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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHTS

	Six months ended 30 June		Increase/ (Decrease) %
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	
Revenue	5,241	10,900	(51.9)
Gross loss	(400)	(3,974)	(90.0)
EBITDA	(3,273)	(50,111)	(93.5)
EBITDA margin %	(62.4%)	(459.7%)	(397.3%)
Net loss	(18,672)	(71,397)	(73.8)
Loss attributable to owners of the Company	(18,583)	(71,496)	(74.0)
Net loss margin	(356.3%)	(655.0%)	(298.7%)
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Basic loss per share	(0.65)	(2.93)	(2.28)
		As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current ratio		0.29	0.35
Gearing ratio		(95.8%)	(94.1%)

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China U-Ton Future Space Industrial Group Holdings Ltd. (in Liquidation) (the “**Company**”) and its subsidiaries (collectively the “**Group**”) is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2021 (the “**current period**”) together with the comparative figures for the corresponding period last year (the “**last corresponding period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	5,241	10,900
Cost of sales/services		<u>(5,641)</u>	<u>(14,874)</u>
Gross loss		(400)	(3,974)
Interest income		88	77
Other income		2,109	8,503
Other gains/(losses)		8,505	(26,364)
Selling expenses		(1,168)	(1,847)
Administrative expenses		(12,307)	(27,460)
Research and development expenses		<u>(563)</u>	<u>(1,104)</u>
Operating loss		(3,736)	(52,169)
Share of profit from an associate		91	–
Finance costs	5	<u>(15,027)</u>	<u>(19,090)</u>
Loss before taxation	6	(18,672)	(71,259)
Income tax expense	7	<u>–</u>	<u>(138)</u>
Loss for the period		(18,672)	(71,397)
Other comprehensive loss for the period (after tax):			
<i>Items that may be reclassified to profit or loss:</i>			
– Share of associates’ exchange differences on translating foreign operations		(7)	–
– Exchange differences on translation of financial statements into presentation currency		<u>(678)</u>	<u>(50)</u>
Total comprehensive loss for the period		<u>(19,357)</u>	<u>(71,447)</u>

		For the six months ended 30 June	
		2021	2020
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
	– Owners of the Company	(18,583)	(71,496)
	– Non-controlling interests	(89)	99
		<u> </u>	<u> </u>
Loss for the period		<u><u>(18,672)</u></u>	<u><u>(71,397)</u></u>
Total comprehensive loss for the period attributable to:			
	– Owners of the Company	(19,268)	(71,546)
	– Non-controlling interests	(89)	99
		<u> </u>	<u> </u>
Total comprehensive loss for the period		<u><u>(19,357)</u></u>	<u><u>(71,447)</u></u>
Loss per share (RMB cents)			
	– Basic	(0.65)	(2.93)
		<u> </u>	<u> </u>

9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	9,563	10,026
Investment properties		15,093	15,495
Interest in an associate		1,081	–
Equity investments at fair value through other comprehensive income		22,036	22,036
		<hr/> 47,773	<hr/> 47,557
Current assets			
Investments at fair value through profit or loss		–	34,831
Inventories		1,223	4,501
Trade and bill receivables	<i>11</i>	18,463	18,294
Loan to customers		44,559	4,193
Contract assets		4,248	–
Prepayments, deposit and other receivables		130,907	126,423
Cash at bank and on hand		18,517	21,652
		<hr/> 217,917	<hr/> 209,894

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	12	214,462	209,113
Payables for acquisition of a subsidiary		27,500	27,500
Bank and other borrowings		60,450	50,707
Corporate bonds		302,843	184,063
Guaranteed notes		119,823	111,663
Lease liabilities		412	1,063
Income tax payable		21,162	21,162
Provision for warranties		785	780
		<u>747,437</u>	<u>606,051</u>
Net current liabilities		<u>(529,520)</u>	<u>(396,157)</u>
Total assets less current liabilities		<u>(481,747)</u>	<u>(348,600)</u>
Non-current liabilities			
Corporate bonds		–	113,133
Lease liabilities		3,191	3,848
		<u>3,191</u>	<u>116,981</u>
NET LIABILITIES		<u><u>(484,938)</u></u>	<u><u>(465,581)</u></u>
Capital and reserves			
Share capital	13	240,267	240,267
Reserves		(711,368)	(692,100)
Equity attributable to owners of the Company		<u>(471,101)</u>	<u>(451,833)</u>
Non-controlling interests		<u>(13,837)</u>	<u>(13,748)</u>
TOTAL EQUITY		<u><u>(484,938)</u></u>	<u><u>(465,581)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)
Attributable to owners of the Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Equity investment revaluation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2020	203,023	434,910	46,402	10,033	45,675	1,868	(50,359)	(538,116)	153,436	58,457	211,893
Changes in equity for 2020:											
Loss for the period	-	-	-	-	-	-	-	(71,496)	(71,496)	99	(71,397)
Other comprehensive loss	-	-	-	-	-	(50)	-	-	(50)	-	(50)
Total comprehensive loss for the period	-	-	-	-	-	(50)	-	(71,496)	(71,546)	99	(71,447)
Balance at 30 June 2020	<u>203,023</u>	<u>434,910</u>	<u>46,402</u>	<u>10,033</u>	<u>45,675</u>	<u>1,818</u>	<u>(50,359)</u>	<u>(609,612)</u>	<u>81,890</u>	<u>58,556</u>	<u>140,446</u>
At 1 January 2021	240,267	513,123	46,402	10,033	45,675	(847)	(89,574)	(1,216,912)	(451,833)	(13,748)	(465,581)
Changes in equity for 2021:											
Loss for the period	-	-	-	-	-	-	-	(18,583)	(18,583)	(89)	(18,672)
Other comprehensive loss	-	-	-	-	-	(685)	-	-	(685)	-	(685)
Total comprehensive loss for the period	-	-	-	-	-	(685)	-	(18,583)	(19,268)	(89)	(19,357)
Balance at 30 June 2021	<u>240,267</u>	<u>513,123</u>	<u>46,402</u>	<u>10,033</u>	<u>45,675</u>	<u>(1,532)</u>	<u>(89,574)</u>	<u>(1,235,495)</u>	<u>(471,101)</u>	<u>(13,837)</u>	<u>(484,938)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is 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 3:00 p.m. on 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.

These unaudited condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Listing Rules and International Accounting Standard 34 "Interim Financial Reporting".

The accounting policies and methods of computation applied in these condensed interim financial statements are the same as those applied in the Group's annual consolidated financial statements for the year ended 31 December 2020.

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 Petitioner 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, 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 announcement, 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 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 RMB18,672,000 for the period ended 30 June 2021 and as at 30 June 2021 the Group had net current liabilities and net liabilities of RMB529,520,000 and RMB484,938,000 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 period, the Group has adopted all the new and revised IFRSs issued by International Accounting Standards Board (“**IASB**”) that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards; 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 consolidated financial statements and amounts reported for the current period and prior periods.

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

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 during the period is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Design, deployment and maintenance of optical fibers services	4,865	10,508
Environmentally intelligent technical products and services	376	392
	<u>5,241</u>	<u>10,900</u>

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

Segments	Six months ended 30 June 2021 (Unaudited)				
	Optical fibers <i>RMB'000</i>	Other communication networks <i>RMB'000</i>	Environmentally intelligent technical products and services <i>RMB'000</i>	Money lending <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>4,865</u>	<u>–</u>	<u>376</u>	<u>–</u>	<u>5,241</u>
Reportable segment gross (loss)/profit	<u>(435)</u>	<u>–</u>	<u>35</u>	<u>–</u>	<u>(400)</u>
Segments	Six months ended 30 June 2020 (Unaudited)				
	Optical fibers <i>RMB'000</i>	Other communication networks <i>RMB'000</i>	Environmentally intelligent technical products and services <i>RMB'000</i>	Money lending <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>10,508</u>	<u>–</u>	<u>392</u>	<u>–</u>	<u>10,900</u>
Reportable segment gross loss	<u>(3,796)</u>	<u>–</u>	<u>(98)</u>	<u>(80)</u>	<u>(3,974)</u>

Geographic information and timing of revenue recognition

At 30 June 2021 and 2020, 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.

Segments	Six months ended 30 June 2021 (Unaudited)				
	Optical fibers <i>RMB'000</i>	Other communication networks <i>RMB'000</i>	Environmentally intelligent technical products and services <i>RMB'000</i>	Money lending <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical markets					
The PRC including Hong Kong	<u>4,865</u>	<u>-</u>	<u>376</u>	<u>-</u>	<u>5,241</u>
Timing of revenue recognition					
Over time	<u>4,865</u>	<u>-</u>	<u>376</u>	<u>N/A</u>	<u>5,241</u>
Segments	Six months ended 30 June 2020 (Unaudited)				
	Optical fibers <i>RMB'000</i>	Other communication networks <i>RMB'000</i>	Environmentally intelligent technical products and services <i>RMB'000</i>	Money lending <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical markets					
The PRC including Hong Kong	<u>10,508</u>	<u>-</u>	<u>392</u>	<u>-</u>	<u>10,900</u>
Timing of revenue recognition					
Over time	<u>10,508</u>	<u>-</u>	<u>392</u>	<u>N/A</u>	<u>10,900</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Interest on bank and other borrowings	1,718	4,196
Finance charges on corporate bonds	9,482	7,758
Finance charges on guaranteed notes	9,834	5,486
Finance charges on lease liabilities	266	1,263
Total borrowing costs	21,300	18,703
Net foreign exchange (gain)/loss	(6,273)	387
	<u>15,027</u>	<u>19,090</u>

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	463	1,860
Amortisation of intangible assets	–	198
	<u>463</u>	<u>1,860</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current taxation:		
– PRC Corporate Income Tax	–	138
	<u>–</u>	<u>138</u>

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 six months ended 30 June 2021 (2020: 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 six months ended 30 June 2021 (2020: 25%).

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 year ended 31 December 2022.

8. DIVIDENDS

The board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. LOSS PER SHARE

The basic loss per share for the period ended 30 June 2021 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 period, calculated as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the purposes of calculating basic loss per share (loss for the period attributable to the owners of the Company)	(18,583)	(71,496)
	2,859,943	2,442,674
	Number of shares	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	2,859,943	2,442,674

There was no diluted loss per share for the six months ended 30 June 2021 and 2020 as there was no potential ordinary share issued during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of nil (six months ended 30 June 2020: RMB2,994,000).

11. TRADE AND BILL RECEIVABLES

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and bill receivables	247,211	247,042
Less: allowance for doubtful debts	(228,748)	(228,748)
	18,463	18,294

As of the end of the reporting period, the ageing analysis of trade and bill receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	412	11,389
91 to 180 days	418	3,329
181 to 365 days	10,728	3,576
Over 1 year	6,905	–
	<u>18,463</u>	<u>18,294</u>

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

12. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables due to third parties	<u>110,887</u>	<u>105,587</u>
Other payables and accrued expenses		
– accrued expenses	13,694	13,591
– payables for staff related costs	19,825	18,465
– other taxes payables	768	737
– payables for interest expenses	18,301	16,369
– others	50,987	54,364
	<u>103,575</u>	<u>103,526</u>
Total	<u>214,462</u>	<u>209,113</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 90 days	3,214	11,607
91 to 180 days	2,086	3,681
181 to 365 days	15,104	9,410
Over 1 year	90,483	80,889
	<u>110,887</u>	<u>105,587</u>

13. SHARE CAPITAL

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

	No. of shares <i>'000</i>	<i>HKD'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each	4,000,000	400,000
	<u>4,000,000</u>	<u>400,000</u>
Ordinary shares, issued and fully paid:		
	No. of shares <i>'000</i>	<i>RMB'000</i>
At 1 January 2020	2,442,674	203,023
Shares issued	417,269	37,244
	<u>2,859,943</u>	<u>240,267</u>
At 31 December 2020 and 30 June 2021	<u>2,859,943</u>	<u>240,267</u>

14. CAPITAL COMMITMENTS

As at 30 June 2021, the Group had no capital commitments (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's revenue was approximately RMB5,241,000 for the current period, representing a decrease of approximately RMB5,659,000 or 51.9% as compared with the revenue of approximately RMB10,900,000 for the last corresponding period. The decrease was mainly caused by the outbreak of COVID-19 pandemic in China commencing from February 2020 and gradually recovered commencing from the second half of 2021. Most of the Group's customers in Beijing and Hebei were affected by the outbreak and they only allowed the Group to restart the service projects cautiously.

Gross loss for the current period amounted to approximately RMB400,000, which represented a decrease of approximately RMB3,574,000 or 90.0% from gross loss of approximately RMB3,974,000 for the last corresponding period. Gross loss margin during the current period was 7.6% compared to gross loss margin of 36.5% for the last corresponding period. The decrease was mainly caused by the tight control on the overhead cost.

Net loss attributable to the owners of the Company for the current period was approximately RMB18,583,000, representing a decrease of approximately RMB52,913,000 or 74.0% from loss of approximately RMB71,496,000 for the last corresponding period.

Basic loss per share for the current period was RMB0.65 cents, which represented a decrease of 77.8% from loss per share of RMB2.93 cents for the last corresponding period.

The board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

BUSINESS REVIEW

Due to the extensive spread of the COVID-19 pandemic across China in 2020, many businesses had been unable to resume work on time and forced to have their orders cancelled, and investments were bound to shrink accordingly. The social distancing arrangement had further impacted our core business segments which required certain extent of labour work or social contact. The social distancing was gradually released in the first half of 2021 and the Group was able to kick off the projects again.

FINANCIAL REVIEW

Revenue

For the current period, the Group's revenue was RMB5,241,000, representing a decrease of RMB5,659,000 or 51.9%, compared to RMB10,900,000 in last corresponding period. The decrease in revenue was mainly caused by the decrease in the provision of design, deployment and maintenance of optical fiber services with the reason stated in the section of Overview.

Other gains/(losses)

The decrease was mainly caused by no impairment losses incurred during the current period while there was a gain on investment at fair value through profit or loss of RMB8,505,000 during the current period.

Administrative expenses

For the current period, administrative expenses decreased significantly to RMB12,307,000 from RMB27,460,000 in last corresponding period prior. It was mainly due to consultancy fee, audit fee, legal fee decreased of approximately RMB12,040,000 and rental fee, car expenses and entertainment expenses decreased of approximately RMB2,960,000.

Gross loss

The Group recorded a gross loss for the current period as compared with the gross loss for the last corresponding period. The decrease in the gross loss was primarily due to the drop in profit margin in all the business segments due to the low revenue amount which was not big enough to absorb the fixed overhead cost.

Finance cost

Finance cost mainly includes interest charged by bank and other borrowings, corporate bonds and guaranteed notes. The decrease in finance cost was mainly due to net foreign exchange gain.

Loss attributable to owners of the Company

For the reasons above, the Group recorded net loss attributable to owners of the Company of RMB18,583,000 for the current period compared to net loss of RMB71,496,000 for the last corresponding period, representing a decrease of approximately 74.0%.

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 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.

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 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 and 18 July 2019, respectively.

LIQUIDITY AND FINANCIAL RESOURCE

As at 30 June 2021, the Group had current assets of approximately RMB217,917,000 (31 December 2020: RMB209,894,000) which comprised cash and cash equivalents amounted to approximately RMB18,517,000 (31 December 2020: RMB21,652,000). As at 30 June 2021, the Group had non-current liabilities and current liabilities amounted to approximately RMB3,191,000 and RMB747,437,000 (31 December 2020: RMB116,981,000 and RMB606,051,000), respectively, consisting mainly of payables, corporate bonds, guaranteed notes, bank and other borrowings arising in the ordinary course of business. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.29 (31 December 2020: 0.35).

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

Gearing ratio

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporate bonds and guaranteed notes) less cash at bank and on hand. Capital comprises all components of equity. The gearing ratio was approximately (95.8%) as at 30 June 2021 (31 December 2020: approximately (94.1%)).

Foreign exchange exposure

For the six months ended 30 June 2021, the corporate bonds and guaranteed notes of the Group are denominated in foreign currencies and consequently the Group had foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the reporting date. During the current period, the Group did not neither engage in any derivatives activities nor commit to any financial instruments to hedge its exposure to foreign exchange risk.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group had 146 employees (30 June 2020: 169), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB6,350,000 for the six months ended 30 June 2021 as compared to approximately RMB7,760,000 for the last corresponding period. 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 option scheme.

FUTURE PLANS AND PROSPECTS

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

In order to cope with the anticipated challenges and stay competitive, more efforts will be made to strengthen internal control and management and to strictly control production costs and operating expenses. The Group will also continue to explore any opportunities to diversify our business with the ultimate aim of bringing greater value to the shareholders of the Company in the long run. The Group is proactively looking for business opportunities to expand its existing business in the PRC and overseas. Finally, the Group has set up a new optical fibers services operation center in Thailand to serve customers located in Thailand in late 2021.

SHARE CAPITAL

During the six months ended 30 June 2021, the listed shares of HK\$0.10 each in the share capital of the Company (the “Shares”) was 2,859,942,965 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed Shares during the current period.

INTERIM DIVIDEND

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

MAJOR EVENTS SINCE 2021

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 Petitioner 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 Maninvest 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 letters from the Stock Exchange, in which the Stock Exchange sets 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 ^(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 "Important Events after since 2021" of this 2022 Interim Results 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, 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 announcement, 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) 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 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. (“**Hebei Changtong**”), a wholly-owned subsidiary of the Group, submitted several batches of applications for arbitration to the Shijiazhuang Arbitration Commission and the other arbitration commissions against China Mobile Group Hebei Co., Ltd. (“**China Mobile Hebei**”) for the repayment of overdue service fees and interests (the “**Arbitrations**”).

As at the date of this announcement, Hebei Changtong has applied for the repayment of a total of approximately RMB324.66 million for the Arbitrations against China Mobile Hebei and the Shijiazhuang Arbitration Committee and the other arbitration commissions have ordered China Mobile Hebei to repay a total contract sum 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, neither the Directors nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 June 2021 which may, directly or indirectly, compete with the Group’s business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Since the Company’s Shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 August 2014, the company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”). The Group strives to and will continue to ensure compliance with the corresponding provisions set out in The Model Code. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standards as set out in the Model Code by the Directors throughout the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, throughout the six months ended 30 June 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules, except the following:

Delay in Publication of the 2020 Annual Results and the 2021 Interim Results and Delay in Dispatch of the 2020 Annual Report and the 2021 Interim 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 not later than three months after the end of the reporting period (i.e. on or before 31 March) and dispatch its annual report for the year ended 31 December 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).

Pursuant to Rule 13.49(6) and Rule 13.48 of the Listing Rules, the Company is required to publish its interim results for the six months ended 30 June not later than two months after the end of the six months ended 30 June (i.e., on or before 31 August) and dispatch its interim report for the reporting period to the Shareholders not later than three months after the end of the reporting period (i.e., on or before 30 September).

The Company had delayed the publication of the 2020 Annual Results and the 2021 Interim Results and the dispatch of the 2020 Annual Report and the 2021 Interim 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 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules and Non Compliance with Code Provision A.5.1 of the CG Code

With effect from 5 May 2021, Ms. Chan Oi Chong (“**Ms. Chan**”) resigned as the company secretary of the Company.

With effect from 5 May 2021, Mr. Meng Fanlin (“**Mr. Meng**”) resigned as an independent non-executive director (“**INED**”), the member of the audit committee (the “**Audit Committee**”), the member of the remuneration committee (the “**Remuneration Committee**”) and the Chairman of the nomination committee (the “**Nomination Committee**”) of the Company.

With effect from 6 May 2021, Ms. Teng Xun (“**Ms. Teng**”) resigned as an INED, the Chairlady of the Audit Committee, the member of the Remuneration Committee and the member of the Nomination Committee of the Company.

Following the resignation of Ms. Chan, Mr. Meng and Ms. Teng, the Company failed to comply with the following requirements under the Listing Rules:

- i. Rule 3.28 of the Listing Rules requires that the Company must appoint an individual as its company secretary;
- ii. Rule 3.10 and 3.10A of the Listing Rule require that the independent non-executive directors shall represent at least one-third of the Board and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise;
- iii. Rule 3.21 of the Listing Rules requires that the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2); and
- iv. Code provision A.5.1 of the CG Code requires that the nomination committee shall be chaired by the chairman of the Board or an INED.

As of the date of this announcement, 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.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Board passed on 27 May 2012. The terms of reference of the audit committee are in compliance with Rule 3.21 and 3.22 of the Listing Rules and paragraph C3.3 and C3.7 of the CG Code with the latest update in January 2019. Its terms of reference are available on the websites of the Stock Exchange.

The primary duties of the audit committee are, among other things, to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and render material advice in respect of financial reporting and oversee risk management and internal control procedures of the Company.

The audit committee has the responsibilities and powers set forth in the terms of reference of the audit committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

Under the terms of reference of the audit committee, members of the committee shall consist of not less than three members, a majority of whom shall be INEDs and at least one of whom is INED with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. As at 30 June, 2021, the audit committee comprised only one independent non-executive Director, namely Mr. Wang Haiyu. Thus, the Company did not comply with the terms of reference of the audit committee in the current period.

As of the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. Mok Hon Kwong Thomas (Chairman), Mr. Ma Yu-heng and Mr. Wang Haiyu. Thus, the Company had complied with the terms of reference of the audit committee.

The audit committee had discussed with the management the accounting principles and policies adopted by the Group and reviewed the Group's unaudited interim condensed consolidated financial statement and the related notes for the six months ended 30 June 2021.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk>. The interim report will be dispatched to the shareholders and published on the above websites in due course.

APPRECIATION

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