

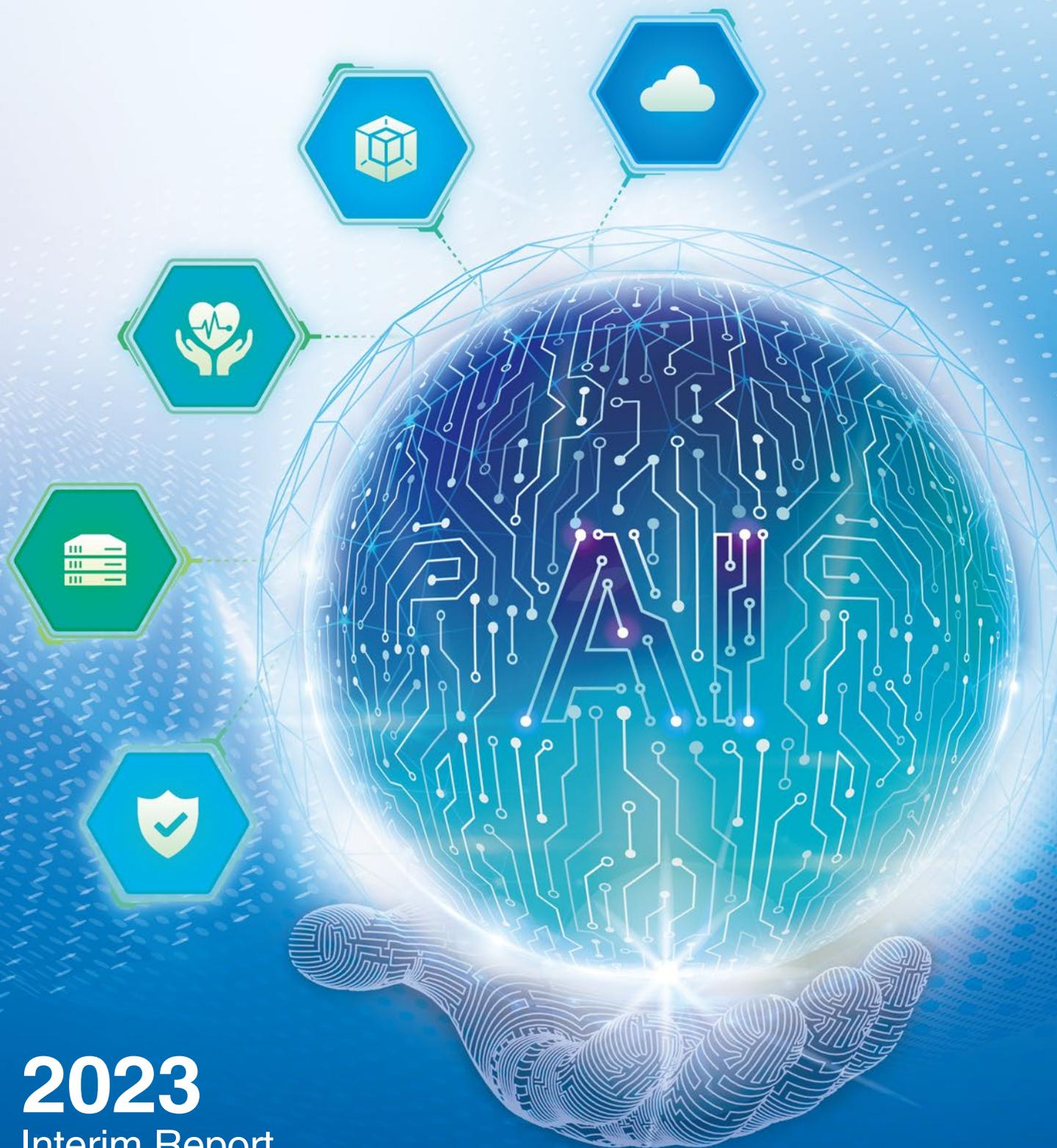


Futong Technology Development Holdings Limited
富通科技发展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 465

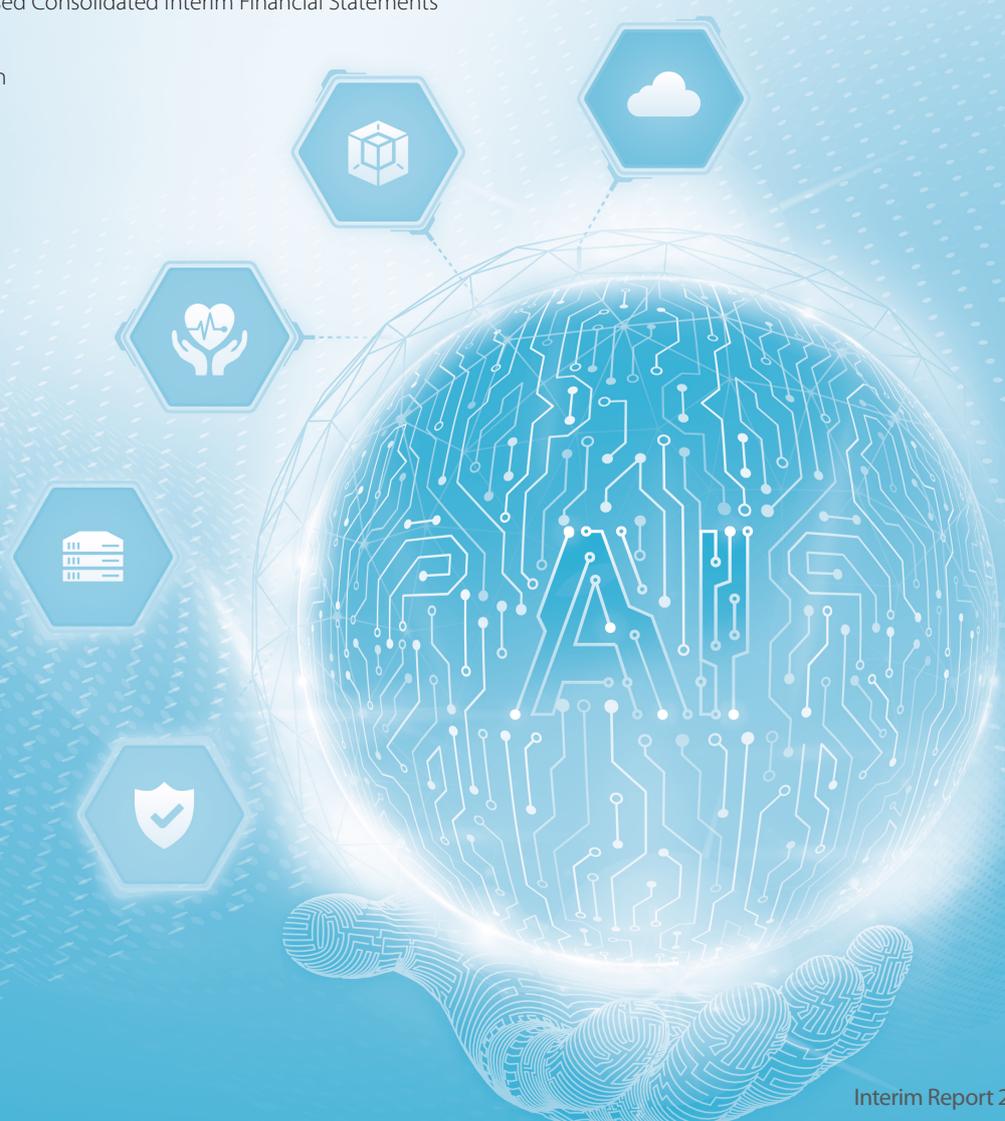
中国领先的企业数字化转型服务提供商



2023
Interim Report

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Financial Summary

RESULTS

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue	39,364	218,204
Loss from operations	(38,005)	(33,384)
Finance costs	(67)	(27)
Loss before income tax	(38,072)	(33,411)
Income tax credit/(expense)	585	(156)
Loss for the period	(37,487)	(33,567)
Loss per share		
– Basic and diluted (RMB)	(0.12)	(0.11)

ASSETS AND LIABILITIES

	At 30 June	At 31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
Total assets	441,784	498,468
Total liabilities	(76,596)	(96,113)
NET ASSETS	365,188	402,355

Management Discussion and Analysis

BUSINESS REVIEW

As a leading enterprise digital transformation services provider 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 the Group’s key income sources. Through collaborating closely with top local and overseas IT companies and cloud resources providers, such as CECloud, H3C, 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 six-month ended 30 June 2023 (the “**Period**”), the Group had proactively scaled down its low-margin businesses, such as the sale of traditional goods, and actively increased the provision of its own services and products, thereby successfully increasing its gross profit margin from 5.2% to 17.6%. The Group will further optimize its existing product mix, enhance service revenue and increase gross profit margin to maintain good cash flow and boost 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 more resources to the development of intelligent health management business and the Genesis AI Lab (恒先人工智能實驗室), an AI laboratory (“**AI Lab**”) managed by doctoral degree holders who master relevant research fields. Furthermore, it has collaborated with leading clinical and scientific research institutions in China, conducting nutritional health, sports health and mental health integration, with the objective of maintaining wellness through the provision of integrated health management solutions, including traditional Chinese medicine and chronic disease management, among other methods. During the Period, the Group successfully deployed “AI+Medical” in the construction of smart canteen equipment for a college, and offered “5+AI Health” smart health campus management services. Moreover, the Group has continued to optimize the “5+AI Health” management product, strengthening integration and improving relevant technologies, as well as promoting its brand in the conducted marketing in a bid to lay a favorable foundation for the Group’s future income.



Management Discussion and Analysis

Intelligent Manufacturing Business

Empowered by such emerging technologies as AI and big data, the Group has continued to develop intelligent digitalized application products specifically tailored for the transportation, automotive and manufacturing industries. In particular, the Group has developed Futong Voice of Customer (“**VOC**”) products for the automotive industry. VOC collects and analyzes automotive customers’ voice feedback on products and services, including comments, expectations and preferences, and transforms the feedback into effective insights, thereby guiding brand execution and helping automotive companies to learn more about customers’ perceptions and interactions with brands, products and services at various touchpoints. Problems can be discovered and solved in all directions, leading to better experiences and more enhanced customer experience. Another product of the Group, iRMS Intelligent Resource Management System, provides resource allocation services for seats and boarding gates at the Beijing Capital International Airport, facilitating efficient and stable operations. During the Period, the Group’s VOC products led to the construction of a comprehensive customer voice management platform for a leading independent brand car company in North China, assisting the automaker to gain insights, improve customer satisfaction and service efficiency, and achieve business continuity through innovation. The Group will continue to provide services to more customers and actively accumulate industry expertise to lay a solid foundation for future business development.

FINANCIAL REVIEW

Revenue

For the Period, revenue of the Group decreased by approximately RMB178.8 million or 82.0% as compared with the corresponding period of 2022, to approximately RMB39.4 million (2022: approximately RMB218.2 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 RMB4.4 million or 38.6% to approximately RMB6.9 million for the Period (2022: approximately RMB11.3 million), while the gross profit ratio increased from 5.2% to 17.6%. 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. During the Period, net gains from other income and other gains and losses amounted to approximately RMB3.1 million (2022: net losses of approximately RMB0.6 million), representing an increase of approximately RMB3.7 million. This increase was mainly due to the combined effect of (i) a dividend of approximately RMB3.8 million received from the investment of financial assets; (ii) a decrease in fair value loss on financial assets through profit or loss of approximately RMB1.2 million; and (iii) an impairment loss of approximately RMB1.2 million on intangible assets was provided.

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

For the Period, a reversal of impairment loss on financial and contract assets, net amounted to approximately RMB1.7 million (2022: a provision of impairment loss of approximately RMB0.2 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 Period.

Research and development costs

For the Period, research and development costs of the Group amounted to approximately RMB8.1 million (2022: Nil). The research and development costs were expensed off during the Period while those research and development costs incurred were capitalized as intangible assets in the corresponding period of 2022.

Selling expenses

For the Period, selling expenses of the Group amounted to approximately RMB26.8 million (2022: approximately RMB30.0 million), representing a decrease of approximately RMB3.2 million or 10.7% when compared with the corresponding period of 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 Period amounted to approximately RMB14.7 million (2022: approximately RMB14.0 million), representing an increase of approximately RMB0.7 million or 5.0% when compared with the corresponding period of 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 Period amounted to approximately RMB0.6 million (2022: income tax expense amounted to approximately RMB0.2 million), representing a decrease of approximately of RMB0.8 million. The decrease was mainly due to a tax credit being recognized for the over-provision of income from prior years of approximately RMB0.8 million during the Period.

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

For the Period, the loss and total comprehensive income attributable to owners of the Company amounted to approximately RMB37.5 million (2022: approximately RMB33.6 million), representing an increase of approximately RMB3.9 million as compared with the corresponding period of 2022. The increase was mainly due to the research and development costs were expensed off during the Period.



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations with internally generated cash flows and banking facilities. As at 30 June 2023, the Group had total assets of approximately RMB441.8 million and net assets of approximately RMB365.2 million (31 December 2022: approximately RMB498.5 million and approximately RMB402.4 million, respectively). In respect of the trade receivables and contract assets of the Group amounted to approximately RMB37.8 million (31 December 2022: approximately RMB129.9 million), net of allowance for doubtful debts of approximately RMB50.7 million (31 December 2022: approximately RMB59.2 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 RMB271.2 million as at 30 June 2023 (31 December 2022: approximately RMB231.6 million). There was no bank borrowings as at 30 June 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 30 June 2023, the cash and cash equivalents were held at RMB, USD and Hong Kong dollars.

PLEDGE OF ASSETS

As at 30 June 2023, certain assets of the Group with carrying value of approximately RMB1.8 million (31 December 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 ratios as at 30 June 2023 and 31 December 2022 were zero. This ratio was calculated as total borrowings less bank balances and cash, and relevant pledged deposits divided by total equity.

FOREIGN EXCHANGE EXPOSURE

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

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Period (2022: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had in total 313 (31 December 2022: 329) employees in the PRC and Hong Kong. Total staff costs amounted to approximately RMB49.2 million (six-month period ended 30 June 2022: approximately RMB54.0 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.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

IMPORTANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

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

Management Discussion and Analysis

OUTLOOK

Looking back at the Period, China's rapid economic growth was hampered by macroeconomic factors at home and abroad. The overall economic environment was full of challenges and uncertainties. To dovetail with future business developments, the Group will persevere in its efforts to develop independent products and technologies, and strategically reduce low-margin businesses. Although revenue was negatively impacted in the short-term, the Group's gross profit margin successfully increased from 5.2% to 17.6%, testifying, to a certain extent, the success of the Group's transformation journey in recent years.

Looking ahead to the second half of 2023, competition in the Mainland IT market will be increasingly fierce, while uncertainties will linger in the complex market environment. As enterprises undergo digital transformation in full swing, the Group will focus on business innovation and industry development for enterprise-level customers, and combine artificial intelligence technology with industry customer scenarios to create "Artificial Intelligence Technology + Products + Services" comprehensive business model to help customers complete their digital transformation. In addition, the Group will continue to focus on smart technology and data governance, and strengthen the development of cloud computing services and smart applications (in manufacturing, healthcare, health and transportation industries), and offer service-based layout to the enterprise-level information technology market.

With different sectors pursuing digital transformation in depth, and AI technologies becoming gradually mature, 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 actively focused on developing innovative proprietary products and intelligent applications. It has set up the Genesis Artificial Intelligence Laboratory and a team staffed by professors, doctoral and master's degree holders from renowned domestic universities; and armed with leading technologies and specialized research and development ("**R&D**") expertise, in order to strengthen its product operation maintenance service capabilities. After these years of hard work, the Group has achieved certain results in the R&D of proprietary products and services. For example, it has launched various self-developed products including "5+AI Health" management products, CMP2020 multi-cloud management platform, Futong Voice of Customer (VOC) products, etc.

At the same time, the Group has signed a strategic cooperation memorandum with the Hong Kong Applied Science and Technology Research Institute Limited ("**ASTRI**") on 20 April 2023. The Group and ASTRI intend to enhance commercialisation impact of applied technology research and development outcomes by leveraging their respective experience and resource advantages. The Company and ASTRI intend to cooperate in AI, big data, knowledge graph, communication technology and other aspects to jointly promote the transformation of technological achievements in the future. Furthermore, the Group and ASTRI look forward to carrying out potential applied technology research based on the needs of enterprise-level customers and continuously promote the implementation of innovative technologies to maximize the economic benefits of scientific research results.

Having restructured its business and consolidated internal resources in recent years, the Group prides lower operating costs. In addition, starting from the second half of 2022, the Group has further adjusted its staff structure and streamlined some manpower to reduce costs. 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 costs and implementing stringent cost control measures, so as to maintain a robust financial position.

To achieve breakthroughs in a constantly changing market, the Group will continue to accelerate the pace of its business innovation and transformation; recruit top high-tech talent; consolidate the transformation of scientific research results and business foundation; strengthen market expansion; optimize technological and product innovation capabilities; and strive to become a technologically innovative enterprise. As an innovative technology company, the Group will focus on core product technologies to differentiate itself in today's complex market environment in order to gain a competitive edge and continue to drive business development.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

During the Period, the Board considered that the Company had applied the principles of and had complied with the code provisions set out in the Corporate Governance Code as stipulated in Part 2 of Appendix 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 unaudited condensed consolidated interim financial statements of the Group for the Period have also been reviewed by the audit committee of the Company.

SHARE OPTION SCHEME

On 16 May 2019, the shareholders of the Company approved and adopted a new share option scheme (the “**New Share Option Scheme**”) and terminated the share option scheme adopted on 11 November 2009 (the “**Old Share Option Scheme**”) (together, the “**Share Option Schemes**”). The Share Option Schemes were adopted for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The basis of eligibility of any of the eligible persons to the grant of share options shall be determined by the Board from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The New Share Option Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 16 May 2019.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board, which must not be more than 10 years from the date of the grant. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Schemes for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Schemes shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share.

The details of the principal terms and conditions of the New Share Option Scheme were summarised in the circular of the Company dated 11 April 2019. The details of the principal terms and conditions of the Old Share Option Scheme were summarised in the section headed “Share Option Scheme” in Appendix VI to the prospectus of the Company dated 24 November 2009.

Corporate Governance and Other Information

Details of the movement in outstanding share options, which have been granted under the Old Share Option Scheme, during the Period were as below:

Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price (HK\$)	Number of share options				As at 30 June 2023
					As at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period	
Directors									
Ms. Chen Jing	18 January 2016 (Note 6)	Note 1	Note 1	1.004	400,000	-	-	-	400,000
	28 March 2019	Note 3	Note 3	0.81	1,000,000	-	-	-	1,000,000
Sub-total					1,400,000	-	-	-	1,400,000
Chief executive									
Mr. Zhao Wei	18 January 2016 (Note 7)	Note 1	Note 1	1.004	400,000	-	-	-	400,000
	28 March 2019	Note 3	Note 3	0.81	1,000,000	-	-	-	1,000,000
					1,400,000	-	-	-	1,400,000
Employees									
	18 January 2016	Note 1	Note 1	1.004	400,000	-	-	-	400,000
	14 October 2016	Note 2	Note 2	1.250	600,000	-	-	-	600,000
	28 March 2019	Note 3	Note 3	0.81	3,600,000	-	-	-	3,600,000
Sub-total					4,600,000	-	-	-	4,600,000
Total					7,400,000	-	-	-	7,400,000

Corporate Governance and Other Information

Details of movement in outstanding share options, which have been granted under the New Share Option Scheme, during the Period were as below:

Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price (HK\$)	Number of share options				As at 30 June 2023
					As at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	
Directors									
Mr. Chen Jian	11 November 2020	Note 5	Note 5	0.518	2,000,000	-	-	-	2,000,000
Ms. Chen Jing	11 November 2020	Note 5	Note 5	0.518	500,000	-	-	-	500,000
Mr. Chow Siu Lui	11 November 2020	Note 5	Note 5	0.518	2,000,000	-	-	-	2,000,000
Mr. Lo Kwok Kwei David	11 November 2020	Note 5	Note 5	0.518	500,000	-	-	-	500,000
Mr. Yao Yun	11 November 2020	Note 5	Note 5	0.518	500,000	-	-	-	500,000
Sub-total					5,500,000	-	-	-	5,500,000
Chief executive									
Mr. Zhao Wei	11 November 2020	Note 5	Note 5	0.518	2,000,000	-	-	-	2,000,000
Employees									
	1 April 2020	Note 4	Note 4	0.57	2,760,000	-	-	-	2,760,000
	11 November 2020	Note 5	Note 5	0.518	3,300,000	-	-	-	3,300,000
Sub-total					6,060,000	-	-	-	6,060,000
Total					13,560,000	-	-	-	13,560,000

Save as disclosed above, no share options were granted to other participants.

The number of share options available for grant under the mandate of the New Share Option Scheme was 17,565,000 as at 1 January 2023 and 30 June 2023. The Company did not grant any share options during the Period.

Notes:

1. The options are exercisable from 18 January 2016 to 17 January 2026 (both days inclusive) subject to the following vesting periods.
 - (1) up to 30% of the options commencing on 18 January 2016;
 - (2) up to 60% of the options commencing on 18 January 2017; and
 - (3) up to 100% of the options commencing on 18 January 2018.

The closing price of the shares of the Company immediately before the date of grant was HK\$0.990.



Corporate Governance and Other Information

2. The options are exercisable from 14 October 2016 to 13 October 2026 (both days inclusive) subject to the following vesting periods:

- (1) up to 30% of the options commencing on 14 October 2016;
- (2) up to 60% of the options commencing on 14 October 2017; and
- (3) up to 100% of the options commencing on 14 October 2018.

The closing price of the shares of the Company immediately before the date of grant was HK\$1.25.

3. The options are exercisable from 28 March 2019 to 27 March 2029 (both days inclusive) subject to the following vesting periods:

- (1) up to 30% of the options commencing on 28 March 2019;
- (2) up to 60% of the options commencing on 28 March 2020; and
- (3) up to 100% of the options commencing on 28 March 2021.

The closing price of the shares of the Company immediately before the date of grant was HK\$0.81.

4. The options are exercisable from 1 April 2021 to 31 March 2030 (both days inclusive) subject to the following vesting periods:

- (1) up to 20% of the options commencing on 1 April 2021;
- (2) up to 40% of the options commencing on 1 April 2022;
- (3) up to 70% of the options commencing on 1 April 2023; and
- (4) up to 100% of the options commencing on 1 April 2024;

The closing price of the shares of the Company immediately before the date of grant was HK\$0.58.

5. The options are exercisable from 11 November 2021 to 10 November 2030 (both days inclusive) subject to the following vesting periods:

- (1) up to 20% of the options commencing on 11 November 2021;
- (2) up to 40% of the options commencing on 11 November 2022;
- (3) up to 70% of the options commencing on 11 November 2023; and
- (4) up to 100% of the options commencing on 11 November 2024.

The closing price of the shares of the Company immediately before the date of grant was HK\$0.51.

6. These share options were granted to Ms. Chen Jing before she became a Director.

7. These share options were granted to Mr. Zhao Wei before he became the chief executive officer of the Company.

Details of the value of share options granted are set out in note 19 to the condensed consolidated interim financial statements.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in the shares of the Company:

Name of Director/ Chief Executive	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Beneficial owner/interest in controlled corporations	215,708,000 (Notes 1, 2, 3, 4 and 5)	69.30
Chen Jing	Beneficial owner	1,238,000 (Note 6)	0.40
Zhao Wei	Beneficial owner	1,646,000 (Note 7)	0.53

(ii) Long positions in the underlying shares of the Company:

Name of Director/ Chief Executive	Capacity/nature of interest	Number of underlying shares held	Approximate percentage of the Company's issued share capital (%)
Chen Jian	Beneficial owner	2,000,000 (Note 8)	0.64
Chen Jing	Beneficial owner	1,900,000 (Note 8)	0.61
Chow Siu Lui	Beneficial owner	2,000,000 (Note 8)	0.64
Lo Kwok Kwei David	Beneficial owner	500,000 (Note 8)	0.16
Yao Yun	Beneficial owner	500,000 (Note 8)	0.16
Zhao Wei	Beneficial owner	3,400,000 (Note 8)	1.09



Corporate Governance and Other Information

Notes:

1. 153,947,250 of these shares are held by China Group Associates Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by China Group Associates Limited.
2. 28,421,100 of these shares are held by Rich China Investments And Trading Ltd., the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by Rich China Investments And Trading Ltd.
3. 21,435,100 of these shares are held by Rich World Development Ltd., the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by Rich World Development Ltd.
4. 10,710,550 of these shares are held by Long Joy Group Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chen Jian. By virtue of the SFO, Mr. Chen Jian is deemed to be interested in the shares held by Long Joy Group Limited.
5. 1,194,000 shares of the Company are held by Mr. Chen Jian as beneficial owner.
6. 1,238,000 shares of the Company are held by Ms. Chen Jing as beneficial owner.
7. 1,646,000 shares of the Company are held by Mr. Zhao Wei as beneficial owner.
8. These shares are derived from the interest in share options granted by the Company, details of which are set out in the section headed "Share Option Scheme".

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2023.

Discloseable Interests and Short Positions of Substantial Shareholders and Other Persons Under the SFO

As at 30 June 2023, the following persons or corporations (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or chief executive of the Company:

Long positions in the shares of the Company:

Name	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (%)
China Group Associates Limited (Note 1)	Beneficial owner	153,947,250	49.46
Rich China Investments And Trading Ltd. (Note 2)	Beneficial owner	28,421,100	9.13
Ms. Zhang Xin (Note 3)	Interest of spouse	217,708,000	69.95
Mr. Li Xiaoyong	Beneficial owner	26,440,000	8.49
Rich World Development Ltd. (Note 4)	Beneficial owner	21,435,100	6.89

Notes:

- China Group Associates Limited is a company incorporated in the British Virgin Islands ("BVI") with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of China Group Associates Limited.
- Rich China Investments And Trading Ltd. is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of Rich China Investments and Trading Ltd.
- Ms. Zhang Xin is the spouse of Mr. Chen Jian. Under the SFO, Ms. Zhang Xin is taken to be interested in the same number of shares in which Mr. Chen Jian is interested.
- Rich World Development Ltd. is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Chen Jian. Mr. Chen Jian is the sole director of Rich World Development Ltd.

Save as disclosed above, there was no person or corporation, other than a Director or chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO as at 30 June 2023.



Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors of 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)

Introduction

We have reviewed the condensed consolidated interim financial statements set out on pages 17 to 37 which comprise the condensed consolidated statement of financial position of Futong Technology Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”). The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**ISRE 2410**”). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 24 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2023

	NOTE	Six-month period ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	6	39,364	218,204
Cost of sales and services		(32,451)	(206,940)
Gross profit		6,913	11,264
Other income	7	6,219	1,951
Other gains and losses	7	(3,153)	(2,555)
Reversal/(provision) of impairment loss on financial and contract assets, net		1,656	(19)
Research and development costs		(8,126)	–
Selling expenses		(26,809)	(30,016)
Administrative expenses		(14,705)	(14,009)
Loss from operations		(38,005)	(33,384)
Finance costs	8	(67)	(27)
Loss before income tax	9	(38,072)	(33,411)
Income tax credit/(expense)	10	585	(156)
Loss and total comprehensive income for the period		(37,487)	(33,567)
Loss and total comprehensive income for the period attributable to:			
Owners of the Company		(37,477)	(33,556)
Non-controlling interests		(10)	(11)
		(37,487)	(33,567)
Loss per share			
Basic and diluted (RMB)	12	(0.12)	(0.11)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	3,429	3,949
Intangible assets	14	64,541	63,976
Right-of-use assets		19,230	19,624
Financial assets at fair value through profit or loss		1,165	3,632
Deferred tax assets	15	4,675	4,848
Total non-current assets		93,040	96,029
Current assets			
Inventories		2,210	4,715
Trade, bill and other receivables	16	72,852	51,541
Contract assets		2,446	114,570
Bank balances and cash		271,236	231,613
Total current assets		348,744	402,439
Current liabilities			
Trade and other payables	17	21,667	30,839
Contract liabilities		52,313	61,222
Lease liabilities		1,309	1,465
Tax payable		–	758
Total current liabilities		75,289	94,284
Net current assets		273,455	308,155
Total assets less current liabilities		366,495	404,184
Non-current liabilities			
Lease liabilities		1,307	1,829
NET ASSETS		365,188	402,355
CAPITAL AND RESERVES			
Share capital	18	27,415	27,415
Reserves		333,202	370,359
Equity attributable to owners of the Company		360,617	397,774
Non-controlling interests		4,571	4,581
Total equity		365,188	402,355

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2023

	Attributable to owners of the Company								Total equity
	Share capital	Share premium	Merger reserve	Share options reserve	Statutory reserves	Retained profit	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022 (audited)	27,415	81,538	219	2,631	81,058	279,625	472,486	4,609	477,095
Loss and total comprehensive income for the period	-	-	-	-	-	(33,556)	(33,556)	(11)	(33,567)
Recognition of equity-settled share-based payments (note 19)	-	-	-	423	-	-	423	-	423
Balance at 30 June 2022 (unaudited)	27,415	81,538	219	3,054	81,058	246,069	439,353	4,598	443,951
Balance at 1 January 2023 (audited)	27,415	81,538	219	3,472	81,058	204,072	397,774	4,581	402,355
Loss and total comprehensive income for the period	-	-	-	-	-	(37,477)	(37,477)	(10)	(37,487)
Recognition of equity-settled share-based payments (note 19)	-	-	-	320	-	-	320	-	320
Balance at 30 June 2023 (unaudited)	27,415	81,538	219	3,792	81,058	166,595	360,617	4,571	365,188

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2023

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	44,825	(125,259)
Net cash used in investing activities		
Bank interest received	2,229	1,668
Development cost paid	(9,642)	(20,670)
Purchase of property, plant and equipment	(161)	(327)
Purchase of financial assets at fair value through profit or loss	–	(154,500)
Sales of financial assets at fair value through profit or loss	–	120,500
Dividend received from financial assets at fair value through profit or loss	3,771	–
	(3,803)	(53,329)
Net cash used in financing activities		
Interest paid on lease liabilities	(67)	(27)
Payments on principle portion of lease liabilities	(763)	(944)
	(830)	(971)
Net increase/(decrease) in cash and cash equivalents	40,192	(179,559)
Cash and cash equivalents at 1 January	231,613	350,239
Effect of foreign exchange rate changes	(569)	183
Cash and cash equivalents at 30 June	271,236	170,863
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	269,419	158,040
Guaranteed deposits	1,817	12,823
	271,236	170,863

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

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 24 August 2023.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2022 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 2023. 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 2022 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 2022 consolidated financial statements.

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**”). BDO Limited’s independent review report to the board of directors is included on page 16.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

2. BASIS OF PREPARATION *(Continued)*

Going concern basis

The Group incurred a loss of approximately RMB37,487,000 during the six-month period ended 30 June 2023, this condition 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 30 June 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, 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.

3. CHANGES IN IFRSs

The International Accounting Standards Board (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 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillow Two Model Rules

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 2022 annual financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

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 (the "**CODM**"), in order to allocate resources and to assess performance.

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

- (a) Enterprise management business engages in the provision of IT infrastructure products, cloud computing management products, services and solutions;
- (b) Intelligent health management business engages in the provision of intelligent health management services; and
- (c) Intelligent 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 gain or loss on financial assets at fair value through profit or loss, head office and corporate income and expenses are excluded from such measurement.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

5. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the six months ended	Enterprise management business		Intelligent health management business		Intelligent manufacturing business		Total	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales to external customers	34,715	216,922	2	–	4,647	1,282	39,364	218,204
Segment results	(5,828)	(2,683)	(15,138)	(7,717)	(7,291)	(6,190)	(28,257)	(16,590)
Reconciliation:								
Fair value loss on financial assets at fair value through profit and loss							(2,577)	(3,729)
Interest income							2,229	1,668
Dividend income							3,771	–
Foreign exchange gain							574	1,169
Other unallocated gains and losses							219	269
Corporate and other unallocated expenses							(14,031)	(16,198)
Loss before tax							(38,072)	(33,411)
Income tax credit/(expense)							585	(156)
Loss for the period							(37,487)	(33,567)

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 30 June 2023 and 31 December 2022:

	Enterprise management business RMB'000	Intelligent health management business RMB'000	Intelligent manufacturing business RMB'000	Total RMB'000
Segment assets				
30 June 2023 (unaudited)	102,400	32,096	1,518	136,014
31 December 2022 (audited)	188,507	37,473	2,665	228,645
Segment Liabilities				
30 June 2023 (unaudited)	(55,838)	(903)	(3,861)	(60,602)
31 December 2022 (audited)	(71,024)	(931)	(5,040)	(76,995)

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Primary geographical markets		
The PRC	39,364	215,677
Hong Kong	–	2,527
	39,364	218,204
Major products/services lines		
Enterprise IT products	10,121	158,742
Provision of services	29,243	59,462
	39,364	218,204
Timing of revenue recognition		
At a point in time	10,121	158,742
Transferred over time	29,243	59,462
	39,364	218,204

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

6. REVENUE *(Continued)*

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Receivables (note 16)	35,798	15,341
Contract assets	2,446	114,570
Contract liabilities	52,313	61,222

Contract assets primarily relate to the Group's rights to consideration for the work completed but has not been certified by the receipt to be issued by customers at the reporting date on the 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 RMB18,207,000 as of 1 January 2023 has been recognised as revenue for the six-month period ended 30 June 2023 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

8. FINANCE COSTS

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	67	27

9. LOSS BEFORE INCOME TAX

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

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs:		
Salaries and allowances	43,581	50,131
Contributions to retirement benefit schemes	5,146	3,429
Equity-settled share-based payment	436	423
	49,163	53,983
Less: capitalised as intangible assets	(5,743)	(16,950)
	43,420	37,033
Other items:		
Carrying amount of inventories sold	9,466	154,484
Inventory write-down and write-off net of reversals, included in cost of sales	–	530
	9,466	155,014
Amortisation of intangible assets (note)	7,927	4,817
Depreciation of right-of-use assets	1,027	1,144
Depreciation of property, plant and equipment	684	733
Short-term lease expenses	949	1,215

Note: Amortisation charges of RMB7,896,000 (six-month period ended 30 June 2022: RMB4,779,000) and RMB31,000 (six-month period ended 30 June 2022: RMB38,000) have been included in cost of sales and services and administrative expenses respectively.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

10. INCOME TAX CREDIT/(EXPENSE)

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax – PRC income tax		
Over provision in respect of prior years	758	–
Deferred tax:		
Charged for the period	(173)	(156)
	585	(156)

- (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 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 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 RMB5,432,000 (six-month period ended 30 June 2022: RMB4,190,000) 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 2023, the Group has not recognised deferred tax liabilities of RMB9,329,000 (31 December 2022: RMB10,798,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounted to RMB186,576,000 (31 December 2022: RMB215,962,000), 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.



Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

11. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2022 was declared and paid to the owners of the Company (six-month period ended 30 June 2022: nil).

The directors have determined that no dividend will be paid in respect of the current interim period (six-month period ended 30 June 2022: nil).

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the six-month period ended 30 June 2023 is based on the loss for the period attributable to owners of the Company of RMB37,477,000 (six-month period ended 30 June 2022: RMB33,556,000) and the weighted average of 311,250,000 ordinary shares (six-month period ended 30 June 2022: 311,250,000 ordinary shares) in issue during the interim period.

The computation of diluted loss per share attributable to owners of the Company are the same as basic loss per share as the impact of the exercise of share options was anti-dilutive for the six-month periods ended 30 June 2023 and 30 June 2022.

13. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2023, the Group paid RMB161,000 (six-month period ended 30 June 2022: RMB327,000) for acquisition of furniture, fixtures and equipment.

14. INTANGIBLE ASSETS

During the six-month period ended 30 June 2023, the Group paid RMB9,642,000 (six-month period ended 30 June 2022: RMB20,670,000) in development of its cloud computing management systems and intelligent digitalised application systems.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

15. DEFERRED TAX ASSETS

Movement in deferred tax assets is as follows:

	Write-down of inventories RMB'000	Impairment losses on trade receivables and contract assets RMB'000	Accrued expenses and others RMB'000	Total RMB'000
At 1 January 2022 (audited)	3,113	1,236	182	4,531
(Charged)/credited for the year	11	319	(13)	317
At 31 December 2022 and 1 January 2023 (audited)	3,124	1,555	169	4,848
Charged for the period	–	(44)	(129)	(173)
At 30 June 2023 (unaudited)	3,124	1,511	40	4,675

16. TRADE, BILL AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	86,046	74,367
Less: allowance for doubtful debts	(50,668)	(59,026)
	35,378	15,341
Bill receivables	420	–
Total trade and bill receivables	35,798	15,341
Prepayments	29,468	27,952
Deposits	2,150	2,066
VAT receivables	3,155	4,702
Other receivables	2,281	1,480
	72,852	51,541

The Group allows an average credit period of 30 to 90 days (31 December 2022: 30 to 90 days) to its trade customers.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

16. TRADE, BILL AND OTHER RECEIVABLES *(Continued)*

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0 – 30 days	1,286	3,620
31 – 60 days	22	557
61 – 90 days	25,235	73
More than 90 days	9,255	11,091
	35,798	15,341

17. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	9,765	16,870
Other payables and accruals	11,902	13,969
	21,667	30,839

Average credit period on purchases of goods was 30 to 90 days (31 December 2022: 30 to 90 days). The following is the ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Less than 1 month	2,092	4,148
1 to 3 months	–	269
More than 3 months	7,673	12,453
	9,765	16,870

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

18. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised: At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 Ordinary Shares of HK\$0.1 each	2,000,000	200,000
Issued and fully paid: At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	311,250	31,125
Presented as		RMB'000 27,415

19. SHARE-BASED PAYMENTS

On 16 May 2019, the shareholders of the Company approved and adopted a new share option scheme (the "**New Share Option Scheme**") and terminated the share option scheme adopted on 11 November 2009 (the "**Old Share Option Scheme**") (together, the "**Share Option Schemes**"). The share option schemes were adopted for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the Directors shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

On 18 January 2016, the Company announced that a total of 2,200,000 share options (the "**Share Options A**") to subscribe for the Shares were granted by the Company to a non-executive director and the eligible employees of the Group (the "**Share Options A Grantees**"), subject to acceptance of the Share Options A Grantees, under the Old Share Option Scheme. A summary of this grant is set out below:

Exercise price of Share Options A	HK\$1.004 per Share
Closing price of the Shares on the date of grant	HK\$0.990
Validity period of the Share Options A	10 years, commencing on 18 January 2016
Vesting date of Share Options A	All Share Options A were vested in 2018

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

19. SHARE-BASED PAYMENTS *(Continued)*

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

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

On 28 March 2019, the Company announced that a total of 7,700,000 share options (the “**Share Options C**”) to subscribe for Shares were granted by the Company to a non-executive director and the eligible employees of the Group (the “**Share Options C Grantees**”), subject to acceptance of the Share Options C Grantees, under the Old Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options C	HK\$0.81 per Share
Closing price of the Shares on the date of grant	HK\$0.81
Validity period of the Share Options C	10 years, commencing on 28 March 2019
Vesting date of Share Options C	All Share Options C were vested in 2021

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

Exercise price of Share Options D	HK\$0.57 per Share
Closing price of the Shares on the date of grant	HK\$0.57
Validity period of the Share Options D	10 years, commencing on 1 April 2020
Vesting date of Share Options D	20%, 20%, 30% and 30% of the Share Options D were vested on 1 April 2021, 1 April 2022 and 1 April 2023, and will be vested on 1 April 2024, respectively

On 11 November 2020, the Company announced that a total of 11,800,000 share options (the “**Share Options E**”) to subscribe for Shares were granted by the Company to the directors and chief executive officer of the Company and eligible employees of the Group (the “**Share Options E Grantees**”), subject to acceptance of the Share Options E Grantees, under the New Share Option Scheme. A summary of the grant is set out below:

Exercise price of Share Options E	HK\$0.518 per Share
Closing price of the Shares on the date of grant	HK\$0.510
Validity period of the Share Options E	10 years, commencing on 11 November 2020
Vesting date of Share Options E	20%, 20%, 30% and 30% of the Share Options E were vested on 11 November 2021 and 11 November 2022, and will be vested on 11 November 2023 and 11 November 2024, respectively

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

19. SHARE-BASED PAYMENTS *(Continued)*

None of the share options were exercised during the current and prior interim period.

The fair values of Share Options A, Share Options B, Share Options C, Share Options D, Share Options E determined at the dates of grant were RMB712,000 (equivalent to HK\$847,000), RMB518,000 (equivalent to HK\$598,000), RMB1,227,000 (equivalent to HK\$1,435,000), RMB504,000 (equivalent to HK\$551,000) and RMB2,101,000 (equivalent to HK\$2,347,000) respectively. These fair values were calculated using Binomial Model.

The Group recognised total expense of RMB320,000 for the six-month period ended 30 June 2023 in relation to the Share Options D and Share Options E (six-month period ended 30 June 2022: RMB423,000).

20. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name of party	Relationships
北京深思軟件股份有限公司 Beijing Deep Thought Software Co., Ltd. ("Beijing Deep Thought")*	A company controlled by Mr Chen Jian, a director of the Company
數普金通數據技術有限公司 Supool Jintong Data Technology Co., Ltd. ("Supool Jintong")*	A company controlled by Mr Chen Jian, a director of the Company
北京時代興達計算機有限公司 Beijing Shidai Xingda Computer Limited ("Beijing Shidai Xingda")*	A company controlled by Mr. Chen Jian, a director of the Company

* The English translation of the company names is for reference only. The official names of these entities are in Chinese.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

20. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

During the six-month periods ended 30 June 2023 and 2022, the Group has following significant transactions with related parties:

	Six-month period ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Provision of service Supool Jintong	–	231
Purchase of inventories Supool Jintong	–	44
Rental expenses Supool Jintong	172	125

(c) Amounts due from/(to) related parties

At the end of the reporting period, the Group had the following balance with the related parties:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments (note i): Beijing Deep Thought	500	–
Supool Jintong	501	–
	1,001	–
Other receivables (note i): Beijing Shidai Xingda	26	–
Trade receivables (note i): Supool Jintong	188	–
Contract liabilities (note ii): Beijing Deep Thought	(46)	–

Note:

- (i) Amounts due from related parties are unsecured, interest free and expected to be recovered within one year.
- (ii) Amount due to a related party was unsecured, interest free and expected to be paid within one year.

Notes to the Condensed Consolidated Interim Financial Statements

For the six-month period ended 30 June 2023

20. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

The remuneration of directors of the Company and other members of key management during the six-month periods ended 30 June 2023 and 2022 were as follows:

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	5,327	5,044
Retirement benefits scheme contributions	519	452
Equity-settled share based payment	186	187
	6,032	5,683

Total remuneration was included under staff cost as set out in note 9 to the condensed consolidated interim financial statements.

21. PRIOR PERIOD RE-PRESENTATION

Certain comparative figures have been reclassified to conform to the current period's presentation. The changes included the reclassification of provision of net impairment loss on financial and contract asset previously classified under "Other gains and losses" to "Reversal/(provision) of impairment loss on financial and contract assets, net". The new classification of the accounting items was considered to provide a more appropriate presentation of the consolidated financial performance of the Group.

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Chen Jian (*Chairman*)

Non-executive Director

Ms. Chen Jing

Independent Non-executive Directors

Mr. Chow Siu Lui

Mr. Lo Kwok Kwei David

Mr. Yao Yun

COMPANY SECRETARY

Mr. Leung Ka Lung

REGISTERED OFFICE

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Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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30 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank, Ltd.
The Hong Kong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
China CITIC Bank International Limited
HSBC Bank (China) Company Limited
Standard Chartered Bank (China) Limited
China Merchants Bank Co., Ltd.
Bank of Beijing

LEGAL ADVISORS AS TO HONG KONG LAWS

Chiu & Partners

AUDITOR

BDO Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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