, innovation and upgrade in the course of their digital transformation.

CORPORATE GOVERNANCE

During the Year, 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 in Part 2 of Appendix C1 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 C3 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, 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 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 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 Stock Exchange (www.hkexnews.hk). The 2023 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, 21 March 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.