中国优通控股
China UT Holding

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
(In Liquidation)
(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 2020

Reference is made to the announcement of China U-Ton Future Space Industrial Group Holdings Ltd. (In Liquidation) (the "**Company**") dated 31 March 2021 in relation to the unaudited annual results for the year ended 31 December 2020 (the "**2020 Preliminary Results Announcement**"). Unless otherwise defined, terms defined in the 2020 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 2020 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 2020 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 2020 together with the comparative figures for the year ended 31 December 2019 is shown as follows:

HIGHLIGHTS

- The Group's revenue was RMB31,381,000 for the year ended 31 December 2020, representing a decrease of RMB67,662,000 or 68.3%, compared to RMB99,043,000 of the previous financial year.

- Net loss attributable to owners of the Company was RMB678,796,000 for the year ended 31 December 2020 compared to net loss of RMB166,516,000 of the previous financial year, representing an increase of loss of approximately RMB512,280,000 or 307.6%.

- Loss per share for the year ended 31 December 2020 was RMB26.16 cents, representing an increase of RMB18.47 cents as compared to RMB7.69 cents of the previous financial year.

- The Board does not recommend payment of dividend for the year ended 31 December 2020 (2019: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	**31,381**	99,043
Cost of sales/services		**(60,454)**	(105,186)
Gross loss		**(29,073)**	(6,143)
Interest income		**162**	4,662
Other income		**810**	3,766
Other gains/(losses)	5	**(642,342)**	(4,748)
Selling expenses		**(2,756)**	(7,487)
Administrative expenses		**(37,856)**	(92,832)
Research and development expenses		**(2,190)**	(7,168)
Operating loss		**(713,245)**	(109,950)
Finance costs	6	**(37,813)**	(50,651)
Loss before taxation		**(751,058)**	(160,601)
Income tax credit/(expense)	7	**57**	(3,065)
Loss for the year	8	**(751,001)**	(163,666)
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		**(39,215)**	(11,325)
Items that may be reclassified to profit or loss:			
– Exchange differences on translation of financial statements into presentation currency		**(2,715)**	769
Total comprehensive loss for the year		**(792,931)**	(174,222)
Loss for the year attributable to:			
Owners of the Company		**(678,796)**	(166,516)
Non-controlling interests		**(72,205)**	2,850
		(751,001)	(163,666)
Total comprehensive loss attributable to:			
Owners of the Company		**(720,726)**	(177,072)
Non-controlling interests		**(72,205)**	2,850
		(792,931)	(174,222)
Basic and diluted loss per share (RMB cents)	10	**(26.16)**	(7.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**10,026**	125,106
Investment properties		**15,495**	25,786
Intangible assets	*11*	**–**	5,997
Right-of-use assets	*12*	**–**	7,378
Goodwill	*13*	**–**	66,708
Equity investments at fair value through other comprehensive income		**22,036**	61,251
Loan to customers	*14*	**–**	57,577
Contract assets	*15*	**–**	98,522
Prepayments, deposits and other receivables	*16*	**–**	44,473
		47,557	492,798
Current assets			
Investments at fair value through profit or loss		**34,831**	37,292
Inventories		**4,501**	1,710
Trade and bill receivables	*17*	**18,294**	177,571
Loan to customers	*14*	**4,193**	85,093
Contract assets	*15*	**–**	17,008
Prepayments, deposits and other receivables	*16*	**126,423**	80,844
Amount due from a director		**–**	5,818
Cash at bank and on hand		**21,652**	29,384
		209,894	434,720

	Notes	**2020** **RMB'000**	2019 RMB'000
Current liabilities			
Trade and other payables	*18*	**209,113**	208,745
Payables for acquisition of a subsidiary		**27,500**	27,500
Bank and other borrowings		**50,707**	68,707
Corporate bonds		**184,063**	146,010
Guaranteed notes		**111,663**	97,819
Lease liabilities		**1,063**	3,804
Income tax payable		**21,162**	21,218
Provision for warranties		**780**	771
		606,051	574,574
Net current liabilities		**(396,157)**	(139,854)
Total assets less current liabilities		**(348,600)**	352,944
Non-current liabilities			
Corporate bonds		**113,133**	136,794
Lease liabilities		**3,848**	4,200
Deferred tax liabilities		**–**	57
		116,981	141,051
NET (LIABILITIES)/ASSETS		**(465,581)**	211,893
Capital and reserves			
Share capital	*19*	**240,267**	203,023
Reserves		**(692,100)**	(49,587)
Equity attributable to owners of the Company		**(451,833)**	153,436
Non-controlling interest		**(13,748)**	58,457
TOTAL EQUITY		**(465,581)**	211,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

China U-Ton Future Space Industrial Group Holdings Ltd. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the principal place of business is Unit B, 12/F, Hang Seng Causeway Bay Bldg, 28 Yee Wo Street, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and have been suspended for trading since 5 May 2021.

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

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

References are made to the Company's announcements dated 5 May 2021 in relation to, among other things, winding up by court and appointment of provisional liquidator.

In view of the above, trading in the Company's shares on the Stock Exchange has been suspended with effect from 3:00 p.m. on 5 May 2021.

Appointment of the Provisional Liquidators

On 4 February 2021, a petition ("**the Petition**") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) was filed by Li Zhong ("**the Petitioner**") in the High Court of The Hong Kong Special Administrative Region ("**the High Court**") against the Company on the principal ground that the Company had failed to settle the sum of HK$565,000 being the interest and legal costs incurred in relation to the bond for the principal amount of HK$8,000,000 issued to the Petitioner by the Company. The Petition applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts or alternatively that it was just and equitable for the Company to be wound up. The hearing of the Petition took place on 5 May 2021 at 10:00 a.m. in the High Court and the winding up order was made on the same day. The Official Receiver was appointed as the Provisional Liquidator of the Company.

Under section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), any disposition of the property of the Company, including things in action, and any transfer of shares, or alterations in the status of the members of the Company, made after the commencement of the winding up, shall, unless the Court otherwise orders, be void.

On 18 February 2021, a petition in the matter of the Ordinance was filed by Dan Xiaodong ("**Dan**") in the High Court against the Company on the principal ground that the Company had failed to settle the sum of HK$8,500,000 being the outstanding balance of judgement debt together with interest thereon under the Judgment dated 25 September 2020 in High Court Action No. 200/2020. Dan applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts. The said petition was dismissed on 31 May 2021.

On 10 March 2021, a petition in the matter of the Ordinance was filed by Zhang Wenkai ("**Zhang**") in the High Court against the Company in HCCW 105/2021 on the principal ground that the Company had failed to settle the sum of HK$700,000 being the annual interest incurred in relation to the bond for the principal amount HK$10,000,000 issued to Zhang by the Company. Zhang applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 24 May 2021.

On 19 April 2021, a petition in the matter of the Ordinance was filed by Yao Hongyi ("**Yao**") in the High Court against the Company in HCCW 154/2021 on the principal ground that the Company had failed to settle the aggregate sum of HK$7,800,000 being the principal amount and interest thereon in relation to the bond issued to Yao by the Company. Yao applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 11 June 2021.

On 7 May 2021, the Official Receiver as the Provisional Liquidator of the Company made an application to the High Court for a Regulating Order pursuant to sections 227A and 227B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) seeking, inter alia, an order to appoint Mr. Chan Ho Yin Michael and Ms. Chi Lai Man Jocelyn both of Borrelli Walsh Limited as the joint and several liquidators of the Company.

Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Manivest Asia Limited, have been appointed as joint and several liquidators (the "**Liquidators**") of the Company pursuant to an order dated 25 June 2021 made by the High Court.

Listing status of the Company

On 7 July 2021 and 22 September 2022, the Company received letters from the Stock Exchange, in which the Stock Exchange set out the following resumption guidance for the Company:

(a) publish all outstanding financial results required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and address any audit modifications;

(b) demonstrate its compliance with Rules 13.24, 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules;

(c) have the Winding-up Order against the Company withdrawn or dismissed and liquidators (provisional or not) discharged;

(d) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position;

(e) conduct an independent forensic investigation into the suspected unauthorised subscription *(note 1)*, announce the findings and take appropriate remedial action; and

(f) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules.

The Stock Exchange further indicated that it may modify or supplement the resumption guidance if the Company's situation changes.

Note 1: The particulars of the suspected unauthorized subscription could be found at section "Events after the Reporting Period" of this Supplemental Announcement. Shareholders are also invited to review the announcement of the Company dated 16 September 2022 for more information of the Suspected Unauthorized Subscription.

If the Company fails to fulfill the above Resumption Guidance by 4 November 2022 or a later date fixed by the Stock Exchange, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status. The Company is taking various steps to fulfill the Resumption Guidance which includes:

(i) the appointment of independent non-executive Directors to the Board and as members of Nomination Committee, Remuneration Committee and Audit Committee with effect from 25 May 2022 (please refer to the announcement of the Company dated 24 May 2022);

(ii) establishment of a special investigation committee and appointment of an independent investigator in relation to the suspected unauthorised subscription (please refer to the announcement of the Company dated 16 September 2022); and

(iii) the appointment of the company secretary of the Company (please refer to the announcement of the Company dated 26 October 2022).

As of the date of this report, the Company has complied with Rules 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules. Save for the foregoing, the Resumption Guidance has yet to be fulfilled.

References are made to the statement of disciplinary action dated 9 December 2021 in relation to, among other things, Exchange's Disciplinary Action against the Company.

The Listing Committee found that the Company breached:

(1) Rule 13.25(1)(b) by failing to inform the Exchange and to publish an announcement upon the presentation of winding-up petitions. The obligation to disclose arises immediately after an issuer becomes aware of a winding-up petition, and is not dependent on the outcome of the petition or whether the petition may be settled before the hearing date.

(2) Rules 13.49(1) and 13.46(2)(a) by failing to publish its annual results for the financial year ended 31 December 2020 and despatch its annual report for the financial year ended 31 December 2020 within the prescribed time.

Proposed Restructuring

On 29 March 2022, the Company, GSC Limited (formerly known as Harrod Invest Limited) ("**Potential Investor**") and Mr. Jiang Changqing ("**Mr. Jiang**") entered into the Framework Agreement, in relation to, among others, the Potential Investor's interest to invest a total amount of HK$100,000,000 into the Company involving (i) the Possible Subscription; (ii) schemes of arrangement in Hong Kong and Cayman Islands or an alternative creditors' arrangement to be entered into between the Company and its creditors to settle all outstanding amounts which are due by the Company to such creditors; and (iii) the Capital Reorganization, for the purpose of and in connection with the implementation of the Restructuring.

Further, under the Framework Agreement, the Company and the Potential Investor agreed that the Potential Investor shall initially provide a loan to the Company in the amount of HK$10,000,000 payable in two installments, the loan proceeds of which shall be placed in a trust bank account controlled by the Liquidators on behalf of the Company ("**Trust Bank Account**") for the settlement of partial professional fees in relation to the Restructuring. The whole HK$10,000,000 has already been advanced by the Potential Investor into the Trust Bank Account.

The Potential Investor also agreed to provide the interim financing in cash to the Group so as to fully support the working capital requirement of the business operation of the Group in Hong Kong. The Company agreed to grant in favor of the Potential Investor a fixed charge over the entire share capital of the operating company which receives the Interim Financing from the Potential Investor as security for the Investor Payment.

If the Possible Subscription materializes, upon completion of the Possible Subscription, the Potential Investor and the parties acting in concert with it may in aggregate be interested in more than 50% of the entire issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares which may lead to a change in control of the Company and will then give rise to an obligation on the part of the Potential Investor (and any parties acting in concert with it) to make a mandatory unconditional general offer for all the Shares (other than those already owned or agreed to be acquired by the Potential Investor or parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

On 29 September 2022, the Company and the Liquidators entered into a restructuring agreement (the "**Restructuring Agreement**") with the Potential Investor and its sole director and sole beneficial owner, Dr. Chuang Tsz Cheung, Christopher (together, the "**Investors**"), pursuant to which the Company will implement the Restructuring which involves (i) the reorganization of the share capital of the Company by way of the Capital Reduction and the Sub-division; (ii) the subscription of new Shares by the Investors (the "**Subscription**"); (iii) the reorganization of the Group; (iv) the placing of new Shares by a placing agent; (v) the Creditors' Schemes; (vi) the proposed repayment of onshore loans due to a bank in the PRC; and (vii) the resumption of trading of the Shares on the Stock Exchange.

Going concern basis

The Group incurred a loss of RMB751,001,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities and net liabilities of RMB396,157,000 and RMB465,581,000 respectively. 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.

The consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise.

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 2020. 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.

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, the provision of 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 recognised during the period is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue from the provision of design, deployment and maintenance of optical fibers services	**28,100**	46,319
Revenue from other communication networks services	**–**	3,056
Revenue from environmentally intelligent technical products and services	**3,281**	30,686
Revenue from contracts with customers	**31,381**	80,061
Revenue from the provision of money lending services	**–**	18,982
	31,381	99,043

For the year ended 31 December 2020, revenue from transactions with two (2019: two) customers have exceeded 10% of the Group's revenue. Revenue from these customers amounted to RMB22,590,000 (2019: RMB41,156,000) for the year ended 31 December 2020.

Geographic information and timing of revenue recognition

At 31 December 2020 and 2019, 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.

			2020		
Segments	**Optical fibers**	**Communication networks**	**Money lending**	**Environmentally intelligent technical products and services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Geographical markets					
The PRC including Hong Kong	**28,100**	**–**	**–**	**3,281**	**31,381**
Timing of revenue recognition					
At a point in time	**–**	**–**	**N/A**	**595**	**595**
Over time	**28,100**	**–**	**N/A**	**2,686**	**30,786**
Total	**28,100**	**–**	**N/A**	**3,281**	**31,381**

			2019		
Segments	Optical fibers	Communication networks	Money lending	Environmentally intelligent technical products and services	Total
	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
Africa	–	3,056	–	–	3,056
Total	46,319	3,056	18,982	30,686	99,043
Timing of revenue recognition					
At a point in time	–	–	N/A	11,887	11,887
Over time	46,319	3,056	N/A	18,799	68,174
Total	46,319	3,056	N/A	30,686	80,061

5. OTHER GAINS/(LOSSES)

	2020	2019
	RMB'000	*RMB'000*
Impairment losses on trade and bill receivables	**(197,184)**	(9,476)
Impairment losses on prepayment, deposits and other receivables	**(48,431)**	(22,518)
Impairment losses on loans to customers	**(127,355)**	(11,111)
Impairment losses on prepayments for investments at fair value through profit or loss	**–**	(2,300)
Impairment losses on goodwill	**(66,708)**	(91,000)
Impairment losses on property, plant and equipment	**(123,786)**	–
Impairment losses on intangible assets	**(4,130)**	–
Impairment losses on right-of-use assets	**(4,471)**	–
Impairment losses on contract assets	**(69,789)**	–
Impairment losses on amount due from a director	**(5,151)**	–
Gain on investment at fair value through profit or loss	**1,500**	5,982
Changes in fair value of contingent consideration	**–**	125,675
Others	**3,163**	–
	(642,342)	(4,748)

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**3,452**	3,200
Interest on lease liabilities	**733**	731
Finance charges on unsettled interest payable	**–**	69
Finance charges on corporate bonds	**32,262**	26,635
Finance charges on convertible bonds	**–**	3,581
Finance charges on guaranteed notes	**18,931**	11,215
Total borrowing costs*	**55,378**	45,431
Net foreign exchange (gain)/loss	**(17,565)**	7,227
Changes in fair value on the derivative components of convertible bonds	**–**	(2,007)
	37,813	50,651

* No borrowing costs have been capitalised for the year ended 31 December 2020 (2019: RMB Nil).

7. INCOME TAX (CREDIT)/EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current tax – Hong Kong Profits Tax		
– provision for the year	**–**	3,069
Current tax – PRC Corporate Income Tax		
– provision for the year	**–**	382
Deferred tax	**(57)**	(386)
	(57)	3,065

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 2020 (2019: 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 2020 (2019: 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 2020.

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.

	2020	2019
	RMB'000	*RMB'000*
Loss before taxation	**(751,058)**	(160,601)
Income tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(155,985)**	(36,807)
Tax effect of non-taxable income	**(863)**	(22,146)
Tax effect of non-deductible expenses	**142,487**	24,057
Tax effect of unused tax losses not recognised	**14,304**	37,961
Income tax (credit)/expense	**(57)**	3,065

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories	**595**	15,820
Depreciation of property, plant and equipment	**5,804**	6,183
Depreciation of investment properties	**1,369**	1,557
Depreciation of right-of-use assets	**3,404**	3,920
Amortisation of intangible assets	**1,867**	2,328
Auditor's remuneration	**1,600**	1,600
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**16,385**	20,710
Equity-settled share-based payments	**–**	37,829
Retirement benefits scheme contributions	**1,422**	2,354
	17,807	60,893

9. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: RMB Nil).

10. LOSS PER SHARE

Basic loss per share

The basic loss per share for the year ended 31 December 2020 is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Loss attributable to owners of the Company:

	2020	2019
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company	**(678,796)**	(166,516)

Weighted average number of ordinary shares:

	2020	2019
	'000	*'000*
Issued ordinary shares at 1 January	**2,442,674**	2,086,345
Effect of shares issued to owners of the Company in 2019	**–**	79,555
Effect of shares issued to owners of the Company in 2020	**151,630**	–
Weighted average number of ordinary shares for the year ended 31 December	**2,594,304**	2,165,900

Diluted loss per share

There were no dilutive potential shares outstanding during the years ended 31 December 2020 and 2019. The Group's 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 anti-dilutive during the years ended 31 December 2020 and 2019.

11. INTANGIBLE ASSETS

	Customer relationships *RMB'000*	Patents *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2019, 31 December 2019 and 2020	3,300	9,235	174	12,709
Accumulated amortisation and impairment				
At 1 January 2019	2,861	1,391	132	4,384
Charge for the year	439	1,857	32	2,328
At 31 December 2019	3,300	3,248	164	6,712
Charge for the year	–	1,857	10	1,867
Impairment losses	–	4,130	–	4,130
At 31 December 2020	3,300	9,235	174	12,709
Carrying amount				
At 31 December 2020	–	–	–	–
At 31 December 2019	–	5,987	10	5,997

The Group carried out reviews of the recoverable amount of its intangible assets in 2020 and 2019 as a result of the deterioration of the markets of the Group's business. These assets are used in the Group's Environmentally intelligent technical products and services segment. The reviews led to the recognition of an impairment loss of RMB4,130,000 (2019: RMB Nil), that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The pre-tax discount rate used was 20% (2019: 20%) for the Environmentally intelligent technical products and services segment.

12. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020	2019
	RMB'000	*RMB'000*
At 31 December:		
Right-of-use assets		
– Land and buildings	**–**	7,378
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	**1,591**	4,556
– Between 1 and 2 years	**1,314**	1,591
– Between 2 and 5 years	**1,638**	1,909
– Over 5 years	**3,467**	3,867
	8,010	11,923
Year ended 31 December:		
Depreciation of right-of-use assets		
– Land and buildings	**3,404**	3,920
Impairment losses of right-of-use assets		
– Land and buildings	**4,471**	–
Lease interests	**733**	731
Expenses related to short-term leases	**–**	3,503
Total cash outflow for leases	**(4,323)**	(7,528)
Additions to right-of-use assets	**497**	3,407

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Group carried out reviews of the recoverable amount of its right-of-use assets in 2020 and 2019 as a result of the deterioration of the markets of the Group's business. These assets are used in the Group's Optical fibers segment and Environmentally intelligent technical products and services segment. The reviews led to the recognition of an impairment loss of RMB4,471,000 (2019: RMB Nil), that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The pre-tax discount rate used was 18% and 20% (2019: 18% and 20%) for the Optical fibers segment and Environmentally intelligent technical products and services segment respectively.

13. GOODWILL

	RMB'000
Cost:	
At 1 January 2019, 31 December 2019 and 2020	165,145
Accumulated impairment losses:	
At 1 January 2019	(7,437)
Impairment losses	(91,000)
At 31 December 2019	(98,437)
Impairment losses	(66,708)
At 31 December 2020	(165,145)
Carrying amount:	
At 31 December 2020	–
At 31 December 2019	66,708

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units ("**CGUs**") identified according to the location of operations and major type of services as follows:

	2020 *RMB'000*	2019 *RMB'000*
Provision of environmentally intelligent technical products and services	**–**	66,708

The recoverable amounts of the CGUs in connection with the provision of environmentally intelligent technical products and services operations are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. These cash flow projections adopted zero annual growth rates, which are based on the Group's experience and future business plans for this business and adjusted for other factors that are specific to the provision of environmentally intelligent technical products and services operations' CGUs. Cash flows beyond the five-year period are extrapolated using a zero long-term growth rate, which is based on the relevant industry growth forecasts. The cash flows are discounted using a discount rate of 20% (2019: 20%). The discount rate used is pre-tax and reflects specific risks relating to the provision of environmentally intelligent technical products and services operations' CGUs.

At 31 December 2020, before impairment testing, goodwill was allocated to the provision of environmentally intelligent technical products and services operations. Due to changes in market condition, the Group has revised its cash flow forecasts for these CGUs. The goodwill allocated to the provision of environmentally intelligent technical products and services operations has therefore been reduced to its recoverable amount of RMB Nil (2019: RMB66,708,000) through recognition of an impairment loss against goodwill of RMB66,708,000 (2019: RMB91,000,000) during the year.

14. LOAN TO CUSTOMERS

	2020	2019
	RMB'000	RMB'000
Loan to customers	**142,659**	153,781
Less: allowance for doubtful debts	**(138,466)**	(11,111)
	4,193	142,670
Analysed as:		
Current assets	**4,193**	85,093
Non-current assets	**–**	57,577
	4,193	142,670

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**–**	85,093
1-2 years	**4,193**	57,577
	4,193	142,670

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:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**11,111**	–
Impairment losses recognised	**127,355**	11,111
At 31 December	**138,466**	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**	**Over 365 days past due**	**Total**
At 31 December 2020				
Weighted average expected loss rate	**0%**	**94%**	**100%**	**97%**
Receivable amount (RMB'000)	**–**	**73,885**	**68,774**	**142,659**
Loss allowance (RMB'000)	**–**	**69,692**	**68,774**	**138,466**
At 31 December 2019				
Weighted average expected loss rate	0%	14%	0%	7%
Receivable amount (RMB'000)	73,885	79,896	–	153,781
Loss allowance (RMB'000)	–	11,111	–	11,111

15. CONTRACT ASSETS

Disclosures of revenue-related items:

	As at 31 December 2020 ***RMB'000***	As at 31 December 2019 *RMB'000*	As at 1 January 2019 *RMB'000*
Contract assets – construction	**–**	115,204	242,101
Contract assets – consultancy	**–**	326	–
Total contract assets	**–**	115,530	242,101
Analysed as:			
Current assets	**–**	17,008	242,101
Non-current assets	**–**	98,522	–
	–	115,530	242,101
Contract receivables (included in trade and bill receivables)	**18,294**	177,571	205,387

Significant changes in contract assets during the year:

	2020 Contract assets ***RMB'000***	2019 Contract assets *RMB'000*
Increase due to operations in the year	**28,100**	153,549
Transfer of contract assets to receivables	**(73,841)**	(280,120)
Impairment loss on contract assets	**(69,789)**	–

A contract asset represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Loans to third parties	**–**	38,083
Other receivables for share subscription	**115,457**	–
Prepayments for inventories	**10,966**	12,873
Prepaid expenses	**–**	7,569
Deposits for construction contracts' bidding and performance	**–**	9,746
Deposits for utilities expenses and lease	**–**	1,647
Other receivables for disposal of subsidiaries	**–**	1,076
Prepayments for development of new potential projects	**–**	36,881
Others	**–**	17,442
	126,423	125,317
Analysed as:		
Current assets	**126,423**	80,844
Non-current assets	**–**	44,473
	126,423	125,317

17. TRADE AND BILL RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade and bill receivables	**247,042**	209,135
Less: allowance for doubtful debts	**(228,748)**	(31,564)
	18,294	177,571

(a) Ageing analysis

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**11,389**	60,280
91 to 180 days	**3,329**	17,120
181 to 365 days	**3,576**	39,158
Over 1 year	**–**	61,013
	18,294	177,571

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:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**31,564**	22,088
Impairment losses recognised	**197,184**	9,476
At 31 December	**228,748**	31,564

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 2020						
Weighted average expected loss rate	0%	0%	0%	0%	100%	93%
Receivable amount (RMB'000)	11,389	3,329	3,576	–	228,748	247,042
Loss allowance (RMB'000)	–	–	–	–	228,748	228,748
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

(c) Retentions receivable

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

18. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables due to third parties	**105,587**	118,905
Other payables and accrued expenses:		
– Accrued expenses	**13,591**	6,950
– payables for staff related costs	**18,465**	17,715
– other taxes payables	**737**	4,176
– payables for interest expenses	**16,369**	31,170
– amounts due to non-controlling equity holders	**–**	274
– others	**54,364**	29,555
	103,526	89,840
Total	**209,113**	208,745

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

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**11,607**	20,473
91 to 180 days	**3,681**	8,213
181 to 365 days	**9,410**	18,794
Over 1 year	**80,889**	71,425
	105,587	118,905

19. 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*
At 1 January 2019	2,086,345	170,909
Shares issued	356,329	32,114
At 31 December 2019	2,442,674	203,023
Shares issued	417,269	37,244
At 31 December 2020	2,859,943	240,267

i) On 2 July 2019, the Company issued 21,415,000 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 334,914,000 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.

iii) On 21 August 2020, a total of 417,269,000 Subscription Shares of the Company were allotted and issued by the Company to the Subscriber at the Subscription Price of HK$0.31 per Subscription Share. HK$41,727,000 (equivalent to approximately RMB37,244,000) was credited to share capital and HK$87,626,000 (equivalent to approximately RMB78,213,000) was credited to the share premium account.

On 5 July 2022, the Group's Litigation Lawyer received an electronic copy of a letter issued by the Subscriber dated 4 July 2022, claiming that all signatures of the representatives of the Subscriber and the seals of the Subscriber affixed in the documents in relation to the Potential Cooperation and the Subscription, including but not limited to, the memorandum of understanding, the Authorisation Letter, the Subscription Agreement and the Delegation, were forged and all the documents, hence the Subscription, were unauthorized.

The Company has not been able to retrieve the Subscription Amount; and the relevant share certificates of the Company have been issued but have not been delivered to the Subscriber because the Company was still waiting for further instruction and confirmation from the Subscriber for the delivery of the relevant share certificates.

Capital management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings, corporate bonds and guaranteed notes net of cash and cash equivalents and equity attributable to owners of the Company, comprised share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the new shares issues as well as the issue of new debt or the redemption of the existing debt.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Set out below is the extract of the Independent Auditor's Report for the consolidated financial statements of the Group for the year ended 31 December 2020.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance. Because of the significance of the matters 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.

Basis for Disclaimer of Opinion

1. Loss per share, Other receivables, Share capital and Share premium

As disclosed in note 40 to the consolidated financial statements, on 21 August 2020, a total of 417,269,000 Subscription Shares of the Company were allotted and issued by the Company to the Subscriber at the Subscription Price of HK$0.31 per subscription Share.

On 5 July 2022, the Group's Litigation Lawyer received an electronic copy of a letter issued by the Subscriber dated 4 July 2022, claiming that all signatures of the representatives of the Subscriber and the seals of the Subscriber affixed in the documents in relation to the Potential Cooperation and the Subscription, including but not limited to, the memorandum of understanding, the Authorisation Letter, the Subscription Agreement and the Delegation, were forged and all the documents, hence the Subscription, were unauthorized.

The Company has not been able to retrieve the Subscription Amount; and the relevant share certificates of the Company have been issued but have not been delivered to the Subscriber because the Company was still waiting for further instruction and confirmation from the Subscriber for the delivery of the relevant share certificates.

As a result, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the share subscription was properly recorded for the year ended 31 December 2020, (ii) the carrying amounts and the recoverability of other receivables for the share subscription of approximately RMB115,457,000 as at 31 December 2020, (iii) whether the balance of share capital of approximately RMB240,267,000 was properly recorded as at 31 December 2020, (iv) whether the balance of share premium of approximately RMB513,123,000 was properly recorded as at 31 December 2020, (v) whether the movement of share capital and share premium were properly recorded for the year ended 31 December 2020; (vi) whether the basic and diluted loss per share of RMB26.16 cents were properly recorded for the year ended 31 December 2020; and (vii) whether the related disclosures of loss per share, other receivables, share capital and share premium were properly disclosed in note 16, 29, 40, 41 to the consolidated financial statements.

2. Property, plant and equipment

For the year ended 31 December 2018, despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise certain offices as property, plant and equipment, on the grounds that they expect the transfer of legal titles in future should have no major difficulties based on the legal opinion and the Group is in substance controlling those offices.

The legal titles of these offices were not yet transferred even the Group kept to require the property developer to do. As at 28 December 2020, these offices were forfeited by the property developer's creditors. Subsequently, the Group brought a lawsuit against the property developer and relevant parties to claim any loss in respect of these office. Up to now, the lawsuit is processing.

As a result, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) whether the forfeit of these offices was properly recorded for the year ended 31 December 2020, (ii) whether the impairment loss for leasehold land and buildings of approximately RMB113,599,000 was properly recorded for the year ended 31 December 2020, and (iii) whether the related disclosures of property, plant and equipment disclosed in note 17 to the consolidated financial statements.

3. Equity investments at fair value through other comprehensive income

No sufficient evidence has been provided to satisfy ourselves as to the valuation and recoverability of the carrying amount of equity investments at fair value through other comprehensive income of RMB22,036,000 in the consolidated statement of financial position as at 31 December 2020. We were unable to obtain the financial information in relation to these equity securities to assess its fair value and recoverability of the investment to the Group. There are no other satisfactory audit procedures that we could adopt to determine whether any change in fair value should be made in the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 and the consolidated financial position of the Group as at 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

4. *Material uncertainty relating to the going concern basis*

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of RMB751,001,000 for the year ended 31 December 2020 and as at 31 December 2020 the Group had net current liabilities of RMB396,157,000 and net liabilities of RMB465,581,000. 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, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows as described above. There are no other satisfactory audit procedures that we could adopt to determine whether the certain measures will bring successful outcome to improve its financial position, to provide liquidity and cash flows.

RESPONSE FROM THE DIRECTORS REGARDING THE DISCLAIMER OF OPINION SET OUT IN THE INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

ZHONGHUI ANDA CPA Limited (the "**Auditor**"), the independent auditor of the Company, stated in the Independent Auditor's Report (the "**Independent Auditor's Report**") set out in the annual report that they are unable to form an opinion as to those disclaimer items (the "**Disclaimer of Opinion**") listed in the extract of the Independent Auditor's Report.

Set out below the actions taken/to be taken by the Company to address each of the basis for the disclaimers of opinion:

Basis for Disclaimer of Opinion

1. Loss per share, Other receivables, Share capital and Share premium

Actions taken/to be taken by the Company

It is the intention of the Company to reverse the Subscription in year 2023 upon the completion of the investigation by the relevant authorities. Thereafter, it is expected that:

(1) The relevant corresponding figures in the Group's consolidated financial statements for the years ending 31 December 2022 and 31 December 2023, similar disclaimer of opinion is expected to recur in the auditor's report for the years ending 31 December 2022 and 31 December 2023 (corresponding figures only).

(2) The consolidated financial statements of the Group for the year ending 31 December 2024 will not carry any audit modifications.

2. Property, plant and equipment

Actions taken/to be taken by the Company

Assuming the lawsuit is won during year 2023, it is expected that:

(1) The loss will be recovered

(2) The relevant corresponding figures in the Group's consolidated financial statements for the years ending 31 December 2022 and 31 December 2023, similar disclaimer of opinion is expected to recur in the auditor's report for the years ending 31 December 2022 and 31 December 2023 (corresponding figures only).

(3) The consolidated financial statements of the Group for the year ending 31 December 2024 will not carry any audit modifications.

3. Equity investments at fair value through other comprehensive income

Actions taken/to be taken by the Company

Matters relating to the disclaimer of opinion in relation to unavailability of accounting records of the PRC Optical Fiber Group will be addressed by deconsolidation of the financial results and position of the PRC Optical Fiber Group by disposal to the Listco Scheme Company upon resumption.

Based on the discussion with the Auditor, in view of the above deconsolidation recognized in the year ending 31 December 2023, it is expected that:

(1) Disclaimer of opinion relating to the accounting treatment in relation to the deconsolidation will be issued on the consolidated income statement of the Group for the year ending 31 December 2023.

(2) As the loss/gain from deconsolidation will be shown as corresponding figures in the Group's consolidated financial statements for the year ending 31 December 2023, similar disclaimer of opinion is expected to recur in the auditor's report for the year ending 31 December 2024.

(3) The consolidated financial statements of the Group for the year ending 31 December 2025 will not carry any audit modifications

4. Material uncertainty relating to the going concern basis

Actions taken/to be taken by the Company

Matters relating to uncertainties relating to going concern will be resolved upon the absence of events or conditions which may cast significant doubt about the going concern assumption of the Group and the occurrence of the following events, including but not limited to

(1) the Group's maintenance of a net asset and net current asset position and sufficient working capital; and

(2) the withdrawal of the Petition.

(1) *Net Assets Position*

The Company will restructure its debt by way of the Listco Scheme. The Group will deconsolidate of the financial results and position of the loss-making PRC Optical Fiber Group with net liability position by disposal to the Listco Scheme Company upon resumption. All claims against the Company as at the date on which the Listco Scheme becoming effective (i.e. upon Closing), will be fully and finally discharged by virtue of the implementation of the Listco Scheme. Thereafter, the Remaining Group will remain in a net current asset and net assets position. The Retained Group will have sufficient working capital for its requirement for at least the next 12 months from the date of completion of the Restructuring.

(2) *Withdrawal of the Petition:*

Upon the Listco Scheme becoming effective, the order to withdraw the petition and to discharge the liquidators to be granted by the Hong Kong Court will take effect.

Removal of the Disclaimer of Opinion

The Board will take into consideration the Disclaimer of Opinion when preparing the consolidated financial statements for the year ended 31 December 2022. The Board will be responsible for assessing the Company's ability to continue as a going concern based on the conditions and circumstances as at 31 December 2022.

Assuming (i) all of the above action plans can be implemented as intended; (ii) that there are no other material adverse changes to the business, operation and financial conditions of the Group; (iii) the supporting evidence in proving the Group's ability to continue as a going concern can be provided to the Company's auditor to its satisfaction; and (iv) the supporting evidence to substantiate the validity and completeness of the deconsolidation of the financial results and position of the PRC Optical Fiber Group by disposal to the Listco Scheme Company upon resumption can be provided to the Company's auditor to its satisfaction, the Company believes that its auditor will be able to remove the respective Disclaimer of Opinion by the time of issuing the audit opinion for the consolidated financial statements of the Group for the year ended 31 December 2024. The Group will work closely with its auditor with the view to making timely reporting of the consolidated financial statements of the Group for the year ended 31 December 2022 in accordance with the Listing Rules and relevant regulatory requirements.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Subsequent adjustments have been made to certain line items disclosed in the Unaudited Annual Results of the Group upon the completion of audit of the Audited Annual Results.

Shareholders and potential investors of the Company are advised to pay attention to certain differences between the Unaudited Annual Results of the Group and the Audited Annual Results of the Group in this announcement.

Set forth below are the principal details and reasons for the differences in such financial information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Audited Annual Results 2020	**Unaudited Annual Results 2020**	**Differences**	*Notes*
	RMB'000	*RMB'000*	*RMB'000*	
Revenue	31,381	48,223	(16,842)	*(i)*
Cost of sales/services	(60,454)	(60,459)	5	*(i)*
Interest income	162	162	–	
Other income	810	9,671	(8,861)	*(ii)*
Other gains/(losses)	(642,342)	(365,609)	(276,733)	*(iii)*
Selling expenses	(2,756)	(2,756)	–	
Administrative expenses	(37,856)	(36,255)	(1,601)	*(iv)*
Research and development expenses	(2,190)	(2,190)	–	
Finance costs	(37,813)	(23,697)	(14,116)	*(v)*
Income tax credit/(expenses)	57	(2,233)	2,290	*(vi)*
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	(39,215)	(39,215)	–	
Items that may be reclassified to profit or loss:				
– Exchange differences on translation of financial statements into presentation currency	(2,715)	452	(3,167)	*(vii)*

	Audited Annual Results 2020 *RMB'000*	Unaudited Annual Results 2020 *RMB'000*	Differences *RMB'000*	*Notes*
Loss for the year attributable to:				
Owners of the Company	(678,796)	(380,877)	(297,919)	*(viii)*
Non-controlling interests	(72,205)	(54,266)	(17,939)	*(viii)*
Total comprehensive loss attributable to:				
Owners of the Company	(720,726)	(419,640)	(301,086)	*(viii)*
Non-controlling interests	(72,205)	(54,266)	(17,939)	*(viii)*
Basic and diluted loss per share (RMB cents)	(26.16)	(15.59)	(10.57)	*(viii)*

Notes:

(i) The differences in revenue and cost of sales/services were mainly due to the correction in the calculation of revenue and cost of sales/services by the stage of completion.

(ii) The difference in other income was mainly due to the correction in the reallocation of exchange gain into finance cost.

(iii) The difference in other gains/(losses) was mainly due to the correction in the further impairment for assets. For details please refer to note 5 to the consolidated financial statements.

(iv) The difference in administrative expenses was mainly due to the correction in the further provision for administrative expenses.

(v) The difference in finance costs was mainly due to the correction in the recalculation of interest expenses and exchange gains.

(vi) The difference in income tax credit/(expenses) was mainly due to the correction in the recalculation of provision of income tax.

(vii) The difference in exchange differences on translation of financial statements into presentation currency was mainly due to the correction in the recalculation of the exchange differences.

(viii) The differences in these amounts were mainly due to the corrections of the above profit or loss items.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Audited Annual Results 2020 *RMB'000*	Unaudited Annual Results 2020 *RMB'000*	Differences *RMB'000*	*Notes*
Non-current assets				
Property, plant and equipment	10,026	123,758	(113,732)	*(i)*
Investment properties	15,495	25,549	(10,054)	*(i)*
Intangible assets	–	4,501	(4,501)	*(i)*
Right-of-use assets	–	4,471	(4,471)	*(i)*
Equity investments at fair value through other comprehensive income	22,036	22,036	–	
Current assets				
Investments at fair value through profit or loss	34,831	34,831	–	
Inventories	4,501	4,501	–	
Trade and bill receivables	18,294	18,294	–	
Loan to customers	4,193	48,533	(44,340)	*(i)*
Contract assets	–	69,789	(69,789)	*(i)*
Prepayments, deposits and other receivables	126,423	52,895	73,528	*(ii)*
Amount due from a director	–	5,151	(5,151)	*(i)*
Cash at bank and on hand	21,652	21,652	–	
Current liabilities				
Trade and other payables	209,113	229,226	(20,113)	*(iii)*
Payables for acquisition of a subsidiary	27,500	27,500	–	
Bank and other borrowings	50,707	50,707	–	
Corporate bonds	184,063	153,110	30,953	*(iv)*
Guaranteed notes	111,663	91,907	19,756	*(iv)*
Lease liabilities	1,063	1,063	–	
Income tax payable	21,162	23,231	(2,069)	*(v)*
Provision for warranties	780	785	(5)	*(vi)*
Non-current liabilities				
Corporate bonds	113,133	116,055	(2,922)	*(iv)*
Lease liabilities	3,848	3,848	–	
Capital and reserves				
Share capital	240,267	203,023	37,244	*(vii)*
Reserves	(692,100)	(469,176)	(222,924)	*(viii)*
Non-controlling interest	(13,748)	4,682	(18,430)	*(ix)*

(i) The differences in these amounts were mainly due to the correction in the further impairment for these assets.

(ii) The difference in other receivables was mainly due to the other receivables for share subscriptions and the correction in the further impairment for the other receivables.

(iii) The difference in trade and other payables was mainly due to the correction in the recalculation of interest expenses and reallocation of other payables.

(iv) The differences in these amounts were mainly due to the correction in the recalculation of interest expenses and exchange gains.

(v) The difference in income tax payable was mainly due to the correction in the recalculation of provision of income tax.

(vi) The difference in provision for warranties was mainly due to the correction in the recalculation of provision for warranties.

(vii) The difference in share capital was mainly due to the correction in the entries of share subscriptions.

(viii) The differences in these amounts were mainly due to the corrections of the profit or loss items stated in the consolidated statement of profit or loss and other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

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

Design, deployment and maintenance services of optical fibers

The Group's competitive strengths on design, deployment and maintenance services of optical fibers include the provision of flexible solutions to clients with traditional deployment methods and micro-ducts and mini-cable system integration methods. Laying optical fiber cables through combining the use of drainage system and micro-ducts and mini-cable technology is a technology that can construct networks with the most extensive coverage in a shorter time and at a lower cost. The Group has extensive experience and remarkable advantage in the application of mini-cable and micro-ducts integration technology for laying optical fiber networks in storm water conduits.

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 since 2018. It provides (1) clients with environmental protection related services and solutions based on big data analysis, (2) services in relation to the design, development and integration of hardware and software systems which are based on the Internet and Internet of Things, and (3) tailor-made services to customers in relation to the setting up of customized systems, provision of operation and maintenance services.

Money lending services

The Money lending business segment commenced 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) and the license was expired on 22 May 2021. The money lending segment principally earns interest income from loans to third parties.

OVERVIEW

2020 was an extremely challenging year for the Group. The nationwide outbreak of COVID-19 led to the suspension of social and economic activities in most cities across China. Inevitably, the results of the Group in 2020 were adversely affected.

For the Year, the Group's revenue was RMB31,381,000, representing a decrease of RMB67,662,000 or 68.3%, compared to that of the previous financial year.

The Group recorded net loss attributable to owners of the Company of RMB678,796,000 for the Year compared to net loss of RMB166,516,000 for the previous financial year, representing an increase of loss of approximately 307.6%.

BUSINESS REVIEW

The business environment for the Year had remained tough due to increasing competition in the traditional optical fiber deployment business in PRC and the drop of environmentally intelligent technical products and services. The nationwide outbreak of COVID-19 led to the suspension of social and economic activities in most cities across China further imposed downward pressure on the prospect of the group's business growth.

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 centers, 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. 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 overseas.

For the Year, revenue from transactions with two (2019: two) customers have exceeded 10% of the Group's revenue. The aggregate revenue from these customers amounted to RMB22,590,000 (2019: RMB41,156,000).

For the Year, the Group's five largest customers accounted for approximately 85.2% (2019: 56.8%) of the total sales of goods and provision of services. Revenue from transactions with our largest customer accounted for approximately 41.6% (2019: 30.6%) of the Group's total sales of goods and provision of services, which amounted to RMB13,066,000 (2019: RMB30,322,000). Purchases from the Group's five largest suppliers accounted for approximately 16.4% (2019: 18.6%) and purchased from the largest supplier accounted for approximately 9.0% (2019: 5.4%).

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders who owned more than 5% of the number of the Company's issued shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Revenue

For the Year, the Group's revenue was RMB31,381,000, representing a decrease of RMB67,662,000 or 68.3%, compared to that of the previous financial year.

The decrease in revenue is the net effect of the decrease in all the four revenue 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 of revenue in the environmentally intelligent technical products and services and the Money lending service amounted to RMB27,405,000 and RMB18,982,000 was the major factor. The quarantine order, especially either within or nearby the Beijing city had led to the suspension of social and economic activities and it worsened the performance of the environmentally intelligent technical products and services as its major customers were located at these cities. Also due to the quarantine order in both the PRC and Hong Kong, it was very hard to handle the money lending business.

The revenue derived from design, deployment and maintenance services of optical fibers had decreased by RMB18,219,000. It was mainly due to keen competition of the provision of traditional deployment methods services in the Hebei province.

Gross loss

The Group reported a gross loss of RMB29,073,000 for the Year, representing an increase of RMB22,930,000 or 373.3% as compared with the gross loss for the corresponding period of the previous financial year. The increase in the gross loss was primarily due to the drop of profit margin in all business segments due to tight competition.

Other gains/(losses)

The increase in other gains/(losses) was mainly caused by the net result of the following reasons: 1) increase of impairment losses on trade and bill receivables of RMB197,184,000 (2019: RMB9,476,000), 2) increase of impairment losses on loan to customers of RMB127,355,000 (2019: RMB11,111,000), 3) increase of impairment losses on prepayment, deposits and other receivables of RMB48,431,000 (2019: RMB22,518,000, 4) decrease of impairment losses on goodwill of RMB66,708,000 (2019: RMB91,000,000), 5) increase of impairment losses on property, plant and equipment of RMB123,786,000 (2019: nil), 6) increase of impairment losses on contract assets of RMB69,789,000 (2019: nil), and 7) nil changes in fair value of contingent consideration (2019: RMB125,675,000).

Administrative expenses

For the Year, administrative expenses decreased significantly to RMB37,856,000 from RMB92,832,000 in prior financial year. It was mainly due to the decrease of equity-settled share-based payments and director emoluments of RMB37,829,000 and RMB13,125,000, respectively.

Finance cost

Finance cost mainly included interest charged from bank and other borrowings, corporate 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 gain of approximately RMB17,565,000 for the Year from loss of RMB7,227,000 for the same period in 2019.

Loss attributable to owners of the Company

As a result of the above factors, the Group recorded net loss attributable to owners of the Company of RMB678,796,000 for the year ended 31 December 2020 compared to net loss of RMB166,516,000 for the corresponding period in 2019, representing an increase of loss of approximately 307.6%.

Goodwill

At 31 December 2020, before impairment testing, goodwill of RMB66,708,000 was allocated to the provision of environmentally intelligent technical products and services operations. Due to changes in market condition, the Group has revised its cash flow forecasts for these cash generating units. The goodwill allocated to the provision of environmentally intelligent technical products and services operations has therefore been reduced to zero recoverable amount through recognition of an impairment loss against goodwill of RMB66,708,000 during the year.

Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income included investment of RMB22,036,000, representing approximately 1.76% of equity interest of Sino Partner. Sino Partner principally engaged in the design, development, manufacturing and sales of high performance supercars under the brand "Apollo".

Corporate bonds

On 27 June 2017, the Company issued convertible bonds with a nominal value of 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 bondholders. As the conversion rights had 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 2020, the Group had current assets of approximately RMB209,894,000 (31 December 2019: RMB434,720,000) which comprised cash and cash equivalents amounted to approximately RMB21,652,000 (31 December 2019: RMB29,384,000). As at 31 December 2020, the Group had non-current liabilities and current liabilities amounted to approximately RMB116,981,000 and RMB606,051,000 (31 December 2019: RMB141,051,000 and RMB574,574,000), 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 0.35 as at 31 December 2020 (31 December 2019: 0.76).

The Group finances its operation primarily with the use of internal 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 (94.1%) as at 31 December 2020 (31 December 2019: approximately 198.2%).

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 2020, the Group's bank loans were made in Renminbi carried at fixed rates.

Foreign exchange exposure

For the year ended 31 December 2020, 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 2020, 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 the 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 2020 are nil (31 December 2019: nil).

Dividend

The Board does not recommend the payment of dividend for the year ended 31 December 2020 (2019: Nil).

Information on employees

As at 31 December 2020, the Group had 150 employees (31 December 2019: 196), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB17,807,000 for the year ended 31 December 2020 as compared to approximately RMB60,893,000 for the year ended 31 December 2019. 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 2020.

EVENTS AFTER THE REPORTING PERIOD

1. Winding up by the Court and Appointment of Provisional Liquidators

a. On 4 February 2021, a petition ("**the Petition**") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) (the "**Ordinance**") was filed by Li Zhong ("**the Petitioner**") in the High Court of The Hong Kong Special Administrative Region ("**the High Court**") against the Company on the principal ground that the Company had failed to settle the sum of HK$565,000 being the interest and legal costs incurred in relation to the bond for the principal amount of HK$8,000,000 issued to the Petitioner by the Company. The Petition applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts or alternatively that it was just and equitable for the Company to be wound up. The hearing of the Petition took place on 5 May 2021 at 10:00 a.m. in the High Court and the winding up order was made on the same day. The Official Receiver was appointed as the Provisional Liquidator of the Company.

   Under section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), any disposition of the property of the Company, including things in action, and any transfer of shares, or alterations in the status of the members of the Company, made after the commencement of the winding up, shall, unless the Court otherwise orders, be void.

b. On 18 February 2021, a petition in the matter of the Ordinance was filed by Dan Xiaodong ("**Dan**") in the High Court against the Company on the principal ground that the Company had failed to settle the sum of HK$8,500,000 being the outstanding balance of judgement debt together with interest thereon under the Judgment dated 25 September 2020 in High Court Action No. 200/2020. Dan applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts. The said petition was dismissed on 31 May 2021.

c. On 10 March 2021, a petition in the matter of the Ordinance was filed by Zhang Wenkai ("**Zhang**") in the High Court against the Company in HCCW 105/2021 on the principal ground that the Company had failed to settle the sum of HK$700,000 being the annual interest incurred in relation to the bond for the principal amount HK$10,000,000 issued to Zhang by the Company. Zhang applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 24 May 2021.

d. On 19 April 2021, a petition in the matter of the Ordinance was filed by Yao Hongyi ("**Yao**") in the High Court against the Company in HCCW 154/2021 on the principal ground that the Company had failed to settle the aggregate sum of HK$7,800,000 being the principal amount and interest thereon in relation to the bond issued to Yao by the Company. Yao applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 11 June 2021.

2. Suspension of trading in the shares of the Company

In view of the above High Court winding up order, trading in the Company's shares on The Stock Exchange of Hong Kong Limited has been suspended with effect from 3:00 p.m. on 5 May 2021 and will remain suspended pending fulfilment of the resumption guidance and any supplement or modification thereto.

3. Appointment of the Provisional Liquidators

On 7 May 2021, the Official Receiver as the Provisional Liquidator of the Company made an application to the High Court for a Regulating Order pursuant to sections 227A and 227B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) seeking, inter alia, an order to appoint Mr. Chan Ho Yin Michael and Ms. Chi Lai Man Jocelyn both of Borrelli Walsh Limited as the joint and several liquidators of the Company.

Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Manivest Asia Limited, have been appointed as joint and several liquidators (the "**Liquidators**") of the Company pursuant to an order dated 25 June 2021 made by the High Court.

4. Listing status of the Company

On 7 July 2021 and 22 September 2022, the Company received a letter from the Stock Exchange, in which the Stock Exchange set out the following resumption guidance for the Company:

(a) publish all outstanding financial results required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and address any audit modifications;

(b) demonstrate its compliance with Rules 13.24, 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules;

(c) have the Winding-up Order against the Company withdrawn or dismissed and liquidators (provisional or not) discharged;

(d) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position;

(e) conduct an independent forensic investigation into the suspected unauthorized subscription, announce the findings and take appropriate remedial action; and

(f) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules.

The Stock Exchange further indicated that it may modify or supplement the resumption guidance if the Company's situation changes.

If the Company fails to fulfill the above Resumption Guidance by 4 November 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status. The Company is taking various steps to fulfill the Resumption Guidance which includes:

(i) the appointment of independent non-executive Directors to the Board and as members of Audit Committee with effect from 25 May 2022 (please refer to the announcement of the Company dated 24 May 2022); and

(ii) establishment of a special investigation committee and appointment of an independent investigator in relation to the suspected unauthorised subscription (please refer to the announcement of the Company dated 16 September 2022).

As of the date of this report, the Company has complied with Rules 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules. Save for the foregoing, the Resumption Guidance has yet to be fulfilled.

References are made to the statement of disciplinary action dated 9 December 2021 in relation to, among other things, Exchange's Disciplinary Action against the Company.

The Listing Committee found that the Company breached:

(1) Rule 13.25(1)(b) by failing to inform the Exchange and to publish an announcement upon the presentation of winding-up petitions. The obligation to disclose arises immediately after an issuer becomes aware of a winding-up petition, and is not dependent on the outcome of the petition or whether the petition may be settled before the hearing date.

(2) Rules 13.49(1) and 13.46(2)(a) by failing to publish its annual results for the financial year ended 31 December 2020 and despatch its annual report for the financial year ended 31 December 2020 within the prescribed time.

5. The restructuring process of the Group

On 29 March 2022, the Company, GSC Limited (formerly known as Harrod Invest Limited) ("**Potential Investor**") and Mr. Jiang Changqing ("**Mr. Jiang**") entered into the Framework Agreement, in relation to, among others, the Potential Investor's interest to invest a total amount of HK$100,000,000 into the Company involving (i) the Possible Subscription; (ii) the entering into of the Creditors' Scheme; and (iii) the Capital Reorganization, for the purpose of and in connection with the implementation of the Restructuring.

Further, under the Framework Agreement, the Company and the Potential Investor agreed that the Potential Investor shall initially provide a loan to the Company in the amount of HK$10,000,000 payable in two installments, the loan proceeds of which shall be placed in a trust bank account controlled by the Liquidators on behalf of the Company ("**Trust Bank Account**") for the settlement of partial professional fees in relation to the Restructuring. The whole HK$10,000,000 has already been advanced by the Potential Investor into the Trust Bank Account.

The Potential Investor also agreed to provide the interim financing in cash to the Group so as to fully support the working capital requirement of the business operation of the Group in Hong Kong. The Company agreed to grant in favor of the Potential Investor a fixed charge over the entire share capital of the operating company which receives the Interim Financing from the Potential Investor as security for the Investor Payment.

If the Possible Subscription materializes, upon completion of the Possible Subscription, the Potential Investor and the parties acting in concert with it may in aggregate be interested in more than 50% of the entire issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares which may lead to a change in control of the Company and will then give rise to an obligation on the part of the Potential Investor (and any parties acting in concert with it) to make a mandatory unconditional general offer for all the Shares (other than those already owned or agreed to be acquired by the Potential Investor or parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

On 29 September 2022, the Company and the Liquidators entered into a restructuring agreement (the "**Restructuring Agreement**") with the Potential Investor and its sole director and sole beneficial owner, Dr. Chuang Tsz Cheung, Christopher (together, the "**Investors**"), pursuant to which the Company will implement the Restructuring which involves (i) the reorganization of the share capital of the Company by way of the Capital Reduction and the Sub-division; (ii) the subscription of new Shares by the Investors (the "**Subscription**"); (iii) the reorganization of the Group; (iv) the placing of new Shares by a placing agent; (v) the Creditors' Schemes; (vi) the proposed repayment of onshore loans due to a bank in the PRC; and (vii) the resumption of trading of the Shares on the Stock Exchange.

6. Suspected Unauthorised Subscription

References are made to the announcement of the Company dated 3 January 2020 in relation to a memorandum of understanding (the "**MOU**") on potential business cooperation ("**Potential Business Cooperation**") with an independent investor, Xin Jiang Bo Run Investment Holdings Group Limited*(新疆博潤投資控股集團有限公司)(formerly known as Xin Jiang Bo Run Investment Holdings Limited*(新疆博潤投資控股有限公司)(the "**Xin Jiang Bo Run**") and Beijing Future Space Zhizhai Technology Company Limited*(北京未來空間智宅科技有限公司)("**Beijing Future Space**") and the announcement of the Company dated 21 August 2020 in relation to the successful subscription by Xin Jiang Bo Run of a total of 417,269,077 fully paid shares of the Company at the price of HK$0.31 per share (the "**Xin Jiang Subscription**").

On 5 July 2022, Beijing Yin Ao Law Firm(北京市銀奧律師事務所)(the "**Litigation Lawyer**") received an electronic copy of a letter issued by the Xin Jiang Bo Run dated 4 July 2022, claiming that all signatures of the representatives of the Xin Jiang Bo Run and the seals of the Xin Jiang Bo Run affixed in the documents in relation to the Potential Business Cooperation and the Xin Jiang Subscription, including but not limited to, the MOU, the authorisation letter dated 2 January 2020 (purportedly) issued by Xin Jiang Bo Run authorising Ms. Guo Yezi and Mr. Sun Xiao to handle the Xin Jiang Subscription, the subscription agreement in relation to the Xin Jiang Subscription and the delegation of payment letter (purportedly) issued by Xin Jiang Bo Run to Beijing Jubang Jiujiu Investment Management Co., Ltd.*(北京聚邦久久投資管理有限公司), were forged and all the documents, hence the Xin Jiang Subscription, were unauthorised (the "**Suspected Unauthorised Subscription**"). The electronic copy of the Xin Jiang Bo Run's Letter was delivered to the liquidators of the Company (the "**Liquidators**"), by the representative of the indirect wholly owned subsidiary of the Company, U-Ton Future Space (Beijing) Technology Development Ltd.*(優通未來空間(北京)科技發展有限公司)and the Litigation Lawyer on 5 July 2022 and 12 August 2022, respectively.

Shareholders are invited to review the announcement of the Company dated 16 September 2022 for more information in relation to the Xin Jiang Subscription and subsequent actions taken by the Company.

7. Arbitration against China Mobile

Since September 2018, 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, had submitted several batches of applications for arbitration to the Shijiazhuang Arbitration Commission(石家莊仲裁委員會)and the other arbitration commissions 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 report, Hebei Changtong had applied for the repayment of a total of approximately RMB324.66 million for the Arbitrations against China Mobile Hebei and the Shijiazhuang Arbitration Committee and the other arbitration commissions have ordered China Mobile Hebei to repay a total of approximately RMB132.12 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 30 October 2020 in relation to the Arbitrations.

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 2020 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") for the period where the Company's shares were listed on GEM. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Group continues and will continue to ensure compliance with the corresponding provisions set out in Appendix 10 of the Listing Rules. 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 2020.

CORPORATE GOVERNANCE CODE

After reviewing the Company's corporate governance practices and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**"), the Board was satisfied that the Company had complied with the CG Code provision for the Year, except the followings:

Delay in Publication of the 2020 Annual Results and Delay in Dispatch of the 2020 Annual Report

Pursuant to Rules 13.46 and 13.49 of the Listing Rules, the Company is required to publish its annual results for the year ended 31 December 2020 not later than three months after the end of the reporting period (i.e. on or before 31 March 2021) and dispatch its annual report for the year ended 31 December 2020 to the shareholders of the Company (the "**Shareholders**") not later than four months after the end of the reporting period (i.e. on or before 30 April 2021).

The Company had delayed the publication of the 2020 Annual Results and the dispatch of the 2020 Annual Report. It was because additional time was required to complete the audit of the financial statements of the Group for the year ended December 2020.

Non Compliance with Rule 3.10A of the Listing Rules

With effect from 1 July 2020, Ms. Li Xiaohui ("**Ms. Li**") resigned as an independent non-executive Director ("**INED**") of the Company, the chairman of audit committee and the member of remuneration committee and nomination committee of the Company. According to Rule 3.10A of the Listing Rules, independent non-executive directors of a listed issuer must represent at least one-third of its board of directors. After the resignation of Ms. Li as an INED of the Company, the Board comprised ten members with six executive directors, one non-executive director and three independent non-executive directors. As a result, the number of independent non-executive directors of the Company fell below one-third of the Board as required under Rule 3.10A of the Listing Rules.

On 3 August 2020, Ms. Wu Hanpu ("**Ms. Wu**") was appointed as an INED, the Company then re-complied with the requirements of rule 3.10(A) of the Listing Rules.

AUDIT COMMITTEE

The audit committee has reviewed and discussed with the management of the Company the accounting principles and practices, risk management and internal control systems adopted by the Group. The audit committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2020 and this annual results announcement. The audit committee comprises three independent non-executive Directors and none of them is employed by or otherwise affiliated with former or existing auditors of the Company.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the supplemental announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the supplemental announcement.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement of the Company for the year ended 31 December 2020 is published on the website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2020 will be published on the above website and despatched to the shareholders of the Company in due course.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to the entire workforce for their dedication and commitment.

Mr. Ho Man Kit
Joint and Several Liquidator of
CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD.
(In Liquidation)

Hong Kong, 4 November 2022

As at the date of this announcement, the executive directors of the Company are Mr. Jiang Changqing, Mr. Zhao Feng, Ms. Liu Jianzhou, Mr. Chen Qizheng, Mr. Liu Zhen and Mr. Mok Kwan Leong; the independent non-executive directors are Mr. Wang Haiyu, Mr. Mok Hon Kwong Thomas and Mr. Ma Yu-heng.

The affairs, business and property of the Company in Hong Kong are being managed by Mr. Ho Man Kit and Ms. Kong Sze Man Simone, the joint and several liquidators, who act as the agent of the Company only and without personal liability.

The Directors and the Liquidators jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.