CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD.
中國優通未來空間產業集團控股有限公司

(formerly known as China U-Ton Holdings Limited（中國優通控股有限公司）)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6168)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of China U-Ton Future Space Industrial Group Holdings Ltd. (formerly known as China U-Ton Holdings Limited) (the "**Company**") dated 30 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the "**2019 Preliminary Results Announcement**"). Unless otherwise defined, terms defined in the 2019 Preliminary Results Announcement shall have the same meanings in this announcement.

The Board is pleased to announce that the Company's auditor, ZHONGHUI ANDA CPA Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Since financial information contained in the 2019 Preliminary Results Announcement was neither audited nor agreed with the Group's auditors as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. In this regard, the Company hereby sets forth details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules as shown in the section headed "Differences between Unaudited and Audited Annual Results" in this announcement.

The audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 is shown as follows:

HIGHLIGHTS

- The Group's revenue from continuing operations was RMB99,043,000 for the year ended 31 December 2019 (2018: RMB202,697,000), representing a decrease of RMB103,654,000 as compared with the previous financial year.

- The Company reported a loss attributable to the owners of the Company of RMB166,516,000 for the year ended 31 December 2019 (2018: loss of RMB226,221,000), representing a decrease of loss of RMB59,705,000 as compared with the corresponding period of the previous financial year.

- Loss per share for the year ended 31 December 2019 was RMB7.69 cents, representing an decrease of RMB3.36 cents as compared to RMB11.05 cents for the corresponding period of the previous financial year.

- The Board does not recommend payment of dividend for the year ended 31 December 2019 (2018: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*4*	**99,043**	202,697
Cost of sales/services		**(105,186)**	(134,702)
Gross (loss)/profit		**(6,143)**	67,995
Interest income		**4,662**	989
Other income		**3,766**	10,239
Other gains/(losses)		**(4,748)**	(122,748)
Selling expenses		**(7,487)**	(6,419)
Administrative expenses		**(92,832)**	(75,572)
Research and development expenses		**(7,168)**	(1,946)
Operating loss from continuing operations		**(109,950)**	(127,462)
Finance costs		**(50,651)**	(71,345)
Loss before taxation from continuing operations		**(160,601)**	(198,807)
Income tax	*5*	**(3,065)**	(4,098)
Loss for the year from continuing operations		**(163,666)**	(202,905)
Discontinued operation			
Profit for the year from discontinued operation, net of tax		**–**	3,767
Loss for the year		**(163,666)**	(199,138)
Other comprehensive loss for the year (after tax):			
Item that will not be reclassified to profit or loss:			
– Fair value changes of equity investment at fair value through other comprehensive income		**(11,325)**	(5,084)
Item that may be reclassified to profit or loss:			
– Exchange differences on translation of financial statements into presentation currency		**769**	4,208
Total comprehensive loss for the year		**(174,222)**	(200,014)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019 (Continued)

	Note	**2019** **RMB'000**	2018 *RMB'000*
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(166,516)**	(229,988)
– Discontinued operation		**–**	3,767
		(166,516)	(226,221)
Non-controlling interests			
– Continuing operations		**2,850**	27,083
		(163,666)	(199,138)
Total comprehensive loss attributable to:			
Owners of the Company		**(177,072)**	(227,097)
Non-controlling interests		**2,850**	27,083
		(174,222)	(200,014)
Basic and diluted loss per share (RMB cents)	*7*		
Continuing and discontinued operations		**(7.69)**	(11.05)
– Continuing operations		**(7.69)**	(11.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment		**125,106**	130,389
Investment properties		**25,786**	27,343
Intangible assets		**5,997**	8,325
Right-of-use assets		**7,378**	–
Goodwill		**66,708**	157,708
Equity investments at fair value through other comprehensive income		**61,251**	32,576
Prepayments for equity investments at fair value through other comprehensive income		**–**	2,300
Loan to customers	*9*	**57,577**	–
Contract assets		**98,522**	–
Prepayments, deposits and other receivables		**44,473**	–
		492,798	358,641
Current assets			
Investments at fair value through profit or loss		**37,292**	–
Inventories		**1,710**	5,615
Trade and bill receivables	*8*	**177,571**	205,387
Loan to customers	*9*	**85,093**	167,672
Contract assets		**17,008**	242,101
Prepayments, deposits and other receivables		**80,844**	116,009
Amount due from a director		**5,818**	–
Restricted bank deposits		**–**	2,290
Cash at bank and on hand		**29,384**	78,593
		434,720	817,667

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (Continued)

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Current liabilities			
Trade and other payables	*10*	**208,745**	226,856
Payables for acquisition of a subsidiary		**27,500**	266,839
Bank and other borrowings		**68,707**	48,000
Corporate bonds		**146,010**	42,499
Convertible bonds		**–**	29,489
Guaranteed notes		**97,819**	100,524
Lease liabilities		**3,804**	–
Income tax payable		**21,218**	20,925
Provision for warranties		**771**	741
		574,574	735,873
Net current (liabilities)/assets		**(139,854)**	81,794
Total assets less current liabilities		**352,944**	440,435
Non-current liabilities			
Corporate bonds		**136,794**	195,470
Lease liabilities		**4,200**	–
Deferred tax liabilities		**57**	443
		141,051	195,913
NET ASSETS		**211,893**	244,522
Capital and reserves			
Share capital	*11*	**203,023**	170,909
Reserves		**(49,587)**	18,106
Equity attributable to owners of the Company		**153,436**	189,015
Non-controlling interests		**58,457**	55,507
TOTAL EQUITY		**211,893**	244,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the principal place of business is Room 2404, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Group is principally engaged in the provision of design, deployment and maintenance of optical fibers services, other communication networks services, environmentally intelligent technical products and services and money lending services.

2. GOING CONCERN BASIS

The Group incurred a loss of RMB163,666,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of RMB139,854,000 and unsettled matured loans and payables of RMB448,297,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, to provide liquidity and cash flows and sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

(i) The Group is negotiating with lenders to extend repayment of loans and interests;

(ii) The Group is negotiating with the debtors to accelerate the settlement of receivables;

(iii) The Group is looking for opportunity for disposal of certain assets of the Group; and

(iv) The Group is negotiating with the subscriber to complete the share subscription for fund raising.

In addition, the management of the Group is also implementing cost-saving measures to improve its operating cash flows and financial position.

On the basis that the Group can successfully completed the certain measures as mentioned above to improve its operating results and cash flows, the directors of the Company believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

IFRS 16 "Leases"

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 "Leases."

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	RMB'000
Operating lease commitment at 31 December 2018:	15,544
Less: Recognition exemption – short-term leases	(3,503)
Gross operating lease obligations at 1 January 2019	12,041
Discounting by 12%	(4,150)
Lease liabilities as at 1 January 2019	7,891
Analysed as:	
Current	2,422
Non-current	5,469
	7,891

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	7,891
By class:	
Land and buildings	7,891

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are the provision of design, deployment and maintenance of optical fibers services, other communication networks services, environmentally intelligent technical products and services, and money lending services.

Revenue mainly represents contract revenue from the design, deployment and maintenance of optical fibers services, contract revenue from the other communication networks services, environmentally intelligent technical products and services, and money lending.

The amount of each significant category of revenue from continuing operations and discontinued operation recognised during the period is as follows:

	2019	2018
	RMB'000	*RMB'000*
Continuing operations:		
Revenue from the provision of design, deployment and maintenance of optical fibers services	**46,319**	65,472
Revenue from other communication networks services	**3,056**	18,418
Revenue from environmentally intelligent technical products and services	**30,686**	96,431
Revenue from contracts with customers	**80,061**	180,321
Revenue from the provision of money lending services	**18,982**	22,376
Subtotal	**99,043**	202,697
Discontinued operation:		
Revenue from the installation and sales of low-voltage system equipment and related accessories – revenue from contracts with customers	**–**	215,228
	99,043	417,925

For the year ended 31 December 2019, revenue from transactions with two (2018: two) customers have exceeded 10% of the Group's revenue. Revenue from these customers amounted to RMB41,156,000 (2018: RMB51,374,000) in the continuing operation and RMB Nil (2018: RMB130,232,000) in the discontinued operation for the year ended 31 December 2019.

Geographic information and timing of revenue recognition

At 31 December 2019 and 2018, substantially all of the Group's non-current assets are physically located or allocated to operations in the People's Republic of China (the "**PRC**"). The following table sets out information about the geographic location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services provide or the goods delivered.

Disaggregation of revenue from contracts with customers:

2019

Segments	Continuing operations					Discontinued operation	
Segments	**Optical fibers**	**Communication networks**	**Money lending**	**Environmentally intelligent technical products and services**	**Sub-total**	**Low-voltage system**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Geographical markets							
The PRC including Hong Kong	**46,319**	**–**	**18,982**	**30,686**	**95,987**	**–**	**95,987**
Africa	**–**	**3,056**	**–**	**–**	**3,056**	**–**	**3,056**
Total	**46,319**	**3,056**	**18,982**	**30,686**	**99,043**	**–**	**99,043**
Timing of revenue recognition							
At a point in time	**–**	**–**	**N/A**	**11,887**	**11,887**	**–**	**11,887**
Over time	**46,319**	**3,056**	**N/A**	**18,799**	**68,174**	**–**	**68,174**
Total	**46,319**	**3,056**	**N/A**	**30,686**	**80,061**	**–**	**80,061**

2018

	Continuing operations					Discontinued operation	
Segments	Optical fibers	Communication networks	Money lending	Environmentally intelligent technical products and services	Sub-total	Low-voltage system	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Geographical markets							
The PRC including Hong Kong	65,472	–	22,376	96,431	184,279	215,228	399,507
Africa	–	18,418	–	–	18,418	–	18,418
Total	65,472	18,418	22,376	96,431	202,697	215,228	417,925
Timing of revenue recognition							
At a point in time	–	–	N/A	36,954	36,954	–	36,954
Over time	65,472	18,418	N/A	59,477	143,367	215,228	358,595
Total	65,472	18,418	N/A	96,431	180,321	215,228	395,549

5. INCOME TAX

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Current tax – Hong Kong Profits Tax						
– provision for the year	**3,069**	3,301	**–**	–	**3,069**	3,301
– under-provision for previous year	**–**	417	**–**	–	**–**	417
Current tax – PRC Corporate Income Tax						
– provision for the year	**382**	717	**–**	4,337	**382**	5,054
Deferred tax	**(386)**	(337)	**–**	–	**(386)**	(337)
	3,065	4,098	**–**	4,337	**3,065**	8,435

The Company and the subsidiaries of the Group incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations in their respective jurisdictions of incorporation.

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2019 (2018: 16.5%).

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2019 (2018: 25%).

One of the subsidiaries of the Group established in the PRC have obtained approvals from the tax bureaux to be taxed as enterprises with advanced and new technologies. As a result, the subsidiary enjoyed a preferential PRC Corporate Income Tax rate of 15% for the three years ended 31 December 2019.

One of the subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises registered in Khorgos of Xinjiang province. As a result, the subsidiary is exempted from enterprise income tax for the five years ended 31 December 2022.

One of the subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as Small Low-Profit Enterprises. As a result, the subsidiary enjoyed a preferential PRC Corporate Income Tax rate of 20% for the three years ended 31 December 2021.

Pursuant to the approvals obtained from the tax authorities, the discontinued operation in the PRC are being taxed at fixed percentages of the respective subsidiaries' revenue for the year by 2%.

6. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

7. LOSS PER SHARE

Basic loss per share

The basic loss per share for the year ended 31 December 2019 is calculated based on the loss attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Loss attributable to ordinary equity shareholders of the Company:

	2019	2018
	RMB'000	*RMB'000*
From continuing operations	**(166,516)**	(229,988)
From discontinued operation	**–**	3,767
	(166,516)	(226,221)

Weighted average number of ordinary shares:

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**2,086,345**	1,987,620
Effect of shares issued to equity shareholders of the Company in 2018	**–**	59,025
Effect of shares issued to equity shareholders of the Company in 2019	**79,555**	–
Weighted average number of ordinary shares for the year ended 31 December	**2,165,900**	2,046,645

Basic earnings per share from the discontinued operation for the year ended 31 December 2018 is RMB0.19 cents per share.

Diluted loss per share

There were no dilutive potential shares outstanding during the years ended 31 December 2019 and 2018. The Group's convertible bonds and share options could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the years ended 31 December 2019 and 2018.

8. TRADE AND BILL RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bill receivables	**209,135**	227,475
Less: allowance for doubtful debts	**(31,564)**	(22,088)
	177,571	205,387

(a) Ageing analysis

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**60,280**	146,029
91 to 180 days	**17,120**	11,404
181 to 365 days	**39,158**	14,763
Over 1 year	**61,013**	33,191
	177,571	205,387

The credit period of individual customer is considered on a case-by-case basis.

(b) Impairment of trade and bill receivables

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bill receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**22,088**	27,818
Impairment losses recognised	**9,476**	–
Reversal of impairment losses recognised	**–**	(5,730)
At 31 December	**31,564**	22,088

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade and bill receivables. To measure the expected credit losses, trade and bill receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Within 90 days past due	91 to 270 days past due	271 to 365 days past due	Over 1 year past due	Total
At 31 December 2019						
Weighted average expected loss rate	0%	0%	0%	0%	60%	15%
Receivable amount (RMB'000)	60,280	17,120	39,158	40,078	52,499	209,135
Loss allowance (RMB'000)	–	–	–	–	31,564	31,564
At 31 December 2018						
Weighted average expected loss rate	0%	0%	0%	0%	76%	10%
Receivable amount (RMB'000)	146,029	11,404	14,763	26,037	29,242	227,475
Loss allowance (RMB'000)	–	–	–	–	22,088	22,088

(c) Retentions receivable

The amount of retentions receivable from customers, recorded within "trade and bill receivables" at 31 December 2019 is RMB13,806,000 (2018: RMB6,942,000). The amount of those retentions receivable expected to be recovered after more than one year is RMB4,484,000 (2018: RMB2,519,000).

9. LOAN TO CUSTOMERS

	2019	2018
	RMB'000	*RMB'000*
Loan to customers	**153,781**	167,672
Less: allowance for doubtful debts	**(11,111)**	–
	142,670	167,672
Analysed as:		
Current assets	**85,093**	167,672
Non-current assets	**57,577**	–
	142,670	167,672

Loan to customers are denominated in HK$. The loan to customers carry a fixed effective interest rate at 15% per annum with credit terms mutually agreed with the customers.

(a) Ageing analysis

The maturity profile of loan to customers net of allowance at the end of reporting period, analysed by the remaining period to the contractual maturity date is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**85,093**	167,672
1-2 years	**57,577**	–
	142,670	167,672

The credit period of individual customer is considered on a case-by-case basis.

(b) Impairment of loan to customers

Impairment losses in respect of loan to customers are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan to customers directly.

The movements in the allowance for doubtful debts during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**–**	–
Impairment losses recognised	**11,111**	–
At 31 December	**11,111**	–

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan to customers. To measure the expected credit losses, loan to customers have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**Within 365 days past due**	**Total**
At 31 December 2019			
Weighted average expected loss rate	**0%**	**14%**	**7%**
Receivable amount (RMB'000)	**73,885**	**79,896**	**153,781**
Loss allowance (RMB'000)	**–**	**11,111**	**11,111**
At 31 December 2018			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	47,901	119,771	167,672
Loss allowance (RMB'000)	–	–	–

10. TRADE AND OTHER PAYABLES

		2019	2018
		RMB'000	*RMB'000*
Trade payables due to third parties		**118,905**	141,405
Other payables and accrued expenses:			
– accrued expenses		**6,950**	6,143
– payables for staff related costs		**17,715**	20,397
– other taxes payables		**4,176**	15,500
– payables for interest expenses		**31,170**	8,863
– amounts due to non-controlling equity holders	(i)	**274**	142
– others		**29,555**	34,406
		89,840	85,451
Total		**208,745**	226,856

Note:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**20,473**	49,697
91 to 180 days	**8,213**	11,713
181 to 365 days	**18,794**	17,086
Over 1 year	**71,425**	62,909
	118,905	141,405

11. SHARE CAPITAL

Movements of the share capital of the Company are as follows:

	No. of shares *'000*	*HKD'000*
Authorised:		
Ordinary shares of HK$0.10 each	4,000,000	400,000

Ordinary shares, issued and fully paid:

	No. of shares *'000*	*RMB'000*
Issued and fully paid:		
At 1 January 2018	1,987,620	162,874
Shares issued	98,725	8,035
At 31 December 2018	2,086,345	170,909
Shares issued	356,329	32,114
At 31 December 2019	2,442,674	203,023

i) On 2 July 2019, the Company issued 21,415,555 ordinary shares to settle part of the contingent consideration of acquisition of a subsidiary. HK$2,141,000 (equivalent to approximately RMB1,877,000) was credited to share capital and HK$12,635,000 (equivalent to approximately RMB11,076,000) was credited to the share premium account.

ii) On 18 October 2019, the Company issued 334,913,945 ordinary shares to settle part of the contingent consideration of acquisition of a subsidiary. HK$33,491,000 (equivalent to approximately RMB30,237,000) was credited to share capital and HK$66,983,000 (equivalent to approximately RMB60,474,000) was credited to the share premium account.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporate bonds, convertible bonds and guaranteed notes) less cash at bank and on hand and restricted bank deposits. Capital comprises all components of equity.

During 2019, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 December 2019 and 2018 was as follows:

	2019	2018
	RMB'000	*RMB'000*
Current liabilities:		
Bank and other borrowings	**68,707**	48,000
Corporate bonds	**146,010**	42,499
Convertible bonds	**–**	29,489
Guaranteed notes	**97,819**	100,524
	312,536	220,512
Non-current liabilities:		
Corporate bonds	**136,794**	195,470
Total debt	**449,330**	415,982
Less: Cash at bank and on hand	**(29,384)**	(78,593)
Restricted bank deposits	**–**	(2,290)
Adjusted net debt	**419,946**	335,099
Total equity	**211,893**	244,522
Adjusted net debt-to-capital ratio	**198%**	137%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of RMB163,666,000 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of RMB139,854,000 and unsettled matured loans and payables of RMB448,297,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Audited Annual Results 2019	Unaudited Annual Results Disclosed in the Announcement 2019	Differences	*Notes*
	RMB'000	*RMB'000*	*RMB'000*	
Continuing operations				
Revenue	99,043	99,492	(449)	*(i)*
Cost of sales/services	(105,186)	(105,567)	381	*(i)*
Gross (loss)/profit	(6,143)	(6,075)	(68)	*(i)*
Interest income	4,662	4,661	1	*(ii)*
Other gains/(losses)	(4,748)	(3,483)	(1,265)	*(iii)*
Selling expenses	(7,487)	(7,486)	(1)	*(ii)*
Administrative expenses	(92,832)	(92,711)	(121)	*(iv)*
Loss for the year	(163,666)	(162,212)	(1,454)	
Other comprehensive loss for the year (after tax):				
Items that will not be reclassified to profit or loss:				
– Fair value changes of equity investment at fair value through other comprehensive income	(11,325)	(10,540)	(785)	*(v)*
Loss for the year attributable to:				
Owners of the Company				
– Continuing operations	(166,516)	(165,206)	(1,310)	
Non-controlling interests				
– Continuing operations	2,850	2,994	(144)	
Total comprehensive loss attributable to:				
Owners of the Company	(177,072)	(174,977)	(2,095)	
Non-controlling interests	2,850	2,994	(144)	
Basic and diluted loss per share (RMB cents)				
Continuing and discontinued operations				
– Continuing operations	(7.69)	(7.63)	(0.06)	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

	Audited Annual Results 2019 *RMB'000*	**Unaudited Annual Results Disclosed in the Announcement 2019** *RMB'000*	**Differences** *RMB'000*	*Notes*
Non-current assets				
Equity investments at fair value through other comprehensive income	61,251	62,036	(785)	*(v)*
Loan to customers	57,577	–	57,577	*(vi)*
Contract assets	98,522	–	98,522	*(vi)*
Prepayments, deposits and other receivables	44,473	–	44,473	*(vi)*
Current assets				
Trade and bill receivables	177,571	177,777	(206)	*(vii)*
Loan to customers	85,093	142,670	(57,577)	*(vi)*
Contract assets	17,008	115,530	(98,522)	*(vi)*
Prepayments, deposits and other receivables	80,844	131,748	(50,904)	*(viii)*
Current liabilities				
Trade and other payables	208,745	213,927	(5,182)	*(ix)*
Capital and reserves				
Reserves	(49,587)	(47,491)	(2,096)	
Non-controlling interest	58,457	58,601	(144)	

Notes:

i. The differences in revenue, cost of sales/services and gross (loss)/profit were mainly due to some immaterial change of estimates of costs to complete.

ii. The differences in interest income and selling expenses were mainly due to rounding difference.

iii. The difference in other gains/(losses) was mainly due to the increase in impairment losses on prepayments, deposits and other receivables.

iv. The difference in administrative expenses was mainly due to the increase in travelling expenses.

v. The differences in fair value changes of equity investment at fair value through other comprehensive income and equity investments at fair value through other comprehensive income were mainly due to the increase in fair value change of wealth management product.

vi. The differences were mainly due to the reclassification from current assets to non-current assets.

vii. The difference in trade and bill receivables was mainly due to the increase in impairment losses on trade and bill receivables.

viii. The difference in prepayments, deposits and other receivables was mainly due to the increase in impairment losses on prepayments, deposits and other receivables, reclassification from trade and other payables and reclassification to non-current assets.

ix. The difference in trade and other payables was mainly due to the reclassification to prepayments, deposits and other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's revenue from continuing operations for the year ended 31 December 2019 was RMB99,043,000, representing a year-on-year decrease by approximately 51.1% from RMB202,697,000 for the same period in 2018.

The Company reported a loss attributable to the owners of the Company of RMB166,516,000 for the year ended 31 December 2019, representing a decrease of loss of RMB59,705,000 from loss of RMB226,221,000 for the year ended 31 December 2018, or approximately 26.4% when compared with the corresponding period of the previous financial year.

The substantial decrease in loss attributable to the owners of the Company was due to the net result of the following reasons: 1) changes in the contingent consideration for acquisition of Beijing Yourui Jiahe Electronic Technology Co., Ltd.*（北京優瑞嘉和電子科技有限公司）("**Yourui**") from a recognition of fair value loss of RMB73,339,000 for the same period in 2018 to a recognition of fair value profit of RMB125,675,000 in the current year, 2) a decrease in the net foreign exchange difference relating to borrowing from loss of RMB19,712,000 for the same period in 2018 to RMB7,227,000 in the current year, and 3) an increase of impairment losses on goodwill of RMB91,000,000 (nil in 2018).

BUSINESS REVIEW

The Group is principally engaged in the provision of design, deployment and maintenance of optical fibers services, other communication networks services, environmentally intelligent technical products and services and money lending services.

Design, deployment and maintenance services of optical fibers

During the year ended 31 December 2019, decrease in revenue of deployment services of optical fibers was mainly due to significant decrease in traditional deployment construction revenue in Hebei Province due to keen competition of the market.

Other communication network services

Except for optical fibers related services, the group also provides other integrated services relating to design, construction and maintenance of communication networks.

Environmentally intelligent technical products and services

Provision of environmentally intelligent technical products and services is a new segment as a result of the acquisition of Yourui in 2018. Yourui positions itself as a high-tech company which provides clients with environmental protection related services and solutions based on big data analysis. The products and services provided by Yourui is mainly in relation to the design, development and integration of hardware and software systems which are based on the Internet and Internet of Things. Yourui also provides tailor-made services to customers in relation to the setting up of customized systems, provision of operation and maintenance services.

Money lending services

Money lending business is a new operating segment since July 2017. The Group has obtained a money lenders license in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The money lending segment principally earns interest income from loans to third parties.

FUTURE PLANS AND PROSPECTS

Looking forward, the Group expects the operating environment will continue to be challenging. However, the application of wireless technology by the market and the promotion of cloud computing, big data and data centres, together with upgrades in systems and skills and application of 4G and 5G, is expected to lead to a multi-fold increase in the global demand for bandwidth in the next few years. Optical fiber broadband network construction is the forerunner of all infrastructure, and the most important ring for the economic development of countries in the surrounding areas under the One Belt One Road initiative, as well as those in the Middle East and Africa. Upgrade of existing networks and laying of new networks are required to cope with the local needs for future development. The Group is proactively looking for business opportunities to expand its existing business in the PRC and overseas.

In order to cope with the anticipated challenges and staying competitive, more efforts will be made to strengthen internal control and management, strictly control production costs and operating expenses. The Group will also continue to explore the opportunities to diversify its business with the ultimate aim of bringing greater value to our shareholders in the long run.

FINANCIAL REVIEW

	Year ended 31 December		
	2019	2018	Increase
Continuing operations	***RMB'000***	*RMB'000*	(Decrease)%
Revenue	**99,043**	202,697	(51.1)
Gross (loss)/profit	**(6,143)**	67,995	(109.0)
EBITDA	**(95,962)**	(118,915)	(19.3)
EBITDA margin %	**(96.9%)**	(58.7%)	38.2
Net loss	**(163,666)**	(202,905)	(19.3)
Loss for the year attributable to the owners of the Company	**(166,516)**	(229,988)	(27.6)
Net loss margin	**(165.2%)**	(100.1%)	65.1

Continuing and discontinued operations	Year ended 31 December **2019** ***RMB cents***	2018 *RMB cents*	Decrease *RMB cents*
Basic loss per share	**(7.69)**	(11.05)	3.36

	As at 31 December 2019	As at 31 December 2018
Current ratio	**0.8**	1.1
Gearing ratio	**198.2%**	137.0%

Revenue

The Group's revenue from continuing operations for the year ended 31 December 2019 was RMB99,043,000, representing a decrease of approximately 51.1% over the corresponding period of the previous financial year. The decrease in revenue is the combined effect of the decrease in all four business segments – the provision design, deployment and maintenance of optical fiber services, the provision of other communication networks services, the provision of environmentally intelligent technical products and services, and money lending services.

Amongst all, the drop in revenue in the environmentally intelligent technical products and services amounted to RMB65,745,000 was the major factor. 2019 was the 70th anniversary of China, many enterprises expected that the whole Beijing city would be subject to strict controls. Thus, many large-scale services either within or near the Beijing city had either been completed before the start of 2019 or deferred to 2020.

The revenue derived from design, deployment and maintenance services of optical fibers had decreased by RMB19,153,000. It was mainly due to keen competition of the provision of traditional deployment methods services in the Hebei province.

Gross (loss)/profit

The Group reported a gross loss from continuing operations for the year ended 31 December 2019 as compared with the gross profit for the corresponding period of the previous financial year. The decrease in the gross margin was primarily due to the drop of profit margin in all the business segments due to tight competition.

The following table sets forth the gross (loss)/profit of each of our services for the years indicated:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Gross (loss)/profit by services				
Continuing Operations				
Revenue from the provision of design, deployment and maintenance of optical fibers services				
– Traditional deployment methods	**(36,570)**	**595.3**	(29,599)	(43.5)
– Micro-ducts and mini-cables system integration methods	**(3,261)**	**53.1**	13,883	20.4
Sub-total	**(39,831)**	**648.4**	(15,716)	(23.1)
Other communication networks services	**(574)**	**9.3**	3,679	5.4
Revenue from the provision of environmentally intelligent technical products and services	**15,580**	**(253.6)**	59,130	87.0
Money lending	**18,682**	**(304.1)**	20,902	30.7
	(6,143)	**100.0**	67,995	100.0
Discontinued operation				
Revenue from the installation and sales of low-voltage system equipment and related accessories	**–**		79,781	
	(6,143)		147,776	

The following table sets forth the gross (loss)/profit margin of each of the services for the years indicated:

	Year ended 31 December		
	2019	2018	Increase/ (Decrease)
	%	%	percent point
Continuing Operations			
Gross margin by services			
Revenue from the provision of design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**(122.3)**	(368.7)	246.4
– Micro-ducts and mini-cables system integration methods	**(19.3)**	24.2	(43.5)
Overall	**(86.0)**	(24.0)	(62.0)
Other communication networks services	**(18.8)**	20.0	(38.8)
Revenue from the provision of environmentally intelligent technical products and services	**50.8**	61.3	(10.5)
Money lending	**98.4**	93.4	5.0
Overall gross margin	**(6.2)**	33.5	(39.7)
Discontinued operation			
Revenue from the installation and sales of low-voltage system equipment and related accessories	**–**	37.1	(37.1)

Other income from continuing operations

The Group's other income from continuing operations for the year ended 31 December 2019 was RMB3,766,000, representing a decrease of approximately 63.2% from the corresponding period of the previous financial year.

The decrease in other income was mainly due to a one-off other income over the settlement of trade receivables by the transfer of property in the year ended 31 December 2018 amounted to RMB7,300,000.

Other gains/(losses)

The decrease in other gains/(losses) was mainly caused by the net result of the following reasons: 1) changes in the contingent consideration for acquisition of Yourui from a recognition of fair value loss of RMB73,339,000 for the same period in 2018 to a recognition of fair value profit of RMB125,675,000 in the current year and 2) an increase of impairment losses on goodwill of RMB91,000,000 (nil in 2018).

Fair value change of contingent consideration represented the different of contingent consideration paid and payable for the acquisition of Yourui. Pursuant to the share purchase agreement of which, in the event that Yourui meets the performance guarantee of 2017 and 2018, consideration shares shall be allotted and issued by the Company to the vendors. Pursuant to the audited accounts of Yourui for the year ended 31 December 2017 and 2018, Yourui had met the performance guarantee. As a result, the Group had issued consideration shares to the vendors during the year. As the prevailing market price at time of allotting the consideration shares was lower than the book record price, the difference was recorded in the changes in fair value of contingent consideration.

Finance cost

Finance cost mainly included interest charged from bank and other borrowings, corporate bonds, convertible bonds and guaranteed notes and net foreign exchange differences on debts. The decrease in finance cost was mainly due to the net foreign exchange difference relating to debts which changed to loss of RMB7,227,000 for the year ended 31 December 2019 from loss of RMB19,712,000 for the same period in 2018.

Loss from continuing operations attributable to owners of the Company

For the reasons above, the Group recorded net loss from continuing operations attributable to owners of the Company of RMB166,516,000 for the year ended 31 December 2019 compared to net loss of RMB229,988,000 for the corresponding period in 2018, representing a decrease of loss approximately 27.6%.

Goodwill

As at 31 December 2019, before impairment testing, goodwill of RMB157,708,000 was allocated to the provision of environmentally intelligent technical products and services. Due to changes in market condition, the Group has revised its cash flow forecasts for its cash generating units. The goodwill allocated to the provision of environmentally intelligent technical products and services has therefore been reduced to its recoverable amount of RMB66,708,000 through recognition of an impairment loss against goodwill of RMB91,000,000 during the year.

Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income mainly included (1) investment of RMB22,036,000, representing approximately 1.76% of equity interest of Sino Partner Global Limited ("**Sino Partner**"). Sino Partner principally engaged in the design, development, manufacturing and sales of high performance supercars under the brand "Apollo"; and (2) investment of RMB39,215,000 in an investment fund which is mainly focused on investments in new retail and commercial fields.

Convertible bonds

On 27 June 2017, the Company issued convertible bonds with a nominal value of and USD4,000,000 (equivalent to HK$31,200,000) to Donghai Investment Fund Series SPC to raise capital for the Group. All these convertible bonds have a maturity period of 2 years from their respective dates of issuance, bear interest at 8% per annum payable semi-annually. These convertible bonds are guaranteed by Mr. Jiang. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the corresponding convertible bond instrument: (i) Mr. Jiang ceases to be the chairman of the Board; (ii) Mr. Jiang, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 30% of the issued shares of the Company; and (iii) all or any substantial part of the assets of the Mr. Jiang is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government. For details, please refer to the Company's announcements dated 15 June 2017 and 27 June 2017.

These convertible bonds had matured on 27 June 2019. The Company will repay all of the outstanding amount of the convertible bond in accordance with a new repayment schedule agreed by the bond holders. As the conversion rights has already expired, the outstanding amount of convertible bonds was transferred to corporate bonds. For further details, please refer the announcements of the Company dated 17 July 2019 and 18 July 2019.

Guaranteed notes

In January 2017 and June 2017, the Company issued guaranteed notes with a nominal value of USD10,000,000 (equivalent to approximately HK$78,000,000) and USD4,000,000 (equivalent to approximately HK$31,200,000), respectively. These guaranteed notes are guaranteed by Mr. Jiang. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the corresponding note instrument: (i) Mr. Jiang ceases to be the chairman of the Board; (ii) Mr. Jiang, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 30% of the issued shares of the Company; and (iii) all or any substantial part of the assets of the Mr. Jiang is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government. For details, please refer to Company's announcements dated 18 January 2017, 10 February 2017, 15 June 2017, 27 June 2017 and 17 January 2019.

All guaranteed notes have a maturity period of 2 years, with interest bearing at 11% per annum and are repayable semi-annually. The US$4,000,000 guaranteed note and US$10,000,000 guaranteed note had matured on 27 June 2019 and 17 July 2019, respectively. The Company will repay all of the outstanding amount of the guaranteed notes in accordance with a new repayment schedule agreed by the subscribers. For further details, please refer to the announcements of the Company dated 17 July 2019 and 18 July 2019.

Liquidity and financial resources

As at 31 December 2019, the Group had current assets of approximately RMB434,720,000 (31 December 2018: RMB817,667,000) which comprised cash and cash equivalents amounted to approximately RMB29,384,000 as at 31 December 2019 (31 December 2018: RMB78,593,000). As at 31 December 2019, the Group had non-current liabilities and current liabilities amounted to approximately RMB141,051,000 and RMB574,574,000 (31 December 2018: RMB195,913,000 and RMB735,873,000), consisting mainly of payables, corporate bonds, guaranteed notes, bank and other borrowings arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.8 as at 31 December 2019 (31 December 2018: 1.1).

The Group finances its operation primarily with the use of internally-generated cashflows and banking facilities.

Gearing ratio

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporate bonds, convertible bonds and guaranteed notes less cash at bank and on hand and restricted bank deposits. Capital comprises all components of equity. The gearing ratio was approximately 198.2% as at 31 December 2019 (31 December 2018: approximately137.0%).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

For the year ended 31 December 2019, the Group's bank loans were made in Renminbi carried at fixed rates.

Foreign exchange exposure

For the year ended 31 December 2019, the Group had corporate bonds and guaranteed notes which are denominated in foreign currencies and consequently we have foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the report date. During the year ended 31 December 2019, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign exchange risk.

Capital structure

The shares of the Company were listed on Main Board of the Stock Exchange. The capital of the Company mainly comprises ordinary shares and capital reserves.

Capital commitments

Capital commitments contracted but not provided for in the financial statements as at 31 December 2019 are nil (31 December 2018: nil).

Dividend

The Board does not recommend the payment of dividend for the year ended 31 December 2019 (2018: Nil).

Information on employees

As at 31 December 2019, the Group had 196 employees (31 December 2018: 373), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB60,893,000 for the year ended 31 December 2019 as compared to approximately RMB36,553,000 for the year ended 31 December 2018. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonus may be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local PRC authorities as well as share options.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

FULFILLMENT OF PERFORMANCE GUARANTEE IN RESPECT OF THE ACQUISITION OF 51% EQUITY INTEREST IN YOURUI

Pursuant to the share purchase agreement between one of the subsidiaries of the Company as purchaser and Beijing Xingyun Venture Capital Co., Ltd*（北京星雲創業投資有限公司）, Mr. Cheng Datong（程大同）and Mr. Li Zhanqing（李占青）as vendors (the "**Vendors**"), the Vendors undertook the performance guarantee of achieving not less than RMB65,000,000 for the aggregate of the audited net profits after tax of Yourui for the two financial years ended 31 December 2018. As the performance guarantee is satisfied pursuant to the audited report of Yourui for the financial years ended 31 December 2017 and 31 December 2018, the Company shall allot and issue consideration shares to the Vendors.

As a result, a total of 356,328,500 shares were issued during the year ended 31 December 2019 to Beijing Xingyun Venture Capital Co., Ltd*（北京星雲創業投資有限公司）, Mr. Cheng Datong（程大同）and Mr. Li Zhanqing（李占青）, with each of them being allotted and issued 213,797,100 shares, 106,898,551 shares and 35,632,849 shares, respectively.

For details, please refer to the announcements of the Company dated 20 October 2017, 19 January 2018, 12 February 2018, 16 August 2019, 19 September 2019 and 8 October 2019.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Arbitration against China Mobile

During the period from September 2018 to April 2020, Hebei Changtong Communication Engineering Co. Ltd.（河北昌通通信工程有限公司, "**Hebei Changtong**"), a wholly-owned subsidiary of the Group, submitted several batches of applications for arbitration to the Shijiazhuang Arbitration Commission（石家莊仲裁委員會）against China Mobile Group Hebei Co., Ltd.（中國移動通信集團河北有限公司,"**China Mobile Hebei**") for the repayment of long outstanding service fees and interests (the "**Arbitrations**").

As at the date of this announcement, Hebei Changtong has applied for the repayment of a total of approximately RMB324.66 million for the Arbitrations against China Mobile Hebei. As at the date of this announcement, the Shijiazhuang Arbitration Committee and the other arbitration commissions have ordered China Mobile Hebei to repay a total of approximately RMB125.96 million in respect of the Arbitrations. The remaining unawarded amount of service fees and interests would be subject to future decisions to be handed down by the Shijiazhuang Arbitration Committee and the other arbitration commissions.

For further details, please refer to the announcement of the Company dated 29 April 2020 in relation to the Arbitrations.

Change of Company Name and Amendments and Restatement of Constitutional Documents

By a special resolution passed at the extraordinary general meeting of the Company held on 9 March 2020, the English name of the Company was changed from "China U-Ton Holdings Limited" to "China U-Ton Future Space Industrial Group Holdings Ltd." and the dual foreign name in Chinese of the Company was changed from "中國優通控股有限公司" to "中國優通未來空間產業集團控股有限公司", both with effect from 9 March 2020. The memorandum of association and the articles of association of the Company have been amended and restated to reflect the above change of Company name.

For details, please refer to the announcements of the Company dated 10 January 2020, 9 March 2020 and 5 May 2020.

Issue of New Shares under General Mandate

On 23 April 2020 (after trading hours), the Company entered into a subscription agreement with the subscriber, Xin Jiang Bo Run Investment Holdings Limited*（新疆博潤投資控股有限公司）, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 417,269,077 new shares at the subscription price of HK$0.31 per subscription share. The subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

For details, please refer to the announcements of the Company dated 24 April 2020 and 27 April 2020.

Appointment of Independent Non-Executive Director

The Company has adopted the board diversity policy and will strive to select the most appropriate candidate to be appointed as a member of the Board.

Ms. Teng Xun（滕訊）, a Certified Public Accountant and an ERP Accountant in China, was appointed as an independent non-executive Director of the Company with effect from 29 February 2020.

For details, please refer to the announcement of the Company dated 28 February 2020.

COMPETING INTERESTS

Save and except for interests in the Group, none of the directors and Mr. Jiang nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 31 December 2019 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 of The Listing Rules (the "**Model Code**"). The Group strives to and will continue to ensure compliance with the corresponding provisions set out in The Model Code. Having made specific enquiries to all the directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, throughout the year ended 31 December 2019 the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "**CG Code**") except Code Provision A.6.7.

Under Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Ms. Li Xiaohui, an independent non-executive Director, was unable to attend the 2019 Annual General Meeting of the Company held on 20 May 2019.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Monday, 15 June 2020. The circular of the Company containing details of the AGM together with the notice of AGM and form of proxy will be issued and disseminated to the shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on Monday, 15 June 2020, the register of members will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 June 2020.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 to 3.23 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 to C3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee internal control procedures of the Company. The audit committee comprises four independent non-executive directors, namely Ms. Li Xiaohui (chairlady of the audit committee), Mr. Meng Fanlin, Mr. Wang Haiyu and Ms. Teng Xun.

The audit committee had reviewed the final results for the year ended 31 December 2019, the figures disclosed therein had been agreed with the Company's external auditor, and provided advice and comments thereon and the audit committee has agreed to the figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019.

Publication of Annual Report

The annual report of the Company will be published on the website of the Company and the website of Hong Kong Exchanges and Clearing Limited, and dispatched to the shareholders of the Company on or before 15 May 2020.

By order of the Board
China U-Ton Future Space Industrial Group Holdings Ltd.
Jiang Changqing
Chairman and Executive Director

* *For identification purpose only*

Hong Kong, 11 May 2020

As at the date of this announcement, the executive directors are Mr. Jiang Changqing, Mr. Zhao Feng, Ms. Ji Huifang, Ms. Liu Jianzhou, Mr. Chen Qizheng and Mr. Liu Zhen; the non-executive director is Mr. Ge Lingyue; the independent non-executive directors are Mr. Meng Fanlin, Mr. Wang Haiyu, Ms. Li Xiaohui and Ms. Teng Xun.