



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

(formerly known as China U-Ton Holdings Limited 中國優通控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6168

Annual Report
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Jiang Changqing (姜長青) (Chairman)
Chen Qizheng (陳齊爭) (Chief Executive Officer)
Zhao Feng (趙峰)
Ji Huifang (計惠芳) (resigned on 15 December 2021)
Liu Jianzhou (劉建洲)
Liu Zhen (劉震)
Mok Kwan Leong (莫鈞亮)
(appointed on 29 March 2022)

Non-Executive Director

Ge Lingyue (葛凌躍) (resigned on 6 June 2022)

Independent Non-Executive Directors

Meng Fanlin (孟繁林) (resigned on 5 May 2021)
Wang Haiyu (王海玉)
Teng Xun (滕訊) (appointed on 29 February 2020
and resigned on 6 May 2021)
Wu Hanpu (吳函璞) (appointed on 3 August 2020
and resigned on 6 June 2022)
Mok Hon Kwong Thomas (莫漢銑)
(appointed on 25 May 2022)
Ma Yu-heng (馬有恒) (appointed on 25 May 2022)
Li Xiaohui (李曉慧) (resigned on 1 July 2020)

Company Secretary

Chan Oi Chong (陳愛莊) (ICS, HKICS)
(resigned on 5 May 2021)
Cheung Kwok Wo (張國和)
(appointed on 26 October 2022)

Audit Committee

Mok Hon Kwong Thomas (莫漢銑) (Chairman)
(appointed on 25 May 2022)
Ma Yu-heng (馬有恒) (appointed on 25 May 2022)
Wang Haiyu (王海玉)
Li Xiaohui (李曉慧) (Chairlady)
(resigned on 1 July 2020)

Nomination Committee

Ma Yu-heng (馬有恒) (Chairman)
(appointed on 25 May 2022)
Mok Hon Kwong Thomas (莫漢銑)
(appointed on 25 May 2022)
Wang Haiyu (王海玉)
Li Xiaohui (李曉慧) (resigned on 1 July 2020)

Remuneration Committee

Wang Haiyu (王海玉) (Chairman)
Ma Yu-heng (馬有恒) (appointed on 25 May 2022)
Mok Hon Kwong Thomas (莫漢銑)
(appointed on 25 May 2022)
Li Xiaohui (李曉慧) (resigned on 1 July 2020)

Auditor

ZHONGHUI ANDA CPA Limited

Registered Office

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office, Headquarters and Principal Place of Business in the PRC

Room 514, 5/F, Block A, Jinyuan Business Plaza
No.152, Huai An East Road
Yuhua District, Shijiazhuang
Hebei Province
China

Principal Place of Business in Hong Kong

Unit B, 12/F, Hang Seng Causeway Bay Building
28 Yee Wo Street
Causeway Bay
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
1 Garden Road,
Hong Kong

China Construction Bank
Shijiazhuang Guangan Dajie Branch
No.26, Guangan Dajie, Shijiazhuang
Hebei Province
China

Industrial and Commercial Bank of China
Beijing Beitaipingzhuang Branch
No.33, North Road, Beitaipingzhuang
Beijing
China

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

6168

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2020 RMB'000	2019 RMB'000	Increase/ (Decrease)%
Operating result			
Revenue	31,381	99,043	(68.3)
Gross loss	(29,073)	(6,143)	373.3
EBITDA	(700,801)	(95,962)	630.3
Net loss	(751,001)	(163,666)	358.9
Loss for the year attributable to the owners of the Company	(678,796)	(166,516)	307.6
Per share data			
	RMB cents	RMB cents	RMB cents
Basic loss per share	(26.16)	(7.69)	18.47
Financial position			
	RMB'000	RMB'000	(Decrease)%
Cash at bank and on hand	21,652	29,384	(26.3)
Total assets	257,451	927,518	(72.2)
Net (liabilities)/assets	(465,581)	211,893	(319.7)
Financial ratio			
			Increase/ (Decrease)%
Gross loss margin	(92.6%)	(6.2%)	86.4
EBITDA margin	(2,233.2%)	(96.9%)	2,136.3
Net loss margin	(2,393.2%)	(165.2%)	2,228.0
Current ratio	0.35	0.76	(0.41)
Gearing ratio	(94.1%)	198.2%	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

China U-Ton Future Space Industrial Group Holdings Ltd. (In Liquidation) (the “**Company**”) and its subsidiaries (the “**Group**”) is principally engaged in the provision of design, deployment and maintenance of optical fibers services, other communication networks services, environmentally intelligent technical products and services and money lending services.

By a special resolution passed at the extraordinary general meeting of the Company held on 9 March 2020, the English name of the Company was changed from “China U-Ton Holdings Limited” to “China U-Ton Future Space Industrial Group Holdings Ltd.” and the dual foreign name in Chinese of the Company was changed from “中國優通控股有限公司” to “中國優通未來空間產業集團控股有限公司”, both with effect from 9 March 2020. The board (the “**Board**”) of directors (the “**Directors**”) of the Company believes that the new names will promote the Company’s corporate image and will benefit the Company’s future business development.

The Company was ordered to be wound up by the High Court of Hong Kong on 5 May 2021 in HCCW 57/2021. Trading of shares of the Company has been suspended with effect from 3:00pm on 5 May 2021 and will remain suspended pending fulfilment of the resumption guidance and any supplement or modification thereto. For details, please refer to heading “Events after the Reporting Period” under the Management Discussion and Analysis section on page 11 to 16 of this annual report.

The Board still has effective control over the subsidiaries which are still in operations. However, the scale of operations of the subsidiaries has reduced primarily due to, amongst others, the negative news surrounding the Group and cash flow constraint. The Group retains the design, deployment and maintenance of optical fibers services and the environmentally intelligent technical products and services as the principal business activities of the Group.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

BUSINESS REVIEW

The business environment for the year ended 31 December 2020 (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.

FINANCIAL REVIEW

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. Loss attributable to the owners of the Company was RMB678,796,000, representing an increase of loss of RMB512,280,000 or 307.6%, 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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”.

Convertible 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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 of Hong Kong Limited (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.

Charges on assets

As at 31 December 2020, the Group did not have pledged bank deposit to secure the bank and other borrowings (31 December 2019: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 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 unauthorized subscription^(note 1), announce the findings and take appropriate remedial action; and

Note 1: The particulars of the suspected unauthorized subscription could be found at section “Events after the Reporting Period” at page 15 of this Annual Report. Shareholders are also invited to review the announcement of the Company dated 16 September 2022 for more information of the Suspected Unauthorized Subscription.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 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.

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.

* *The English translation is for reference only.*

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 this annual report that they are unable to form an opinion as to those disclaimer items (the “**Disclaimer of Opinion**”) set out on page 48 to 50 of the Independent Auditor’s Report in this annual 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in Note 21 to the Consolidated Financial Statements.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 18 of this annual report. This discussion forms part of this director's report.

Compliance with Laws and Regulations

The Company was listed on the GEM Board ("GEM") of the Stock Exchange since 12 June 2012 till the transfer of listing of all the Shares in issue from GEM to the Main Board of the Stock Exchange. The last day of dealings in the Shares on GEM (Stock code: 8232) was 31 July 2014 with dealings in the Shares on the Main Board (Stock code: 6168) commencing at 9:00 a.m. with effect from 1 August 2014.

The Company was ordered to be wound up by the High Court of Hong Kong on 5 May 2021 in HCCW 57/2021. Trading of shares of the Company 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.

The Group continues to update the requirement of the relevant laws and regulations in various countries and regions, particularly in Hong Kong and the PRC, applicable to it to ensure compliance. Majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in both PRC and Hong Kong. During the year under review, the Group complied with the relevant laws and regulations in Hong Kong and the PRC in all material respects.

Key Relationships

(i) Employees

The Group offers competitive remuneration packages to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business. During the year under review, the Group considered the relationship with employees was well and the turnover rate is acceptable.

(ii) Suppliers

The Group has developed long-standing relationships with a number of vendors and take great care to ensure they share our commitment to quality and ethics. The Group selects manufacturers carefully and requires them to satisfy certain assessment criteria including experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(iii) Customers

The Group is committed to offer a broad and diverse range of inspiring, value-for money, good-quality services to customers. The Group also stays connected with customers in order to meet their need with ongoing communications with them through various channels like telephone, email and marketing materials.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2020 are set out in Note 21 of the Consolidated Financial Statements.

BUSINESS REVIEW

A review and analysis on the Group's business for the year ended 31 December 2020 and a discussion on the Group's future development are set out in page 5 to 18 which form part of the Report of the Directors.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2020, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Company

Name of director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Jiang Changqing (Note 2 and note 3)	Our Company	Interest of a controlled corporation	542,035,000 Shares (L)	18.95%
	Our Company	Beneficial owner	6,400,000 Shares (L)	0.22%
	Our Company	Interest of spouse	10,195,000 Shares (L)	0.36%

Notes:

1. The letter "L" denotes the directors' long position in the shares of our Company or the relevant associated corporation.
2. The 542,350,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, an executive Director. Therefore, Mr. Jiang Changqing is deemed to be interested in the 542,350,000 Shares owned by Bright Warm Limited by virtue of the SFO.

3. Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Ms. Guo Aru held 10,195,000 Shares directly. Mr. Jiang Changqing is deemed to be interested in the 10,195,000 Shares held by Ms. Guo Aru by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Ms. Guo Aru (Note 2)	Our Company	Interest of spouse	548,435,000 Shares (L)	19.18%
		Beneficial owner	10,195,000 Shares (L)	0.36%
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	542,035,000 Shares (L)	18.95%
China Fund Limited (Note 3)	Our Company	Beneficial owner	173,563,000 Shares (L)	6.07%
Mr. Liu Xuezhong (Note 3)	Our Company	Interest of controlled corporation	173,563,000 Shares (L)	6.07%
Ms. Li Yuelan (Note 3)	Our Company	Interest of controlled corporation	173,563,000 Shares (L)	6.07%
Hifood Group Holdings Co., Ltd. (Note 4)	Our Company	Beneficial owner	200,540,000 Shares (L)	7.01%

REPORT OF THE DIRECTORS

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Hainan Province Cihang Foundation (海南省慈航公益基金會) (Note 4)	Our Company	Interest of controlled corporation	200,540,000 Shares (L)	7.01%
Mighty Mark Investments Limited (Note 5)	Our Company	Beneficial owner	169,545,000 Shares (L)	5.93%
Mr. Cheng Weihong (Note 5)	Our Company	Interest of controlled corporation	169,545,000 Shares (L)	5.93%
Mr. Chen Xiaotong (Note 6)	Our Company	Interest of controlled corporation	213,797,100 Shares (L)	7.48%
		Beneficial owner	28,224,200 Shares (L)	0.99%
Beijing Xingyun Venture Capital Co., Ltd* (北京星雲創業投資 有限公司)(Note 6)	Our Company	Beneficial owner	213,797,100	7.48%

Notes:

- The letter "L" denotes the person's long position in the shares of our Company or the relevant Group member.
- Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo is deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited and the 6,400,000 Shares owned by Mr. Jiang Changqing by virtue of the SFO. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang Changqing, an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited by virtue of the SFO.
- China Fund Limited is a company incorporated in the Cayman Island and the entire issued share capital of which is beneficially owned by Luckever Holdings Limited, a company incorporated in the Cayman Island, which in turn is owned as to 60.87% and 39.13% by Mr. Liu Xuezhong and Ms. Li Yuelan, respectively. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed to be interested in the 173,563,000 Shares owned by China Fund Limited by virtue of the SFO.
- Hifood Group Holdings Co., Ltd. is owned as to 74.96% by HNA Aviation Investment Holding Company Ltd. HNA Aviation Investment Holding Company Ltd. is a wholly owned subsidiary of HNA Aviation (Hong Kong) Holdings Co., Limited, which is owned as to 51.28% by HNA Tourism (International) Investment Group Co., Limited. HNA Tourism (International) Investment Group Co., Limited is a wholly owned subsidiary of HNA Tourism International (Hong Kong) Co., Limited, which in turn is a wholly owned subsidiary of HNA Tourism Group Limited* (海航旅遊集團有限公司). HNA Group Co., Ltd. owns 69.96% of HNA Tourism Group Limited* (海航旅遊集團有限公司) and is owned as to 70% by Hainan Traffic Administration Holding Co. Ltd.. Hainan Traffic Administration Holding Co. Ltd. is owned as to 50% by Tang Dynasty Development (Yangpu) Company Limited, which is owned as to 65% by Hainan Province Cihang Foundation. Therefore, Hainan Province Cihang Foundation (together with the abovementioned companies other than Hifood Group Holdings Co., Ltd.), are deemed to be interested in the 200,540,000 Shares owned by Hifood Group Holdings Co., Ltd. by virtue of the SFO.

5. Mighty Mark Investments Limited is a company incorporated in the British Virgin Islands and the entire issued capital of which is beneficially owned by Ms. Cheng Weihong. Therefore, Ms. Cheng Weihong is deemed to be interested in the 169,545,000 Shares owned by Mighty Mark Investments Limited by virtue of the SFO.
6. Beijing Xingyun Venture Capital Co., Ltd* (北京星雲創業投資有限公司) (“**Beijing Xingyun**”) is a company established in the PRC with limited liability. Beijing Xingyun is owned as to approximately 63.33% by Beijing Xingyun Qingke Investment Center (Limited Partnership)* (北京星雲清科投資中心(有限合夥)) which is in turn owned as to approximately 57.68% by Beijing Xingji City Culture Media Co., Ltd.* (北京星際城市文化傳媒有限公司). Beijing Xingji City Culture Media Co., Ltd.* (北京星際城市文化傳媒有限公司) is owned as to 30% by Yalian Green (Beijing) Trading Co., Ltd.* (亞聯綠色(北京)商貿有限公司) and 70% by Mr. Chen Xiaotong, respectively. Yalian Green (Beijing) Trading Co., Ltd.* (亞聯綠色(北京)商貿有限公司) is owned as to 70% by Mr. Chen Xiaotong. Therefore, Mr. Chen Xiaotong (together with the abovementioned companies other than Beijing Xingyun) are deemed to be interested in the 213,797,100 Shares owned by Beijing Xingyun by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's existing Share Option Scheme was approved for adoption pursuant to the written resolutions of all of our shareholders passed on 27 May 2012 (the “**Share Option Scheme**”) for the purpose of providing our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board shall approve from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at their absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries, (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 12 June 2012 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating 10% limit.

REPORT OF THE DIRECTORS

Details of the principal terms of the Share Option Scheme are set out in paragraph headed “Share Option Scheme” in section headed “Statutory and General Information” in Appendix IV to the prospectus of the Company dated 6 June 2012. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 27 May 2012 and remains in force until 26 May 2022. The Company may, by resolution in general meeting or at such date as the Board determined, terminate the Share Option Scheme without prejudice to the exercise of options granted prior to such termination.

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option (the “**Date of Grant**”) which must be a trading day;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and
- (3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the date of grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 168,000,000 shares, which represents 10% of the shares in issue of the Company on 12 June 2012. The Company had granted a total of 168,000,000 share options (“**Share Option 1**”) since the adoption of the Share Option Scheme, of which 168,000,000 share options so far granted had been exercised, lapsed or cancelled. As such, the Company had utilised 100% of the Share Option 1 limit.

With the approval granted by the Shareholders at the extraordinary general meeting (“**EGM**”) held on 11 July 2018, the limit on the grant of share options under the Share Option Scheme was refreshed to 208,634,538 Shares, being 10% of the Shares in issue as at the date of the EGM, and the Directors are authorised to grant share options up to this refreshed share option scheme limit to the eligible participants. For details, please refer to the announcements of the Company dated 24 May 2018, 25 May 2018, 14 June 2018, 20 June 2018 and 11 July 2018.

On 7 December 2018, a total of 200,000,000 share options (“**Share Option 2**”), representing 95.86% of the existing share options limit, were granted to directors of the Company, employees and consultants of the Group under the Share Option Scheme. All the Share Option 2 granted will vest 12 months from the date of grant and shall be exercisable within a 2 years period from 7 December 2019 to 6 December 2021. Each share option gives the holder the right to subscribe for one ordinary share of the Company at HK\$0.9. For details, please refer to the announcement of the Company dated 7 December 2018.

(i) The terms and conditions of the options granted are as follows:

	Number of share options	Vesting conditions	Contractual life of share options
Share options granted to directors	76,000,000	1 year from the date of grant	2 years
Share options granted to employees	105,000,000	1 year from the date of grant	2 years
Share options granted to consultants	16,000,000	1 year from the date of grant	2 years
Total	<u>197,000,000</u>		

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Numbers of options
Outstanding at 1 January 2020	HK\$0.90	219,000,000
Lapsed during the year	HK\$0.90	<u>(22,000,000)</u>
Outstanding/Exercisable at 31 December 2020	HK\$0.90	<u>197,000,000</u>

The share options outstanding at 31 December 2019 had a weighted average exercise price of HK\$0.90. The share options granted in December 2018 have a remaining contractual life of approximately 0.93 years till 6 December 2021.

REPORT OF THE DIRECTORS

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.

SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company for a term of three years and will be automatically renew thereafter. The service contract can be terminated by not less than three months' notice in writing served by either party on the other. None of the Directors has a service contract which is not de-terminable by the Company or any of its subsidiaries within 1 year without payment of compensation, other than statutory compensation.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to the existing shareholders.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2020.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, subject to the Companies Law, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE

Save as disclosed herein, no transaction, arrangement or contract of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

CONTRACT OF SIGNIFICANCE

No contract of significance, including contracts for the provision of services, was entered between the Company, or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as of the latest practicable date prior to the issue of this annual report, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date.

CONNECTED TRANSACTIONS

During the year, the Company had certain bank and other borrowings, corporate bonds and guaranteed notes that were secured by guarantees from Mr. Jiang Changqing (the "**Guarantees**"). Please refer to notes 34, 35, 36 and 45 to the Notes to the Consolidated Financial Statements for further details.

As Mr. Jiang Changqing is an executive Director of the Company, he is a connected person of the Company and each of the Guarantees constitutes a connected transaction under Chapter 14A of the Listing Rules. However, given that the Guarantees are financial assistance received by the Company from its connected persons on normal commercial terms or better and they are not secured by any assets of the Company, each of the Guarantees is fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to rule 14A.90 of the Listing Rules.

Save as disclosed above, the Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to its connected transactions during the year ended 31 December 2020.

Save as disclosed above, details of other related party transactions of the Group are set out in note 45 to the Notes to the Consolidated Financial Statements of this annual report, and none of which falls under the definition of connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors 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.

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.

Appointment and resignation of Executive Directors, Non-Executive Director and Independent Non-Executive Director

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

Ms. Teng Xun (滕訊) was appointed as an independent non-executive Director with effect from 29 February 2020 and resigned on 6 May 2021.

Li Xiaohui (李曉慧) resigned as an independent non-executive Director on 1 July 2020.

Ms. Wu Hanpu (吳函璞) was appointed as an independent non-executive Director with effect from 3 August 2020 and resigned on 6 June 2022.

Mr. Meng Fanlin (孟繁林) resigned as an independent non-executive Director on 5 May 2021.

Ms. Ji Huifang (計惠芳) resigned as an executive Director on 15 December 2021.

Mr. Mok Kwan Leong (莫鈞亮) was appointed as an executive Director with effect from 29 March 2022.

Mr. Mok Hon Kwong Thomas (莫漢銑) was appointed as an independent non-executive Director with effect from 25 May 2022.

Mr. Ma Yu-heng (馬有恒) was appointed as an independent non-executive Director with effect from 25 May 2022.

Mr. Ge Lingyue (葛凌躍) resigned as a non-executive Director on 6 June 2022.

For details, please refer to the announcement of the Company dated 28 February 2020, 30 June 2020, 31 July 2020, 5 May 2021, 6 May 2021, 15 December 2021, 29 March 2022, 24 May 2022, 25 May 2022 and 1 June 2022.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the Year have been audited by ZHONGHUI ANDA CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

On behalf of the Board

Jiang Changqing

Chairman and Executive Director

Hong Kong, 4 November 2022

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Executive Directors

Mr. Jiang Changqing, aged 57, is the founder and the chairman of the Group. He joined Hebei Changtong Communication Engineering Co., Ltd. (河北昌通通信工程有限公司) (“**Hebei Changtong**”), one of our operating subsidiaries, as a director since its incorporation in June 2000. Mr. Jiang was appointed as a Director of the Group on 31 March 2011 and re-designated as an executive Director on 27 May 2012. He is primarily responsible for the overall corporate strategies, planning, management and business development of the Group. Mr. Jiang has approximately 24 years’ working experience in the telecommunications industry specializing in the optical fiber deployment technology and has over 9 years’ experience in in-sewer deployment methods such as in-sewer, pipe jacking and cable troughing which utilizes microducts, mini-cables and related techniques. Prior to the establishment of the Group, Mr. Jiang worked at Hengshui Technology Intelligence Office (衡水科技情報所) from March 1998 to June 2000 responsible for the management of the operation. He worked in a department of The People’s Liberation Army of the PRC from October 1981 to June 1993 and was mainly responsible for coaching telecommunication equipment maintenance and construction. Mr. Jiang obtained a diploma in law through self-studying from the Hebei University (河北大學) in June 1996.

Mr. Chen Qizheng, aged 65, was appointed as a director and the Chief Executive Officer of the Group on 23 May 2018. From December 2003 to December 2008 and from December 2008 to June 2014, Mr. Chen served as the manager of the maintenance department and the assistant to the chairman of Hebei Changtong, respectively. Since June 2014, he serves as the acting general manager and the deputy general manager of Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. * (北京優通泰達電氣新技術發展有限公司), a subsidiary of the Company, and the deputy general manager of Hebei Changtong. Mr. Chen served in the Hebei Provincial Military Region of the People’s Liberation Army of the PRC with a final position as the deputy director of the Office for Communication and Support of National Economic Development under the Headquarters* (司令部通信支援國家經濟建設辦公室) (regimental commander and the rank of Colonel). Mr. Chen graduated from the Institute of Communication Command of the People’s Liberation Army* (解放軍通信指揮學院) in September 1986 and the law department of Xi’an Politics Institute of the People’s Liberation Army* (解放軍西安政治學院) in August 1996.

Mr. Zhao Feng, aged 50, was appointed as a director of the Group on 9 May 2017. He is serving as the chairman of Shenzhen Qianhai U-Ton Financial Leasing Co. Ltd., a subsidiary of the Company since February 2017. Mr. Zhao served as a broker and the manager of the trading department in Nanjing Zhongqi Futures Co., Ltd* (南京中期期貨經紀有限公司) from 1993 to 1999. He served as the general manager of the investment department in Shanghai Baolai Investment Co., Ltd.* (上海寶來投資管理有限公司) from 2000 to 2010, the business department of Nanjing office of Zhejiang Zhongda Futures Co., Ltd.* (浙江省中大型期貨有限公司) from 2010 to 2014 and the asset management center of Nanzheng Futures Co. Ltd (南證期貨有限責任公司資管中心) from 2015 to October 2016. Mr. Zhao graduated from Nanjing Normal University (南京師範大學) with a bachelor degree in Foreign Language Studies in 1993 and obtained a bachelor degree in Financial Engineering from Southeast University (東南大學) in 1996. In 1995, Mr. Zhao completed the Jiangsu Province futures practitioners (management) training courses at China International Futures Co., Ltd. In 1997, he had a three-months studies in interest arbitrage transactions and fixed price trading in the London Metal Exchange. In 2009, he passed the qualification exam for futures practitioners by CSRC.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Ji Huifang, aged 48, was appointed as a director of the Group on 9 May 2017 and resigned on 15 December 2021. Ms. Ji served as a marketing engineer of Siemens electrical Apparatus Ltd., Suzhou from 1996 to 1998. From 1998 to 2003 and from 2003 to 2007, she served as the experienced sales engineer of the power distribution products department and the market intelligence analysis supervisor of the industry automation activity department of the Shanghai branch of Schneider Electric Investment Co. Ltd., respectively. From 2007 to 2012 and from 2012 to 2014, she also served as the industry manager of the industry and automation activity department and the national marketing manager of PKA (smart infrastructure) department of Schneider Electric Co. Ltd., respectively. Ms. Ji completed the professional course of management at East China Normal University (上海華東師範大學) in July 1996, and obtained a MBA degree from South Cross University of Australia (澳大利亞南格斯大學) in October 2002.

Ms. Liu Jianzhou, aged 47, was appointed as a director of the Group on 23 May 2018 and the vice president on 16 March 2020. Ms. Liu has over 6 years of experience in the field of general management, strategic/business planning, marketing/commercial leadership, and business development. She worked as the vice president of Tianjin Century Pharmaceutical Co., Limited* (天津世紀藥業有限公司) from February 2011 to December 2017. During this period, she was mainly responsible for the development strategy and supervision of the company's business. She was also in charge of the operation management, maintaining clients' relationship and organizing and supervising internal affairs of the company. Ms. Liu graduated from Nankai University and received a bachelor's degree in international trade in July 1996.

Mr. Liu Zhen, aged 50, was appointed as a director of the Group on 1 December 2019. Mr. Liu has over 20 years of experience in the civil engineering industry. Mr. Liu had served as the deputy general manager, the chief engineer and the chief economist of China Construction First Group Huajiang Construction Corporation Limited* (中建一局華江建設有限公司), a subsidiary of the China Construction First Group Corporation Limited* (中國建築一局(集團)有限公司), the deputy chief commander and chief engineer of the project management team of the China Resources Building project of China Construction First Group Corporation Limited*, the chief engineer and general manager of the engineering department of China Resources Construction Corp.* (華潤建築有限公司), the deputy director and deputy chief auditor of Henderson (China) Investment Company Limited* (恒基(中國)投資有限公司) and the general manager of certain subsidiaries of China Investment Development Corporation Limited* (中投發展有限責任公司) (including Liaodongwan Development Corporation Limited* (遼東灣發展有限責任公司), China Investment Development (Tianjin) Binhai Corporation Limited* (中投發展(天津)濱海有限責任公司) and Beijing Technological Business District Construction Corporation Limited* (北京科技商務區建設有限責任公司)). Mr. Liu has been the chairman of Zhongan Anchan Industrial Group Corporation Limited* (中安安產實業集團有限公司) since 2015. Mr. Liu graduated from Tianjin University in 1995 with a bachelor degree in civil structural engineering. In 2000 and 2003, he obtained the qualification of civil engineer (grade one)* (工民建壹級工程師) and senior engineer of building structure* (建築結構高級工程師), respectively. Mr. Liu was also appointed by the Hong Kong Institute of Construction Managers in 2004 as a representative in Beijing from 2004 to 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Mok Kwan Leong, aged 38, was appointed as a director of the Group on 29 March 2022. He has approximately four years of experience in advising on corporate restructuring and insolvency matters. In May 2015, Mr. Mok joined Maninvest Asia Limited, a member of the Maninvest Group, a major consulting firm in Greater China which advises on company restructuring service and international financial and tax matters, as the Supervisor, Litigation Support and Consultancy Services Department. He left the Maninvest Group briefly in March 2016 and re-joined the Maninvest Group in October 2018 as the Chief Executive Officer (Greater China). Mr. Mok is also appointed as the Director of Business Development of the Maninvest Group. Mr. Mok is currently responsible for managing the operations of the Maninvest Group in Mainland China and the Macau Special Administrative Region. Mr. Mok graduated from Bond University in Queensland, Australia with a bachelor's degree in laws in October 2005. Mr. Mok also completed the Bond University Professional Legal Training Program in January 2015. He is a member of the International Association of Restructuring, Insolvency & Bankruptcy Professionals and a member of the Restructuring and Insolvency Faculty of the Hong Kong Institute of Certified Public Accountants since September 2015. Mr. Mok was admitted as a lawyer of the Supreme Court of Queensland, Australia in March 2015 and appointed as an official liquidator of Samoa in October 2020.

Non-Executive Director

Mr. Ge Lingyue, aged 62, was appointed as a non-executive director of the Group on 9 May 2017 and resigned on 6 June 2022. Mr. Ge has over 21 years of experience in the telecommunications, media and IT technology industries. From 1993 to 1997, Mr. Ge was appointed as the senior consultant of the first chairman of China Unicom and participated in the preparatory and sponsorship work of China United Network Communications Corporation Limited, the planning and design of China Unicom's nationwide fiber-optic network, the investment and construction work of GSM mobile communication network and China Unicom satellite signaling system number 7 communications network. Since 1998, Mr. Ge has served as the managing director in Century Investment (Holding) Limited ("**Century Investment**"). In 2006, Mr. Ge, through the wholly owned subsidiary of Century Investment, CII Satellite Communications Limited ("**CII Satellite**"), established China Mobile Broadcasting Satellite Limited ("**CMBSat**") in Hong Kong with Echostar, a leading satellite operator in US, and Mr. Ge served as the chairman of the board of directors of CMBSat. Mr. Ge is currently an executive Director of Greens Holdings Ltd (stock code: 1318) (shares of which are listed on The Stock Exchange of Hong Kong Limited and trading of which has been suspended since 2 June 2015), the chairman and general manager of Beijing Century Fortunet Technology Co., Ltd. and Beijing Gaosheng Times Technology Co., Ltd., the vice chairman and general manager of China Satellite Mobile Media Limited, a subsidiary of China Telecom and a director of Century Investment (Holding) Limited, Century East Network Limited and Century Network Holding Limited. Mr. Ge graduated from the department of Business Management from the Academy of Social Science Graduate School in 1991.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Independent Non-executive Directors

Mr. Meng Fanlin, aged 77, was appointed as an independent non-executive director of the Group on 27 May 2012 and resigned on 5 May 2021. Prior to joining the Group, Mr. Meng had worked as a senior consultant and general manager of China Mobile Communications Corporation's Hebei branch Qinhuangdao office* (河北移動通信秦皇島分公司), director of China Telecom Group's Langfang city telecommunication office* (中國電信廊坊市電信局), the vice head and acting head of the Post and Telecommunication Administration of Hebei Qinhuangdao* (秦皇島市郵電局) and the head of telecommunication department etc. Mr. Meng obtained a bachelor degree in local telecommunications* (市內電話通信) from Jilin University (吉林大學) (formerly known as Changchun Post and Telecommunication Institute (長春郵電學院)) in July 1966.

Mr. Wang Haiyu, aged 70, was appointed as an independent non-executive Director of the Group on 27 May 2012. Prior to joining the Group, Mr. Wang had worked as the bureau's chief and senior consultant of the Fifth Construction Bureau of China International Telecommunication Construction Corporation* ("CITCC") (中國通信建設集團有限公司第五工程局), general manager of the domestic engineering department of CITCC, general manager of the engineering and marketing department of CITCC and senior engineer, director and assistant of bureau chief of the Second Construction Bureau of CITCC * (中通建第二工程局). Mr. Wang received his bachelor degree in telecommunications from the Nanjing University of Posts and Telecommunications (南京郵電大學) in 1978. He is a registered qualification certificate constructor* (中華人民共和國一級建造師) by the Ministry of Housing and Urban-Rural Development of the PRC* (中華人民共和國住房和城鄉建設部) with expertise in communication, a senior engineer (高級工程師) and telecommunication and national bid evaluation expert * (通信建設評標專家) by the Ministry of Information Industry.

Ms. Teng Xun, aged 29, was appointed as an independent non-executive Director of the Group on 29 February 2020 and resigned on 6 May 2021. Ms. Teng is a Certified Public Accountant and an ERP Accountant in China. She has practical experience in accounting, merge and acquisition, listing and restructuring of company, financial & taxation and asset allocation strategic planning consultancy work. Ms. Teng is currently working as the Controller in a consultancy firm in Tianjin. She graduated from Xiamen University of Technology* (廈門理工學院), in June 2015 with a bachelor degree in Accounting Management. In December 2019, she obtained a master degree in Professional Accounting in Nankai University* (南開大學), China.

Ms. Wu Hanpu, aged 48, was appointed as an independent non-executive Director of the Group on 3 August 2020 and resigned on 6 June 2022. She has many years of practical experience in financial compliance and investment management. She has been involved in projects such as initial public offering, mergers and acquisitions and investment fund management. Ms. Wu is currently the general manager of the investment banking division of a company in Beijing, China. She graduated from Shanxi University of Finance and Economics* (山西財經大學) with a Master's degree in Finance in June 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Mok Hon Kwong Thomas, aged 55, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee on 25 May 2022. Mr. Thomas Mok is the principal solicitor of Mok & Co., Solicitors, a law firm founded by him in about November 2013. Mr. Thomas Mok practises in the civil and criminal litigation and advises on legal practice areas such as securities and financial, corporate and commercial, information technology, and media and entertainment. Mr. Thomas Mok gained various experience in the legal, commercial and media sector. Mr. Thomas Mok held various positions such as Director of Legal Affairs at STAR Entertainment, Vice President of Business Affairs, Associate Vice President and Associate Senior Counsel in STAR TV Group (formerly an affiliate of Twentieth Century Fox and News Corporation company) from about 2000 to 2008, a Trainee Solicitor at an international law firm from about 2006 to 2007, and a Consultant Solicitor and Team Leader in the Corporate and Commercial Department and Insolvency Section at Huen & Partners from about 2008 to 2013. Mr. Thomas Mok was also a liquidator of over hundreds of private limited companies in Hong Kong for five years. Mr. Thomas Mok is a fellow of The Hong Kong Institute of Certified Public Accountants since May 2009 and a fellow of The Association of Chartered Certified Accountants, United Kingdom since December 2005. He was admitted as a solicitor of the High Court of Hong Kong in July 2007 and a solicitor of the Supreme Court of England and Wales in November 2007. He is also an associate of The Chartered Institute of Arbitrators, United Kingdom since April 2007. Mr. Thomas Mok obtained a Professional Diploma in Company Secretaryship and Administration from Hong Kong Polytechnic (now renamed as Hong Kong Polytechnic University) in November 1990, a Bachelor of Business from Monash University, Australia in May 2000, a Bachelor of Laws (Hons) from the University of Wolverhampton, United Kingdom in July 2002. Mr. Thomas Mok also completed a joint program of Deakin University, Australia and CPA Australia and obtained a Master of Business Administration in April 2003. Further, Mr. Thomas Mok obtained a Postgraduate Certificate in Laws from the City University in Hong Kong in July 2005, a Master of Laws (Merits) in Computer and Communications Law from Queen Mary, University of London, United Kingdom in June 2008 and a Master of Laws in Corporate and Financial Laws from the University of Hong Kong in December 2016.

Mr. Ma Yu-heng, aged 52, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee on 25 May 2022. Mr. Ma has experience in financing, banking and corporate finance for over 24 years. Mr. Ma was previously the chief financial officer and vice president of China Grand Star Luxury Cars Investment Holdings Limited (中國星盛名車投資控股有限公司) from September 2018 to April 2022 and an executive vice president of Summi (Group) Holdings Limited (森美(集團)控股有限公司), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 756) from December 2014 to September 2018. Prior to that, Mr. Ma worked at Taipei Fubon Commercial Bank Co. Ltd., in Taipei, Shanghai and Hong Kong, respectively, from January 2006 to August 2013, and his last position was a vice president of the corporate banking/global banking division in Hong Kong. Mr. Ma also worked at Bank Sinopac (Taiwan) Co., Ltd. from June 1997 to December 2005, and his last position was an assistant vice president of the corporate banking division in Hong Kong. Mr. Ma is currently a member of CPA Australia. Mr. Ma graduated from Soochow University, Taiwan (台灣東吳大學) in June 1993 with a bachelor’s degree in business administration in business mathematics. He also obtained a master’s degree in business administration from DaYeh University, Chung Hua, Taiwan (台灣大葉大學) in June 1995. Mr. Ma has been an independent non-executive director of China Fordoo Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2399), since March 2022.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Senior Management

Mr. Dong Baoyi, aged 74, joined Hebei Changtong as technical director in November 2006 and was promoted as chief technical officer in March 2011, mainly responsible for the Group's optical fibers technology development and management. Prior to joining the Group, Mr. Dong worked for the local telecommunication bureau in Xingyi City, Guizhou Province as technician, the Post and Telecommunication Administration of Tangshan city (唐山市郵電局) as vice department head of long-distance machinery department (長遠機械科), vice manager and manager of telecommunication department and China Netcom's Tangshan branch as an assistant manager. Mr. Dong obtained a diploma in telecommunication enterprise and power source facilities (電信企業動力和電源設備) from Shijiazhuang Post and Telecommunication School (石家莊郵電學校) in July 1968 and a diploma in economic management (經濟管理) through distance learning from the Hebei Provincial Committee Party School of Correspondence Education (河北省委黨校函授學院) in July 2005.

Company Secretary

Ms. Chan Oi Chong, aged 46, was appointed as the Company Secretary on 1 December 2015 and resigned on 5 May 2021. Ms. Chan has more than 16 years of financial, auditing and company secretarial experience. She is currently a director of JRK Secretarial Limited. Ms. Chan was appointed as an independent non-executive director of Cool Link (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 8491) on 30 August 2017 and Xinghe Holdings Berhad, a company held in the ACE market of Bursa Malaysia (stock code: 0095) on 1 October 2018. Ms. Chan received her bachelor degree in business administration in accounting from the Hong Kong University of Science and Technology in the year of 1998. She has been admitted as fellow members of the Hong Kong Institute of Company Secretaries and Institute of Chartered Secretaries and Administrators for more than 11 years.

Mr. Cheung Kwok Wo, aged 46, was appointed as the company secretary of the Company on 26 October 2022. Mr. Cheung is a practicing member of The Hong Kong Institute of Certified Public Accountants and a Chartered Tax Adviser of The Taxation Institute of Hong Kong. He has more than 20 years of experience in the accounting, auditing, taxation and company secretarial field.

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

In the opinion of the Directors, throughout the year ended 31 December 2020 the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the “**CG Code**”).

Code of Conduct Regarding Securities Transactions by Directors

Since the Company’s shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Company has adopted the model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”). The Group strives to and will continue to ensure compliance with the corresponding provisions set out in the Model Code. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2020.

The Board of Directors

As at 31 December 2020, the Board of Directors of the Company comprises six executive Directors, one non-executive Director and four independent non-executive Directors. To the best knowledge of the directors, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board. The composition of the Board during the Reporting Period and up to the date of this annual report is set out as follows:

Executive Directors

Jiang Changqing (姜長青) (Chairman)
Chen Qizheng (陳齊爭) (Chief Executive Officer)
Zhao Feng (趙峰)
Ji Huifang (計惠芳) (resigned on 15 December 2021)
Liu Jianzhou (劉建洲)
Liu Zhen (劉震)
Mok Kwan Leong (appointed on 29 March 2022)

Non-Executive Director

Ge Lingyue (葛凌躍) (resigned on 6 June 2022)

Independent Non-Executive Directors

Meng Fanlin (孟繁林) (resigned on 5 May 2021)
Wang Haiyu (王海玉)
Teng Xun (滕訊) (appointed on 29 February 2020, resigned on 6 May 2021)
Wu Hanpu (吳函璞) (appointed on 3 August 2020, resigned on 6 June 2022)
Mok Hon Kwong Thomas (appointed on 25 May 2022)
Ma Yu-heng (appointed on 25 May 2022)

The biographical details of each current director are disclosed on pages 31 to 35 of this annual report.

CORPORATE GOVERNANCE REPORT

Board, board committees and general meetings

CG Code Provision A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In compliance with the CG code, there were in total eight board meetings held during the financial year ended 31 December 2020. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. Other meetings will be held when necessary. Such meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

The total number of the meetings and the individual attendance of each Director at each of the meetings during the financial year ended 31 December 2020 were as follows:

Name of Directors	Number of meetings attended					
	Board Meetings	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' Annual General Meeting	Shareholders' Extraordinary General Meeting
Executive Directors						
Jiang Changqing (Chairman)	8/8	N/A	N/A	N/A	1/1	1/1
Chen Qizheng (Chief Executive Officer)	8/8	N/A	N/A	N/A	1/1	1/1
Zhao Feng	8/8	N/A	N/A	N/A	1/1	1/1
Ji Huifang (resigned on 15 December 2021)	8/8	N/A	N/A	N/A	1/1	1/1
Liu Jianzhou	8/8	N/A	N/A	N/A	1/1	1/1
Liu Zhen	8/8	N/A	N/A	N/A	1/1	1/1
Non-Executive Director						
Ge Lingyue (resigned on 6 June 2022)	8/8	N/A	N/A	N/A	1/1	1/1
Independent Non-Executive Directors						
Meng Fanlin (resigned on 5 May 2021)	8/8	1/1	1/1	2/2	1/1	1/1
Wang Haiyu	8/8	1/1	1/1	2/2	1/1	1/1
Li Xiaohui (resigned on 1 July 2020)	4/4	1/1	1/1	1/2	0/1	0/1
Teng Xun (appointed on 29 February 2020, resigned on 6 May 2021)	7/7	1/1	1/1	2/2	1/1	0/1
Wu Hanpi (appointed on 3 August 2020, resigned on 6 June 2022)	0/2	N/A	N/A	N/A	0/1	0/1

Appropriate notices are given to all Directors in advance for attending meetings. Meeting agendas and other relevant information are provided to the Directors in advance of meetings. All Directors are consulted to include additional matters in the agenda for meetings.

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of meeting minutes are sent to all Directors for their comment and records. All meeting minutes are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Responsibilities of the Board and Management

The Board primarily oversees and manages the Company's affairs, including the responsibilities for the adoption of long-term strategies and appointment and supervision of senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. The Board is also responsible for determining the Company's corporate governance policies which include: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (iv) to review the Company's disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association). With the new composition of members of the nomination committee, remuneration committee and audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been given as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The financial statements set out on pages 52 to 134 were prepared on the basis set out in Note 3 to the Consolidated Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the Company's financial statements is set out in the Independent Auditors' Report on pages 48 to 51.

CORPORATE GOVERNANCE REPORT

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company, on the basis of the aforesaid annual confirmations, is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Continuous Professional Development

For the year ended 31 December 2020, all Directors have been given relevant guideline materials and physically attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Particulars of which are as follows:

Directors	Type of trainings
Executive Directors	
Jiang Changqing	A,B
Chen Qizheng	A,B
Zhao Feng	A,B
Ji Huifang (resigned on 15 December 2021)	A,B
Liu Jianzhou	A,B
Liu Zhen	A,B
Non-Executive Director	
Ge Lingyue	A,B
Independent Non-Executive Directors	
Meng Fanlin (resigned on 5 May 2021)	A,B
Wang Haiyu	A,B
Teng Xun (resigned on 6 May 2021)	A,B
Wu Hanpu (resigned on 6 June 2021)	A,B

A: attending seminars and/or conferences

B: reading materials relevant to the business of the Group or to the Director's duties and responsibilities

Such materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors have provided records of training attendance and the Company will continue to arrange and/or fund the training in accordance with paragraph A.6.5 of the Code Provisions.

Appointment, Re-election and Removal

The non-executive Director has entered into a service agreement and all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years, subject to re-election.

In accordance with the articles of association of the Company, at each annual general meeting (“AGM”) one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the name of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by it. Such retiring Directors may, being eligible, offer themselves for re-election at the same AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Nomination Committee

The Company established a nomination committee pursuant to a resolution of the Directors passed on 27 May 2012. The terms of reference of the nomination committee are in compliance with paragraph A.5.2 of the Code Provisions under Appendix 14 of the Listing Rules with the latest update in January 2019. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee are:

1. to review the structure, size and composition of the Board on regular basis;
2. to identify individuals suitably qualified to become Board members;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

As at 31 December 2020, the nomination committee comprises three independent non-executive Directors, namely Mr. Meng Fanlin (Chairman), Ms. Teng Xun and Mr. Wang Haiyu. During the year ended 31 December 2020, one nomination committee meeting was held and all nomination committee members attended.

The Company has adopted the board diversity policy in September 2013 and will strive to select the most appropriate candidate to be appointed as a member of the Board. When identifying suitable candidates for directorship, the nomination committee will carry out the selection process by making reference to not only the skills, experience, education background, professional knowledge, personal integrity and time commitments but also the gender, age, cultural background and ethnicity of the proposed candidates, and also the Company’s needs and other relevant statutory requirements and regulations required for the positions. The decision will be made in accordance with the strength of and contribution to the Board by the candidate. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

CORPORATE GOVERNANCE REPORT

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

- (1) at least one-third of the members of the Board shall be independent non-executive directors;
- (2) at least one of the members of the Board shall have obtained accounting or other professional qualifications;
- (3) at least 50% of the members of the Board shall have more than five years of experience in the industry he/she is specialized in; and
- (4) at least two of the members of the Board shall have China-related work experience.

In view of the above, the Nomination Committee considered that the board diversity objectives were achieved.

Remuneration Committee

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 27 May 2012. The terms of reference of the remuneration committee are in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules and paragraph B.1.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and to ensure none of the Directors determine their own remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

As at 31 December 2020, the remuneration committee consists of three independent non-executive Directors namely Mr. Wang Haiyu (Chairman), Ms. Teng Xun and Mr. Meng Fanlin.

During the year ended 31 December 2020, one remuneration committee meeting was held, and all remuneration committee members attended. During the meeting, the remuneration committee had:

1. reviewed the remuneration policy of Directors;
2. approved the terms in service contracts of Directors; and
3. reviewed the remuneration for the year based on assessment on performances of the Directors and senior management.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Director passed on 27 May 2012. The terms of reference of the audit committee are in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and paragraph C3.3 and C3.7 of the Code Provisions with the latest update in January 2019. Its terms of reference are available on the websites of the Company and 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 auditor, review the financial statements and to render material advice in respect of financial reporting and overseas risk management and internal control procedures of the Company.

The audit committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and internal controls and risk management systems.

As at 31 December 2020, the audit committee consists of three independent non-executive Directors, namely Ms. Teng Xun (Chairlady), Mr. Wang Haiyu and Mr. Meng Fanlin. During the year ended 31 December 2020, two audit committee meetings were held and all audit committee members attended. In the meetings, the audit committee had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed risk management and internal controls systems and financial reporting matters. The audit committee also met with the external auditors to review and discuss the annual and interim reports of the Company.

The Group's annual results for the year ended 31 December 2020 have been reviewed by the audit committee. The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2020 complied with applicable accounting standards, Listing Rules and the legal requirements, and that adequate disclosures have been made.

During the year ended 31 December 2020, the board has not taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditors.

Auditors' Remuneration

During the year ended 31 December 2020, the Company engaged ZHONGHUI ANDA CPA Limited as the external auditors.

As at 31 December 2020, the fees paid and payable to the Group's auditors in respect of their assurance services (including audit services) provided to the Group were as follows:

	Amount (RMB)
Types of services	
Audit services	<u>1,600,000</u>

The reporting responsibilities of ZHONGHUI ANDA CPA Limited are set out in the Independent Auditors' Report on pages 48 to 51.

CORPORATE GOVERNANCE REPORT

Company Secretary

Ms. Chan Oi Chong, being the Company Secretary and resigned on 5 May 2021, was primarily responsible for the company secretarial work of the Group. The Company Secretary has received relevant professional training which fulfilled the requirement of Rule 3.29 of the Listing Rules.

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the CG Code by adopting appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”) 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analyzing risks to achieve the Group’s objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2020, no significant control deficiency was identified except those as disclosed in the announcement on "INSIDE INFORMATION (1) KEY FINDINGS OF THE INDEPENDENT FORENSIC INVESTIGATION; AND (2) KEY FINDINGS OF THE SPECIFIC INTERNAL CONTROL REVIEW" dated 4 November, 2022.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, employee qualifications and experience of relevant employee were adequate, and the training programs and budget provided were sufficient.

Dividend Policy

The distribution of dividends shall be formulated by the Board and be subject to the approval of the shareholders of the Company. The amount of dividends distributable will, in turn, depend on the following factors:

- earnings and financial condition;
- operating requirements;
- capital requirements; and
- other conditions that the Directors may consider relevant.

The payment of dividends by the Company is also subject to all applicable laws and regulations and the articles of association of the Company.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

The following procedures for shareholders of the Company to convene an extraordinary general meeting (“EGM”) of the Company are prepared in accordance with the Company’s articles of association as follows:

- (1) One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, shall have the right, by written notice, to require an EGM to be called by the Directors of the Company for the transaction of any business specified in such requisition.
- (2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following addresses:

Principal place of business of the Company in Hong Kong

Address: Unit B,
12/F, Hang Seng Causeway Bay Building
28 Yee Wo Street
Causeway Bay, Hong Kong

Registered office of the Company

Address: Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

- (3) The EGM shall be held within two months after the deposit of such requisition.
- (4) If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition will be verified with the Company’s branch share registrar in Hong Kong and upon their confirmation that the requisition is proper and in order, the Board will be asked to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders.

The notice period to be given to all shareholders in respect of the EGM varies according to the nature of the resolutions as follows:

- (1) At least 14 days' notice in writing if no special resolution is to be considered at the EGM.
- (2) At least 21 days' notice in writing if a special resolution is to be considered at the EGM.

For matters in relation to the Board, the shareholders can contact the Company at the above principal place of business in Hong Kong.

Investor Relations and Communication

The Board recognizes the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2020 has been provided in this Annual Report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, and the Company's latest updates are available on www.hkexnews.hk for public's information.

During the year ended 31 December 2020, there has been no significant change in the Company's constitutional documents except the change of the Company name with effect from 9 March 2020.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF CHINA U-TON FUTURE SPACE INDUSTRIAL GROUP HOLDINGS LTD.
(Incorporated in the Cayman Islands with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China U-Ton Future Space Industrial Group Holdings Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as “**the Group**”) set out on pages 52 to 134, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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.

INDEPENDENT AUDITOR'S REPORT

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.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 4 November 2022

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	8	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	9	810	3,766
Other gains/(losses)	10	(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	11	(37,813)	(50,651)
Loss before taxation		(751,058)	(160,601)
Income tax credit/(expense)	12	57	(3,065)
Loss for the year	13	(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)	16	(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	17	10,026	125,106
Investment properties	18	15,495	25,786
Intangible assets	19	–	5,997
Right-of-use assets	20	–	7,378
Goodwill	22	–	66,708
Equity investments at fair value through other comprehensive income	23	22,036	61,251
Loan to customers	27	–	57,577
Contract assets	28	–	98,522
Prepayments, deposits and other receivables	29	–	44,473
		47,557	492,798
Current assets			
Investments at fair value through profit or loss	24	34,831	37,292
Inventories	25	4,501	1,710
Trade and bill receivables	26	18,294	177,571
Loan to customers	27	4,193	85,093
Contract assets	28	–	17,008
Prepayments, deposits and other receivables	29	126,423	80,844
Amount due from a director	30	–	5,818
Cash at bank and on hand	31	21,652	29,384
		209,894	434,720

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	32	209,113	208,745
Payables for acquisition of a subsidiary	33	27,500	27,500
Bank and other borrowings	34	50,707	68,707
Corporate bonds	35	184,063	146,010
Guaranteed notes	36	111,663	97,819
Lease liabilities	37	1,063	3,804
Income tax payable		21,162	21,218
Provision for warranties		780	771
		<u>606,051</u>	<u>574,574</u>
Net current liabilities		<u>(396,157)</u>	<u>(139,854)</u>
Total assets less current liabilities		<u>(348,600)</u>	<u>352,944</u>
Non-current liabilities			
Corporate bonds	35	113,133	136,794
Lease liabilities	37	3,848	4,200
Deferred tax liabilities	38	–	57
		<u>116,981</u>	<u>141,051</u>
NET (LIABILITIES)/ASSETS		<u>(465,581)</u>	<u>211,893</u>
Capital and reserves			
Share capital	40	240,267	203,023
Reserves		(692,100)	(49,587)
Equity attributable to owners of the Company		<u>(451,833)</u>	<u>153,436</u>
Non-controlling interest		<u>(13,748)</u>	<u>58,457</u>
TOTAL EQUITY		<u>(465,581)</u>	<u>211,893</u>

The consolidated financial statements on pages 52 to 134 were approved and authorised for issue by Board of Directors on 4 November 2022 and are signed on behalf of the Board by:

Jiang Changqing
Director

Chen Qizheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Equity investment revaluation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	170,909	363,360	10,033	8,573	45,675	1,099	(39,034)	(371,600)	189,015	55,507	244,522
Total comprehensive loss for the year	-	-	-	-	-	769	(11,325)	(166,516)	(177,072)	2,850	(174,222)
Issue of shares for settlement of contingent consideration for acquisition of a subsidiary	32,114	71,550	-	-	-	-	-	-	103,664	-	103,664
Capital injection to a subsidiary	-	-	-	-	-	-	-	-	-	100	100
Share-based payments	-	-	-	37,829	-	-	-	-	37,829	-	37,829
Balance at 31 December 2019	<u>203,023</u>	<u>434,910</u>	<u>10,033</u>	<u>46,402</u>	<u>45,675</u>	<u>1,868</u>	<u>(50,359)</u>	<u>(538,116)</u>	<u>153,436</u>	<u>58,457</u>	<u>211,893</u>
Balance at 1 January 2020	203,023	434,910	10,033	46,402	45,675	1,868	(50,359)	(538,116)	153,436	58,457	211,893
Total comprehensive loss for the year	-	-	-	-	-	(2,715)	(39,215)	(678,796)	(720,726)	(72,205)	(792,931)
Issue of shares	37,244	78,213	-	-	-	-	-	-	115,457	-	115,457
Balance at 31 December 2020	<u>240,267</u>	<u>513,123</u>	<u>10,033</u>	<u>46,402</u>	<u>45,675</u>	<u>(847)</u>	<u>(89,574)</u>	<u>(1,216,912)</u>	<u>(451,833)</u>	<u>(13,748)</u>	<u>(465,581)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Loss before taxation	(751,058)	(160,601)
Adjustments for:		
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
Impairment losses	647,005	136,405
Net gain on disposal of property, plant and equipment	-	(38)
Finance costs	37,813	50,651
Investment income	-	(3,011)
Interest income	(162)	(4,662)
Changes in equity investments at fair value through profit or loss	(1,500)	(5,982)
Changes in fair value of contingent consideration	-	(125,675)
Provision for warranties	9	30
Share-based payments	-	37,829
Operating cash flows before working capital changes	(55,449)	(61,066)
(Increase)/decrease in inventories	(2,791)	3,905
(Increase)/decrease in trade and bill receivables	(37,907)	18,340
Decrease in loan to customers	11,122	13,891
Decrease in contract assets	45,741	126,571
Decrease/(increase) in prepayments, deposits and other receivables	65,920	(17,780)
Decrease/(increase) in trade and other payables	15,169	(39,926)
Cash generated from operations	41,805	43,935
Income tax paid	(56)	(3,158)
Net cash generated from operating activities	41,749	40,777

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(5,611)	(1,357)
Proceeds from disposal of property, plant and equipment	23	3
Payments for purchase of equity investments at fair value through other comprehensive income	–	(40,000)
Payments for purchase of investments at fair value through profit or loss	–	(31,310)
Payments for cash consideration of acquisition of a subsidiary	–	(10,000)
Decrease/(Increase) in amount due from a director	667	(5,818)
Increase in loans to third parties	–	(14,046)
Decrease in restricted bank deposits	–	2,290
Investment income received	–	3,011
Interest received	162	4,662
Net cash used in from investing activities	(4,759)	(92,565)
Cash flows from financing activities		
Proceeds from bank and other borrowings	–	50,500
Repayments of bank and other borrowings	(18,000)	(29,793)
Repayments of corporate bonds	(1,077)	(880)
Proceeds from non-controlling interest for capital injection	–	100
Repayments of lease liabilities	(4,323)	(3,294)
Interest paid	(18,253)	(17,880)
Net cash used in financing activities	(41,653)	(1,247)
Net decrease in cash and cash equivalents	(4,663)	(53,035)
Cash and cash equivalents at 1 January	29,384	78,593
Effect of foreign exchange rate changes	(3,069)	3,826
Cash and cash equivalents at 31 December	21,652	29,384

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

Appointment of the Provisional Liquidators (Continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

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 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 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 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); 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

Listing status of the Company (Continued)

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.

The Listing Committee decided to impose the sanction set out in this Statement of Disciplinary Action.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

Proposed Restructuring (Continued)

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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of equity investments at fair value through other comprehensive income and investments at fair value through profit or loss which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investment at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

- Leasehold land and buildings 20-35 years
- Leasehold improvements 5 years
- Motor vehicles 4-10 years
- Machinery 3-12 years
- Office equipment 3-5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 25 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

- Land and buildings 1-20 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Customer relationships 3-5 years
- Patents 5-10 years
- Software 5 years

Both the period and method of amortisation are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(i) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) *Equity investments at fair value through other comprehensive income*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, loan to customers and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, loan to customers and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and derivative components. At the date of issue, the fair values of the derivative components are determined using an option pricing model. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful completion of the proposed restructuring as mentioned in note 2 to improve its operating results and cash flows. The directors of the Company believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revenue and profit recognition

The Group estimated the percentage of completion of the construction contracts and environmentally intelligent technical services contracts by reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue and profit or loss recognised in the period in which such determination is made. Budget cost of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was Nil after an impairment loss of RMB66,708,000 was recognised during 2020. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and contract assets, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

Fair value of investment

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's equity investment at fair value through other comprehensive income, details of which are set out in notes 7 and 23 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of these equity investment at fair value through other comprehensive income.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has certain exposure to foreign currency risk as certain of its business transactions, assets and liabilities are denominated in the Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2020, if RMB had weakened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB13,121,000 (2019: RMB4,441,000) higher, arising mainly as a result of the foreign exchange loss on corporate bonds denominated in Hong Kong dollar. If RMB had strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB13,121,000 (2019: RMB4,441,000) lower, arising mainly as a result of the foreign exchange gain on corporate bonds denominated in Hong Kong dollar.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Foreign exchange risk (Continued)

At 31 December 2020, if RMB had weakened 5 per cent against the US dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB7,111,000 (2019: RMB6,432,000) higher, arising mainly as a result of the foreign exchange loss on corporate bonds and guaranteed notes denominated in US dollar. If RMB had strengthened 5 per cent against the US dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB7,111,000 (2019: RMB6,432,000) lower, arising mainly as a result of the foreign exchange gain on corporate bonds and guaranteed notes denominated in US dollar.

(b) Price risk

The Group's investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2020, if the share prices of the investments at fair value through profit or loss increase/decrease by 10%, profit after tax for the year would have been RMB3,483,000 (2019: RMB3,729,000) higher/lower, arising as a result of the fair value gain/loss of the investments.

(c) Credit risk

The carrying amount of the cash and bank balances, trade and bill receivables, loan to customers, contract assets, other receivables, amount due from a director and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Amount due from a director is closely monitored by the directors.

The credit risk on investments is limited because the counterparty is a well-established securities broker firm.

In respect of the trade and bill receivables, loan to customers, contract assets and other receivables, individual credit evaluations are performed on all customers and debtors. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customers and debtors as well as pertaining to the economic environment in which the customers and debtors operate. The Group generally requires customers and debtors to settle progress billings and retentions receivable in accordance with contracted terms and other debts in accordance with agreements. Trade and bill receivables for contract work are considered past due once billings have been made. Retention terms of one to two years may be granted to customers and debtors for retentions receivable. Normally, the Group does not obtain collateral from customers and debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 December 2020, 25% (2019: 27%) and 43% (2019: 45%) of the total trade and bill receivables, contract assets and other receivables were due from the Group's largest debtor and five largest debtors, respectively.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020					
Trade and other payables	209,113	–	–	–	209,113
Payables for acquisition of a subsidiary	27,500	–	–	–	27,500
Bank and other borrowings	54,159	–	–	–	54,159
Corporate bonds	206,325	99,964	57,693	–	363,982
Guaranteed notes	122,584	–	–	–	122,584
	<u>619,681</u>	<u>99,964</u>	<u>57,693</u>	<u>–</u>	<u>777,338</u>
At 31 December 2019					
Trade and other payables	197,619	–	–	–	197,619
Payables for acquisition of a subsidiary	27,500	–	–	–	27,500
Bank and other borrowings	69,232	–	–	–	69,232
Corporate bonds	158,917	26,553	137,627	–	323,097
Guaranteed notes	97,819	–	–	–	97,819
	<u>551,087</u>	<u>26,553</u>	<u>137,627</u>	<u>–</u>	<u>715,267</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets:		
Investments at fair value through profit or loss Mandatorily measured	34,831	37,292
Equity investments at fair value through other comprehensive income	22,036	61,251
Financial assets at amortised cost (including cash and cash equivalents)	159,596	464,904
Financial liabilities:		
Financial liabilities at amortised cost	696,179	674,449

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements at 31 December 2020 categorised into			Fair value measurements at 31 December 2019 categorised into		
	Level 1 RMB'000	Level 3 RMB'000	Total RMB'000	Level 1 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:						
Assets:						
Investments at fair value through profit or loss						
– Listed securities in Hong Kong	34,831	–	34,831	37,292	–	37,292
Equity investments at fair value through other comprehensive income						
– Private equity investments	–	22,036	22,036	–	22,036	22,036
– Wealth management product	–	–	–	–	39,215	39,215
	34,831	22,036	56,867	37,292	61,251	98,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Equity investments at fair value through other comprehensive income 2020 RMB'000
At 1 January	61,251
Total gains or losses recognised in other comprehensive income	(39,215)
At 31 December	<u>22,036</u>

Description	Equity investments at fair value through other comprehensive income 2019 RMB'000
At 1 January	32,576
Total gains or losses recognised in other comprehensive income	(11,325)
Purchases	<u>40,000</u>
At 31 December	<u>61,251</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2020:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in fair value measurements are as follow:

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value	Fair value
					2020	2019
					RMB'000	RMB'000
Private equity investments classified as equity investments at fair value through other comprehensive income	Market approach	Lack of marketability discount	20.00%	Decrease	22,036	22,036
		Lack of control discount	13.04%	Decrease		
Wealth management product classified as equity investments at fair value through other comprehensive income	Adjusted net assets value method	Underlying asset's value	N/A	Increase	-	39,215

During the two years, there were no changes in the valuation techniques used.

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. 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	2019
	RMB'000	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

Further details regarding the Group's principal activities are discussed below.

Segment information

The Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following four reportable segments.

Optical fibers: this segment provides the design, deployment and maintenance of optical fibers services.

Communication networks: this segment provides the design, construction and maintenance of communication networks.

Money lending: this segment provides lending services under Hong Kong money lenders license.

Environmentally intelligent technical products and services: this segment provides environmental surveillance and data analysis, environmental early warning and emergency command system construction, environmental management projects.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross (loss)/profit. No inter-segment sales have occurred for the years ended 31 December 2020 and 2019. The Group's other income and expense items, such as interest and other income, selling expenses, administrative expenses, research and development expenses, impairment losses, finance cost, changes in fair value of investment at fair value through profit or loss and contingent consideration and assets and liabilities, are not measured under individual segments. Accordingly, no information concerning capital expenditure is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment results (Continued)

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 years ended 31 December 2020 and 2019 is set out below.

Segments	For the year ended 31 December 2020				Total RMB'000
	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services RMB'000	
Revenue from external customers and reportable segment revenue	28,100	-	-	3,281	31,381
Reportable segment gross (loss)/profit	(30,911)	-	-	1,838	(29,073)

Segments	For the year ended 31 December 2019				Total RMB'000
	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services RMB'000	
Revenue from external customers and reportable segment revenue	46,319	3,056	18,982	30,686	99,043
Reportable segment gross (loss)/profit	(39,831)	(574)	18,682	15,580	(6,143)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment results (Continued)

Reconciliations of reportable segment results to consolidated loss before taxation:

	2020	2019
	RMB'000	RMB'000
Segment results	(29,073)	(6,143)
Interest income and other income	972	8,428
Other gains/(losses)	(642,342)	(4,748)
Selling expenses	(2,756)	(7,487)
Administrative expenses	(37,856)	(92,832)
Research and development expenses	(2,190)	(7,168)
Finance costs	(37,813)	(50,651)
Loss before taxation	(751,058)	(160,601)

Segment assets and liabilities

Segments	As at 31 December 2020				Total
	Optical fibers	Communication	Money lending	Environmentally intelligent technical products and services	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<u>55,553</u>	<u>297</u>	<u>39,024</u>	<u>23,265</u>	<u>118,139</u>
Segment liabilities	<u>(209,204)</u>	<u>(12,540)</u>	<u>(8,819)</u>	<u>(22,533)</u>	<u>(253,096)</u>

Segments	As at 31 December 2019				Total
	Optical fibers	Communication	Money lending	Environmentally intelligent technical products and services	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<u>417,798</u>	<u>3,632</u>	<u>180,081</u>	<u>251,477</u>	<u>852,988</u>
Segment liabilities	<u>(214,917)</u>	<u>(2,937)</u>	<u>(6,788)</u>	<u>(41,038)</u>	<u>(265,680)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment assets and liabilities

	2020 RMB'000	2019 RMB'000
Assets		
Segment assets	118,139	852,988
Other assets (Note i)	139,312	74,530
Consolidated total assets	<u>257,451</u>	<u>927,518</u>
Liabilities		
Segment liabilities	(253,096)	(265,680)
Other liabilities (Note ii)	(469,936)	(449,945)
Consolidated total liabilities	<u>(723,032)</u>	<u>(715,625)</u>

Notes:

- (i) Other assets mainly include equity investments at fair value through other comprehensive income and other receivables.
- (ii) Other liabilities mainly include corporate bonds and guaranteed notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

Segments	2020				Total RMB'000
	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services 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

Segments	2019				Total RMB'000
	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Construction service fee income (Optical fibers and Communication networks)

The Group provides construction service to the customers. When the progress towards complete satisfaction of the performance obligations of a construction contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of a construction contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

Environmentally intelligent technical income (Environmentally intelligent technical products and services)

The Group provides environmentally intelligent technical service to the customers. Environmentally intelligent technical income is recognised when the environmentally intelligent technical service is rendered and there is no unfulfilled obligation that could affect the customer's acceptance of the service.

Sales of environmentally intelligent technical products (Environmentally intelligent technical products and services)

The Group sells environmentally intelligent technical products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The credit period of individual customer is considered on a case-by-case basis. For new customers, deposits or cash on delivery may be required.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Government grants	74	147
Investment income	–	3,011
Rental income	367	–
Net gain on disposal of property, plant and equipment	–	38
Penalty income	–	409
Sundry income	369	161
	810	3,766

10. OTHER GAINS/(LOSSES)

	2020 RMB'000	2019 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. FINANCE COSTS

	2020 RMB'000	2019 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
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
	37,813	50,651

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

12. INCOME TAX (CREDIT)/EXPENSE

	2020 RMB'000	2019 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)
	<hr/>	<hr/>
	(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. LOSS FOR THE YEAR

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

	2020 RMB'000	2019 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

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates ranging from 19% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's subsidiaries incorporated in Hong Kong under a trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Share based payments RMB'000	Total RMB'000
Executive directors					
Jiang Changqing	800	134	5	-	939
Zhao Feng	250	-	-	-	250
Ji Huifang (note vi)	100	-	-	-	100
Liu Jianzhou	1,579	1,170	-	-	2,749
Chen Qizheng	600	-	-	-	600
Liu Zhen (note i)	100	-	-	-	100
Non-executive directors					
Ge Lingyue (note vii)	120	-	-	-	120
Independent non-executive directors					
Meng Fanlin (note v)	120	-	-	-	120
Wang Haiyu	120	-	-	-	120
Li Xiaohui (note iii)	60	-	-	-	60
Teng Xun (note ii)	72	-	-	-	72
Wu Hanpu (note iv)	36	-	-	-	36
Total for 2020	3,957	1,304	5	-	5,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Share based payments RMB'000	Total RMB'000
Executive directors					
Jiang Changqing	800	136	20	385	1,341
Zhao Feng	600	–	–	3,466	4,066
Ji Huifang (note vi)	600	–	–	3,466	4,066
Liu Jianzhou	600	–	–	3,852	4,452
Chen Qizheng	600	–	–	2,503	3,103
Liu Zhen (note i)	50	–	–	–	50
Non-executive directors					
Ge Lingyue (note vii)	120	–	–	963	1,083
Independent non-executive directors					
Meng Fanlin (note v)	120	–	–	–	120
Wang Haiyu	120	–	–	–	120
Li Xiaohui (note iii)	120	–	–	–	120
Total for 2019	3,730	136	20	14,635	18,521

Note:

- (i) appointed on 1 December 2019
- (ii) appointed on 29 February 2020 and resigned on 6 May 2021
- (iii) resigned on 1 July 2020
- (iv) appointed on 3 August 2020 and resigned on 6 June 2022
- (v) resigned on 5 May 2021
- (vi) resigned on 15 December 2021
- (vii) resigned on 6 June 2022

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals in the Group during the year included four (2019: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2018: two) individuals are set out below:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	272	260
Share based payments	–	7,104
	272	7,364

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. 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	<u>(678,796)</u>	<u>(166,516)</u>

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	<u>151,630</u>	<u>–</u>
Weighted average number of ordinary shares for the year ended 31 December	<u>2,594,304</u>	<u>2,165,900</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Total RMB'000
Cost						
At 1 January 2019	120,396	470	17,011	16,088	6,505	160,470
Additions	-	7	501	288	561	1,357
Disposals	-	-	(1,719)	-	(41)	(1,760)
At 31 December 2019	120,396	477	15,793	16,376	7,025	160,067
Additions	-	-	107	5,117	387	5,611
Transfer from investment properties	11,100	-	-	-	-	11,100
Disposals	-	-	(747)	-	-	(747)
At 31 December 2020	131,496	477	15,153	21,493	7,412	176,031
Accumulated depreciation and impairment						
At 1 January 2019	915	363	13,507	9,760	5,536	30,081
Charge for the year	3,392	42	1,046	1,239	464	6,183
Written back on disposals	-	-	(1,264)	-	(39)	(1,303)
At 31 December 2019	4,307	405	13,289	10,999	5,961	34,961
Charge for the year	3,391	27	583	1,373	430	5,804
Transfer from investment properties	2,178	-	-	-	-	2,178
Written back on disposals	-	-	(724)	-	-	(724)
Impairment loss	113,599	45	-	9,121	1,021	123,786
At 31 December 2020	123,475	477	13,148	21,493	7,412	166,005
Carrying amount						
At 31 December 2020	8,021	-	2,005	-	-	10,026
At 31 December 2019	116,089	72	2,504	5,377	1,064	125,106

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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. Subsequent, 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. The impairment loss for leasehold land and buildings of approximately RMB113,599,000 was properly recorded for the year ended 31 December 2020.

The Group carried out reviews of the recoverable amount of its plant and equipment 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 RMB10,187,000 (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.

18. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
Cost		
As at 1 January	29,690	29,690
Transfer to property, plant and equipment	(11,100)	–
As at 31 December	18,590	29,690
Accumulated depreciation and impairment loss		
As at 1 January	3,904	2,347
Charge for the year	1,369	1,557
Transfer to property, plant and equipment	(2,178)	–
As at 31 December	3,095	3,904
Net book value		
As at 31 December	15,495	25,786
Fair value as at 31 December	15,495	34,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020 RMB'000	2019 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.

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21. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiaries	Place and date of establishment/ incorporation	Registered /issued and paid up capital	The Group's effective interest	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
Hebei Changtong Communication Engineering Co., Ltd. (河北昌通通信工程有限公司) *	The PRC 22 June 2001	RMB50,000,000	100%	–	100%	Design, deployment and maintenance of underground optical fibers
Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. (北京優通泰達電氣新技術發展有限公司) *	The PRC 22 January 2007	RMB30,000,000	100%	–	100%	Design, deployment and maintenance of underground optical fibers
Hebei Haizhi Data Technology Co., Ltd. (河北海智數據科技有限公司) *	The PRC 24 May 2007	RMB6,100,000	100%	–	100%	Design, deployment and maintenance of underground optical fibers
Hunan Sancheng Communication Construction Co., Ltd. (湖南三成通信建設有限公司) *	The PRC 10 May 2012	RMB5,000,000	51%	–	51%	Design, deployment and maintenance of underground optical fibers
China U-Ton Trading Co., Ltd. (中國優通貿易有限公司)	Hong Kong 4 May 2016	1 share	100%	100%	–	Provision of money lending services
U-Ton International Communication Technology Service Consulting (Shenzhen) Co., Ltd. (優通國際通信技術服務諮詢(深圳)有限公司) *	The PRC 11 March 2015	HKD6,250,000	100%	–	100%	Design, construction and maintenance of communication networks
U-Ton International Lybia Ltd.	State of Lybia 5 March 2017	USD250,000	100%	–	100%	Design, construction and maintenance of communication networks
Beijing Yourui Jiahe Electronic Technology Co., Ltd. ("Yourui") (北京優瑞嘉和電子科技有限公司) *	The PRC 13 January 2017	RMB50,000,000	51%	–	51%	Provision of environmentally intelligent technical products and services
Naidong District Yourui Jiahe Environmental Protection Technology Co., Ltd. (乃東區優瑞嘉和環保科技有限責任公司) *	The PRC 15 September 2017	RMB30,000,000	51%	–	51%	Provision of environmentally intelligent technical products and services
Xinjiang Yourui Jiahe Environmental Protection Technology Co., Ltd. (新疆優瑞嘉和環保科技有限公司) *	The PRC 5 February 2018	RMB18,000,000	51%	–	51%	Provision of environmentally intelligent technical products and services
Beijing Yourui Henghe Construction Engineering Co., Ltd. (北京優瑞恒和建築工程有限公司) *	The PRC 17 July 2019	RMB1,500,000	51%	–	51%	Provision of environmentally intelligent technical products and services

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

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For the year ended 31 December 2020

21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

All the subsidiaries established in the PRC are foreign owned enterprises.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

The directors of the Company consider Yourui and its subsidiaries are material to the Group.

The following table shows information of subsidiaries that have non-controlling interests (“**NCI**”) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Yourui and its subsidiaries	
	2020	2019
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC
% of ownership interests/voting rights held by NCI	49%/49%	49%/49%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	11,452	18,038
Current assets	12,072	166,238
Current liabilities	(27,235)	(44,917)
Net assets	(3,711)	139,359
Accumulated NCI	(1,818)	68,286
Year ended 31 December		
Revenue	3,281	30,926
(Loss)/profit	(143,070)	12,062
Total comprehensive (loss)/income	(143,070)	12,062
(Loss)/profit allocated to NCI	(70,104)	5,910
Net cash (used in)/generated from operating activities	(1,552)	4,348
Net cash generated from/(used in) investing activities	2,746	(5,854)
Net cash (used in)/generated from financing activities	(10,000)	12,000
Net (decrease)/increase in cash and cash equivalents	(8,806)	10,494

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For the year ended 31 December 2020

22. 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 RMBNil (2019: RMB66,708,000) through recognition of an impairment loss against goodwill of RMB66,708,000 (2019: RMB91,000,000) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted equity securities, at fair value		
– Investment in Sino Partner	22,036	22,036
– Investment in wealth management product	–	39,215
	<u>22,036</u>	<u>61,251</u>

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Equity securities, at fair value		
Listed in Hong Kong	<u>34,831</u>	<u>37,292</u>

25. INVENTORIES

	2020 RMB'000	2019 RMB'000
Optical fibers deployment services related materials	<u>4,501</u>	<u>1,710</u>

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26. TRADE AND BILL RECEIVABLES

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

(a) Ageing analysis

	2020 RMB'000	2019 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
	<u>18,294</u>	<u>177,571</u>

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 RMB'000	2019 RMB'000
At 1 January	31,564	22,088
Impairment losses recognised	<u>197,184</u>	<u>9,476</u>
At 31 December	<u>228,748</u>	<u>31,564</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. TRADE AND BILL RECEIVABLES (CONTINUED)

(b) Impairment of trade and bill receivables (Continued)

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. 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.

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27. LOAN TO CUSTOMERS (CONTINUED)

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. 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	<u>–</u>	<u>115,530</u>	<u>242,101</u>
Analysed as:			
Current assets	–	17,008	242,101
Non-current assets	–	98,522	–
	<u>–</u>	<u>115,530</u>	<u>242,101</u>
Contract receivables (included in trade and bill receivables)	<u>18,294</u>	<u>177,571</u>	<u>205,387</u>

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.

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29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 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

30. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance are as follows:

Name	Terms of loan	Balance at 31 December 2020 RMB'000	Balance at 31 December 2019 RMB'000	Balance at 1 January 2019 RMB'000	Maximum amount outstanding during	
					2020 RMB'000	2019 RMB'000
Jiang Changqing	Unsecured, repayable on due and interest at 10% per annum	–	5,818	–	5,818	5,818

31. CASH AT BANK AND ON HAND

The Group's operations in the PRC (excluding Hong Kong) are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding Hong Kong) is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables due to third parties	<u>105,587</u>	<u>118,905</u>
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
	<u>103,526</u>	<u>89,840</u>
Total	<u><u>209,113</u></u>	<u><u>208,745</u></u>

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

	2020 RMB'000	2019 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
	<u>105,587</u>	<u>118,905</u>

33. PAYABLES FOR ACQUISITION OF A SUBSIDIARY

	2020 RMB'000	2019 RMB'000
Cash consideration for acquisition of a subsidiary	<u>27,500</u>	<u>27,500</u>

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34. BANK AND OTHER BORROWINGS

(a) The Group's short-term bank and other borrowings are analysed as follows:

	2020 RMB'000	2019 RMB'000
Guaranteed by a director of the Company	37,707	40,707
Guaranteed by third parties	12,000	22,000
Unguaranteed and unsecured	1,000	6,000
	<u>50,707</u>	<u>68,707</u>

	2020 RMB'000	2019 RMB'000
Fixed rate borrowings	3,000	13,000
Variable rate borrowings	47,707	55,707
	<u>50,707</u>	<u>68,707</u>

	Effective interest rate	
Fixed rate borrowings	4.35%-4.50%	4.35%-4.50%
Variable rate borrowings	4.75%-7.13%	4.75%-7.13%

(b) Bank borrowings of RMB37,707,000 (2019: RMB40,707,000) are secured by personal guarantee from Mr. Jiang Changqing, the controlling shareholder (the "**Controlling Shareholder**") and director of the Company and corporate guarantee of the Company. The bank borrowing has matured on 17 October 2019.

(c) Bank borrowings of RMB10,000,000 (2019: RMB10,000,000) are secured by guarantees from a third party, 北京首创融资担保有限公司. The guarantees from 北京首创融资担保有限公司 are secured by the personal guarantee from Mr. Jiang Changqing, the controlling shareholder (the "**Controlling Shareholder**") and director of the Company and Ms. Guo Aru, a shareholder of the Company and pledged by the investment property of approximately RMB9,766,000.

Bank borrowings of RMB2,000,000 (2019: RMB12,000,000) are secured by guarantees from a third party, 北京中技知識產權融資擔保有限公司. The guarantees from 北京中技知識產權融資擔保有限公司 are secured by the personal guarantee from Mr. Chen Xiaotong, a shareholder of the Company and pledged by the investment property of approximately RMB5,729,000, property, plant and equipment of approximately RMB5,725,000 and intangible assets.

(d) Bank borrowings of RMB1,000,000 (2019: RMB1,000,000) are unguaranteed and unsecured. Other borrowings of RMBNil (2019: RMB5,000,000) is borrowed from Ms. Guo Aru, a shareholder of the company, which is unsecured and unguaranteed.

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35. CORPORATE BONDS

The bonds issued will mature in 3 years from the respective dates of issuance and bear interest at 6% per annum payable annually. The effective interest rate is range from 10.00% to 13.21%. The movements of the balance of corporate bonds are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	282,804	237,969
Repayments during the year	(1,077)	(880)
Finance charges accrued for the year	32,262	26,635
Interest paid or transfer to other payables during the year	-	(17,204)
Transferred from convertible bond	-	30,813
Exchange adjustments	(16,793)	5,471
At 31 December	297,196	282,804
Less: Amounts repayable within one year	(184,063)	(146,010)
Amounts repayable after one year	113,133	136,794

The Group's corporate bonds are repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year and repayable on demand	184,063	146,010
After 1 year but within 2 years	77,702	16,384
After 2 years but within 5 years	35,431	120,410
	297,196	282,804

36. GUARANTEED NOTES

In January 2017, the Company issued guaranteed notes with an aggregate principal amount of USD10,000,000 (equivalent to approximately RMB68,432,000). In June 2017, the Company issued guaranteed notes with an aggregate principal amount of USD4,000,000 (equivalent to approximately RMB27,282,000). The guaranteed notes have matured in June 2019 and July 2019 respectively, and beared interest at 11% per annum payable semi-annually. The guaranteed notes are guaranteed by the Controlling Shareholder. The effective interest rate is approximately 11% per annum.

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36. GUARANTEED NOTES (CONTINUED)

The movements of the guaranteed notes during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	97,819	100,524
Finance charges accrued for the year	18,931	11,215
Interest paid or transfer to other payables during the year	–	(16,959)
Exchange adjustments	(5,087)	3,039
At 31 December	<u>111,663</u>	<u>97,819</u>

37. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Within one year	1,591	4,556	1,063	3,804
In the second to fifth years, inclusive	2,952	3,500	1,699	1,918
After five years	<u>3,467</u>	<u>3,867</u>	<u>2,149</u>	<u>2,282</u>
	8,010	11,923		
Less: Future finance charges	<u>(3,099)</u>	<u>(3,919)</u>		
Present value of lease liabilities	<u>4,911</u>	<u>8,004</u>	4,911	8,004
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(1,063)</u>	<u>(3,804)</u>
Amount due for settlement after 12 months			<u>3,848</u>	<u>4,200</u>

At 31 December 2020, the average effective borrowing rate was 12% (2019:12%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

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38. DEFERRED TAX

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Liabilities Fair value adjustments on intangible assets and related amortisation RMB'000
At 1 January 2019	(443)
Credited to the consolidated statement of profit or loss and other comprehensive income	<u>386</u>
At 31 December 2019	(57)
Credited to the consolidated statement of profit or loss and other comprehensive income	<u>57</u>
At 31 December 2020	<u><u>–</u></u>

Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unused tax losses of RMB414,320,000 at 31 December 2020 (2019: RMB415,404,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of RMB167,921,000 (2019: RMB169,005,000) will expire in 2021 to 2025 (2019: 2020 to 2024). Other tax losses may be carried forward indefinitely.

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39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 27 May 2012, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up share options at HK\$1 to subscribe for ordinary shares in the Company.

Share option A

On 24 January 2017, 60,000,000 share options were granted to the directors of the Company and employees of the Group under the above share option scheme. All share options granted will vest six months from the date of grant. The share options granted will lapse on 23 July 2020. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK\$0.90 each, and is settled gross in shares.

(i) The terms and conditions of the options granted are as follows:

	Number of share option	Vesting conditions	Contractual life of share options
Share options granted to directors	21,600,000	Six months from the date of grant	3.5 years
Share options granted to employees	38,400,000	Six months from the date of grant	3.5 years
Total	<u>60,000,000</u>		

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Number of share option
Outstanding/exercisable at 1 January 2019	HK\$0.90	27,000,000
Lapsed during the year	HK\$0.90	<u>(5,000,000)</u>
Outstanding/exercisable at 31 December 2019	HK\$0.90	22,000,000
Lapsed during the year	HK\$0.90	<u>(22,000,000)</u>
Outstanding/exercisable at 31 December 2020	HK\$0.90	<u>–</u>

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39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share option A (Continued)

(iii) Measurement of fair value

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions	Share options granted to directors	Share options granted to employees
Fair value at measurement date	HK\$0.270	HK\$0.237
Share price	HK\$0.900	HK\$0.900
Exercise price	HK\$0.900	HK\$0.900
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	39.469%	39.469%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3.5	3.5
Expected dividends	0.000%	0.000%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.364%	1.364%

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share option B

On 7 December 2018, 200,000,000 share options were granted to the directors of the Company and employee of the Group under the above share option scheme. HK\$1.00 were paid by the Grantees upon acceptance of the share options granted. The share options granted shall be exercisable within a 2 years period starting from 7 December 2019 and ending on 6 December 2021. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK\$0.90 each, and is settled gross in shares.

(i) **The terms and conditions of the options granted are as follows:**

	Number of share option	Vesting conditions	Contractual life of share options
Share options granted to directors	76,000,000	1 year from the date of grant	3 years
Share options granted to employees	108,000,000	1 year from the date of grant	3 years
Share options granted to consultants	16,000,000	1 year from the date of grant	3 years
Total	<u>200,000,000</u>		

(ii) **Reconciliation of outstanding share options:**

	Weighted average exercise price	Number of share option
Outstanding/exercisable at 1 January 2019	HK\$0.90	<u>200,000,000</u>
Lapsed during the year	HK\$0.90	<u>(3,000,000)</u>
Outstanding/exercisable at 31 December 2019 and 2020	HK\$0.90	<u>197,000,000</u>

The share options outstanding at 31 December 2020 had an exercise price of HK\$0.90 (2019: HK\$0.90) and a remaining contractual life of 0.93 years (2019: 1.93 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

Share option B (Continued)

(iii) Measurement of fair value

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions	Share options granted to directors	Share options granted to employees	Share options granted to consultants
Fair value at measurement date	HK\$0.230	HK\$0.229	HK\$0.229
Share price	HK\$0.840	HK\$0.840	HK\$0.840
Exercise price	HK\$0.900	HK\$0.900	HK\$0.900
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	41.100%	41.100%	41.100%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3.0	3.0	3.0
Expected dividends	0.000%	0.000%	0.000%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	2.010%	2.010%	2.010%

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. SHARE CAPITAL

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

	No. of shares '000	HKD'000
<i>Authorised:</i>		
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

40. SHARE CAPITAL (CONTINUED)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Capital reserve RMB'000	Equity investment revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	363,360	8,573	(39,034)	(314,793)	18,106
Changes in equity for 2019:					
Loss and total comprehensive loss for the year	-	-	(3,040)	(175,034)	(178,074)
Issue of shares for settlement of contingent consideration for acquisition of a subsidiary	71,550	-	-	-	71,550
Share-based payments	-	37,829	-	-	37,829
At 31 December 2019	<u>434,910</u>	<u>46,402</u>	<u>(42,074)</u>	<u>(489,827)</u>	<u>(50,589)</u>
At 1 January 2020	434,910	46,402	(42,074)	(489,827)	(50,589)
Changes in equity for 2020:					
Loss and total comprehensive loss for the year	-	-	-	(689,332)	(689,332)
Issue of shares	<u>78,213</u>	-	-	-	<u>78,213</u>
At 31 December 2020	<u>513,123</u>	<u>46,402</u>	<u>(42,074)</u>	<u>(1,179,159)</u>	<u>(661,708)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. RESERVES (CONTINUED)

(b) Company (Continued)

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(ii) Other reserve

Other reserve represents the contribution from the equity owners in connection with the group restructuring took place during the listing of the Company's shares in 2012.

(iii) Capital reserve

Capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors of the Company and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

(iv) Statutory reserve

In accordance with the articles of association of the subsidiaries of the Group established in the PRC (excluding Hong Kong), these subsidiaries were required to set up a statutory reserve, which was non-distributable. The transfers of this reserve are at discretion of the directors of the respective subsidiaries. The reserve are utilised for predetermined means upon approval by the relevant authority.

(v) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies.

(vi) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2020 RMB'000	2019 RMB'000
Non-current assets		
Interests in a subsidiary, at cost	–	47,004
Equity investments at fair value through other comprehensive income	22,036	22,036
	22,036	69,040
Current assets		
Other receivables, deposits and prepayments	2	904
Amounts due from subsidiaries	–	497,489
Cash at bank and on hand	40	933
	42	499,326
Current liabilities		
Trade and other payables	33,525	34,994
Amounts due to subsidiaries	1,135	315
Corporate bonds	184,063	146,010
Guaranteed notes	111,663	97,819
	330,386	279,138
Net current (liabilities)/assets	(330,344)	220,188
Total assets less current liabilities	(308,308)	289,228
Non-current liabilities		
Corporate bonds	113,133	136,794
NET (LIABILITIES)/ASSETS	(421,441)	152,434
Capital and reserves		
Share capital	240,267	203,023
Reserves	(661,708)	(50,589)
TOTAL EQUITY	(421,441)	152,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Guaranteed notes RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2019	-	48,000	237,969	29,489	100,524	8,863	424,845
Changes from financing cash flows:							
Repayments of lease liabilities	(3,294)	-	-	-	-	-	(3,294)
Proceeds from bank and other borrowings	-	50,500	-	-	-	-	50,500
Repayments of bank and other borrowings	-	(29,793)	-	-	-	-	(29,793)
Repayments of corporate bonds	-	-	(880)	-	-	-	(880)
Interest paid	(731)	-	-	(1,104)	(2,348)	(13,697)	(17,880)
Total changes from financing cash flows	(4,025)	20,707	(880)	(1,104)	(2,348)	(13,697)	(1,347)
Exchange adjustments	-	-	5,471	1,774	3,039	-	10,284
Effect of initial application of IFRS 16	7,891	-	-	-	-	-	7,891
Addition of lease liabilities	3,407	-	-	-	-	-	3,407
Transfer to corporate bonds	-	-	30,813	(30,813)	-	-	-
Transfer to Interest payables	-	-	(17,204)	(920)	(14,611)	32,735	-
Changes in fair value on the derivative components of convertible bonds	-	-	-	(2,007)	-	-	(2,007)
Interest expenses	731	-	26,635	3,581	11,215	3,269	45,431
At 31 December 2019	8,004	68,707	282,804	-	97,819	31,170	488,504
Changes from financing cash flows:							
Repayments of lease liabilities	(4,323)	-	-	-	-	-	(4,323)
Repayments of bank and other borrowings	-	(18,000)	-	-	-	-	(18,000)
Repayments of corporate bonds	-	-	(1,077)	-	-	-	(1,077)
Interest paid	-	-	-	-	-	(18,253)	(18,253)
Total changes from financing cash flows	(4,323)	(18,000)	(1,077)	-	-	(18,253)	(41,653)
Exchange adjustments	-	-	(16,793)	-	(5,087)	-	(21,880)
Addition of lease liabilities	497	-	-	-	-	-	497
Transfer to Interest payables	-	(3,452)	-	-	-	3,452	-
Interest expenses	733	3,452	32,262	-	18,931	-	55,378
At 31 December 2020	4,911	50,707	297,196	-	111,663	16,369	480,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

44. LEASE COMMITMENTS

As lessor:

At the end of the year, the Group had future minimum lease receivables under non-cancellable operating leases as follows:

	2020 RMB'000	2019 RMB'000
Within one year	832	862
In the second to fifth year inclusive	-	832
	<u>832</u>	<u>1,694</u>

The Group is the lessor in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. Incremental adjustments are made to the lease payments annually to reflect market conditions. None of the leases includes contingent rentals.

45. RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these consolidated financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with the Controlling Shareholder and his affiliates

	2020 RMB'000	2019 RMB'000
Net increase in non-interest bearing advances received from related parties	-	2,163

Further details on guarantees provided by the Controlling Shareholder for the Group's bank and other borrowings and guarantee notes are disclosed in Notes 34 and 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 14 and certain of the highest paid employees of the Group as disclosed in Note 14, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	5,261	4,126
Retirement schemes contributions	5	20
Share based payments	–	17,900
	<u>5,266</u>	<u>22,046</u>

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 4 November 2022.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 RMB'000	As at 31 December			
		2019 RMB'000	2018 RMB'000 (Note)	2017 RMB'000 (Note)	2016 RMB'000 (Note)
Non-current assets					
Property, plant and equipment	10,026	125,106	130,389	39,046	47,590
Investment properties	15,495	25,786	27,343	–	–
Intangible assets	–	5,997	8,325	1,174	5,074
Right-of-use assets	–	7,378	–	–	–
Goodwill	–	66,708	157,708	–	32,769
Equity investments at fair value through other comprehensive income	22,036	61,251	32,576	50,148	69,618
Prepayments for equity investments at fair value through other comprehensive income	–	–	2,300	9,290	16,790
Non-current trade receivables	–	–	–	–	7,933
Deferred tax assets	–	–	–	–	990
Loan to customers	–	57,577	–	–	–
Contract assets	–	98,522	–	–	–
Prepayments, deposit and other receivables	–	44,473	–	–	–
	47,557	492,798	358,641	99,658	180,764
Current assets					
Investments at fair value through profit or loss	34,831	37,292	–	8,897	–
Inventories	4,501	1,710	5,615	6,156	11,459
Trade and bill receivables	18,294	177,571	205,387	47,679	152,295
Loan to customers	4,193	85,093	167,672	72,485	–
Contract assets	–	17,008	242,101	337,394	505,819
Prepayments, deposits and other receivables	126,423	80,844	116,009	134,499	261,308
Amount due from a director	–	5,818	–	–	–
Restricted bank deposits	–	–	2,290	2,270	170,697
Cash at bank and on hand	21,652	29,384	78,593	195,061	128,057
	209,894	434,720	817,667	804,441	1,229,635
Assets classified as held for sale	–	–	–	454,534	–
	209,894	434,720	817,667	1,258,975	1,229,635

FIVE YEARS FINANCIAL SUMMARY

	2020 RMB'000	As at 31 December			
		2019 RMB'000	2018 RMB'000 (Note)	2017 RMB'000 (Note)	2016 RMB'000 (Note)
Current liabilities					
Trade and other payables	209,113	208,745	226,856	194,853	315,776
Payables for acquisition of a subsidiary	27,500	27,500	266,839	–	–
Bank and other borrowings	50,707	68,707	48,000	53,000	237,275
Corporate bonds	184,063	146,010	42,499	22,411	3,578
Convertible bonds	–	–	29,489	41,439	–
Guaranteed notes	111,663	97,819	100,524	25,325	–
Lease liabilities	1,063	3,804	–	–	–
Income tax payable	21,162	21,218	20,925	18,526	21,761
Provision for warranties	780	771	741	680	606
Liabilities held-for-sale	–	–	–	263,485	–
	606,051	574,574	735,873	619,719	578,996
Net current (liabilities)/assets	(396,157)	(139,854)	81,794	639,256	650,639
Total assets less current liabilities	(348,600)	352,944	440,435	738,914	831,403
Non-current liabilities					
Bank and other borrowings	–	–	–	48,000	133,726
Corporate bonds	113,133	136,794	195,470	193,212	186,847
Convertible bonds	–	–	–	112,860	49,139
Guaranteed notes	–	–	–	88,464	45,132
Lease liabilities	3,848	4,200	–	–	–
Deferred tax liabilities	–	57	443	267	906
	116,981	141,051	195,913	442,803	415,750
Net (liabilities)/assets	(465,581)	211,893	244,522	296,111	415,653
Capital and reserves					
Share capital	240,267	203,023	170,909	162,874	154,242
Reserves	(692,100)	(49,587)	18,106	139,202	262,499
Equity attributable to owners of the Company	(451,833)	153,436	189,015	302,076	416,741
Non-controlling interests	(13,748)	58,457	55,507	(5,965)	(1,088)
TOTAL EQUITY	(465,581)	211,893	244,522	296,111	415,653

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 RMB'000	Year ended 31 December			
		2019 RMB'000	2018 RMB'000 (Note)	2017 RMB'000 (Note)	2016 RMB'000 (Note)
Revenue	31,381	99,043	202,697	171,929	302,681
Cost of sales	(60,454)	(105,186)	(134,702)	(213,094)	(348,696)
Gross (loss)/profit	(29,073)	(6,143)	67,995	(41,165)	(46,015)
Interest income	162	4,662	989	7,916	–
Other income	810	3,766	10,239	73	3,859
Other gains/(loss)	(642,342)	(4,748)	(122,748)	(27,960)	(88,239)
Selling expenses	(2,756)	(7,487)	(6,419)	(6,431)	(29,931)
Administrative expenses	(37,856)	(92,832)	(75,572)	(69,114)	(60,794)
Research and development expenses	(2,190)	(7,168)	(1,946)	(2,142)	(6,447)
Operating loss from continuing operations	(713,245)	(109,950)	(127,462)	(138,823)	(227,567)
Finance costs	(37,813)	(50,651)	(71,345)	(39,223)	(65,506)
Net gain on disposal of subsidiaries	–	–	–	–	37,700
Loss before taxation from continuing operations	(751,058)	(160,601)	(198,807)	(178,046)	(255,373)
Income tax	57	(3,065)	(4,098)	(1,554)	(4,139)
Loss for the year from continuing operations	(751,001)	(163,666)	(202,905)	(179,600)	(259,512)
Discontinued operation					
Profit/(Loss) for the year from discontinued operation, net of tax	–	–	3,767	(5,883)	–
Loss for the year	(751,001)	(163,666)	(199,138)	(185,483)	(259,512)
Other comprehensive (loss)/income for the year (after tax):					
Item that will not be reclassified to profit or loss:					
– Fair value changes of equity investment at fair value through other comprehensive income	(39,215)	(11,325)	(5,084)	(16,970)	(16,980)
Item that may be reclassified to profit or loss:					
– Exchange differences on translation of financial statements into presentation currency	(2,715)	769	4,208	(3,780)	671
Total comprehensive loss for the year	(792,931)	(174,222)	(200,014)	(206,233)	(275,821)

FIVE YEARS FINANCIAL SUMMARY

	2020 RMB'000	Year ended 31 December			
		2019 RMB'000	2018 RMB'000 (Note)	2017 RMB'000 (Note)	2016 RMB'000 (Note)
Loss for the year attributable to:					
Owners of the Company					
– Continuing operations	(678,796)	(166,516)	(229,988)	(173,101)	(253,203)
– Discontinued operation	–	–	3,767	(5,883)	–
	(678,796)	(166,516)	(226,221)	(178,984)	(253,203)
Non-controlling interests					
– Continuing operations	(72,205)	2,850	27,083	(6,499)	(6,309)
Loss for the year	(751,001)	(163,666)	(199,138)	(185,483)	(259,512)
Total comprehensive loss attributable to:					
Owners of the Company	(720,726)	(177,072)	(227,097)	(199,734)	(269,512)
Non-controlling interests	(72,205)	2,850	27,083	(6,499)	(6,309)
Total comprehensive loss for the year	(792,931)	(174,222)	(200,014)	(206,233)	(275,821)
Basic and diluted loss per share (RMB cents)					
– Continuing and discontinued operations	(26.16)	(7.69)	(11.05)	(9.26)	(13.75)
– Continuing operations	(26.16)	(7.69)	(11.24)	(8.96)	(13.75)

Note: Certain comparative figures have been reclassified to conform to the current year's presentation.