中国优通控股
China UT Holding

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 2018

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Jiang Changqing (姜長青) (Chairman)
Guo Aru (郭阿茹) (resigned on 23th May 2018)
Zhao Feng (趙峰)
Ji Huifang (計惠芳)
Liu Jianzhou (劉建洲) (appointed on 23th May 2018)
Chen Qizheng (陳齊爭) (appointed on 23th May 2018)

Non-Executive Director

Ge Lingyue (葛淩躍)

Independent Non-Executive Directors

Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)
Li Xiaohui (李曉慧)

Company Secretary

Chan Oi Chong (陳愛莊) (ICS, HKICS)

Audit Committee

Li Xiaohui (李曉慧) (Chairlady)
Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)

Nomination Committee

Meng Fanlin (孟繁林) (Chairman)
Li Xiaohui (李曉慧)
Wang Haiyu (王海玉)

Remuneration Committee

Wang Haiyu (王海玉) (Chairman)
Meng Fanlin (孟繁林)
Li Xiaohui (李曉慧)

Company's Website

www.chinauton.com.hk

Auditor

ZHONGHUI ANDA CPA Limited

Legal Adviser to the Company (Hong Kong Law)

Chungs Lawyers

Registered Office

Clifton House
75 Fort Street
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

Room 2404
24/F, Great Eagle Centre
23 Harbour Road
Wanchai
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

Estera Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
22th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

6168

CHAIRMAN'S STATEMENT

Dear shareholders,

The Company reported its audited results for the year ended 31 December 2018 with a loss attributable to the equity holders of the Company of RMB226,221,000, representing an increase of loss of RMB47,237,000 from loss of RMB178,984,000 for the year ended 31 December 2017, or approximately 26.4% when compared with the corresponding period of the previous financial year. The Group's revenue from continuing operations for the year ended 31 December 2018 increased by approximately 17.9% to RMB202,697,000. The increase in revenue is a net effect of increase in revenue derived from environmentally intelligent technical products and services as a result of acquisition of Beijing Yourui Jiahe Electronic Technology Co., Ltd. ("Yourui", 北京優瑞嘉和電子科技有限公司) and decrease in revenue derived from provision of design, deployment and maintenance of optical fibers services due to strategy adjustment. The Group recorded a substantial increase in loss attributable to the equity holders of the Company due to the following reasons, 1) recognition of fair value loss of RMB73,339,000 of additional contingent consideration for acquisition of Yourui, 2) increase in finance costs due to the net foreign exchange difference relating to borrowing which changed from gain of RMB27,259,000 to loss of RMB19,712,000.

BUSINESS DEVELOPMENT

The Group is 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 money lending services, while the installation and sale of low-voltage system equipment and related accessories was disposed of in the current financial year. For details of the disposal, please refer to Note 43.

Our competitive strengths on deployment optical fibers include (1) we provide flexible solutions to our clients with our microducts and mini-cable system integration methods; and (2) we have registered a number of patents and obtained the rights to use the drainage system in various cities/districts to enhance our business development in telecommunication industry in the PRC.

Based on the experience of the Group and the results of detailed analysis, it has been shown that laying optical fiber cables through combining the use of drainage system and minicable and mirco-ducts technology is a technology that can construct networks with the most extensive coverage in a shorter time and at a lower cost, and it is expected that no alternative technology with a lower cost will be available in the foreseeable future. The Group has extensive experience and remarkable advantage in the application of minicable and microducts integration technology for laying optical fiber networks in storm water conduits in China. In order to seek international business opportunities, after conducting several site visits, feasibility studies and business opportunity evaluations, our overseas business development departments have established wholly-owned subsidiaries in Libya, South Africa and Algeria respectively and commenced business operations. The Group achieved steady growth of its overseas business in current year. Meanwhile, we have also been exploring with local partners in many countries the opportunities to establish joint ventures so as to develop the local market.

Due to increased competition in the traditional optical fiber deployment business in PRC, the Group adjusted its allocation of resources by taking the initiative to reduce the amount of business undertaken in 2017 and foster new potential business growth drivers. The strategy adjustment leads to a significant decrease in revenue of traditional optical fibers development services. Meanwhile, in order to explore and make strategic investments in other new business opportunities, the Group completed the acquisition of 51% of equity interest in Yourui in 2018, which is principally engaged in the provision of environmentally intelligent technical products and services in the PRC. Although the revenue derived from design, deployment and maintenance services of optical fibers decreased significantly, the revenue of the Group has an increase as a result of the acquisition of Yourui.

DIVIDENDS

The Board of directors does not recommend payment of dividend for the year ended 31 December 2018 (2017: Nil).

FUTURE PLANS AND PROSPECTS

Looking forward, the Group expects the operating environment will continue to be challenging. However, the application of wireless technology by the market and the promotion of cloud computing, big data and data centres, together with upgrades in systems and skills and application of 4G and development of 5G, is expected to lead to a multi-fold increase in the global demand for bandwidth in the next few years. Optical fiber broadband network construction is the forerunner of all infrastructure, and the most important ring for the economic development of countries in the surrounding areas under the One Belt One Road initiative, as well as those in the Middle East and Africa. Upgrade of existing networks and laying of new networks are required to cope with the local needs for future development. The Group is proactively looking for business opportunities to expand its existing business in the PRC and overseas. In order to cope with the anticipated challenges and staying competitive, more efforts will be made to strengthen internal control and management, strictly control production costs and operating expenses. The Group will also continue to explore any opportunities to diversify our business with the ultimate aim of bringing greater value to our shareholders in the long run.

APPRECIATION

Finally, the Board would like to express sincere thanks to our customers, business partners, suppliers and shareholders for their persistent support to the Group, and our appreciation for the efforts and endeavors made by our management and employees during the past year.

Jiang Changqing
Chairman and Executive Director

Hong Kong, 28 March 2019

GROUP STRUCTURE OF MAJOR OPERATING SUBSIDIARIES

HISTORY

February 2018

Successfully acquired Yourui, diversified existing business and broadened revenue stream

2015

Established overseas business development department and incorporated 2 subsidiaries in Africa

August 2014

Successfully transferred listing from the GEM Board to the Main Board of the Stock Exchange

2013

Further expand our coverage to Hunan and Chongqing by acquiring 2 subsidiaries namely Chongqing Wuyang and Hunan Sancheng

June 2012

Successfully listed on the GEM Board of the Stock Exchange

Being granted the Grade A certificate for Telecommunication Network System Integration Enterprise (通信信息網絡系统集成企業資質証書甲級資質), qualified to conduct all kinds of telecommunication network construction projects in the PRC

2011

Acquired Shijiazhuang Qiushi to venture into low-voltage equipment integration services business

2007 and 2008

Successfully obtained 17 patents relating to micro-duct and mini-cable deployment technology

2006

Successfully completed the first micro-ducts and mini-cables deployment project in Xingtai

2004

Secured exclusive right to use sewage system in Baoding

2001

Established in the PRC

FINANCIAL HIGHLIGHTS & SUMMARY

FINANCIAL HIGHLIGHTS & SUMMARY

	Year ended 31 December				
in RMB'000	**2018**	2017	2016	2015	2014
Continuing operations					
RESULTS					
Revenue	**202,697**	171,929	245,677	475,507	511,472
Gross (loss)/profit	**67,995**	(41,165)	(23,739)	145,734	162,148
Profit before income tax	**(198,807)**	(178,046)	(200,526)	56,490	89,191
Income tax expenses	**(4,098)**	(1,554)	(3,150)	(7,861)	(13,078)
(Loss)/profit for the year	**(202,905)**	(179,600)	(203,676)	48,629	76,113
Discontinued operations					
Loss for the year	**3,767**	(5,883)	(55,836)	—	—

	At 31 December				
in RMB'000	**2018**	2017	2016	2015	2014
ASSETS AND LIABILITIES					
Total assets	**1,176,308**	1,358,633	1,410,399	1,240,682	1,019,626
Total liabilities	**931,786**	1,062,522	994,746	653,577	457,753
Net assets	**244,522**	296,111	415,653	587,105	561,873

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Deployment and maintenance services of optical fibers

During the year ended 31 December 2018, decrease in revenue of deployment services of optical fibers was mainly due to significant decrease in traditional deployment construction revenue in Hebei Province due to keen competition of the market.

Environmentally intelligent technical products and services

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

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.

Money lending

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

FINANCIAL REVIEW

	Year ended 31 December		
	2018	2017	Increase
Continuing operations	**RMB'000**	RMB'000	(Decrease)%
Revenue	**202,697**	171,929	17.9
Gross profit/(loss)	**67,995**	(41,165)	265.2
EBITDA	**(118,915)**	(131,823)	(9.8)
EBITDA margin %	**(58.7%)**	(76.7%)	(18.0)
Net loss	**(202,905)**	(179,600)	13.0
Loss for the year attributable to the equity holders of the Company	**(229,988)**	(173,101)	32.9
Net loss margin	**(113.5%)**	(100.7%)	12.8
Continuing and discontinued operations	**RMB cents**	RMB cents	RMB cents
Basic loss per share	**(11.05)**	(9.26)	(1.79)

	As at 31 December 2018	As at 31 December 2017
Current ratio	**1.1**	2.0
Gearing ratio	**137.0%**	130.8%

Revenue

The Group's revenue from continuing operations for the year ended 31 December 2018 was RMB202,697,000, representing an increase of approximately 17.9% over the corresponding period of the previous financial year. The increase in the Group's revenue from continuing operations was mainly due to the net effect of increase in revenue derived from environmentally intelligent technical products and services and decrease of construction contract revenue of deployment services of optical fibers.

The following table sets out the breakdown of our Group's revenue during years:

	Year ended 31 December		
	2018	2017	Increase
	RMB'000	RMB'000	(Decrease) %
Continuing operations			
Revenue from the provision of design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**8,027**	77,954	(89.7)
– Micro-ducts and mini-cables system integration methods	**57,445**	73,649	(22.0)
Sub-total	**65,472**	151,603	(56.8)
Other communication networks services	**18,418**	17,772	3.6
Revenue from the provision of environmentally intelligent technical products and services	**96,431**	—	100.0
Money lending	**22,376**	2,554	776.1
Total	**202,697**	171,929	17.9
Discontinued operation			
Revenue from the installation and sales of low-voltage system equipment and related accessories	**215,228**	80,958	165.9
Total	**417,925**	252,887	65.3

Environmentally intelligent technical products and services

Revenue from the provision of environmentally intelligent technical products and services was RMB96,431,000, representing approximately 47.6% of the total revenue from continuing operations of the Group for the year ended 31 December 2018. It's a new business segment of the Group as a result of acquisition of Yourui.

Design, deployment and maintenance of optical fibers

Revenue generated from our provision of design, deployment and maintenance of optical fibers services, was RMB65,472,000, representing approximately 32.3% of the total revenue from continuing operations of the Group for the year ended 31 December 2018. The decrease in construction revenue for the year ended 31 December 2018 as compared to 2017 was mainly due to the decrease in the revenue derived from the provision of traditional deployment services of optical fibers in Hebei Province due to keen competition.

Other communication networks services

The increase in revenue generated from other communication networks services from RMB17,772,000 to RMB18,418,000 was mainly due to overseas expansion.

Money lending

Money lending business is a new business commenced in July 2017. The Group recorded turnover of approximately RMB22,376,000 for the year ended 31 December 2018, representing approximately 11.0% of the total revenue from continuing operations of the Group for the year ended 31 December 2018.

Cost of sales and services

The Group's cost of sales and services from continuing operations for the year ended 31 December 2018 was approximately RMB134,702,000, representing a decrease of approximately 36.8% over the corresponding period of the previous year. The decrease in the Group's cost of sales was due to decrease of construction costs for deployment services of optical fibers.

Gross profit/(loss)

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

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Gross profit/(loss) by services				
Continuing Operations				
Revenue from the provision of design, deployment and maintenance of optical fibers services				
– Traditional deployment methods	**(29,599)**	**(43.5)**	(53,679)	130.4
– Micro-ducts and mini-cables system integration methods	**13,883**	**20.4**	6,742	(16.4)
Sub-total	**(15,716)**	**(23.1)**	(46,937)	114.0
Other communication networks services	**3,679**	**5.4**	4,418	(10.7)
Revenue from the provision of enviromentelly intelligent technical products and services	**59,130**	**87.0**	–	–
Money lending	**20,902**	**30.7**	1,354	(3.3)
	67,995	**100.0**	(41,165)	100.0
Discontinued operation				
Revenue from the installation and sales of low-voltage system equipment and related accessories	**79,781**		8,141	
	147,776		(33,024)	

The following table sets forth the gross margin of each of our services for the years indicated:

	Year ended 31 December		
	2018	2017	Increase/ (Decrease)
	%	%	percent point
Continuing Operations			
Gross margin by services			
Revenue from the provision of design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**(368.7)**	(68.9)	(299.8)
– Micro-ducts and mini-cables system integration methods	**24.2**	9.2	15.0
Overall	**(24.0)**	(31.0)	7.0
Other communication networks services	**20.0**	24.9	(4.9)
Revenue from the provision of environmentally intelligent technical products and services	**61.3**	–	61.3
Money lending	**93.4**	53.0	40.4
Overall gross margin	**33.5**	(23.9)	57.4
Discontinued operation			
Revenue from the installation and sales of low-voltage system equipment and related accessories	**37.1**	10.1	27.0

The Group reported a gross profit from continuing operations for the year ended 31 December 2018 as compared with the gross loss in the previous financial year.

The increase in our gross margin was primarily due to the increase in gross profit of our new business, provision of environmentally intelligent technical products and services and money lending services, and decrease in gross loss of construction contract revenue of traditional deployment of optical fibers. The gross loss of revenue of traditional deployment of optical fibers decreased significantly due to dramatical decrease in revenue as a result of the strategy adjustment of the Group. With the development of new business and adjustment of traditional business, the Group gross margin changed from loss to profit in current year.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods increased from approximately 9.2% for the year ended 31 December 2017 to approximately 24.2% for the year ended 31 December 2018.

The gross margin of construction contracts of deployment services of optical fibers using traditional deployment methods increased from loss of approximately 68.9% in year ended 31 December 2017 to loss of approximately 368.7% in year ended 31 December 2018. The reason for the significant increase is that in order to obtain final acceptance for numerous contracts commenced in a few years ago, the Group incurred significant additional costs to meet the acceptance requirements.

Major customers and Suppliers

Sales of goods and provision of services to the Group's five largest customers accounted for approximately 56.4% of the total sales of goods and provision of services for the year of 2018. For the year ended 31 December 2018, revenue from transactions with our largest customer accounted for approximately 25.3% of the Group's total sales of goods and provision of services, which amounted to RMB51,374,000. Purchases from the Group's five largest suppliers accounted for less than 30% in total for the year of 2018.

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.

Other income from continuing operations

Other income mainly included other income from settlement of trade receivables by transfer of property and investment income, which amounted to RMB10,239,000 for the year ended 31 December 2018, representing an increase of RMB10,166,000 from RMB73,000 for the corresponding period of the previous year mainly due to the recognition of other income from settlement of trade receivables by transfer of property of RMB7.3 million.

Selling expenses and administrative expenses from continuing operations

The Group's selling expenses and administrative expenses for the year ended 31 December 2018 were RMB81,991,000, representing an increase of RMB6,446,000 from RMB75,545,000 for the corresponding period of the previous year. The increase in selling expenses and administrative expenses is in line with the increase of revenue.

Impairment loss from continuing operations

Impairment loss for the year ended 31 December 2018 were RMB45,523,000, representing an increase of RMB9,587,000 from RMB35,936,000 for the corresponding period of the previous year. The increase in impairment loss was mainly due to the increase of impairment loss of other receivables.

Finance cost from continuing operations

Finance cost mainly included interest charged from bank and other borrowings, corporate bonds, convertible bonds and guaranteed notes and net foreign exchange differences on debts. The increase in finance cost was mainly due to the net foreign exchange difference relating to debts which changed from gain of RMB27,259,000 to loss of RMB19,712,000.

Net gain on disposal of subsidiary

Net loss on disposal of subsidiaries mainly represented disposal loss of an overseas subsidiary.

Change of contingent consideration

Fair value change of contingent consideration represented the fair value loss of contingent consideration for acquisition of Yourui. Pursuant to the share purchase agreement of which, in the event that Yourui meets the performance guarantee of 2017 and 2018, further consideration shares shall be allotted and issued by the Company to the vendors. Pursuant to the unaudited management accounts of Yourui for the year ended 31 December 2018, it is preliminarily indicated that Yourui has met the performance guarantee. As a result, the Group recognised additional contingent consideration payable which is recorded as a fair value loss for changes in contingent consideration.

Loss from continuing operations attributable to equity holders of the Company

The Group recorded net loss from continuing operations attributable to equity holders of the Company of RMB229,988,000 for the year ended 31 December 2018 compared to net loss of RMB173,101,000 for the corresponding period in 2017, representing an increase of loss of approximately 32.9%. The increase in loss attributable to equity holders of the Company was mainly due to the recognition of fair value loss of RMB73,339,000 for contingent consideration for acquisition of Yourui and increase in finance costs of RMB32,122,000.

Trade and bill receivables

There was an increase in trade and bills receivables as at 31 December 2018 of approximately RMB157,708,000 as compared to 31 December 2017, which was mainly due to the increase of the revenue and more construction contracts had obtained final acceptance and unbilled receivables transferred from customer assets to accounts receivables.

Loan to customers

Loan to customers represented the receivables of money lending business. The increase in loan to customers was in line with the increase in money lending business. The loans are guaranteed and/or pledged with assets.

Contract assets

Contract assets represented the unbilled contract revenue of uncompleted projects and not certified by customers. The decreased in customer assets was mainly due to more construction contracts had obtained final acceptance and unbilled receivables transferred to accounts receivables.

Goodwill

As a result of acquisition of Yourui, the Group recognised goodwill of RMB157,708,000, which represented the fair value in excess of the consideration, non-controlling interest and the net identifiable assets and liabilities of Yourui at the acquisition date (12 February 2018). For details of the acquisition, please refer to the paragraph "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies – Acquisition of Yourui" in this report.

Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income mainly included investment of RMB25,076,000, representing 5.65% 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". The decrease was mainly due to the disposal of investment in Hebei Huaxun and impairment of the investment in Sino Partner.

Assets and liabilities held-for-sale

Assets and liabilities held-for-sale as at 31 December 2017 represented assets and liabilities relating to Shijiazhuang Qiushi Communication Facilities Co., Ltd. ("Shijiazhuang Qiushi") and was stated at the lower of its carrying value and its fair value less costs to sell. All assets and liabilities of Shijiazhuang Qiushi were reclassified to assets held-for-sale and liabilities held-for-sale, respectively, as the low-voltage system segment has been reclassified as discontinued operation as at 31 December 2017. The balance of assets and liabilities held-for-sale was nil as at 31 December 2018 as the Group completed the Disposal of Shijiazhuang Qiushi in 2018. For details of the disposal, please refer to paragraph "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies — Disposal of Shijiazhuang Qiushi" in this report.

Payables for acquisition of subsidiary

Payables for acquisition of subsidiary represented consideration payable to vendors relating to the acquisition of Yourui. Pursuant to the unaudited management accounts of Yourui for the year ended 31 December 2018, it is preliminarily indicated that Yourui has met the performance guarantee. The Group recognised consideration payables to vendors of RMB266,839,000, among which RMB37,500,000 is cash consideration and RMB229,339,000 is share consideration. The share consideration will be transferred to the equity when consideration shares are allotted and issued by the Company.

Bank and other borrowings

The Group had bank and other borrowings as at 31 December 2018 amounted to RMB48,000,000. No financial instruments were used for hedging purposes. The Group's bank loans were made in Renminbi, no bank loans are carried at floating rates (31 December 2017: RMB59,000,000).

Convertible bonds

On 7 June 2016, 9 February 2017 and 27 June 2017, the Company issued convertible bonds with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to HK$78,000,000) and USD4,000,000 (equivalent to HK$31,200,000), to Chance Talent Management Limited, Donghai Investment Fund Series SPC and Donghai Investment Fund Series SPC, respectively, to raise capital for the Group. The initial conversion price of HK$1, HK$1, HK$1 respectively for the above issuance of convertible bonds represents a premium of approximately 6.4% (to the closing price of HK$0.94), 16.3% (to the closing price of HK$0.86) and a premium of 13.6% (to the closing price of HK$0.880). All the conditions set out in the corresponding subscription agreements have been fulfilled and the subscriptions were completed on 7 June 2016, 9 February 2017, 27 June 2017 respectively in accordance with the terms and conditions of the subscription agreements. 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 Note 35 and the Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017.

On 24 May 2018 and 11 June 2018, the bondholders converted the convertible bonds with a principal amount of HK$78 million and HK$20 million into 78,000,000 shares and 20,725,388 shares of the Company with a conversion price of HK$1 and HK$0.965, respectively.

As at 31 December 2018, the outstanding principal amount of all convertible bonds was approximately HK$31,200,000 (31 December 2017: HK$159,200,000). Based on the conversion price of the convertible bonds of HK$1.00 per share of the Company, a maximum number of 31,200,000 shares of the Company (31 December 2017: 159,200,000 shares) would be allotted and issued upon exercise of the conversion rights attaching to the outstanding convertible bonds in full, which represent approximately 1.50% of the total number of issued shares of the Company as at 31 December 2018, and approximately 1.47% of the enlarged total number of issued shares immediately after full conversion of convertible bonds at the conversion price of HK$1.00, respectively.

Below is an analysis of the shareholding structure of the Company (i) as at 31 December 2018; and (ii) immediately after full conversion of the convertible bonds at the initial conversion price of HK$1.00.

Shareholders	As at 31 December 2018		Immediately after full conversion of the Convertible Bond at the initial Conversion Price of HK$1.00	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Jiang and his associates	626,732,000 (Note)	30.04	626,732,000 (Note)	29.60
The bondholders	—	—	31,200,000	1.47
Other substantial shareholders	399,308,000	19.14	399,308,000	18.86
Public	1,060,305,388	50.82	1,060,305,388	50.07
Total	2,086,345,388	100.00	2,117,545,388	100.00

Note: These comprise (i) 10,195,000 Shares owned by his spouse, Ms. Guo Aru, as beneficial owner; and (ii) 616,537,000 Shares through his interest in Bright Warm Limited which is owned beneficially as to 100% by Mr. Jiang.

During the year ended 31 December 2017 and 31 December 2018, there was no dilutive effect attributable to the convertible bonds on the loss per share. Additional information of the convertible bonds issued by the Company, including but not limited to, analysis on the financial and liquidity position of the Group and discussion on the ability to meet its redemption obligations under the convertible bonds are set out in the paragraph "Liquidity and financial resources" in this report.

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, to raise capital for the Group. 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 and 27 June 2017. All guaranteed notes have a maturity period of 2 years, with interest bearing at 11% per annum and are repayable semi-annually.

Related Party Balances and Transactions

(a) During the reporting period, the following parties are identified as related party to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Jiang Changqing	Beneficial shareholder and director of the Company
Mr. Li Qingli (note 1)	Beneficial shareholder and director of the Company
Mr. Guo Aru (note 2)	Beneficial shareholder and director of the Company

note 1 resigned on 28 January 2018
note 2 resigned on 23 May 2018

(b) At the end of the reporting period, the Group has amounts payable to the following related parties and the detail is set out below:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Non-trade nature:		
Mr. Li	—	41
	—	41

(c) Bank borrowings of RMB48,000,000 (31 December 2017: RMB74,000,000) are secured by personal guarantee from Mr. Jiang Chanqing, a director of the Company and Ms. Guo Aru, who resigned as a director on 23 May 2018. The guaranteed notes of RMB100,524,000 (31 December 2017: RMB113,789,000) and convertible bonds of RMB29,489,000 (31 December 2017: RMB154,299,000) are guaranteed by Mr. Jiang Changqing.

(d) The remuneration paid and payable to the key management of the Company who are also the directors for the year amounted to RMB4,839,000 (31 December 2017: RMB6,096,000).

Liquidity and financial resources

As at 31 December 2018, the Group had current assets of approximately RMB817,667,000 (31 December 2017: RMB1,258,975,000) which comprised cash and cash equivalents amounted to approximately RMB78,593,000 as at 31 December 2018 (31 December 2017: RMB195,061,000). As at 31 December 2018, the Group had non-current liabilities and current liabilities amounted to approximately RMB195,913,000 and RMB735,873,000 (31 December 2017: RMB442,803,000 and RMB619,719,000), consisting mainly of payables, corporate bonds, convertible 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 1.1 as at 31 December 2018 (31 December 2017: 2.0).

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

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, corporated 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 137.0% as at 31 December 2018 (31 December 2017: approximately 130.8%).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. 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.

Foreign exchange exposure

For the year ended 31 December 2018, we had corporate bonds, convertible 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 2018, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign exchange risk.

Capital structure

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

Distributable Reserves

As at 31 December 2018, the Company had no distributable reserves.

Capital commitments

Capital commitments contracted but not provided for in the financial statements as at 31 December 2018 are nil (31 December 2017: RMB37,500,000).

Dividend

The Board does not recommends the payment of dividend for the year ended 31 December 2018 (2017: Nil).

Information on employees

As at 31 December 2018, the Group had 373 employees (31 December 2017: 462), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB36,553,000 for the year ended 31 December 2018 as compared to approximately RMB47,967,000 for the year ended 31 December 2017. 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.

Significant investments held

Except for investment in subsidiaries and equity investments at fair value through other comprehensive income during the year ended 31 December 2018, the Group did not hold any significant investment in equity interest in other company.

Future Plans for Material Investments and Capital Assets

Except as disclosed in the Company's voluntary announcements (1) dated 21 November 2018 that the Group plans to establish a new materials company with an independent third party; which is expected to engage in the research and development, production and sales of graphene for application in ionic membrane, modified plastics and battery related products, and (2) dated 7 March 2019 that the Group may acquire part of the shares of Super Hydrogen Energy, which is principally engaged in research and development, production and sales of hydrogen generated using solar water splitting, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Acquisition of Yourui

In order to explore and make strategic investments in other new business opportunities, the Group acquired 51% of equity interest in Yourui at a consideration of maximum of RMB321,300,000 (the "Acquisition"), among which RMB37,500,000 shall be settled in cash, and the remaining consideration shall be settled in cash or by issuing new ordinary shares of the Company at the discretion of the Company if Yourui meets the performance guarantee as stipulated in the share purchase agreement dated 20 October 2017. The Acquisition was completed on 12 February 2018, upon fulfillment of all the conditions precedent set out in the share purchase agreement. After completion, Yourui becomes a subsidiary of the Company. Accordingly, the assets, liabilities and financial results of Yourui, together with its subsidiaries, are consolidated into the financial statements of the Group. Pursuant to the unaudited management accounts of Yourui for the year ended 31 December 2018, it is preliminarily indicated that Yourui has met the performance guarantee. The Group recognised further consideration, for details please refer to the paragraph headed "Payables for acquisition of a subsidiary" in this announcement. Yourui is principally engaged in the provision of environmentally intelligent technical products and services in the PRC. For details, please refer to the announcements of the Company dated 20 October 2017, 19 January 2018 and 12 February 2018.

Disposal of Shijiazhuang Qiushi

As approved by the Board, the Company entered into a share sale and purchase agreement (the "Disposal Agreement") with Ordillia Group Limited, a limited liability company incorporated in the BVI and wholly-owned by Mr. Li Qingli, a former executive director of the Company, on 26 November 2017, pursuant to which the Company agreed to dispose and Ordillia Group Limited agreed to purchase all of the shares of the Company in Shijiazhuang Qiushi at a consideration with the net amount of RMB82,000,000 (the "Proposed Disposal"). Mr.Li Qingli also tendered his resignation as an executive director of the Company of the Company with effect from 28 January 2018. As Mr. Li Qingli is a connected person under Chapter 14A of the Listing Rules, the Proposed Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Shijiazhuang Qiushi is principally engaged in the provision of low-voltage system related business. The low-voltage system segment has been reclassified as discontinued operation as at 31 December 2017 due to the Proposed Disposal. On 31 December 2018, all the conditions precedent for the Proposed Disposal had been fulfilled and the disposal was completed. Upon Completion, Shijiazhuang Qiushi is no longer a subsidiary of the Company. For details, please refer to the announcements of the Company dated 26 November 2017, 28 November 2017, 15 December 2017, 27 December 2017, 10 January 2018, 24 January 2018, 8 February 2018, 7 March 2018, 27 March 2018, 24 April 2018, 10 May 2018 and 31 December 2018.

During the year ended 31 December 2018, save as disclosed above the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

Charges on assets

As at 31 December 2018, the Group had pledged bank deposit with carrying amount of RMB2,290,000 and to secure the bank and other borrowings (31 December 2017: RMB2,270,000).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

CHANGE OF AUDITOR

KPMG resigned as the auditor of the Company with effect from 31 December 2018, as the Company and KPMG could not reach an agreement on the audit fee for the financial year ended 31 December 2018.

KPMG confirmed in its letter of resignation dated 31 December 2018 that there are no matters or circumstances connected with its resignation that need to be brought to the attention of the shareholders of the Company. The Board and the audit committee have also confirmed that there is no disagreement or unresolved matter between KPMG and the Company (save for the said audit fee), and that there is no other matter in respect of the change of auditor which should be brought to the attention of the shareholders of the Company.

With the recommendation of the audit committee of the Company, the Board has resolved to appoint Zhonghui Anda CPA Limited ("Zhonghui") as the auditor of the Company to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the next annual general meeting of the Company.

The Board considered that as Zhonghui possesses the essential audit experience required to perform its duties as the auditor of the Company while charging a relatively lower audit fee than KPMG, the appointment of Zhonghui as auditor of the Company is in the interests of the Company and its shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Our Board of Directors is responsible and has general powers for the management and conduct of the business. The following table sets forth information regarding members of the Board as at the date of this report:

Name	Appointment Date	Age
Executive Directors		
Jiang Changqing (姜長青) (Chairman)	31 March 2011	53
Guo Aru (郭阿茹) (resigned on 23th May 2018)	31 March 2011	53
Zhao Feng (趙峰)	9 May 2017	47
Ji Huifang (計惠芳)	9 May 2017	44
Liu Jianzhou (劉建洲)	23 May 2018	43
Chen Qizheng (陳齊爭)	23 May 2018	61
Non-executive Director		
Ge Lingyue (葛淩躍)	9 May 2017	59
Independent Non-executive Directors		
Meng Fanlin (孟繁林)	27 May 2012	74
Wang Haiyu (王海玉)	27 May 2012	66
Li Xiaohui (李曉慧)	27 May 2012	51

Chairman & Executive Director

Mr. Jiang Changqing (姜長青), aged 53, is our founder, chairman, and was appointed as a Director on 31 March 2011 and redesignated as an executive Director with effect from 27 May 2012. He joined Hebei Changtong as a director since its incorporation in June 2000 and joined Beijing U-Ton in July 2010 when he was firstly appointed as the manager, and has been appointed as the director of Beijing U-Ton since April 2011 and has been primarily responsible for overall corporate strategies, planning, management and business development of our Group. Mr. Jiang was a director of Hebei Deer between April 2005 and October 2010 and a director of Partnerfield since December 2010. Mr. Jiang has approximately 20 years' working experience in the telecommunications industry specialising in optical fiber deployment technology and has over five years' experience in in-sewer deployment methods such as in-sewer, pipe jacking and cable troughing which utilise miro-ducts, mini-cables and related techniques. Prior to the establishment of our 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. Mr. Jiang worked in a department of People's Liberation Army of the PRC from October 1981 to June 1993 and was mainly responsible for coaching telecommunication equipment maintence and construction. Mr. Jiang obtained a diploma in law through self-studying from the Hebei University (河北大學) in June 1996.

Executive Directors

Ms. Guo Aru (郭阿茹), aged 53, is the spouse of Mr. Jiang. Ms. Guo was appointed as a Director on 31 March 2011 and redesignated as an executive Director with effect from 27 May 2012 and is primarily responsible for the research and development of new equipment and technology for our Group. Ms. Guo joined our Group as a manager in 2007. Ms. Guo was a director of Beijing U-Ton between July 2010 and April 2011 and a director of Partnerfield since December 2010. From July 1986 to September 2006, Ms. Guo worked as a mathematics teacher in No. 4 and No. 7 Middle School of Hengshui City in Hebei Province. Ms. Guo is certified as a senior communications engineer (通信高級工程師) by Gansu Province Title Reform Organisation (甘肅省職稱改革工作小組) in November 2008. Ms. Guo obtained a diploma in mathematics from the Hengshui University (衡水學院) in July 1986. Through self-studying and with the support of Mr. Jiang, Ms. Guo has invented several connectors for the purposes of protecting optical fibers, of which seven were granted patents in the PRC and are being transferred to our Group (please see the section headed "Further information about the business of our Group — Intellectual property rights of our Group" in Appendix IV to the Prospectus for further details about such patents).

Mr. Zhao Feng (趙峰), aged 47, 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. From 2000 to 2010, Mr. Zhao 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 2010 to 2014, Mr. Zhao served as the general manager of the business department of Nanjing office of Zhejiang Zhongda Futures Co., Ltd.* (浙江省中大期貨有限公司). From 2015 to October 2016, Mr. Zhao served as the general manager of the asset management center of Nanzheng Futures Co. Ltd (南證期貨有限責任公司資管中心). From February 2017 to present, Mr. Zhao serves as the chairman of Shenzhen Qianhai U-Ton Financial Leasing Co. Ltd., a subsidiary of the Company. Mr. Zhao graduated from Nanjing Normal University (南京師範大學) with a bachelor's degree in Foreign Language Studies in 1993, and obtained a bachelor's 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 London Metal Exchange. In 2009, he passed the qualification exam for futures practitioners by CSRC.

Ms. Ji Huifang (計惠芳), aged 44, served as a marketing engineer of Siemens electrical Apparatus Ltd., Suzhou from 1996 to 1998. From 1998 to 2003, Ms. Ji served as the experienced sales engineer of the power distribution products department of Shanghai branch of Schneider Electric Investment Co. Ltd. From 2003 to 2007, Ms. Ji served as the market intelligence analysis supervisor of industry automation activity department of Schneider Electric Investment Co. Ltd. From 2007 to 2012 and from 2012 to 2014, Ms. Ji served as the industry manager of industry and automation activity department and national marketing manager of PKA (smart infrastructure) department of Schneider Electric Co. Ltd., respectively. Ms. Ji completed the major 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 (劉建洲), aged 43, has over 6 years of experience in the field of general management, strategic/business planning, marketing/commercial leadership, and business development. From February 2011 to December 2017, Ms. Liu worked as the vice president of Tianjin Century Pharmaceutical Co., Limited* (天津世紀藥業有限公司). 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 of all business of the company, maintaining the relationship with the company's clients 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. Chen Qizheng (陳齊爭), aged 61. From April 1979 to December 2003, Mr. Chen served in the Hebei Provincial Military Region of the People's Liberation Army of the PRC with a final position of 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). From December 2003 to December 2008, Mr. Chen served as the manager of the maintenance department of Hebei Changtong Communication Engineering Co., Ltd. (河北昌通通信工程有限公司) ("Hebei Changtong"), which is a subsidiary of the Company. From December 2008 to June 2014, Mr. Chen served as the assistant to the chairman of the board of Hebei Changtong. 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 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 from 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.

Non-Executive Director

Mr. Ge Lingyue (葛淩躍), aged 59, has over 20 years' 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, and the investment and construction work of GSM mobile communication network and China Unicom satellite signalling system number 7 communications network. Since 1998, Mr. Ge has served as the managing director in Century Investment (Holding) Limited ("**Century Investment**"), which is principally engaged in the planning and investment in large-scale projects in satellite mobile broadcasting, TV broadcasting media and the mobile internet. 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. In the same year, CII Satellite cooperated with the State Administration of Press, Publication, Radio Film and Television of PRC (formerly known as the State Administration of Radio, Film, and Television) to plan and prepare for the offer of China mobile multimedia broadcasting services jointly. CMBSat invested USD0.2 billion to build a high-power satellite. In 2010, Mr. Ge, through China Satellite Mobile Media Limited, a joint venture company established by China Telecom and Beijing Gaosheng Times Technology Co., Ltd., invested in the construction and operation of the satellite mobile multimedia broadcasting network for providing satellite mobile multimedia content delivery, location-based and real-time data broadcasting services for mobile phone users and car users. As at the date of this announcement, Mr. Ge is also 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. and 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.

Independent Non-executive Directors

Mr. Meng Fanlin (孟繁林), aged 74, was appointed as our independent non-executive Director on 27 May 2012. Prior to joining our Group, Mr. Meng worked for China Mobile Communications Corporation's Hebei branch Qinhuangdao office (河北移動通信秦皇島分公司) as a senior consultant from December 2003 to January 2005 and as a general manager from July 1999 to December 2003. Mr. Meng had also worked for China Telecom Group's Langfang city telecommunication office (中國電信廊坊市電信局) as the director from November 1998 to July 1999. Mr. Meng had worked for Post and Telecommunication Administration of Hebei Qinhuangdao (秦皇島市郵電局) as vice head and acting head from September 1983 to October 1998 primarily responsible for production management, and as the head of the telecommunication department from October 1980 to February 1983 and was a technician from July 1966 to September 1980. Mr. Meng obtained a bachelor's 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 (王海玉), aged 66, was appointed as our independent non-executive Director on 27 May 2012. Mr. Wang is a registered qualification certificate constructor (中華人民共和國一級建造師) by 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. Mr. Wang had worked for 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) which does not have any current or prior relationship with our Group, as the bureau's chief from November 2007 to March 2011; as a senior consultant from March 2011 to September 2012. Mr. Wang had also worked as a general manager of the domestic engineering department of China International Telecommunication Construction Corporation from February 2006 to November 2007 and as a general manager of the engineering and marketing department of CITCC from September 2001 to February 2006. Mr. Wang had also worked for Second Construction Bureau of CITCC (中國通信建設集團有限公司第二工程局) as a senior engineer, director and assistant of bureau chief from February 1978 to December 2000. Mr. Wang received his bachelor's degree in telecommunications from the Nanjing University of Posts and Telecommunications (南京郵電大學) in 1978. Mr. Wang retired in October 2012 and he is not engaging in any daily business operation activities or decision making in CITCC.

Ms. Li Xiaohui (李曉慧), aged 51, was appointed as our independent non-executive Director on 27 May 2012. Ms. Li is a Certified Public Accountant in China and is a non-practising member of the Chinese Institute of Certified Public Accountants. Ms. Li has been a lecturer since 2004 and the vice dean since July 2006 of the department of accountancy of the Central University of Finance and Economics (中央財經大學). Ms. Li had worked for the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) from July 2001 to August 2003 with the responsibilities of researching and formulating independent auditing principles. From 1999 to 2004, Ms. Li wrote books and other publications in relation to auditing, accounting and risk management. Ms. Li had also worked for the Hebei Province Finance Department (河北省財政廳) from January 1997 to August 1998. Ms. Li had worked at Canshi Certified Public Accountants (滄獅會計師事務所) as a partner from August 1996 to January 1997 and Canzhou Certified Public Accountants (滄洲會計師事務所) as an external affairs manager from April 1993 to July 1996. Ms. Li is a member of the Technical Consultation Committee (技術指導委員會) of the Chinese Institute of Certified Public Accountants, the Professional Supervision Committee (監督專業委員會) of the Accounting Society of China (中國會計學會), the CERM (China) Committee of the Asia Association of Risk and Crisis Management ("AARCM") (亞洲風險與危機管理協會), a certified senior enterprise risk manager by AARCM, and the Practice Guidance Committee (執業指導委員會) of the Beijing Institute of Certified Public Accountants (北京註冊會計師協會). Ms. Li obtained her bachelor's degree in economics from Yangzhou University (揚州大學) (formerly known as Yangzhou Normal Institute (揚州師範學院)) in June 1989. Ms. Li obtained her master's degree in economics from Renmin University of China (中國人民大學) in January 1993. Ms. Li was awarded the degree of Doctor of Economy by the Central University of Finance and Economics (中央財經大學) in July 2001. Ms. Li is an independent non-executive director of Poly Culture Group Corporation Limited, a company listed on the Stock Exchange (stock code: 3636), independent director of Jiangsu Welle Environmental Co., Limited, a company listed on Shenzhen Stock Exchange (stock code: 300190), independent director of Kailuan Energy Chemical Co., Limited, a company listed on Shanghai Stock Exchange (stock code: 600997) and independent director of Bank of Beijing Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 601169). Ms. Li also served as an independent non-executive director of China Titans Energy Technology Group Co., Limited, a company listed on the Stock Exchange (Stock code: 2188), from November 2009 to May 2013.

Senior Management

Mr. Dong Baoyi (董寶義), aged 70, joined our Group as our technical director in November 2006 and was promoted as our chief technical officer in March 2011 and is mainly responsible for technology development and management of our Group. Mr. Dong worked for China Netcom's Tangshan branch as an assistant manager from March 2005 to November 2006 and was primarily responsible for management assistance. Mr. Dong had worked for the Post and Telecommunication Administration of Tangshang city (唐山市郵電局) as a vice department head of long-distance machinery department (長遠機械科), vice manager and manager of telecommunication department from April 1981 to March 2005 and was primarily responsible for telecommunication equipment management and monitoring of its maintenance and repair. Mr. Dong worked for the local telecommunication bureau in Xingyi City, Guizhou Province, as a technician from December 1968 to March 1981 and was primarily responsible for telecommunication equipment maintenance and repair. 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 obtained 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.

Ms. Fu Jie (傅捷), aged 40, was appointed as the chief financial officer of the Group on April 2016 and is mainly responsible for the Group's financial management, investment and financing and investor relations. Ms. Fu is a member of the China Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (ACCA). Ms. Fu worked as a senior account manager at the Kunming Sales Department of Southwest Securities Company Limited (西南證券股份有限公司) from September 2000 to July 2004, and was engaged in investment and customer relationship work. Ms. Fu worked for Ernst & Young Hua Ming LLP from August 2004 to March 2016, and served as the senior manager of audit department from October 2012 to March 2016. She participated in the audit work for a number of Hong Kong listed companies and A-share listed companies in China. She was the certified public accountant who signed the audit report of ZTE Corporation from 2012 to 2015. Ms. Fu was appointed as an independent non-executive director of Dynagreen Environmental Protection Group Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1330) in February 2018. Ms. Fu graduated from the Finance Major of The Central University of Finance and Economics in 2000 with a bachelor's degree in economics.

Our executive Directors and senior management are responsible for the day-to-day management of our business. The following table sets out certain information concerning our senior management as at the date of this report:

Name	Age	Positions within the Company
Dong Baoyi (董寶義)	70	Chief Technical Officer of the Group
Fu Jie (傅捷)	40	Chief Financial Officer of the Group

Company Secretary

Ms. Chan Oi Chong (陳愛莊), aged 42, has been appointed as the Company Secretary with effect from 1 December 2015. Ms. Chan has more than 15 years of financial, auditing and company secretarial experience. Ms. Chan received her bachelor's degree in business administration in accounting from the Hong Kong University of Science and Technology in the year of 1998. She is currently a director of JRK Secretarial Limited. 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 10 years.

Ms. Chan was appointed as an independent non-executive director of Cool Link (Holdings) Limited (stock code : 8491) on 30 August 2017. She was also appointed as an independent non-executive director of Xinghe Holdings Berhad (stock code : 0095) since 1 October 2018, a company held in ACE market of Bursa Mayalsia.

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

In the opinion of the directors, throughout the year ended 31 December 2018 the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Lising Rules except Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 January 2018 to 22 May 2018, Mr. Jiang Changqing had been taking both roles as the chief executive officer and executive chairman of the Company. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Jiang Changqing to assume both roles as the chief executive officer and executive chairman of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. With the strong business experience of the directors, they do not expect any issues would arise due to the combined role of Mr. Jiang Changqing. The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place. On 23 May 2018, Mr. Chen has been appointed as the director and the chief executive officer of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Lising Rules since 23 May 2018.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the GEM Listing Rules") for the period where the Company's shares were listed on GEM. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Group continues and will continue to ensure compliance with the corresponding provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2018.

The Board of Directors

Composition

The Board comprises nine Directors, of which six are executive Directors, one are non-executive Director and three are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:
Jiang Changqing (姜長青) (Chairman)
Guo Aru (郭阿茹) (resigned on 23th May 2018)
Zhao Feng (趙峰)
Ji Huifang (計惠芳)
Liu Jianzhou (劉建洲) (appointed on 23th May 2018)
Chen Qizheng (陳齊爭) (appointed on 23th May 2018)

Non-Executive Director
Ge Lingyue (葛淩躍)

Independent Non-executive Directors:
Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)
Li Xiaohui (李曉慧)

During the year ended 31 December 2018, there was no change in the composition of the Board.

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 25 to 31 in this annual report.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. During the year ended 31 December 2018, 14 Board meetings were held and the attendance records of individual Directors are set out below:

	Number of Meetings Attended in person/Held
Executive Directors	
Jiang Changqing (姜長青) (Chairman)	14/14
Guo Aru (郭阿茹) (resigned on 23th May 2018)	3/14
Zhao Feng (趙峰)	14/14
Ji Huifang (計惠芳)	14/14
Liu Jianzhou (劉建洲) (appointed on 23th May 2018)	7/14
Chen Qizheng (陳齊爭) (appointed on 23th May 2018)	8/14
Non-Executive Director	
Ge Lingyue (葛淩躍)	4/14
Independent Non-executive Directors	
Meng Fanlin (孟繁林)	11/14
Wang Haiyu (王海玉)	10/14
Li Xiaohui (李曉慧)	13/14

There are 3 independent non-executive Directors and they represent more than one third of the Board, and all of them have appropriate professional qualifications.

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board 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 the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

General Meetings

An annual general meeting was held on 23 May 2018, all the executive directors and independent non-executive directors attended.

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. During the year ended 31 December 2018, the Board had appointed an internal auditor to, amongst others, conduct a review on existing corporate governance policies, including risk management and internal control system of the Group, and raise recommendation to improve the corporate governance.

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 68 to 164 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 68 to 72.

Having made reasonable enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

There is no non-compliance with rules 3.10(1), (2) and 3.10A of the Listing Rules. Except as disclosed in the section "Directors and Senior Management Profile" above, there are no other financial, business, family or other material relationships among members of the Board.

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 2018, all Directors namely Mr. Jiang Changqing, Ms. Guo Aru, Mr. Zhao Feng, Ms. Ji Huifang, Ms. Liu Jianzhou, Mr. Chen Qizheng, Mr. Ge Lingyue, Mr. Meng Fanlin, Mr. Wang Haiyu and Ms. Li Xiaohui 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
Guo Aru	A,B
Zhao Feng	A,B
Ji Huifang	A,B
Liu Jianzhou	A,B
Chen Qizheng	A,B
Non-Executive Director	
Ge Lingyue	A,B
Independent Non-Executive Directors	
Meng Fanlin	A,B
Wang Haiyu	A,B
Li Xiaohui	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 induction 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 record 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

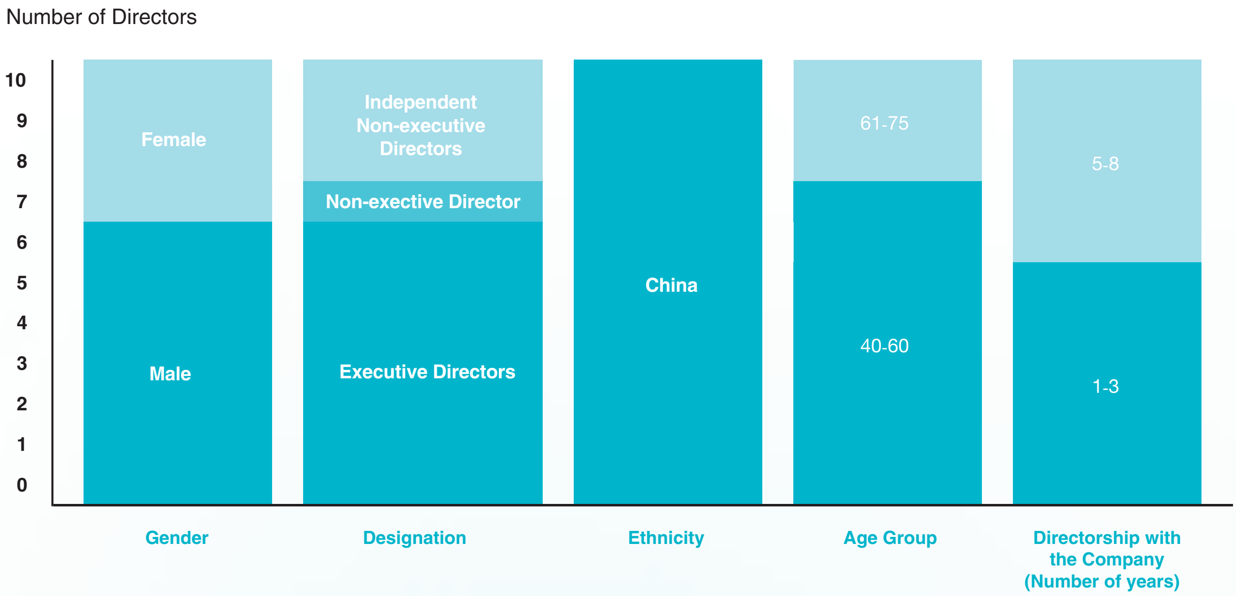
The Company established a nomination committee pursuant to a resolution of the Directors passed on 27 May 2012. The terms of reference of the nomination committee are in compliance with paragraph A.5.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; to identify individuals suitably qualified to become Board members; to access the independence of independent non-executive Directors; and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee comprises three independent non-executive Directors, namely Mr. Meng Fanlin (Chairman), Ms. Li Xiaohui and Mr. Wang Haiyu.

During the year ended 31 December 2018, 1 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.

The following is a chart showing the diversity profile of the Board:



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 2018, the remuneration committee consists of three independent non-executive Directors namely Mr. Wang Haiyu (Chairman), Ms. Li Xiaohui and Mr. Meng Fanlin.

Details of remuneration of Directors are set out in Note 14 to the consolidated financial statements.

Save as disclosed in Note 47 to the Consolidated Financial Statements, for the year ended 31 December 2018, no payment was made or benefit provided in respect of termination of service of directors, whether in the capacity of directors or in any other capacity while as directors.

Save as disclosed in this report, no Director had a material interest in transactions, arrangements or contracts entered into by the Company or another company in the Group.

During the year ended 31 December 2018, there was no loan, quasi-loan or other dealing in favour of directors of the Company and of a holding company of the Company, bodies corporate controlled by such directors, and entities connected with such directors.

During the year ended 31 December 2018, no consideration was provided to or receivable by third parties for making available the services of any person as director or in any other capacity while as a director.

During the year ended 31 December 2018, 1 remuneration committee meeting was held and all remuneration committee members attended.

During the meeting, the remuneration committee had reviewed the remuneration policy of Directors, approved the terms in service contracts of Directors and reviewed the remuneration for the year based on assessment on performances of the Directors and senior management.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management who are not directors by band for the year ended 31 December 2018 is set out below:

In the band of	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	—
HK$1,500,001 to HK$2,000,000	—
HK$2,000,001 to HK$2,500,000	—
HK$2,500,001 to HK$3,000,000	—

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. 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. As at 31 December 2018, the audit committee consists of three independent non-executive Directors, namely Ms. Li Xiaohui (Chairlady), Mr. Wang Haiyu and Mr. Meng Fanlin.

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.

During the year, the audit committee 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, interim and quarterly reports of the Company.

During the year ended 31 December 2018, two audit committee meetings were held and the attendance records of individual committee members are set out below:

	Number of Meetings Attended/Held
Li Xiaohui (Chairlady)	2/2
Wang Haiyu	2/2
Meng Fanlin	2/2

Our Group's annual results for the year ended 31 December 2018 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 2018 complied with applicable accounting standards, Listing Rules and the legal requirements, and that adequate disclosures have been made.

During the year ended 31 December 2018, 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, the Company engaged ZHONGHUI ANDA CPA Limited as the external auditors.

As at 31 December 2018, 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:

Types of services	Amount (RMB)
Audit services	1,600,000
Non-audit services	—

The reporting responsibilities of ZHONGHUI ANDA CPA Limited are set out in the Independent Auditors' Report on pages 68 to 72.

Company Secretary

Ms. Chan Oi Chong (陳愛莊), being our Company Secretary, is primarily responsible for the company secretarial work of our 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 Corporate Governance 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.

Based on the risk assessments conducted in 2018, no significant risk was identified.

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 migitgate 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 2018, no significant control deficiency was identified.

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 external internal control auditor and 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:

– our earnings and financial condition;

– operating requirements;

– capital requirements; and

– other conditions that our 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.

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:	Room 2404, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Email:	ir@chinauton.com
Attention:	Ms. Chan Oi Chong

Registered office of the Company

Address:	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Attention:	Ms. Chan Oi Chong

(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 the 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 following:

Address:	Room 2404, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Email:	ir@chinauton.com
Tel:	3460 3561
Fax:	3460 3590
Attention:	Ms. Chan Oi Chong

Investor Relations and Communication

The Board recognises 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 2018 has been provided in this Annual Report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (www.chinauton.com.hk) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year ended 31 December 2018, there has been no significant change in the Company's constitutional documents.

Hong Kong, 28 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

This report is the third Environmental, Social and Governance Report (the "ESG Report") issued by China U-Ton Holdings Limited ("the Company") and its subsidiaries (collectively "the Group" or "we"). The ESG Report elaborates the Group's corporate social responsibility, principles and work in the course of business operations of the previous year. As for the information on corporate governance, please refer to the Corporate Governance Report in this Annual Report.

Scope of the report

The ESG Report covers the performance of the principal business of the Group in the People's Republic of China (the "PRC") and the Hong Kong Special Administrative Region ("Hong Kong") in respect of environmental management and social responsibility from 1 January 2018 to 31 December 2018 (the "current year"). During the current year, there is no substantive material change on the principal business of the Group. The Group is principally engaged in the provision of underground optical fiber deployment, low-voltage equipment integration, provision of application services and pipeline maintenance services, as well as the research and development of technologies for installing optical fiber in pipelines. The key performance indicators ("KPIs") in environmental aspects disclosed in the ESG Report focused on our subsidiary Hebei Changtong Communication Engineering Co., Ltd. ("Hebei Changtong"); and the key performance indicators in social aspects included Hebei Changtong and Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. ("Beijing U-Ton Teda").

Reporting framework

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

Information and feedbacks

Your opinions will be highly valued by the Group. If you have any advice or suggestions, please send email to ir@chinauton.com.

Stakeholder engagement

The Group understands that stakeholders and the business development of the Group are interrelated. In view of this, the Group communicates with its key stakeholders through various channels to understand their expectations and requirements for our sustainable development strategies and to make active corresponding response with a view to consolidating and ensuring a long-term sustainable development.

Stakeholders	Expectations and requirements	Means of communication and response
Government and regulators	• Compliance with national policies, laws and regulations • Support for local economic growth • Contribution in local employment • Tax payment in full and on time	• Examination and inspection
Shareholders	• Returns • Compliant operation • Growth in corporate value • Transparent information and efficient communication	• General meetings • Email, telephone communication and company website
Business partners	• Operation with integrity • Equal rivalry • Performance of contracts • Mutual benefit and win-win cooperation	• Review and evaluation meeting • Business communication • Exchange and discussion • Engagement and cooperation
Customers	• Quality products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer communication meetings • Social media platform

Stakeholder	Expectations and requirements	Means of communication and response
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Conservation of ecosystem	• Communication with local environmental department
Industry	• Establishment of industrial standards • Enhancement of industrial development	• Participation in industry forums • Field visits
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Employee meetings • Employee mailbox • Training and workshop • Employee activities
Community and the public	• Improvement in the community environment • Participation in charity	• Company announcement

ENVIRONMENT AND RESOURCES

During the current year, we continued to adhere to the concept of sustainable development and follow environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China and Law of the People's Republic of China on Environmental Impact Assessment and strictly monitor all aspects of our business operations. We strive to reduce the impacts of business operations on the environment through effective energy-saving and emission-reduction measures, and actively promote protection of ecological environment and construction of ecological civilization.

Emission management

The office premises of the Group produce a small amount of effluent which is discharged into municipal sewage treatment plants through the municipal pipe network. In addition, greenhouse gases, other exhaust gases and solid waste are the major emissions of the Group during its operation.

Greenhouse gases and other exhaust gases

During the daily operation, the Group's main sources of greenhouse gas emissions include direct emissions from vehicle use and indirect emissions from purchased electricity and heating, business trips, fresh water and wastewater treatment, and waste paper disposed of at landfills. In addition, the Group's vehicle use also emits air pollutants, including nitrogen oxides, sulfur oxides and particulate matter. The total greenhouse gas emissions and air pollutant emissions from Hebei Changtong during the current year are shown in the table below.

	Emissions	
Indicators	**2018**	2017
Greenhouse gas emissions (tons of CO_2 equivalent)	**270**	463
Intensity of greenhouse gas emissions (tons of CO_2 equivalent/employee)	**2.00**	2.77
Nitrogen oxides (kg)	**408**	1,066
Sulfur oxides (kg)	**1**	1
Particulate matter (kg)	**39**	91

Since we did not use pipe jacking machine for excavation and reduced the use of some vehicles during the current year, the greenhouse gas emissions and exhaust gas emissions of the current year were significantly reduced. To improve the efficiency of vehicles utilization and reduce the environmental pollution caused by exhaust emissions, on the one hand, the Group constantly optimizes the maintenance and management of vehicles, checks the tire inflation situation regularly, provides maintenance for the fleet, provides driving training for the drivers and optimizes transportation routes; on the other hand, we encourage our employees to travel by public transports, bikes, on foot or other green alternatives.

Solid wastes

The Group did not carry out pipe jacking and pipeline projects during the current year, so no waste soils were generated. Non-hazardous wastes from office premises mainly include waste paper and general daily garbage, while hazardous wastes mainly include waste light tubes, waste batteries and waste toner cartridges. The amounts of wastes produced from Hebei Changtong and their intensity during the current year are shown in the table below.

Indicators	**2018**	2017
Non-hazardous wastes (tons)	**2**	79
Intensity of non-hazardous wastes (kg/employee)	**0.01**	0.47
Hazardous wastes (tons)	**0.05**	0.05
Intensity of hazardous wastes (kg/employee)	**0.37**	0.28

In order to reduce the damages of wastes brought to the environment, the Group continued to store and dispose of all types of wastes strictly in accordance with relevant standards and regulations. To facilitate the management of wastes, we have installed a refuse sorting device in our workplace. Apart from documents involving confidential information, all waste paper is handled by waste paper recycling companies. General daily garbage, waste light tubes and a small amount of waste batteries are transferred to municipal sanitation departments for central collection and handling, and waste toner cartridges are collected and treated by toner cartridges suppliers.

Resource consumption

The Group's energy consumption is mainly derived from the fuel used for vehicles, and purchased electricity and heating. The Group's production and operation do not consume much water, of which most of the water is consumed during employees' daily office activities. Since the business operation of Hebei Changtong does not involve production and packaging of products, the total amount and intensity of packaging materials used in finished products are not disclosed. The resource consumption of Hebei Changtong during the current year is shown in the table below.

Indicators	**2018**	2017
Total energy consumption (MWh)	**813**	1,487
Intensity of energy consumption (MWh/employee)	**6.03**	8.90
Total water consumption (m^3)	**721**	609
Intensity of water consumption (m^3/employee)	**5.34**	3.65

Resource saving and environment protection

To reduce carbon emissions and improve efficiency of resources utilization, the Group continued to implement various measures to reduce emissions and save energy, water and paper, as well as recycle office supplies, which include the followings:

- Use energy-efficient luminaries in office premises, divide office premises into different lighting zones with independent lighting control, and encourage employees to use natural light for illumination and turn off lighting facilities when not in use;
- Use central air-conditioning with energy labels, strengthen the maintenance and management of air-conditioning systems, set the air-conditioning temperature at no lower than 25.5 degrees Celsius, and allow employees to dress in casual wear in hot weather;
- Remind employees to turn off unused electrical and electronic appliances during non-working hours, and set an automatic standby or hibernation mode when not using the computer to improve server utilization;
- Record electricity consumption statistics monthly in office premises to monitor electricity usage;
- Put up water-saving slogans in the restrooms, recycle grey water for cleaning and irrigation, check water meter readings and water leakage regularly, and install faucets and urinals with water-saving labels;

- Use digitalized office platform to further promote OA System;
- Promote the use of environmentally friendly paper, double-sided printing, reuse of paper, encourage employees to give priority to the use of electronic communication technology to circulate internal documents, post notices on printing machine to remind employees to save papers, check documents before printing, promote presentation in meeting by way of multimedia, install electronic hand dryers to reduce the amount of paper towels used, and regularly count paper usage; and
- Purchase recyclable toner cartridges and rechargeable batteries, call on employees to reuse office supplies, and reduce the use of disposable products and over-packaged products.

In addition, the Group has also taken diversified measures to enhance employees' awareness of environmental protection and improve employees' participation. For example, we encourage employees to use stairs instead of taking escalator unless necessary. We also convey the message of energy saving, emission reduction and environmental protection to employees by e-mail, posters, internal network and other means, and encourage employees to participate in activities organized by green organizations.

Based on the Group's business nature, we do not pose significant impact on the environment or natural resources during our operation. With an all-round and comprehensive environmental management system, Hebei Changtong and Beijing U-Ton Teda have successfully passed the certification of the ISO14001:2015 Environmental Management System. During the current year, the Group did not incur any issues which have violated the laws and regulations relating to environmental protection.

EMPLOYEES' RIGHTS

Employees is the core driving force to maintain the survival and development of enterprises. To respect and treat every employee equally, the Group not only safeguards their legitimate rights and interests, but also focuses on their development needs by providing diversified development channels for employees to help them realize their personal values while promoting the development of the Group.

Employment policy

The Group continued to abide by the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and Employment Ordinance of Hong Kong, as well as other relevant laws and regulations on labour practices. We adhere to the concept of fair competition and merit-based employment. The recruitment process is solely based on the assessment of candidates' personal capabilities, qualifications and experience. Candidates and employees are entitled to equal opportunities regardless of their gender, age, religion, or ethnic. We also continue to advocate the diversification of workforce to enhance our competitiveness and creativity. In order to avoid child labour, we strictly verify the age of candidates during the employment and filing procedures in accordance with the Provisions on the Prohibition of Using Child Labour. Candidates who do not meet the legal working age will not be employed. We shall be entitled to terminate the employment provided that the employee is in serious violation of the Group's disciplinary code or committed a criminal offence.

The remunerations management of the Group continued to follow the principle of prioritizing efficiency and fairness. Employee's salary comprises of structural salary, performance commission and equity incentive which are determined by job responsibilities, working abilities, job tasks and work results. The overall remuneration package depends on the social and economic development level, profitability and payment ability of the Group. We formulate remunerations for employees at different work types and positions pursuant to the pay scale set forth in "Wage Management of Functional Level Policy". According to general practices, we also carry out annual appraisals of our employees, which then become a key indicator for their future position transfers and salary adjustment.

In accordance with the relevant regulations, the Group continued to implement flexible working schedules to meet the needs of different departments and positions. We have adopted a five-day work week system for office management employee with working hours not exceeding eight hours a day. The adjustment for flexible working hours of the project department and the engineering team are subject to the approval of the local labour security administration department to ensure that their leave application would not pose any impacts on the normal operation of the production and operation. Meanwhile, we prohibit any forms of forced labour. Any necessary arrangement of overtime working of employees will be provided with overtime subsidies according to applicable provisions. Employees also enjoy statutory holidays, marriage leave, funeral leave, maternity leave, sick leave, casual leave and annual leave according to applicable laws.

In respect of benefits and welfare, the Group continued to pay social insurance and housing provident fund to employees in the PRC and bear 50% premium of accident insurance for frontline employees in accordance with the provisions of the national and local governments. Moreover, the Group also pays Mandatory Provident Fund for Hong Kong employees under the Mandatory Provident Fund Schemes Ordinance(《強制性公積金計劃條例》). In addition, we also provide all kinds of allowances (including seniority allowance, academic allowance and professional and technical examination allowance) and subsidies (including communication subsidy and subsidy for business trips) for employees, and provide rental subsidies and transportation subsidies for management personnel working abroad. At the same time, we also organize a series of team building activities and games on a regular basis to enhance mutual understanding between employees and to release work pressure.

Talent development

Talent development improves our employees' learning ability and knowledge, stimulates their career planning capability and creates a favorable environment and condition for the growth and prosperity for employees and the Group. As a usual practice, our human resources department prepares training plans and arranges training courses annually. New employees are required to self-study the "Employee Manual" for at least 4 hours, and participate in pre-job training, which includes the introduction of our corporate culture and training on system, position-specific training, case study and practice. Only qualified candidates are allowed to commence their work officially. For current employees, we provide complimentary on-the-job training, transfer training, promotion training and professional training. Training programs are mainly conducted by the Group, while some of which are provided by external trainers for ancillary purpose. We select trainers from department heads, outstanding employees, veterans with professional skills, and hire professional and technical experts from external units or engage professional training institutions to provide or organize training. The examination results will be recorded in the personal files of our employees, and be used as an important indicator for formal employment, promotion or demotion and transfer.

During the current year, the Group continued to organize a number of training courses based on its business operations and the development needs of different employees. For example, Hebei Changtong organized several training for all employees such as professional skills and team building training, safety production knowledge and awareness training, specification of safety production operation for communication construction works and ISO9001:2008 standard training. It has also organized management of all departments to study the "Five Steps and Nineteen Methods for Middle Management to Complete Targets" and provided project managers with training such as the study of "Code for Quality Management of Engineering Construction Enterprises (GB/T 50430-2007) and report guidelines for construction work completion; and provided leaders of construction teams with training such as the use and maintenance of optical fiber fusion splicer.

Health and safety

Our operations involve civil construction, aerial work and operation of electrical equipment, therefore work safety is essential in day-to-day operations of the Group. During the process of production and operation, we continued to strictly abide by the Work Safety Law of the People's Republic of China, Measures for the Supervision and Administration of Power Work Safety, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Special Rules on the Labour Protection of Female Employees and Regulations on Work-Related Injury Insurances and other relevant laws and regulations. To ensure the health and safety of our employees and avoid accidents which may cause casualties and economic losses, we continued to implement the "Compilation of Occupational Health and Safety Systems" and other rules and systems which clarify the division of responsibilities for employees' safety supervisory work and stipulate the relevant personnel to update records in accordance with the requirements of the management system.

In view of the characteristics of the Group's production and operation, dust, noise and radiation are the main potential risk factors to the health and safety of our employees. To prevent occupational diseases, on the one hand, we require the special operators must obtain certificates before conducting operation, provide employees with protective equipment that meet relevant standards, provide guidelines about the proper use of equipment and conduct regularly checks to ensure its effectiveness; on the other hand, we have installed dust and noise monitoring devices for the construction department to ensure that the environmental conditions of the site has met the relevant standards before starting construction. In addition, as a usual practice, we arrange occupational health check for employees who are exposed to occupational hazards at least once a year. In the event that employees are diagnosed of any occupational diseases, transfer of post will be arranged immediately together with appropriate medical treatment, and insurance will also be offered in accordance with relevant regulations.

In order to effectively prevent security incidents, we have formulated the “Safety Inspection and Hidden Danger Investigation System” and the “Hazard Source Supervision System” to identify and assess potential safety hazards and source of danger, properly control safety risks, and specify the procedures for handling major accidents and the division of labor between departments. At the same time, we hold regular emergency drills to enable employees to master the handling procedures of accidents and ensure that employees have a quick emergency response capability. In addition, we regularly carry out equipment safety inspections and tests to ensure that no equipment is of abnormal functioning or overloading. The construction equipment must be shut down immediately and repaired once safety hazards are identified, and will be resumed operation only after the completion of maintenance work.

To ensure the smooth implementation of projects, the Group enters into the “Construction Safety Production Agreement” when signing construction contracts with the customers, in which the standards and safety production operation specifications are stipulated for the construction party to comply with. Hebei Changtong and Beijing U-Ton Teda have obtained the Certificate of OHSAS18001:2007 Occupational Health and Safety Management System. During the current year, Beijing U-Ton Teda has also obtained the third-level Certificate of Design, Construction and Maintenance Capability of Security Engineering Enterprises (安防工程企業設計施工維護能力叁級證書). In the meantime, the Group has no reports on material safety incidents, injury or fatality of employees due to work.

Product liability

Good reputation and sound operation management are the integral parts for the long-term sustainable development of a company. The Group has always been committed to serving the communications industry in a responsible manner and contributing to the customers and society.

Supply chain management

Purchase of construction materials such as PVC pipe, fittings and mini-cables are requisite for construction work. The Group continued to implement regulations of the “Procurement Management System”, under which it stipulated that before inputting the information of a supplier to the database, the purchasing department must conduct a comprehensive evaluation on aspects such as the supplier’s quality and qualification of environmental management, personnel composition, equipment conditions, product characteristics, production capacity, quality assurance, price and payment terms, and after-sales service. All employees of the Group have the right to recommend excellent suppliers, which will be incorporated into the material procurement information database upon approval. We select suppliers from the supplier database, and carry out procurement by the means of inviting tender, negotiating tender, quotation request and signing procurement contract directly (with long-term strategic partners). We may resort to open tender, if necessary. For typical regional materials or special substances, we may choose suppliers who are exclusive from the database. Part of the project might be subcontracted to a third party when necessary. In relation to the evaluation and selection of the third-party suppliers, we will take into account of three main criteria including a valid business license, a healthy financial condition and capital adequacy, and a reasonable subcontracting quotation. To reduce the risk and ensure that the supplied products meet the requirements, we also regularly designate our technical and management personnel to factories or construction sites for inspection, and our procurement employees also regularly assess or update the information of the suppliers.

The ordinary cables, poles, woods and other materials required for the construction are generally provided by customers, and the Group strictly inspects the materials provided by the customers in accordance with the requirements and technical specifications set forth in the contract. If the contract stated that such part of the materials is to be provided by the Group, we will carry out procurement and acceptance in accordance with the relevant requirements, and obtain the product certification from the supplier. In addition to the above materials, for the procurement of office supplies and protective equipment, we also continue to integrate the sustainable development concept into procurement strategies, processes and supplier management, and adhere to the principle of proximity procurement to reduce carbon emission during transportation and enhance the sustainability of the supply chain.

Products and services

The Group obtains construction projects mainly through tendering or direct negotiation. In the bidding process, we continued to strictly abide by the laws and regulations such as the Bidding Law of the People's Republic of China and Regulation on the Implementation of the Bidding Law of the People's Republic of China to provide certificates related to safety production and accept commercial and technical assessments on qualification level, results of similar projects, local coordination capacity, financial conditions of the past two years, comprehensive integrity evaluation, localization service capability, project leaders and managers, quality and safety management measures, construction organization scheme, vehicle and mechanical configuration, instrument and tool configuration and quality of tender documents.

The quality of projects undertaken by the Group shall meet the prevailing national and regional standards of the project where it operates and the communications industry as well as the requirements of the customers. In the construction process, we communicate directly with the customers to understand their needs, and carry out construction in strict accordance with the standards, regulations and design requirements set forth in the contract. We provide the customers with construction organization design and progress reports in time. We also welcome the inspection of the customers and their representatives, and ensure that the projects are completed on time with satisfactory quality. If the contract allows the projects to be subcontracted to a third party, we will designate supervisory officer to the subcontractor's site to ensure proper performance of the subcontract and assume joint liability for default or negligence by the subcontractor.

During the completion acceptance phase of projects, with reference to applicable standards and regulations, the project department and the engineering team will inspect sequentially whether each item listed on the specification sheet meets the acceptance standard, and record the acceptance status in the quality management system in detail. Construction party will be subject to the deduction of settlement once non-compliance is found to have committed, and are required to conduct improvement work until construction work are in full standard compliance. In addition, we also provide a certain period of warranty and maintenance for projects.

Our subsidiaries, Hebei Changtong and Beijing Y-ton Teda, have obtained the Certificate of ISO9001:2015 Quality Management System. During the current year, the Group has no reports on substandard project quality or received customer complaints.

Intellectual property

The development of enterprises relies on innovation. The Group attaches importance to cultivate the employees' innovation skills and encourages employees to conduct innovative research and development ("R&D"). We not only provide publicity and education on patent law and patent knowledge to our employees on a regular basis, but also standardize the management and maintenance of intellectual property, encourage employees' active participation in invention and creation, and facilitate the promotion and application of scientific and technological achievements in compliance with the Intellectual Property Law of the People's Republic of China, Patent Law of the People's Republic of China and other laws and regulations.

For employees who have made outstanding achievements in the application, protection, management and transformation of scientific and technological achievements, or have effectively eradicated the infringement and protected the rights of the Group's intellectual property, we not only offer them bonus and promotion, title assessment and other forms of material and spiritual rewards, but also present the annual "Invention Award" for the authorised patent with high creativity and good practical value, as well as the "Excellent Patent Workers" to motivate outstanding employees.

To avoid repeated research and infringement of others' intellectual property, the Group always carries out retrieval and analysis of patent documents before setting up projects of product and technical development. The Group also conducts follow-up and tracking on and after R&D processes. To avoid infringement disputes, we require that terms of intellectual property protection should be clearly set out in the contracts.

In addition to the "High-tech Enterprise" certificate issued by the PRC's government, Beijing U-Tong Teda is also certified as "Zhongguancun High-tech Enterprise" issued by the Zhongguancun Science Park Management Committee during the current year, which recognized our efforts and results achieved in innovation and R&D.

Advertising and Promotion

In respect of advertising and promotion, the Group continued to strictly abide by laws and regulations on advertisements and trademarks such as the Advertising Law of the People's Republic of China and Trademark Law of the People's Republic of China. The Group promises that all the information relating to products and technologies are subject to strict examination before publication, and avoid adoption of false advertisements or misleading information.

Privacy Protection

The Group respects and values the privacy of its customers, and strictly abides by the laws and regulations on privacy protection and the confidentiality agreements signed with customers. Employees are prohibited from disclosing the customers' information to a third party without permission and we strive to ensure that customer information will not be stolen, distorted or destroyed.

The Group also emphasizes the protection of internal privacy, and enters into agreements with former employees to prohibit their engagement in any business which constitutes a competitive relationship during the competition restriction period. Management and circulation of important documents should be timely, accurate, safe and confidential. Confidential documents can only be borrowed when getting official approval, and employees shall not take out or copy privately. In regard to skills and information acquired and accumulated during training, employees shall keep them confidential and shall not copy, impart or transfer to other companies or people.

The Group has also managed archives through centralized management and classified custody based on the "Company Archives Management System", and laws and regulations such as the Archives Law of the People's Republic of China, Measures for the Implementation of the Archives Laws of the People's Republic of China to ensure proper maintenance of important information and data.

Anti-corruption

The Group has always adhered to the attitude of zero tolerance against corruption, and sticks to the principle of operating with integrity. We continued to implement various code of conduct and anti-corruption mechanisms, and regularly organize anti-corruption education activities to enhance the legal awareness of all employees. We also sign the anti-corruption agreement with customers to prevent any behavioral misconduct.

The Group has strictly complied with the Anti-Money Laundering Law of the People's Republic of China and other laws and regulations as well as the "Anti-Money Laundering Training and Publicity System". To enhance employees' awareness of anti-money laundering and effectively prevent and fight crimes, we continued to follow the practice to organize anti-money laundering training at least once a quarter for all employees, and also provide training of the basic knowledge of anti-money laundering for new recruits. In addition, we also provide annual training for all financial employees to enhance their professional competence and integrity.

To prevent the abuse of authority and bribery, the Group continued to implement the "Anti-Corruption and Anti-Bribery Procedures" to conduct investigation, handle and timely prevent any possible bribery behaviors. Meanwhile, management and procurement employees are required to consciously abide by relevant laws and regulations, as well as internal rules and regulations, and cannot seek personal benefits by taking advantage of their positions.

During the current year, the Group strictly abided by the relevant regulations, and there were no irregularities.

COMMUNITY CONTRIBUTIONS

During the current year, the Group continued to uphold the mission of serving the society and giving back to society by actively promoting and encouraging employees to participate in public welfare activities, and create environmental and social values while building high-quality projects and serving the public.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Consolidated Financial Statements").

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 20 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 9 to 24 of this annual report. This discussion forms part of this director's report.

Compliance with Laws and Regulations

The Group continues to update the requirement of the relevant laws and regulations in various countries and regions, particularly in the Hong Kong and the PRC, applicable to it to ensure compliance. Substantially majority of the Group's assets are located and the Group's revenue is mainly derived from operations in both the Hong Kong and PRC. The Group was listed on the Stock Exchange on 12 June 2012. 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 have developed long-standing relationships with a number of our vendors and take great care to ensure they share our commitment to quality and ethics. The Group select the manufacturers carefully and require 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 are committed to offer a broad and diverse range of inspiring, value-for money, good-quality services to our customers. We also stay connected with our customers in order to meet their need. We have ongoing communications with them through various channels like telephone, email and marketing materials.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2018 are set out in Note 20 of the Consolidated Financial Statements.

BUSINESS REVIEW

A review and analysis on the Group's business for the year ended 31 December 2018 and a discussion on the Group's future development are set out in page 9-24, 4-5 which form part of the Report of the Directors.

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds from the Placing on 12 June 2012 (the "Listing Date") were approximately HK$108.7 million (equivalent to approximately RMB88.7 million). The net proceeds of RMB96.03 million had been utilized from the Listing Date to 31 December 2018 according to the business plan as set out in the Prospectus. As of the date of this report, the directors are not aware of material change to the planned use of the proceeds.

In September 2014, February 2016 and July 2017, the Company issued new shares with the total net proceeds of HK$231.37 million. All the net proceeds from the aforesaid issuances had been fully untilised as stated in the business plan of the relevant announcements.

In June 2016, February 2017 and June 2017, the Company issued convertible bonds with the total net proceeds of HK$158.68 million. All the net proceeds from the aforesaid issuances to 31 December 2018 had been utilised as stated in the business plan of the relevant announcements.

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 2018, 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 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	616,537,000 Shares (L)	29.55%
	Our Company	Interest of Spouse	10,195,000 Shares (L)	0.49%

Notes:

1. The letter "L" denotes the directors' long position in the shares of our Company or the relevant associated corporation.

2. The 616,537,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of the Company and an executive director. Mr. Jiang Changqing is also interested in 3,800,000 share options granted under the Share Option Scheme.

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. Ms. Guo Aru is also interested in 3,800,000 share options granted under the Share Option Scheme. Mr. Jiang Changqing is deemed to be interested in the 3,800,000 share options held by Ms. Guo Aru.

Save as disclosed above, as at 31 December 2018, 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 2018, 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
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	616,537,000 Shares (L)	29.55%
Asia United Fund (Note 3)	Our Company	Investment manager	399,308,000 Shares (L)	19.14%

Notes:

1. The letter "L" denotes the person's long position in the shares of our Company or the relevant Group member.

2. 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, one of the controlling shareholders of the Company and an executive director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 616,537,000 Shares owned by Bright Warm Limited by virtue of the SFO.

3. To the best information, belief and knowledge of the Directors, save as being a shareholder of the Company, each of Asia United Fund and its ultimate beneficial owners are independent third parties.

Save as disclosed above, as at 31 December 2018, 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 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.

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. 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 since the adoption of the Share Option Scheme, of which 123,000,000 share options so far granted had been exercised, lapsed or cancelled and 27,000,000 share options remain outstanding. As such, the Company had utilised 100% of the existing share option scheme limit. With the approval granted by the Shareholders at the extraordinary general meeting held on 11 July 2018 (the "EGM"), 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.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the Listing Rules.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group.

On 24 January 2017, 60,000,000 share options were granted to 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$0.9. For details, please refer to the announcement of the Company dated 24 January 2017.

On 24 May 2018, the Group granted share options to certain eligible participants to subscribe for a total of 92,880,000 ordinary shares at the exercise price of HK$1.3 per Share under the Share Option Scheme, subject to acceptance of the grantees. On 25 May 2018, the Group cancelled the grant of the 92,880,000 Share Options to the grantees in accordance with the terms of the Share Option Scheme. As at 25 May 2018, none of the share options granted by the Company has been accepted by any of the grantees. For details, please refer to the announcements of the Company dated 24 May 2018 and 25 May 2018.

On 7 December 2018, a total of 200,000,000 share options were granted to directors of the Company, employees and consultants of the Group under the Share Option Scheme. All share options granted will vest 12 months from the date of grant. The share options granted 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	21,600,000	Six months from the date of grant	3.5 years
	76,000,000	1 year from the date of grant	2 years
Share options granted to employees	38,400,000	Six months from the date of grant	3.5 years
	108,000,000	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	260,000,000		

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Numbers of options
Outstanding at 1 January 2018	HK$0.90	45,000,000
Granted during the year	HK$1.30	92,880,000
	HK$0.90	200,000,000
Cancelled during the year	HK$1.30	(92,880,000)
Lapsed during the year	HK$0.90	(18,000,000)
Outstanding/Exercisable at 31 December 2018	HK$0.90	227,000,000

The share options outstanding at 31 December 2018 had an exercise price of HK$0.90. The share options granted in 2017 have a remaining contractual life of 1.57 years. The share options granted in December 2018 have a remaining contractual life of 2 years starting from 7 December 2019.

(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 the binomial Model. The contractual life of the share option is used as an input into this model.

Fair value of share options granted in 2017 and assumptions	**Share options granted to directors**	**Share options granted to employees**
Fair value at measurement date	HK$0.27	HK$0.237
Share price	HK$0.90	HK$ 0.90
Exercise price	HK$0.90	HK$ 0.90
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 Exchange Fund Notes)	1.364%	1.364%

Fair value of share options granted in December 2018 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)	2.0	2.0	2.0
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.

The estimated fair value of the options granted in December 2018 is approximately RMB45,939,000, among which RMB2,647,000 were recognised as expense to the current year's profit or loss and the remaining will be recognised during the rest of vesting period.

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 2018.

SERVICE CONTRACTS

Each of the Directors has entered into a letter of appointment with the Company for a term of three years from the date of Listing, and 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 2018.

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.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Extension of maturity date of guaranteed note

On 17 January 2019, the Company and Donghai Investment Fund Series SPC entered into a supplemental agreement and agreed to extend guaranteed note of US$10,000,000 maturity date from 17 January 2019 to 17 July 2019.

Arbitration against China Mobile

During the period from September 2018 to March 2019, Hebei Changtong Communication Engineering Co. Ltd. (河北昌通通信工程有限公司,"Hebei Changtong"), a wholly-owned subsidiary of the Group, submitted several batches of applications for arbitration to the Shijiazhuang Arbitration Commission (石家莊仲裁委員會) against China Mobile Group Hebei Co., Ltd. (中國移動通信集團河北有限公司,"China Mobile Hebei") for the repayment of long outstanding service fees and interests (the "Arbitrations").

As at the date of this report, Hebei Changtong has applied for the repayment of a total of approximately RMB320.65 million for the Arbitrations against China Mobile Hebei. As at the date of this report, the Shijiazhuang Arbitration Committee has ordered China Mobile Hebei to repay a total of approximately RMB40.88 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.

For further details, please refer to the announcement of the Company dated 28 March 2019 in relation to the Arbitrations.

COMPETING INTERESTS

Save and except for interests in the Group, none of the directors and Mr. Jiang nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 31 December 2018 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the period where the Company's shares were listed on GEM. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Group continues and will continue to ensure compliance with the corresponding provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2018.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, throughout the year ended 31 December 2018 the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Lising Rules except Code Provision A.2.1.

Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the period from 1 January 2018 to 22 May 2018, Mr. Jiang Changqing had been taking both roles as the chief executive officer and executive chairman of the Company. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Jiang Changqing to assume both roles as the chief executive officer and executive chairman of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. With the strong business experience of the directors, they do not expect any issues would arise due to the combined role of Mr. Jiang Changqing. The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place. On 23 May 2018, Mr. Chen has been appointed as the director and the chief executive officer of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Lising Rules since 23 May 2018.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Monday, 20 May 2019. The circular of the Company containing details of the AGM together with the notice of AGM and form of proxy will be issued and disseminated to the shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on Monday, 20 May 2019, the register of members will be closed from Friday, 10 May 2019 to Monday, 20 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 9 May 2019.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the website of the Company at www.chinauton.com.hk, respectively.

The Company's 2018 annual report containing all the information required under the Listing Rules will be despatched to the relevant shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
China U-Ton Holdings Limited
Jiang Changqing
Chairman and Executive Director

Hong Kong, 28 March 2019

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

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF CHINA U-TON HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China U-Ton Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 164, which comprise the consolidated statement of financial position as at 31 December 2018, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue and profit recognition of construction service and environmentally intelligent technical services, and contract assets

Refer to Notes 7 and 27 to the consolidated financial statements

The Group's carrying value of the contract assets balances as well as the revenue and profit recognised are based on estimates of costs to complete. These estimates are significant to our audit because the contract assets of RMB242,101,000 as at 31 December 2018 and the construction and environmentally intelligent technical services revenue of RMB358,595,000 (including RMB143,367,000 and RMB215,228,000 for continuing operations and discontinued operation respectively) for the year then ended are material to the consolidated financial statements. In addition, the Group's estimates involve application of judgement and can be affected by a variety of uncertainties that depend on the outcome of future events resulting in revisions throughout the contract period.

Our audit procedures included, among others:

– Evaluating the Group's estimation process;

– Agreeing contract sums and budgeted costs to signed contracts and approved budgets;

– Challenging the reasonableness of key judgements and assumptions inherent in the approved budgets;

– Assessing the reliability of the approved budgets by comparing the actual outcome against estimates; and

– Checking arithmetical accuracy of the related calculations.

We consider that the Group's estimates of the contract assets balances as well as the revenue and profit recognised are supported by the available evidence.

Trade and bills receivables, loan to customers and contract assets

Refer to Notes 25, 26 and 27 to the consolidated financial statements

The Group tested the amounts of trade and bills receivables, loan to customers and contract assets for impairment. This impairment test is significant to our audit because the balances of trade and bills receivables, loan to customers and contract assets of RMB205,387,000, RMB167,672,000 and RMB242,101,000 as at 31 December 2018 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers;

– Assessing the Group's relationship and transaction history with the customers;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers;

– Checking subsequent settlements from the customers; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment tests for trade and bills receivables, loan to customers and contract assets are supported by the available evidence.

Property, plant and equipment

Refer to Note 17 to the consolidated financial statements

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately RMB130,389,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and discussing and challenging the external valuer about the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

Goodwill

Refer to Note 21 to the consolidated financial statements

The Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the balance of goodwill of RMB157,708,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

– Checking input data to supporting evidence.

We consider that the Group's impairment test for goodwill is supported by the available evidence.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 IFRSs issued by the IASB 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in Renminbi ("RMB"))

	Note	2018 RMB'000	2017 RMB'000 *(Restated)*
Continuing operations			
Revenue	7	**202,697**	171,929
Cost of sales/services		**(134,702)**	(213,094)
Gross profit/(loss)		**67,995**	(41,165)
Interest income		**989**	7,916
Other income	9	**10,239**	73
Selling expenses		**(6,419)**	(6,431)
Administrative expenses		**(75,572)**	(69,114)
Research and development expenses		**(1,946)**	(2,142)
Impairment losses	10	**(45,523)**	(35,936)
Operating loss from continuing operations		**(50,237)**	(146,799)
Finance costs	11	**(71,345)**	(39,223)
Changes in fair value of investment at fair value through profit or loss		**—**	2,623
Net (loss)/gain on disposal of subsidiaries		**(3,886)**	5,353
Change in fair value of contingent consideration	32	**(73,339)**	—
Loss before taxation from continuing operations		**(198,807)**	(178,046)
Income tax	12	**(4,098)**	(1,554)
Loss for the year from continuing operations	13	**(202,905)**	(179,600)
Discontinued operation			
Gain/(loss) for the year from discontinued operation, net of tax	8	**3,767**	(5,883)
Loss for the year		**(199,138)**	(185,483)
Other comprehensive 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 throught other comprehensive income		**(5,084)**	(16,970)
Item that may be reclassified to profit or loss:			
– Exchange differences on translation of financial statements into presentation currency		**4,208**	(3,780)
Total comprehensive income for the year		**(200,014)**	(206,233)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Attributable to:			
Equity shareholders of the Company			
– Continuing operations		**(229,988)**	(173,101)
– Discontinued operation		**3,767**	(5,883)
		(226,221)	(178,984)
Non-controlling interests			
– Continuing operations		**27,083**	(6,499)
Loss for the year		**(199,138)**	(185,483)
Attributable to:			
Equity shareholders of the Company		**(227,097)**	(199,734)
Non-controlling interests		**27,083**	(6,499)
Total comprehensive income		**(200,014)**	(206,233)
Basic and diluted (loss)/earnings per share (RMB cents)	16		
Continuing and discontinued operation		**(11.05)**	(9.26)
– Continuing operations		**(11.24)**	(8.96)
– Discontinued operation		**0.19**	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

(Expressed in RMB)

	Note	**As at 31 December 2018 RMB'000**	As at 31 December 2017 RMB'000 *(Restated)*	As at 1 January 2017 RMB'000 *(Restated)*
Non-current assets				
Property, plant and equipment	17	**130,389**	39,046	47,590
Investment properties	18	**27,343**	—	—
Intangible assets	19	**8,325**	1,174	5,074
Goodwill	21	**157,708**	—	32,769
Equity investments at fair value through other comprehensive income	22	**32,576**	50,148	69,618
Prepayments for equity investments at fair value through other comprehensive income	22	**2,300**	9,290	16,790
Non-current trade receivables		**—**	—	7,933
Deferred tax assets		**—**	—	990
		358,641	99,658	180,764
Current assets				
Investments at fair value through profit or loss	23	**—**	8,897	—
Inventories	24	**5,615**	6,156	11,459
Trade and bill receivables	25	**205,387**	47,679	152,295
Loan to customers	26	**167,672**	72,485	—
Contract assets	27	**242,101**	337,394	505,819
Prepayments, deposits and other receivables	28	**116,009**	134,499	261,308
Restricted bank deposits	29	**2,290**	2,270	170,697
Cash at bank and on hand	29	**78,593**	195,061	128,057
Assets held-for-sale	30	**—**	454,534	—
		817,667	1,258,975	1,229,635

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

(Expressed in RMB)

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 *(Restated)*	As at 1 January 2017 RMB'000 *(Restated)*
Current liabilities				
Trade and other payables	31	**226,856**	194,853	315,776
Payables for acquisition of a subsidiary	32	**266,839**	—	—
Bank and other borrowings	33	**48,000**	53,000	237,275
Corporate bonds	34	**42,499**	22,411	3,578
Convertible bonds	35	**29,489**	41,439	—
Guaranteed notes	36	**100,524**	25,325	—
Income tax payable		**20,925**	18,526	21,761
Provision for warranties		**741**	680	606
Liabilities held-for-sale	30	**—**	263,485	—
		735,873	619,719	578,996
Net current assets		**81,794**	639,256	650,639
Total assets less current liabilities		**440,435**	738,914	831,403
Non-current liabilities				
Bank and other borrowings	33	**—**	48,000	133,726
Corporate bonds	34	**195,470**	193,212	186,847
Convertible bonds	35	**—**	112,860	49,139
Guaranteed notes	36	**—**	88,464	45,132
Deferred tax liabilities	37	**443**	267	906
		195,913	442,803	415,750
NET ASSETS		**244,522**	296,111	415,653
Capital and reserves				
Share capital	39	**170,909**	162,874	154,242
Reserves		**18,106**	139,202	262,499
Equity attributable to equity shareholders of the Company		**189,015**	302,076	416,741
Non-controlling interests		**55,507**	(5,965)	(1,088)
TOTAL EQUITY		**244,522**	296,111	415,653

The consolidated financial statements on pages 73 to 164 were approved and authorised for issue by Board of Directors on 28 March 2019 and are signed on behalf of the Board by:

Jiang Changqing
Director

Zhao Feng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in RMB)

	Attributable to equity shareholders 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	Retained profits/ (accumulated loss) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017, as previously	154,242	193,445	10,142	–	56,359	671	–	18,862	433,721	(1,088)	432,633
Restatement of IFRS 9 (2014) "Financial Instruments"	–	–	–	–	–	–	(16,980)	–	(16,980)	–	(16,980)
Balance at 1 January 2017, as restated	154,242	193,445	10,142	–	56,359	671	(16,980)	18,862	416,741	(1,088)	415,653
Total comprehensive loss for the year	–	–	–	–	–	(3,780)	(16,970)	(178,984)	(199,734)	(6,499)	(206,233)
Issue of new shares	8,632	66,561	–	–	–	–	–	–	75,193	–	75,193
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	1,622	1,622
Share-based payments	–	–	–	9,876	–	–	–	–	9,876	–	9,876
Balance at 31 December 2017, as restated	162,874	260,006	10,142	9,876	56,359	(3,109)	(33,950)	(160,122)	302,076	(5,965)	296,111
Balance at 1 January 2018	**162,874**	**260,006**	**10,142**	**9,876**	**56,359**	**(3,109)**	**(33,950)**	**(160,122)**	**302,076**	**(5,965)**	**296,111**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**4,208**	**(5,084)**	**(226,221)**	**(227,097)**	**27,083**	**(200,014)**
Issue of shares by conversion of convertible bonds	**8,035**	**103,354**	**–**	**–**	**–**	**–**	**–**	**–**	**111,389**	**–**	**111,389**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34,389**	**34,389**
Transfer	**–**	**–**	**(109)**	**(3,950)**	**(10,684)**	**–**	**–**	**14,743**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**2,647**	**–**	**–**	**–**	**–**	**2,647**	**–**	**2,647**
Balance at 31 December 2018	**170,909**	**363,360**	**10,033**	**8,573**	**45,675**	**1,099**	**(39,034)**	**(371,600)**	**189,015**	**55,507**	**244,522**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Expressed in RMB)

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
(Loss)/Profit before taxation		
– Continuing operations	**(198,807)**	(178,046)
– Discontinued operation	**104,185**	(4,264)
Adjustments for:		
Depreciation of property, plant and equipment	**5,849**	6,636
Depreciation of investment property	**1,083**	—
Amortisation of intangible assets	**2,084**	728
Impairment losses	**4,946**	39,076
Net gain on disposal of property, plant and equipment	**—**	(39)
Finance costs	**73,085**	41,228
Investment income	**(1,944)**	—
Interest income	**(1,598)**	(9,239)
Changes in equity investments at fair value through profit or loss	**—**	(2,623)
Net gain on disposal of equity investments at fair value through profit or loss	**(927)**	—
Net loss/(gain) on disposal of subsidiaries	**3,886**	(5,353)
Changes in fair value of contingent consideration	**73,339**	—
Other income from settlement of trade receivables by transfer of property	**(8,299)**	—
Provision for warranties	**61**	—
Share-based payment	**2,647**	9,876
Operating cash flows before working capital changes	**59,590**	(102,020)
Increase in inventories	**(1,498)**	(5,519)
(Increase)/decrease in trade and bill receivables	**(250,900)**	56,192
Increase in loan to customers	**(95,187)**	(72,485)
Decrease in contract assets	**113,969**	14,857
Increase in prepayments, deposits and other receivables	**(53,846)**	(106,742)
Increase in trade and other payables	**158,144**	156,327
Cash used in operations	**(69,728)**	(59,390)
Income tax paid	**(4,685)**	(3,419)
Net cash used in operating activities	**(74,413)**	(62,809)

	2018 RMB'000	2017 RMB'000
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(9,859)**	(4,417)
Payments for purchase of investment properties	**(6,339)**	—
Payments for purchase of intangible assets	**(2,315)**	—
Proceeds from disposal of property, plant and equipment	**12**	202
Decrease in prepayments of equity investments at fair value through other comprehensive income	**6,990**	—
Proceeds from sales of equity investments at fair value through other comprehensive income	**20,146**	—
Payments for purchase of investments at fair value through profit or loss	**—**	(82,062)
Proceeds from sale of investments at fair value through profit or loss	**9,824**	75,788
Net increase in loans to third parties	**—**	(10,000)
Net cash inflow on acquisition of Yourui	**7,662**	
Net cash inflow on disposal of Shijiazhuang Qiushi	**34,095**	—
Net cash inflow on disposal of subsidiaries	**—**	4,038
Net cash inflow/(outflow) from Nanjing Newlixon and Newlixon NCEH	**—**	32,342
Net (increase)/decrease in restricted bank deposits	**(20)**	168,427
Investment income received	**1,944**	—
Interest received	**1,598**	7,649
Net cash generated from investing activities	**63,738**	191,967
Cash flows from financing activities		
Proceeds from issuance of shares	**—**	75,193
Proceeds from bank and other borrowings	**5,000**	84,250
Repayments of bank and other borrowings	**(67,750)**	(344,501)
Net proceeds from issuance of corporate bonds	**28,653**	36,476
Repayments of corporate bonds	**(24,754)**	(3,365)
Net proceeds from issuance of convertible bonds	**—**	96,027
Net proceeds from issuance of guaranteed notes	**—**	95,714
Repayments of convertible bonds	**(24,935)**	—
Repayments of guaranteed notes	**(25,924)**	(17,342)
Net decrease in amounts due to related parties	**(41)**	(534)
Interest paid	**(42,285)**	(49,072)
Net cash used in financing activities	**(152,036)**	(27,154)
Net (decrease)/increase in cash and cash equivalents	**(162,711)**	102,004
Cash and cash equivalents at 1 January	**195,061**	128,057
Cash at bank and on hand classified as held-for-sale at 1 January	**31,352**	—
Effect of foreign exchange rate changes	**14,891**	(3,648)
Cash at bank and on hand classified as held-for-sale at 31 December	**—**	(31,352)
Cash and cash equivalents at 31 December	**78,593**	195,061

1. GENERAL INFORMATION

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

The Company is an investment holding company. The 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, which the provision of the installation and sale of low-voltage system equipment and related accessories was disposed in the current financial year. For details of the disposal, please refer to Note 43.

2. ADOPTION OF NEW AND REVISED HONG KONG 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 2018. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

IFRS 9 (2014) "Financial Instruments"

Available-for-sale financial assets are now classified as equity investments at fair value through other comprehensive income.

IFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 RMB'000	1 January 2017 RMB'000
As at 31 December 2017		
Decrease in available-for-sale financial assets	**(84,098)**	(86,598)
Increase in equity investments at fair value through other comprehensive income	**50,148**	69,618
Increase in equity investment revaluation deficit	**33,950**	16,980

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 9 (2014) "Financial Instruments" *(Continued)*

	2017 RMB'000
For the year ended 31 December 2017	
Increase in fair value loss of equity investment at fair value through other comprehensive income	(16,970)

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	31 December 2017 RMB'000	1 January 2017 RMB'000
Increase in contract assets	337,394	505,819
Decrease in amounts due from customers for contract work	(337,394)	(505,819)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

These 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 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, investments at fair vlaue through profit or loss and derivatives which are carried at their fair values.

The preparation of 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 financial statements, are disclosed in note 4 to the financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(iii) Translation on consolidation *(Continued)*

Foreign currency translation *(Continued)*

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.

3. 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	20-30 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

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.

Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale and discontinued operations *(Continued)*

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(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.

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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity instruments

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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 employees. Equity-settled share-based payments 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

4. 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 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 RMB157,708,000.

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 6 and 22 to the 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.

5. 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 most of its business transactions, assets and liabilities are principally 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 2018, 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 RMB3,515,000 (2017: RMB6,679,000) higher, arising mainly as a result of the net off effect of the foreign exchange gain on loan to customers and the foreign exchange loss on corporate bonds (2017: corporate bonds, convertible bonds and guaranteed notes) 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 RMB3,515,000 (2017: RMB6,679,000) lower, arising mainly as a result of the net off effect of the foreign exchange loss on loan to customers and the foreign exchange gain on corporate bonds (2017: corporate bonds, convertible bonds and guaranteed notes) denominated in Hong Kong dollar.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign exchange risk *(Continued)*

At 31 December 2018, 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 RMB6,440,000 (2017: RMB9,809,000) higher, arising mainly as a result of the foreign exchange loss on convertible 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 RMB6,440,000 (2017: RMB9,809,000) lower, arising mainly as a result of the foreign exchange gain on convertible bonds and guaranteed notes denominated in US dollar.

(b) Price risk

The Group's investments at fair value through profit or loss and equity investments at fair value through other comprehensive income 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 2018, if the fair value of the investments increase/decrease by 10%, the investment revaluation reserve would have been RMB3,258,000 (2017: RMB5,015,000) higher/lower, arising as a result of the fair value changes of equity investments at fair value through other comprehensive income.

(c) Credit risk

The carrying amount of the cash and bank balances, trade and bill receivables, loan to customers, contract assets, other receivables and investments included in the 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.

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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

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.

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 2018, 33% (2017: 56%) and 55% (2017: 72%) 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.

5. 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 loan 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

	Third parties RMB'000	Nanjing Newlixon and Newlixon NCEH RMB'000	Total RMB'000
At 31 December 2018			
Loans to	**60,002**	**22,138**	**82,140**
Provision for loss allowance	**(23,238)**	**(22,138)**	**(45,376)**
Carrying amounts	**36,764**	**—**	**36,764**
At 31 December 2017			
Loans to	26,480	23,333	49,813
Provision for loss allowance	(4,619)	(4,500)	(9,119)
Carrying amounts	21,861	18,833	40,694

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

	Third parties RMB'000	Nanjing Newlixon and Newlixon NCEH RMB'000	Total RMB'000
Expected credit loss rate			
2018	39%	100%	55%
2017	17%	19%	18%
Loss allowance at 1 Jan 2017	—	—	—
Increase in provision in 2017	4,619	4,500	9,119
Loss allowance at 31 Dec 2017	4,619	4,500	9,119
Increase in provision in 2018	18,619	17,638	36,257
Loss allowance at 31 Dec 2018	23,238	22,138	45,376

The increase in loss allowance is due to increase in expected credit loss rates.

5. 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 2018					
Trade and other payables	**226,856**	**—**	**—**	**—**	**226,856**
Payables for acquisition of a subsidiary	**37,500**	**—**	**—**	**—**	**37,500**
Bank and other borrowings	**49,900**	**—**	**—**	**—**	**49,900**
Coporate bonds	**61,527**	**81,494**	**160,592**	**—**	**303,613**
Convertible bonds	**28,431**	**—**	**—**	**—**	**28,431**
Guaranteed notes	**100,943**	**—**	**—**	**—**	**100,943**
	505,157	**81,494**	**160,592**	**—**	**747,243**
At 31 December 2017					
Trade and other payables	194,853	—	—	—	194,853
Bank and other borrowings	57,251	49,823	—	—	107,074
Coporate bonds	37,643	57,020	161,040	41,123	296,826
Convertible bonds	50,561	93,071	—	—	143,632
Guaranteed notes	36,183	93,271	—	—	129,454
	376,491	293,185	161,040	41,123	871,839

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2018 RMB'000	2017 RMB'000 (Restated)
Financial assets:		
Equity investments at fair value through profit or loss		
Designated as such upon initial recognition	—	8,897
Equity investments at fair value through other comprehensive income	**32,576**	50,148
Financial assets at amortised cost (including cash and cash equivalents)	**559,704**	425,044
Financial liabilities:		
Financial liabilities at amortised cost	**672,195**	756,589
Financial liabilities at fair value through profit or loss:		
Held for trading	**231,338**	22,975

(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.

6. 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 2018 categorised into			Fair value measurements at 31 December 2017 categorised into		
	Level 1	Level 3	Total	Level 1	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements:						
Assets:						
Investments at fair value through profit or loss						
- Listed securities in Hong Kong	–	–	–	8,897	–	8,897
Equity investments at fair value through other comprehensive income						
- Private equity investments (restated)	–	32,576	32,576	–	50,148	50,148
	–	32,576	32,576	8,897	50,148	59,045

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy: *(Continued)*

	Fair value measurements at 31 December 2018 categorised into			Fair value measurements at 31 December 2017 categorised into		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements						
Liabilities:						
Convertible bonds						
- Derivative components	1,999	—	1,999	22,975	—	22,975
Derivative liabilities						
- Contingent consideration of acquisition of a subsidiary	—	229,339	229,339	—	—	—
	1,999	229,339	231,338	22,975	—	22,975

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

Description	Equity investments at fair value through other comprehensive income 2018 RMB'000
At 1 January	50,148
Total gains or losses recognised in other comprehensive income	(5,084)
Sales	(12,488)
At 31 December	32,576

6. FAIR VALUE MEASUREMENTS *(Continued)*

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

Description	Equity investments at fair value through other comprehensive income 2017 RMB'000 (Restated)
At 1 January	69,618
Total gains or losses recognised in other comprehensive income	(16,970)
Sales	(10,000)
Purchases	7,500
At 31 December	50,148

(c) Reconciliation of liabilities measured at fair value based on level 3:

Description	**Contingent consideration of acquisition of a subsidiary 2018 RMB'000**
At 1 January	**—**
Acquisition of a subsidiary	**(156,000)**
Changes in fair value of investment at fair value through profit or loss (#)	**(73,339)**
At 31 December	**(229,339)**
(#) Include losses for liabilities held at end of reporting period	**73,339**

6. FAIR VALUE MEASUREMENTS *(Continued)*

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018:

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 2 fair value measurements

			Fair value	
Description	Valuation technique	Inputs	**2018** **RMB'000**	2017 RMB'000
Convertible bonds - Derivative components	Black–Scholes model	Risk free rate Current share price Volatility	**1,999**	22,975

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	**Fair value 2018** **RMB'000**	Fair value 2017 RMB'000 (Restated)
Private equity investments classified as equity investments at fair value through other comprehensive income	Discounted cash flow	weighted average cost of capital	Decrease	**32,576**	50,148
		long-term revenue growth rate	Increase		
		long-term pre-tax operating margin	Increase		
		discount for lack of marketability	Decrease		
Derivative liabilities - Contingent consideration of acquisition of a subsidiary	Expected Share Price Matrix	Historical violatility	Increase	**229,339**	—
		Currency exchange rate	Decrease		

6. FAIR VALUE MEASUREMENTS *(Continued)*

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018: *(Continued)*

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

During the year ended 31 December 2018, 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.

7. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are the provision of design, deployment and maintenance of optical fibers services, the installation and sale of low-voltage system equipment and related accessories (disposed of in the current financial year), 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 installation and sale of low-voltage system equipment and related accessories, contract revenue from the other communication networks services, environmentally intelligent technical products and services, and money lending.

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

	2018 **RMB'000**	2017 RMB'000
Continuing operations:		
Revenue from the provision of design, deployment and maintenance of optical fibers services	**65,472**	151,603
Revenue from other communication networks services	**18,418**	17,772
Revenue from environmentally intelligent technical products and services	**96,431**	—
Revenue from contracts with customers	**180,321**	169,375
Revenue from the provision of money lending services	**22,376**	2,554
Subtotal	**202,697**	171,929
Discontinued operation:		
Revenue from the installation and sales of low-voltage system equipment and related accessories - revenue from contracts with customers	**215,228**	80,958
	417,925	252,887

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2018, revenue from transactions with two (2017: one) customers have exceeded 10% of the Group's revenue. Revenue from one customer amounted to RMB51,374,000 (2017: RMB91,186,000) in the continuing operation and revenue from one customer amounted to RMB130,232,000 (2017: Nil) in the discontinuted operation for the year ended 31 December 2018.

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 five reportable segments.

In view of the continuous diversification of the Group's business and growth in certain segments, the Group has added one new segment, namely environmentally intelligent technical products and services, for the year ended 31 December 2018. No operating segment have been aggregated to form the following reportable segments.

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

Low-voltage system: this segment installs and sells low-voltage system equipment and related accessories. (this segment has been reclassified as discontinued operation.

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 2018 and 2017. 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 net gain on disposal of subsidiaries, and assets and liabilities, are not measured under individual segments. Accordingly, no information concerning capital expenditure is presented.

7. 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 2018 and 2017 is set out below.

	For the year ended 31 December 2018						
	Continuing operations					Discontinued operation	
Segments	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services RMB'000	Sub-total RMB'000	Low-voltage system RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	65,472	18,418	22,376	96,431	202,697	215,228	417,925
Reportable segment gross (loss)/profit	(15,716)	3,679	20,902	59,130	67,995	79,781	147,776

	For the year ended 31 December 2017						
	Continuing operations					Discontinued operation	
Segments	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services RMB'000	Sub-total RMB'000	Low-voltage system RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	151,603	17,772	2,554	–	171,929	80,958	252,887
Reportable segment gross (loss)/profit	(46,937)	4,418	1,354	–	(41,165)	8,141	(33,024)

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment results to consolidated (loss)/profit before taxation:

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment results	**67,995**	(41,165)	**79,781**	8,141	**147,776**	(33,024)
Interest income and other income	**11,228**	7,989	**1,608**	1,723	**12,836**	9,712
Selling expenses	**(6,419)**	(6,431)	**(12,061)**	(6,090)	**(18,480)**	(12,521)
Administrative expenses	**(75,572)**	(69,114)	**(3,980)**	(2,893)	**(79,552)**	(72,007)
Research and development expenses	**(1,946)**	(2,142)	**—**	—	**(1,946)**	(2,142)
Reversal of impairment losses/ (impairment losses)	**(45,523)**	(35,936)	**40,577**	(3,140)	**(4,946)**	(39,076)
Finance costs	**(71,345)**	(39,223)	**(1,740)**	(2,005)	**(73,085)**	(41,228)
Changes in fair value of investments at fair value through profit or loss	**—**	2,623	**—**	—	**—**	2,623
Net (loss)/gain on disposal of subsidiaries	**(3,886)**	5,353	**—**	—	**(3,886)**	5,353
Changes in fair value of contingent consideration	**(73,339)**	—	**—**	—	**(73,339)**	—
(Loss)/profit before taxation	**(198,807)**	(178,046)	**104,185**	(4,264)	**(94,622)**	(182,310)

Segment assets and liabilities

	As at 31 December 2018				
	Continuing operations				
Segments	Optical fibers	Communication networks	Money lending	Environmentally intelligent technical products and services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	585,301	17,712	167,746	322,337	1,093,096
Segment liabilities	(242,891)	(1,182)	(3,719)	(198,785)	(446,577)

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	For the year ended 31 December 2017						
	Continuing operations					Discontinued operation	
Segments	Optical fibers	Communication networks	Money lending	Environmentally intelligent technical products and services	Sub-total	Low-voltage system	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	614,411	7,693	132,245	—	754,349	454,534	1,208,883
Segment liabilities	(275,035)	(151)	—	—	(275,186)	(263,485)	(538,671)

Reconciliations of reportable segment assets and liabilities

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets						
Segment assets	**1,093,096**	754,349	**—**	454,534	**1,093,096**	1,208,883
Other assets	**83,212**	149,750	**—**	—	**83,212**	149,750
Consolidated total assets	**1,176,308**	904,099	**—**	454,534	**1,176,308**	1,358,633
Liabilities						
Segment liabilities	**(446,577)**	(275,186)	**—**	(263,485)	**(446,577)**	(538,671)
Other liabilities	**(485,209)**	(523,851)	**—**	—	**(485,209)**	(523,851)
Consolidated total liabilities	**(931,786)**	(799,037)	**—**	(263,485)	**(931,786)**	(1,062,522)

Geographic information and timing of revenue recognition

At 31 December 2018 and 2017, 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.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic information and timing of revenue recognition *(Continued)*

Disaggregation of revenue from contracts with customers:

	2018						
	Continuing operations					Discontinued operation	
Segments	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services RMB'000	Sub-total RMB'000	Low-voltage system RMB'000	Total RMB'000
Geographical markets							
The PRC including Hong Kong	65,472	—	22,376	96,431	184,279	215,228	399,507
Africa	—	18,418	—	—	18,418	—	18,418
Total	65,472	18,418	22,376	96,431	202,697	215,228	417,925
Timing of revenue recognition							
At a point in time	—	—	N/A	36,954	36,954	—	36,954
Over time	65,472	18,418	N/A	59,477	143,367	215,228	358,595
Total	65,472	18,418	N/A	96,431	180,321	215,228	395,549

	2017						
	Continuing operations					Discontinued operation	
Segments	Optical fibers RMB'000	Communication networks RMB'000	Money lending RMB'000	Environmentally intelligent technical products and services RMB'000	Sub-total RMB'000	Low-voltage system RMB'000	Total RMB'000
Geographical markets							
The PRC including Hong Kong	148,749	—	2,554	—	151,303	80,958	232,261
Africa	2,854	17,772	—	—	20,626	—	20,626
Total	151,603	17,772	2,554	—	171,929	80,958	252,887
Timing of revenue recognition							
At a point in time	—	—	N/A	—	—	—	—
Over time	151,603	17,772	N/A	—	169,375	80,958	250,333
Total	151,603	17,772	N/A	—	169,375	80,958	250,333

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Construction service fee income (Optical fibers, Communication networks and Low-voltage system)

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.

8. DISCONTINUED OPERATION

In November 2017, the Company entered into a share sale and purchase agreement with Ordillia Group Limited, a company wholly-owned by Mr. Li Qingli who was previously an executive director of the Company and resigned on 28th January 2018. Pursuant to the above agreement, the Company agreed to dispose of its 100% equity interests in one of the Group's subsidiaries, namely Shijiazhuang Qiushi Communication Facilities Co., Ltd. ("Shijiazhuang Qiushi"), at a cash consideration of RMB82,000,000 less dividend paid from Shijiazhuang Qiushi amounting to RMB40,133,000. The disposal was completed on 31 December 2018.

In addition, as the operation of the installation and sale of low-voltage system equipment and related accessories owned by Shijiazhuang Qiushi represented a separate major line of business of the Group, it has been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and 2017.

The profit/(loss) for the year from the discontinued operation is analysed as follows:

	2018	2017
	RMB'000	RMB'000
Profit/(loss) of discontinued operation	**99,848**	(5,883)
Loss on disposal of discontinued operation (Note 43)	**(96,081)**	—
	3,767	(5,883)

	2018	2017
	RMB'000	RMB'000
Revenue	**215,228**	80,958
Cost of sales/services	**(135,447)**	(72,817)
Gross profit	**79,781**	8,141
Interest income	**609**	1,323
Other income	**999**	400
Selling expenses	**(12,061)**	(6,090)
Administrative expenses	**(3,980)**	(2,893)
Reversal of impairment losses/(impairment losses)	**40,577**	(3,140)
Operating loss from discontinued operation	**105,925**	(2,259)
Finance costs	**(1,740)**	(2,005)
Loss before taxation from discontinued operation	**104,185**	(4,264)
Income tax	**(4,337)**	(1,619)
Loss for the year from discontinued operation attributable to equity shareholders of the Company	**99,848**	(5,883)

8. DISCONTINUED OPERATION *(Continued)*

The information on cash flows incurred by the discontinued operation is as follows:

	2018 RMB'000	2017 RMB'000
Net cash generated from operating activities	29,840	1,771
Net cash used in investing activities	(1,867)	(3,423)
Net cash used in financing activities	(51,553)	(18,127)
	(23,580)	(19,779)

No tax charge or credit arose on loss on disposal of the discontinued operation.

9. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Government grants	68	34	—	400	68	434
Investment income	1,944	—	—	—	1,944	—
Net gain on disposal of equity investment through profot or loss	927	—	—	—	927	—
Net gain on disposal of property, plant and equipment	—	39	—	—	—	39
Other income from settlement of trade receivables by transfer of property	7,300	—	999	—	8,299	—
	10,239	73	999	400	11,238	473

10. IMPAIRMENT LOSSES

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Impairment losses on trade and bill receivables	**—**	16,526	**—**	3,140	**—**	19,666
Impairment losses on prepayment, deposits and other receivables	**51,253**	16,740	**—**	—	**51,253**	16,740
Impairment losses on goodwill	**—**	2,670	**—**	—	**—**	2,670
Reversal of impairment losses on trade and bill receivables	**(5,730)**	—	**(40,577)**	—	**(46,307)**	—
	45,523	35,936	**(40,577)**	3,140	**4,946**	39,076

11. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest on bank and other borrowings	**4,950**	14,770	**1,740**	2,005	**6,690**	16,775
Finance charges on corporate bonds	**24,280**	19,327	**—**	—	**24,280**	19,327
Finance charges on convertible bonds	**6,355**	12,960	**—**	—	**6,355**	12,960
Finance charges on guaranteed notes	**11,465**	7,908	**—**	—	**11,465**	7,908
Total borrowing costs*	**47,050**	54,965	**1,740**	2,005	**48,790**	56,970
Net foreign exchange (gain)/loss	**19,712**	(27,259)	**—**	—	**19,712**	(27,259)
Changes in fair value on the derivative components of convertible bonds	**4,583**	11,517	**—**	—	**4,583**	11,517
	71,345	39,223	**1,740**	2,005	**73,085**	41,228

* No borrowing costs have been capitalised for the year ended 31 December 2018 (2017: RMBNil).

12. INCOME TAX

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current tax – Hong Kong Profits Tax						
- provision for the year	**3,301**	—	**—**	—	**3,301**	—
- under-provision for previous year	**417**	—	**—**	—	**417**	—
Current tax - PRC Corporate Income Tax						
- provision for the year	**717**	1,203	**4,337**	1,619	**5,054**	2,822
Deferred tax	**(337)**	351	**—**	—	**(337)**	351
	4,098	1,554	**4,337**	1,619	**8,435**	3,173

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 2018 (2017: 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 2018 (2017: 25%).

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

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

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

12. INCOME TAX *(Continued)*

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loss before taxation	**(198,807)**	(178,046)	**104,185**	(4,264)	**(94,622)**	(182,310)
Income tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(35,754)**	(34,695)	**—**	—	**(35,754)**	(34,695)
Tax effect of taxable income on revenue	**—**	—	**4,337**	1,619	**4,337**	1,619
Tax effect of non-taxable income	**(158)**	—	**—**	—	**(158)**	—
Tax effect of non-deductible expenses	**8**	54	**—**	—	**8**	54
Tax effect of unused tax losses not recognised	**40,002**	35,052	**—**	—	**40,002**	35,052
Tax effect of unused tax losses not recognised in previous year but utilised or recognised in current year	**—**	162	**—**	—	**—**	162
Tax effect of write-down of deferred tax recognised in previous years	**—**	981	**—**	—	**—**	981
Income tax	**4,098**	1,554	**4,337**	1,619	**8,435**	3,173

13. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cost of inventories	**22,404**	15,249	**5,830**	10,665	**28,234**	25,914
Depreciation of property, plant and equipment	**5,380**	6,441	**469**	195	**5,849**	6,636
Depreciation of investment properties	**1,083**	—	**—**	—	**1,083**	—
Amortisation of intangible assets	**2,084**	559	**—**	169	**2,084**	728
Operating lease charges	**6,088**	4,421	**98**	79	**6,186**	4,500
Auditor's remuneration	**1,600**	2,550	**—**	—	**1,600**	2,550
Staff costs including directors' emoluments						
Salaries, bonus and allowances	**23,017**	29,064	**7,454**	6,356	**30,471**	35,420
Equity-settled share-based payments	**2,647**	9,876	**—**	—	**2,647**	9,876
Retirement benefits scheme contributions	**1,889**	2,037	**1,546**	634	**3,435**	2,671
	27,553	40,977	**9,000**	6,990	**36,553**	47,967

13. LOSS FOR THE YEAR *(Continued)*

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.

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	136	23	27	986
Guo Aru (note i)	250	156	9	27	442
Li Qingli (note ii)	50	—	—	—	50
Zhao Feng (note iii)	600	—	—	239	839
Ji Huifang (note iii)	600	—	—	239	839
Liu Jianzhou (note iv)	350	—	—	265	615
Chen Qizheng (note iv)	350	—	—	172	522
Non-executive directors					
Ge Lingyue (note iii)	120	—	—	66	186
Independent non-executive directors					
Meng Fanlin	120	—	—	—	120
Wang Haiyu	120	—	—	—	120
Li Xiaohui	120	—	—	—	120
Total for 2018	3,480	292	32	1,035	4,839

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	24	960	1,920
Guo Aru (note i)	600	144	17	761	1,522
Li Qingli (note ii)	600	100	7	707	1,414
Zhao Feng (note iii)	400	—	—	—	400
Ji Huifang (note iii)	400	—	—	—	400
Non-executive directors					
Ge Lingyue (note iii)	80	—	—	—	80
Independent non-executive directors					
Meng Fanlin	120	—	—	—	120
Wang Haiyu	120	—	—	—	120
Li Xiaohui	120	—	—	—	120
Total for 2017	3,240	380	48	2,428	6,096

Note:

(i) resigned on 23 May 2018

(ii) resigned on 28 January 2018

(iii) appointed on 9 May 2017

(iv) appointed on 23 May 2018

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals in the Group during the year included four (2017: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2017: two) individual is set out below:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**666**	1,285
Retirement scheme contributions	**—**	30
Share based payments	**40**	1,097
	706	2,412

The emoluments fell within the following band:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**—**	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 2018 (2017: RMBNil).

16. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The basic (loss)/earnings per share for the year ended 31 December 2018 is calculated based on the (loss)/profit attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

(Loss)/profit attributable to ordinary equity shareholders of the Company:

	2018	2017
	RMB'000	RMB'000
From continuing operations	**(229,988)**	(173,101)
From discontinued operation	**3,767**	(5,883)
	(226,221)	(178,984)

Weighted average number of ordinary shares:

	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**1,987,620**	1,887,620
Effect of shares issued to equity shareholders of the Company in 2017	**—**	44,932
Effect of shares issued to equity shareholders of the Company in 2018	**59,025**	—
Weighted average number of ordinary shares for the year ended 31 December	**2,046,645**	1,932,552

Diluted loss per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017. The Group's convertible bonds and share options could potentially dilute basic earnings/loss per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the years ended 31 December 2018 and 2017.

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 2017	26,615	1,230	17,596	19,099	5,647	70,187
Additions	22	1,751	1,804	403	432	4,412
Disposals	—	(668)	(159)	(36)	(262)	(1,125)
Disposal of subsidiaries	—	(109)	(196)	(2,082)	(111)	(2,498)
Reclassified as assets held-for-sale	—	(1,751)	(3,432)	(244)	(530)	(5,957)
At 31 December 2017	**26,637**	**453**	**15,613**	**17,140**	**5,176**	**65,019**
Additions	**117,110**	**13**	**109**	**1,464**	**75**	**118,771**
Disposals	**—**	**—**	**—**	**—**	**(8)**	**(8)**
Transfer to investment properties	**(23,351)**	**—**	**—**	**—**	**—**	**(23,351)**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**39**	**39**
Transfer	**—**	**4**	**1,289**	**(2,516)**	**1,223**	**—**
At 31 December 2018	**120,396**	**470**	**17,011**	**16,088**	**6,505**	**160,470**
Accumulated depreication						
At 1 January 2017	697	930	9,545	6,948	4,477	22,597
Charge for the year	1,238	165	2,661	1,883	689	6,636
Written back on disposals	—	(650)	(137)	(21)	(154)	(962)
Disposal of subsidiaries	—	(26)	(62)	(230)	(102)	(420)
Reclassified as assets held-for-sale	—	—	(1,341)	(125)	(412)	(1,878)
At 31 December 2017	**1,935**	**419**	**10,666**	**8,455**	**4,498**	**25,973**
Charge for the year	**244**	**49**	**1,522**	**3,010**	**555**	**5,380**
Written back on disposals	**—**	**—**	**—**	**—**	**(8)**	**(8)**
Transfer to investment properties	**(1,264)**	**—**	**—**	**—**	**—**	**(1,264)**
Transfer	**—**	**(105)**	**1,319**	**(1,705)**	**491**	**—**
At 31 December 2018	**915**	**363**	**13,507**	**9,760**	**5,536**	**30,081**
Carrying amount						
At 31 December 2018	**119,481**	**107**	**3,504**	**6,328**	**969**	**130,389**
At 31 December 2017	**24,702**	**34**	**4,947**	**8,685**	**678**	**39,046**

18. INVESTMENT PROPERTIES

	2018 RMB'000
Cost	
As at 1 January	—
Additions	6,339
Transfer from property, plant and equipment	23,351
As at 31 December	29,690
Accumulated depreciation and impairment loss	
As at 1 January	—
Charge for the year	1,083
Transfer from property, plant and equipment	1,264
As at 31 December	2,347
Net book value	
As at 31 December	27,343
Fair value as at 31 December	32,748

19. INTANGIBLE ASSETS

	Customer relationships RMB'000	Patents RMB'000	Software RMB'000	Total RMB'000
Cost				
At 1 January 2017	5,000	3,000	416	8,416
Additions	—	—	5	5
Disposal of subsidiaries	(1,700)	(3,000)	(39)	(4,739)
Reclassified as assets held-for-sale	—	—	(208)	(208)
At 31 December 2017	3,300	—	174	3,474
Additions	—	2,315	—	2,315
Acquisition of a subsidiary	—	6,920	—	6,920
At 31 December 2018	3,300	9,235	174	12,709
Accumulated amortisation				
At 1 January 2017	2,485	652	205	3,342
Charge for the year	660	—	68	728
Disposal of subsidiaries	(944)	(652)	(9)	(1,605)
Reclassified as assets held-for-sale	—	—	(165)	(165)
At 31 December 2017	2,201	—	99	2,300
Charge for the year	660	1,391	33	2,084
At 31 December 2018	2,861	1,391	132	4,384
Carrying amount				
At 31 December 2018	439	7,844	42	8,325
At 31 December 2017	1,099	—	75	1,174

20. 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 and operation	Registered /issued and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hebei Changtong Communication Engineering Co., Ltd. (河北昌通通信工程有限公司)*	The PRC 22 June 2001	RMB 50,000,000	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	RMB 30,000,000	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	RMB 6,100,000	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	RMB 5,000,000	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	HKD 6,250,000	100%	—	100%	Design, construction and maintenance of communication networks
U-Ton International Lybia Ltd.	State of Lybia 5 March 2017	USD 250,000	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	RMB 50,000,000	51%	—	51%	provision of environmentally intelligent technical products and services
乃東區優瑞嘉和環保科技有限責任公司	The PRC 15 September 2017	RMB 30,000,000	51%	—	51%	provision of environmentally intelligent technical products and services
新疆优瑞嘉和 保科技有限公司)	The PRC 5 February 2018	RMB 30,000,000	51%	—	51%	provision of environmentally intelligent technical products and services

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of 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 2018
Principal place of business/country of incorporation	PRC/PRC
% of ownership interests/voting rights held by NCI	49%/49%
	RMB'000
At 31 December:	
Non-current assets	20,279
Current assets	144,349
Non-current liabilities	—
Current liabilities	(37,331)
Net assets	127,297
Accumulated NCI	62,376
From 12 February 2018 (date of acquisition) to 31 December 2018:	
Revenue	96,431
Profit	57,116
Total comprehensive income	57,116
Profit allocated to NCI	27,987
Net cash generated from operating activities	24,543
Net cash used in investing activities	(15,249)
Net increase in cash and cash equivalents	(706)

21. GOODWILL

	RMB'000
Cost:	
At 1 January 2017	37,536
Reclassified as assets held-for sale	(30,099)
At 31 December 2017	7,437
Arising on acquisition of a subsidiary	157,708
At 31 December 2018	165,145
Accumulated impairment losses:	
At 1 January 2017	(4,767)
Impairment losses	(2,670)
At 31 December 2017 and 2018	(7,437)
Carrying amount:	
At 31 December 2018	157,708
At 31 December 2017	—

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:

	2018 RMB'000	2017 RMB'000
Provision of environmentally intelligent technical products and services	**157,708**	—

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 annual growth rates ranging from 0% to 3%, 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 3% long-term growth rate, which is based on the relevant industry growth forecasts. The cash flows are discounted using a discount rate of 21.5%. The discount rate used is pre-tax and reflects specific risks relating to the provision of environmentally intelligent technical products and services operations' CGUs.

Based on the above value-in-use calculations, the recoverable amounts are higher than the carrying amounts of the respective CGUs. Accordingly, no impairment losses was recognised for the goodwill allocated to the provision of environmentally intelligent technical products and services operations' CGUs for the year ended 31 December 2018.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ PREPAYMENTS FOR EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000 <Restated>
Unlisted equity securities, at fair value		
- Investment in Hebei Huaxun	—	12,488
- Investment in Sino Partner (note i)	25,076	30,160
- Investment in Jiaxing Jiamiao (note ii)	7,500	7,500
	32,576	50,148
Prepayments for investments in financial assets	2,300	9,290

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.

During the year, the Group completed the disposal of 51% equity interests in Hebei Huaxun Weitong Internet Intergration Co., Ltd. (河北華訊微通網絡集成有限公司) ("Hebei Huaxun") at its fair value of RMB12,488,000 for raising working capital for the Group. There is no gain or loss on disposal of the investment.

i) In June 2016, the Company issued 80,000,000 ordinary shares to acquire 5.65% equity interests in Sino Partner Global Limited ("Sino Partner"), a company engaged in the design, development, manufacturing and sale of high performance supercars under the brand "Apollo".

ii) In January 2017, the Group acquired 3.75% equity interests and became a limited partner in Jiaxing Jiamiao Equity Investment Partnership (Limited Partnership) (嘉興嘉淼股權投資合夥企業(有限合夥)) ("Jiaxing Jiamiao").

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Equity securities, at fair value		
Listed in Hong Kong	—	8,897

24. INVENTORIES

	2018 RMB'000	2017 RMB'000
Optical fibers deployment services related materials	5,615	6,156

25. TRADE AND BILL RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade and bill receivables	227,475	75,497
Less: allowance for doubtful debts	(22,088)	(27,818)
	205,387	47,679

(a) Ageing analysis

	2018 RMB'000	2017 RMB'000
Within 90 days	146,029	20,047
91 to 180 days	11,404	8,106
181 to 365 days	14,763	9,227
Over 1 year	33,191	10,299
	205,387	47,679

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

25. TRADE AND BILL RECEIVABLES *(Continued)*

(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:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**27,818**	47,446
Impairment losses recognised	**—**	19,666
Uncollectible amounts written off	**—**	(14,142)
Reversal of impairment losses recognised	**(5,730)**	—
Reclassified as assets held-for-sale	**—**	(25,152)
At 31 December	**22,088**	27,818

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.

25. 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 2018						
Weighted average expected loss rate	0%	0%	0%	0%	76%	10%
Receivable amount (RMB'000)	146,029	11,404	14,763	26,037	29,242	227,475
Loss allowance (RMB'000)	—	—	—	—	22,088	22,088
At 31 December 2017						
Weighted average expected loss rate	0%	0%	0%	0%	84%	37%
Receivable amount (RMB'000)	20,047	8,106	9,227	5,150	32,967	75,497
Loss allowance (RMB'000)	—	—	—	—	27,818	27,818

(c) Retentions receivable

The amount of retentions receivable from customers, recorded within "trade and bill receivables" at 31 December 2018 is RMB6,942,000 (2017: RMB7,198,000). The amount of those retentions receivable expected to be recovered after more than one year is RMB2,519,000 (2017: RMB3,121,000).

26. LOAN TO CUSTOMERS

	2018 RMB'000	2017 RMB'000
Loan to customers	**167,672**	72,485

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:

	2018 RMB'000	2017 RMB'000
Within 1 year	**167,672**	72,485

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

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

	Current	Within 365 days past due	Total
At 31 December 2018			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	47,901	119,771	167,672
Loss allowance (RMB'000)	—	—	—
At 31 December 2017			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	72,485	—	72,485
Loss allowance (RMB'000)	—	—	—

27. CONTRACT ASSETS

Disclosures of revenue-related items:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 1 January 2017 RMB'000
Contract assets - construction	**242,101**	337,394	505,819
Contract receivables (included in trade receivables)	**205,387**	47,679	152,295

Significant changes in contract assets and contract liabilities during the year:

	2018 Contract assets RMB'000	2017 Contract assets RMB'000
Increase due to operations in the year	**101,797**	117,258
Transfer of contract assets to receivables	**(197,090)**	(132,115)
Transfer of contract assets to assets held-for-sale	**—**	(153,568)

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

As at 31 December 2018, contract assets represented the unbilled contract revenue of uncompleted projects, which included an aggregate amount of RMB162,053,000 (2017: RMB239,534,000) due from state-owned telecommunication operators in the PRC. The directors of the Company confirm that the above unbilled contract work are generally parts of larger scale projects undertaken by the owners, and consider it is the general practice within the construction industry in the PRC in which the owners will usually accept the contractors, such as the Group, to issue billings upon the completion of the larger scale projects. The directors of the Company confirm that they are in negotiations with the various owners and expect a substantial portion of the above contract work to be billed within one year.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2018 RMB'000	2017 RMB'000
Amounts due from Nanjing Newlixon and Newlixon NCEH		**22,138**	23,333
Loans to third parties	(a)	**60,002**	26,480
Prepayments for inventories		**10,247**	26,950
Prepaid expenses		**7,680**	—
Deposits for construction contracts' bidding and performance		**11,945**	37,504
Deposits for utilities expenses and lease		**797**	—
Other receivables for disposal of subsidiaries		**1,076**	—
Prepayments for development of new potential projects		**65,117**	28,992
Others		**21,426**	24,406
		200,428	167,665
Less: allowance for doubtful debts	(b)	**(84,419)**	(33,166)
		116,009	134,499

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year.

(a) The balance comprise guaranteed loans to third parties bearing interest ranging from 10% to 15% (2017: 10% to 15%). All of the loans are expected to be recovered within one year.

(b) Movements of allowance for doubtful debts are set out as follows:

	2018 RMB'000	2017 RMB'000
Balance at 1 January	**33,166**	42,326
Impairment losses recognised	**51,253**	16,740
Uncollectiable amounts written off	**—**	(23,700)
Reclassified as assets held-for-sale	**—**	(2,200)
Balance at 31 December	**84,419**	33,166

29. RESTRICTED BANK DEPOSITS AND CASH AT BANK AND ON HAND

Restricted bank deposits were mainly used to secure the Group's bank borrowings. These bank deposits will be released upon the repayment of the relevant bank borrowings.

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.

30. ASSETS AND LIABILITIES HELD-FOR-SALE

The intended disposed of Shijiazhuang Qiushi resulted in the assets and liabilities of Shijiazhuang Qiushi being presented as assets and liabilities held-for-sale in the consolidated statement of financial position at 31 December 2017.

At 31 December 2017, the assets and liabilities held-for-sale comprise the following:

	2017 RMB'000
Property, plant and equipment	4,079
Intangible assets	43
Goodwill	30,099
Inventories	1,645
Trade and bill receivables	33,278
Contract assets	153,568
Prepayments, deposits and other receivables	200,470
Cash at bank and on hand	31,352
Assets held-for-sale	454,534
Trade and other payables	251,097
Bank and other borrowings	9,750
Income tax payable	2,638
Liabilities held-for-sale	263,485

31. TRADE AND OTHER PAYABLES

		2018 RMB'000	2017 RMB'000
Trade payables due to third parties		**141,405**	126,632
Other payables and accrued expenses:			
– Accrued expenses		**6,143**	—
– payables for staff related costs		**20,397**	18,540
– other taxes payables		**15,500**	15,210
– payables for interest expenses		**8,863**	10,000
– payables for acquisition of equity investments at fair value through other comprehensive income		**—**	12,488
– amounts due to non-controlling equity holders	(i)	**142**	467
– amounts due to related parties		**—**	41
– others		**34,406**	11,475
		85,451	68,221
Total		**226,856**	194,853

Note:

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

31. TRADE AND OTHER PAYABLES *(Continued)*

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

	2018	2017
	RMB'000	RMB'000
Within 90 days	**49,697**	38,113
91 to 180 days	**11,713**	13,622
181 to 365 days	**17,086**	24,087
Over 1 year	**62,909**	50,810
	141,405	126,632

32. PAYABLES FOR ACQUISITION OF A SUBSIDIARY

	2018	2017
	RMB'000	RMB'000
Cash consideration for acquisition of a subsidiary	**37,500**	—
Contingent consideration for acquisition of a subsidiary	**229,339**	—
Total	**266,839**	—

33. BANK AND OTHER BORROWINGS

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

	2018 RMB'000	2017 RMB'000
Guaranteed by directors of the Company	**48,000**	25,000
Unguaranteed and unsecured	**—**	27,000
	48,000	52,000
Add: current portion of long-term bank and other borrowings	**—**	1,000
	48,000	53,000

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

	2018 RMB'000	2017 RMB'000
Guaranteed by directors of the Company	**—**	49,000
Unguaranteed and unsecured	**—**	—
	—	49,000
Less: current portion of long-term bank and other borrowings	**—**	(1,000)
	—	48,000

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**—**	1,000
After 1 year but within 2 years	**—**	48,000
	—	49,000

33. BANK AND OTHER BORROWINGS *(Continued)*

(b) The Group's long-term bank and other borrowings are analysed as follows: *(Continued)*

	2018 RMB'000	2017 RMB'000
Fixed rate borrowings	—	42,000
Variable rate borrowings	48,000	59,000
	48,000	101,000

	Effective interest rate	
Fixed rate borrowings	N/A	5.66%-7.00%
Variable rate borrowings	4.75%-5.00%	4.75%-5.00%

(c) Bank borrowings of RMB48,000,000 (2017: RMB74,000,000) are secured by personal guarantees from Mr Jiang Changqing, the controlling shareholder (the "Controlling Shareholder") and director of the Company, and Ms Guo Aru, a director of the Company.

(d) At 31 December 2018, the Group's banking facilities amounted to RMB200,077,000 (2017: RMB200,077,000) were utilised to the extent of RMB48,000,000 (2017: RMB25,000,000).

(e) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2018, none of the covenants relating to the bank loans had been breached (2017: None).

34. CORPORATE BONDS

In 2018, the Group issued unsecured corporate bonds with an aggregate principal amount of HK$40,000,000(equivalent to approximately RMB35,048,000 (2017: HK$50,000,000, equivalent to approximately RMB42,414,000). The bonds issued will mature in 2 years from the respective dates of issuance (2017: 2 years) and bear interest at 6% per annum payable annually (2017: 6% per annum payable annually). The effective interest rate is range from 10.00% to 14.65%. The movements of the balance of corporate bonds are as follows:

	2018	2017
	RMB'000	RMB'000
At 1 January	**215,623**	190,425
Net proceeds received	**28,653**	36,476
Repayments during the year	**(24,754)**	(3,365)
Finance charges accrued for the year	**24,280**	19,327
Interest paid during the year	**(17,017)**	(14,192)
Exchange adjustments	**11,184**	(13,048)
At 31 December	**237,969**	215,623
Less: Amounts repayable within one year	**(42,499)**	(22,411)
Amounts repayable after one year	**195,470**	193,212

The Group's corporate bonds are repayable as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 year	**42,499**	22,411
After 1 year but within 2 years	**65,139**	37,332
After 2 years but within 5 years	**130,331**	121,839
After 5 years	**—**	34,041
	237,969	215,623

35. CONVERTIBLE BONDS

On 27 June 2017, the Company issued convertible bonds with principal amounts of USD4,000,000 (equivalent to approximately RMB27,317,000) to Donghai Investment Fund Series SPC. All of 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. All of these convertible bonds are guaranteed by the Controlling Shareholder. The bonds are convertible at the option of the bondholder into ordinary shares during the conversion period beginning on the first anniversary of the issue date or such earlier date as may be agreed by the issuer and bondholder and ending on maturity date. The bondholder has the right to convert all or any part of the outstanding principal amount of the convertible bonds with the initial conversion price of HK$1.00 per conversion share, subject to any adjustment from time to time (i.e. the conversion options). The effective interest rate is approximately 7% per annum.

The conversion options are classified as derivative financial instruments and have been included in the balance of convertible bonds in the consolidated statement of financial position. The convertible bonds are analysed as follows:

	2018			2017		
	Liability components RMB'000	**Derivative components RMB'000**	**Total RMB'000**	Liability components RMB'000	Derivative components RMB'000	Total RMB'000
At 1 January	**131,324**	**22,975**	**154,299**	42,716	6,423	49,139
Net proceeds received	**—**	**—**	**—**	89,914	6,113	96,027
Finance charges accrued for the year	**6,355**	**—**	**6,355**	12,960	—	12,960
Interest paid during the year	**(7,061)**	**—**	**(7,061)**	(7,142)	—	(7,142)
Exchange adjustments	**6,834**	**803**	**7,637**	(7,124)	(1,078)	(8,202)
Repayments during the year	**(24,935)**	**—**	**(24,935)**	—	—	—
Conversions during the year	**(85,027)**	**(26,362)**	**(111,389)**	—	—	—
Fair value adjustment to the derivative components	**—**	**4,583**	**4,583**	—	11,517	11,517
At 31 December	**27,490**	**1,999**	**29,489**	131,324	22,975	154,299
Less: amounts repayable within one year	**27,490**	**1,999**	**29,489**	41,439	—	41,439
Amounts repayable after one year	**—**	**—**	**—**	89,885	22,975	112,860

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 will mature in January 2019 and June 2019 respectively, and bear 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.

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

	2018 RMB'000	2017 RMB'000
At 1 January	**113,789**	45,132
Net proceeds received	**—**	95,714
Finance charges accrued for the year	**11,465**	7,908
Interest paid during the year	**(10,380)**	(8,306)
Repayments during the year	**(25,924)**	(17,342)
Exchange adjustments	**11,574**	(9,317)
At 31 December	**100,524**	113,789
Less: amounts repayable within one year	**(100,524)**	(25,325)
Amounts repayable after one year	**—**	88,464

37. 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:

	Assets	Liabilities	
	Impairment losses on trade receivables	Fair value adjustments on intangible assets and related amortisation	Net
	RMB'000	RMB'000	RMB'000
At 1 January 2017	990	(906)	84
(Charged)/credited to the consolidated statement of profit or loss and other comprehensive income	(990)	639	(351)
At 31 December 2017	—	(267)	(267)
Credited to the consolidated statement of profit or loss and other comprehensive income	—	337	337
Acquisition of a subsidiary	—	(513)	(513)
At 31 December 2018	—	(443)	(443)

Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unused tax losses of RMB375,870,000 at 31 December 2018 (2017: RMB197,624,000), 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 do not expire under current tax legislation.

Deferred tax liabilities not recognised

At 31 December 2018, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to RMB167,691,000. Deferred tax liabilities of RMB16,769,000 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

38. 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	60,000,000		

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Number of share option
Outstanding at 1 January 2017	—	—
Granted during the year	HK$0.90	60,000,000
Forfeited during the year	HK$0.90	(15,000,000)
Outstanding/exercisable at 31 December 2017	HK$0.90	45,000,000
Lapsed during the year	HK$0.90	(18,000,000)
Outstanding/exercisable at 31 December 2018	HK$0.90	27,000,000

The share options outstanding at 31 December 2018 had an exercise price of HK$0.90 (2017: HK$0.90) and a remaining contractual life of 1.57 years (2.57 years).

38. 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$0.27	HK$0.237
Share price	HK$0.90	HK$0.90
Exercise price	HK$0.90	HK$0.90
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.

38. 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	2 years
Share options granted to employees	108,000,000	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	200,000,000		

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Number of share option
Outstanding at 1 January 2018		—
Granted during the year	HK$0.90	200,000,000
Outstanding/exercisable at 31 December 2018	HK$0.90	200,000,000

The share options outstanding at 31 December 2018 had an exercise price of HK$0.90 and a remaining contractual life of 2 years starting from 7 December 2019.

38. 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)	2.0	2.0	2.0
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.

39. SHARE CAPITAL

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

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

Ordinary shares, issued and fully paid:

	No. of shares '000	RMB '000
Issued and fully paid:		
At 1 January 2017	1,887,620	154,242
Shares issued	100,000	8,632
At 31 December 2017	1,987,620	162,874
Shares issued	98,725	8,035
At 31 December 2018	2,086,345	170,909

i) On 21 July 2017, the Company issued 100,000,000 ordinary shares at HK$0.88 per share. The Company received net proceeds of approximately HK$87,020,000 (equivalent to approximately RMB75,193,000), of which HK$10,000,000 (equivalent to approximately RMB8,632,000) was credited to share capital and HK$77,020,000 (equivalent to approximately RMB66,561,000) was credited to the share premium account.

ii) During the year, the Company issued 98,725,000 ordinary shares by conversion of covertible bonds. The convertible bonds amounting to RMB111,389,000 was converted. RMB8,035,000 was credited to share capital and RMB103,354,000 was credited to the share premium account.

Capital management

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

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

39. SHARE CAPITAL *(Continued)*

Capital management *(Continued)*

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

During 2018, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 December 2018 and 2017 was as follows:

	2018 **RMB'000**	2017 RMB'000
Current liabilities:		
Bank and other borrowings	**48,000**	53,000
Corporate bonds	**42,499**	22,411
Convertible bonds	**29,489**	41,439
Guaranteed notes	**100,524**	25,325
	220,512	142,175
Non-current liabilities:		
Bank and other borrowings	**—**	48,000
Corporate bonds	**195,470**	193,212
Convertible bonds	**—**	112,860
Guaranteed notes	**—**	88,464
Total debt	**415,982**	584,711
Less: Cash at bank and on hand	**(78,593)**	(195,061)
Restricted bank deposits	**(2,290)**	(2,270)
Adjusted net debt	**335,099**	387,380
Total equity	**244,522**	296,111
Adjusted net debt-to-capital ratio	**137%**	131%

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

40. 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 investmet revaluation reserve RMB '000	Retained profits/ (accumulated losses) RMB '000	Total RMB '000
At 1 January 2017, as previously	193,445	—	—	(51,406)	142,039
Restatement of IFRS 9 (2014) "Financial Instruments"	—	—	(16,980)	—	(16,980)
At 1 January 2017, as restated	193,445	—	(16,980)	(51,406)	125,059
Changes in equity for 2017:					
Loss and total comprehensive income for the year	—	—	(16,970)	(72,295)	(89,265)
Issuance of shares	66,561	—	—	—	66,561
Share-based payments	—	9,876	—	—	9,876
At 31 December 2017, as restated	260,006	9,876	(33,950)	(123,701)	112,231
At 1 January 2018	**260,006**	**9,876**	**(33,950)**	**(123,701)**	**112,231**
Changes in equity for 2018:					
Loss and total comprehensive income for the year	**—**	**—**	**(5,084)**	**(195,042)**	**(200,126)**
Issuance of shares					
Issue of shares by conversion of convertible bonds	**103,354**	**—**	**—**	**—**	**103,354**
Transfer	**—**	**(3,950)**	**—**	**3,950**	**—**
Share-based payments	**—**	**2,647**	**—**	**—**	**2,647**
At 31 December 2018	**363,360**	**8,573**	**(39,034)**	**(314,793)**	**18,106**

40. 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 nancial 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 3 to the financial statements.

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

	2018 RMB'000	2017 RMB'000
Non-current assets		<Restated>
Interests in a subsidiary, at cost	**47,004**	47,847
Amounts due from subsidiaries	**—**	498,569
Equity investments at fair value through other comprehensive income	**25,076**	30,160
	72,080	576,576
Current assets		
Investments at fair value through profit or loss	**—**	8,897
Other receivables, deposits and prepayments	**6,393**	39,988
Amounts due from subsidiaries	**492,712**	156,690
Cash at bank and on hand	**2,267**	16,264
	501,372	221,839
Current liabilities		
Trade and other payables	**16,146**	9,490
Amounts due to subsidiaries	**309**	3,109
Bank and other borrowings	**—**	27,000
Corporate bonds	**42,499**	22,411
Convertible bonds	**29,489**	41,439
Guaranteed notes	**100,524**	25,325
	188,967	128,774
Net current assets	**312,405**	93,065
Total assets less current liabilities	**384,485**	669,641
Non-current liabilities		
Corporate bonds	**195,470**	193,212
Convertible bonds	**—**	112,860
Guaranteed notes	**—**	88,464
	195,470	394,536
NET ASSETS	**189,015**	275,105
Capital and reserves		
Share capital	**170,909**	162,874
Reserves	**18,106**	112,231
TOTAL EQUITY	**189,015**	275,105

42. ACQUISITION OF A SUBSIDIARY

On 12 February 2018, the Group completed the acquisition of 51% of the shares and voting interests in Beijing Yourui Jiahe Electronic Technology Co., Ltd. ("Yourui") (北京優瑞嘉和電子科技有限公司), a company established in the PRC, which is principally engaged in the provision of environmentally intelligent technical products and services in the PRC.

Fair value of consideration transferred at the date of acquisition.

	RMB'000
Cash (payable up to 31 December 2018)	37,500
Contingent consideration	156,000
	193,500

In the event that Yourui meets the performance guarantee of 2017 and 2018, further consideration shares of a maximum of RMB283,800,000 shall be allotted and issued by the Company. In the event that Yourui does not meet the performance guarantee of 2017 and 2018, the cash consideration of RMB37,500,000 and the interest thereon shall be paid back to the Company. The contingent consideration represents the fair value of additional consideration at the date of acquisition.

The Group incurred acquisition-related costs relating to external legal fees and due diligence costs. These costs have been included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

The fair value of the identifiable assets and liabilities of Yourui acquired as at its date of acquisition is as follows:

	RMB'000
Property, plant and equipment	39
Intangible assets	6,920
Inventories	3
Equity investment at fair value through other comprehensive income	7,658
Trade receivables	13,929
Prepayments, deposits and other receivables	36,602
Cash and cash equivalents	7,662
Deferred tax liabilities	(513)
Trade and other payables	(2,108)
Tax payables	(11)
Total identifiable net assets acquired	70,181

42. ACQUISITION OF A SUBSIDIARY *(Continued)*

Goodwill arising from the acquisition has been recognised as follows:

	RMB'000
Consideration	193,500
Add: non-controlling interests	34,389
Less: net assets acquired	70,181
Goodwill arising on acquisition	157,708

The fair value of the trade and other receivables acquired is RMB50,531,000. There is no trade and other receivables is expected to be uncollectible.

The fair value of the contingent consideration arrangement of RMB156,000,000 was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 21.5%.

As of 31 December 2018, neither the amount recognised for the contingent consideration arrangement, nor the range of outcomes or the assumptions used to develop the estimates had changed.

The goodwill arising on the acquisition of Yourui is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Yourui contributed approximately RMB96,431,000 and RMB57,116,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2018, total Group revenue from continuing operations for the year would have been RMB203,391,000, and loss for the year from continuing operations would have been RMB202,190,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

43. DISPOSAL OF SHIJIAZHUANG QIUSHI

As referred to in note 8 to the financial statements, the disposal of Shijiazhuang Qiushi was completed on 31 December 2018.

Assets and liabilities held-for-sale at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	5,459
Intangible assets	43
Goodwill	30,099
Inventories	3,687
Trade and bill receivables	80,346
Contract assets	134,892
Other receivables, deposits and prepayments	258,155
Cash at bank and on hand	7,772
Assets held-for-sale	520,453
Trade and other payables	(382,505)
Liabilities held-for-sale	(382,505)
Net assets disposed of	137,948
Loss on disposal of subsidiaries	(96,081)
Consideration	41,867
Satisfied by:	
Cash consideration received	41,867
Net cash inflow/(outflow) arising on disposal:	
Cash consideration received	41,867
Cash and cash equivalents disposed of	(7,772)
	34,095

The consideration received is the amount of RMB82,000,000 less dividend paid from Shijiazhuang Qiushi amounting to RMB40,133,000.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Guaranteed notes RMB'000	Interest payable RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2017	371,001	190,425	49,139	45,132	12,657	575	668,929
Changes from financing cash flows:							
Proceeds from bank and other borrowings	84,250	—	—	—	—	—	84,250
Repayments of bank and other borrowings	(344,501)	—	—	—	—	—	(344,501)
Net proceeds from issuance of corporate bonds	—	36,476	—	—	—	—	36,476
Repayments of corporate bonds	—	(3,365)	—	—	—	—	(3,365)
Net proceeds from issuance of convertible bonds	—	—	96,027	—	—	—	96,027
Net proceeds from issuance of guaranteed notes	—	—	—	95,714	—	—	95,714
Repayments of guaranteed notes	—	—	—	(17,342)	—	—	(17,342)
Net decrease due to related parties	—	—	—	—	—	(534)	(534)
Interest paid	—	(14,192)	(7,142)	(8,306)	(19,432)	—	(49,072)
Total changes from financing cash flows	(260,251)	18,919	88,885	70,066	(19,432)	(534)	(102,347)
Exchange adjustments	—	(13,048)	(8,202)	(9,317)	—	—	(30,567)
Changes in fair value on the derivative components of convertible bonds	—	—	11,517	—	—	—	11,517
Interest expenses	—	19,327	12,960	7,908	16,775	—	56,970
Reclassified as liabilities held-for-sale	(9,750)	—	—	—	—	—	(9,750)
At 31 December 2017	101,000	215,623	154,299	113,789	10,000	41	594,752

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Guaranteed notes RMB'000	Interest payable RMB'000	Amounts due to related parties RMB'000	Total RMB'000
Changes from financing cash flows:							
Proceeds from bank and other borrowings	5,000	–	–	–	–	–	5,000
Repayments of bank and other borrowings	(67,750)	–	–	–	–	–	(67,750)
Net proceeds from issuance of corporate bonds	–	28,653	–	–	–	–	28,653
Repayments of corporate bonds	–	(24,754)	–	–	–	–	(24,754)
Repayment of convertible bonds	–	–	(24,935)	–	–	–	(24,935)
Net proceeds from issuance of guaranteed notes	–	–	–	–	–	–	–
Repayments of guaranteed notes	–	–	–	(25,924)	–	–	(25,924)
Net decrease due to related parties	–	–	–	–	–	(41)	(41)
Interest paid	–	(17,017)	(7,061)	(10,380)	(7,827)	–	(42,285)
Total changes from financing cash flows	38,250	202,505	122,303	77,485	2,173	–	442,716
Reclassified as liabilities held-for-sale as at 1 January 2018	9,750	–	–	–	–	–	9,750
Exchange adjustments	–	11,184	7,637	11,574	–	–	30,395
Changes in fair value on the derivative components of convertible bonds	–	–	4,583	–	–	–	4,583
Conversions to share during the year	–	–	(111,389)	–	–	–	(111,389)
Interest expenses	–	24,280	6,355	11,465	6,690	–	48,790
At 31 December 2018	48,000	237,969	29,489	100,524	8,863	–	424,845

45. LEASE COMMITMENTS

As lessee:

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

	2018 RMB'000	2017 RMB'000
Within one year	4,810	4,323
In the second to fifth year inclusive	6,334	5,520
Over five years	4,400	5,200
	15,544	15,043

The Group is the lessee in respect of a number of properties and sewers held under operating leases. The leases typically run for an initial period of one to twenty 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.

As lessor:

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

	2018 RMB'000	2017 RMB'000
Within one year	862	—
In the second to fifth year inclusive	1,694	—
	2,556	—

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.

46. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Contracted for	—	37,500

47. RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these 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

	2018 RMB'000	2017 RMB'000
Net decrease in non-interest bearing advances received from related parties	(2,303)	(534)

Further details on guarantees provided by the Controlling Shareholder for the Group's bank and other borrowings, convertible bonds and guarantee notes are disclosed in Notes 33, 35 and 36.

(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:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	4,685	4,463
Retirement schemes contributions	39	63
Share based payments	1,299	3,525
	6,023	8,051

Save as disclosed in the report, none of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

48. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

49. EVENT AFTER THE REPORTING PERIOD

Extension of maturity date of guaranteed note

On 17 January 2019, the Company and Donghai Investment Fund Series SPC entered into a supplemental agreement and agreed to extend guaranteed note of US$10,000,000 maturity date from 17 January 2019 to 17 July 2019.

Arbitration against China Mobile

During the period from September 2018 to March 2019, Hebei Changtong Communication Engineering Co. Ltd. (河北昌通通信工程有限公司,"Hebei Changtong"), a wholly-owned subsidiary of the Group, submitted several batches of applications for arbitration to the Shijiazhuang Arbitration Commission (石家莊仲裁委員會) against China Mobile Group Hebei Co., Ltd. (中國移動通信集團河北有限公司,"China Mobile Hebei") for the repayment of long outstanding service fees and interests (the "Arbitrations").

As at 28 March 2019, Hebei Changtong has applied for the repayment of a total of approximately RMB320.65 million for the Arbitrations against China Mobile Hebei. As at 28 March 2019, the Shijiazhuang Arbitration Committee has ordered China Mobile Hebei to repay a total of approximately RMB40.88 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.

50. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019.