中国优通控股
China UT Holding

China U-Ton Future Space Industrial Group Holdings Ltd.
中國優通未來空間產業集團控股有限公司

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6168

2019 ANNUAL REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Jiang Changqing（姜長青）(Chairman)
Chen Qizheng（陳齊爭）(Chief Executive Officer)
Zhao Feng（趙峰）
Ji Huifang（計惠芳）
Liu Jianzhou（劉建洲）
Liu Zhen（劉震）(appointed on 1 December 2019)

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）
Teng Xun（滕訊）
(appointed on 29 February 2020)

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）
Teng Xun（滕訊）

Nomination Committee

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

Remuneration Committee

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

Company's Website

www.chinauton.com.hk

Auditor

ZHONGHUI ANDA CPA Limited

Legal Adviser to the Company (Hong Kong Law)

Chungs Lawyers in association
with DeHeng Law Offices

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
54th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

6168

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2019	2018	Increase
	RMB'000	RMB'000	(Decrease)%
Continuing			
Operating result			
Revenue	**99,043**	202,697	(51.1)
Gross (loss)/profit	**(6,143)**	67,995	(109.0)
EBITDA	**(95,962)**	(118,915)	(19.3)
Net loss	**(163,666)**	(202,905)	(19.3)
Loss for the year attributable to the owners of the Company	**(166,516)**	(229,988)	(27.6)
Per share data	**RMB cents**	RMB cents	RMB cents
Basic loss per share	**(7.69)**	(11.05)	(3.36)
Financial position	**RMB'000**	RMB'000	(Decrease)%
Cash at bank and on hand	**29,384**	78,593	(62.6)
Total assets	**927,518**	1,176,308	(21.2)
Net assets	**211,893**	244,522	(13.3)
			Increase
Financial ratio			(Decrease)%
Gross (loss)/profit margin	**(6.2%)**	33.5%	(39.7)
EBITDA margin	**(96.9%)**	(58.7%)	38.2
Net loss margin	**(165.2%)**	(100.1%)	65.1
Current ratio	**0.8**	1.1	(27.3)
Gearing ratio	**198.2%**	137.0%	61.2

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the audited consolidated financial results of China U-Ton Future Space Industrial Group Holdings Ltd. (formerly known as China U-Ton Holdings Limited) (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

BUSINESS OVERVIEW

Due to increasing competition in the traditional optical fiber deployment business in PRC, the Group had adjusted its allocation of resources by taking the initiative to reduce the amount of business undertaken since 2017 and foster new potential business growth drivers. Since then, the Group had made strategic investments in other new business opportunities, such as the setup of the money lending services in 2017 and the acquisition of 51% of equity interest in Beijing Yourui Jiahe Electronic Technology Co., Ltd.* ("**Yourui**", 北京優瑞嘉和電子科技有限公司) which is principally engaged in the provision of environmentally intelligent technical products and services in the PRC. These strategy adjustments have led to a significant decrease in revenue of traditional optical fibers development services but is partially compensated by the contribution of revenue from Yourui.

The business environment for the year ended 31 December 2019 had remained tough due to increasing competition in the traditional optical fiber deployment business in PRC and the drop of environmentally intelligent technical products and services. 2019 was the 70th anniversary of China. Many enterprises expected that the whole Beijing city would be subject to strict controls. Thus, many large-scale environmentally intelligent services either within or near the Beijing city had either been completed before the start of 2019 or deferred to 2020.

For the year ended 31 December 2019, the Group's revenue from continuing operations was RMB99,043,000, representing a decrease of RMB103,654,000 or 51.1%, compared to that of the previous financial year. Loss attributable to the owners of the Company was RMB166,516,000, representing a decrease of loss of RMB63,472,000 or 27.6%, compared to that of the previous financial year.

The substantial decrease in loss attributable to the owners of the Company was due to the net result of the following reasons: 1) changes in the contingent consideration for acquisition of Yourui from a recognition of fair value loss of RMB73,339,000 for the same period in 2018 to a recognition of fair value profit of RMB125,675,000 in the current year, 2) a decrease in the net foreign exchange difference relating to borrowing from loss of RMB19,712,000 for the same period in 2018 to RMB7,227,000 in the current year, and 3) an increase of impairment losses on goodwill of RMB91,000,000 (nil in 2018).

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

FUTURE PLANS AND PROSPECTS

The Group expects the operating environment will continue to be challenging. However, the application of wireless technology by the market and the promotion of cloud computing, big data and data centers, together with upgrades in systems and skills and application of 4G and 5G, is expected to lead to a multi-fold increase in the global demand for bandwidth in the next few years. Optical fiber broadband network construction is the forerunner of all infrastructure, and the most important ring for the economic development of countries in the surrounding areas under the One Belt One Road initiative, 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 opportunities to diversify its business with the ultimate aim of bringing greater value to the shareholders in the long run. It is the Group's intention to expand its business into the area of green and smart building material, decoration and renovation business.

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

APPRECIATION

On behalf of the board the Board, I 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, 11 May 2020

COMPANY PROFILE

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

Design, deployment and maintenance services of optical fibers

The Group's competitive strengths on design, deployment and maintenance services of optical fibers include (1) provision of flexible solutions to clients with traditional deployment methods and micro-ducts and mini-cable system integration methods; and (2) registration of a number of patents and obtained the rights to use the drainage system in various cities/districts to enhance business development in telecommunication industry in the PRC. Laying optical fiber cables through combining the use of drainage system and micro-ducts and mini-cable technology is a technology that can construct networks with the most extensive coverage in a shorter time and at a lower cost. The Group has extensive experience and remarkable advantage in the application of mini-cable and micro-ducts integration technology for laying optical fiber networks in storm water conduits in China.

Other communication network services

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

Environmentally intelligent technical products and services

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

Money lending services

Money lending business is a new operating segment since July 2017. The Group has obtained a money lender 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.

BUSINESS REVIEW

The competition in the traditional optical fiber deployment business in PRC was still high and the revenue derived from design, deployment and maintenance services of optical fibers decreased significantly. The diversification of revenue source to the provision of environmentally intelligent technical products and services in the PRC was considered to be a right move.

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

Sales of goods and provision of services to the Group's five largest customers accounted for approximately 59.1% of the total sales of goods and provision of services for the year of 2019 (2018:56.4%). For the year ended 31 December 2019, revenue from transactions with our largest customer accounted for approximately 30.6% (2018: 25.3%) of the Group's total sales of goods and provision of services, which amounted to RMB30,322,000 (2018: RMB51,374,000). Purchases from the Group's five largest suppliers accounted for approximately 56.3% for the year of 2019 (2018: 24.0%). For the year ended 31 December 2019, purchased from the largest supplier accounted for approximately 34.6% (2018: 6.5%).

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

FINANCIAL REVIEW

Revenue

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

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

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

Gross (loss)/profit

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

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

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

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

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

Other income from continuing operations

The Group's other income from continuing operations for the year ended 31 December 2019 was RMB3,766,000, representing a decrease of approximately 63.2% over the corresponding period of the previous financial year. The decrease in other income was mainly due to a one-off other income from settlement of trade receivables by the transfer of property in the year ended 31 December 2018 amounted to RMB7,300,000.

Other gains/(losses)

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

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

Finance cost

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

Loss from continuing operations attributable to owners of the Company

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

Goodwill

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

Equity investments at fair value through other comprehensive income

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

Convertible bonds

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

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

Guaranteed notes

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

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

Liquidity and financial resources

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

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

Gearing ratio

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

Treasury policies

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

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

Foreign exchange exposure

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

Capital structure

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The capital of the Company mainly comprises ordinary shares and capital reserves.

Capital commitments

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

Dividend

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

Information on employees

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

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

Charges on assets

As at 31 December 2019, the Group did not have pledged bank deposit to secure the bank and other borrowings (31 December 2018: RMB2,290,000).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

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 2019 (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 21 to the Consolidated Financial Statements.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 7 to 14 of this annual report. This discussion forms part of this director's report.

Compliance with Laws and Regulations

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

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

Key Relationships

(i) Employees

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

(ii) Suppliers

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

(iii) Customers

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2019 are set out in Note 21 of the Consolidated Financial Statements.

BUSINESS REVIEW

A review and analysis on the Group's business for the year ended 31 December 2019 and a discussion on the Group's future development are set out in page 5 to 14 which form part of the Report of the Directors.

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

As at 31 December 2019, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Company

Name of director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Jiang Changqing (Note 2 and note 3)	Our Company	Interest of a controlled corporation	548,200,000 Shares (L)	22.44%
	Our Company	Beneficial owner	6,400,000 Shares (L)	0.26%
	Our Company	Interest of spouse	10,195,000 Shares (L)	0.42%

Notes:

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

2. The 548,200,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, an executive Director. Therefore, Mr. Jiang Changqing is deemed to be interested in the 548,200,000 Shares owned by Bright Warm Limited by virtue of the SFO. 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 by virtue of the SFO. 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 by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, 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 2019, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Ms. Guo Aru (Note 2)	Our Company	Interest of spouse	554,600,000 Shares (L)	22.70%
		Beneficial owner	10,195,000 Shares (L)	0.42%
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	548,200,000 Shares (L)	22.44%
China Fund Limited (Note 3)	Our Company	Beneficial owner	211,363,000 Shares (L)	8.65%
Mr. Liu Xuezhong (Note 3)	Our Company	Interest of controlled corporation	211,363,000 Shares (L)	8.65%
Ms. Li Yuelan (Note 3)	Our Company	Interest of controlled corporation	211,363,000 Shares (L)	8.65%
Hifood Group Holdings Co., Ltd. (Note 4)	Our Company	Beneficial owner	200,540,000 Shares (L)	8.21%

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Hainan Province Cihang Foundation（海南省慈航公益基金會）(Note 4)	Our Company	Interest of controlled corporation	200,540,000 Shares (L)	8.21%
Mighty Mark Investments Limited (Note 5)	Our Company	Beneficial owner	169,545,000 Shares (L)	6.94%
Mr. Cheng Weihong (Note 5)	Our Company	Interest of controlled corporation	169,545,000 Shares (L)	6.94%
Mr. Chen Xiaotong (Note 6)	Our Company	Interest of controlled corporation	213,797,000 Shares (L)	8.75%
		Beneficial owner	28,224,200 Shares (L)	1.16%
Beijing Xingyun Venture Capital Co., Ltd*（北京星雲創業投資有限公司）(Note 6)	Our Company	Beneficial owner	213,797,000	8.75%

Notes:

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

2. Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo is deemed to be interested in the 548,200,000 Shares owned by Bright Warm Limited and the 6,400,000 Shares owned by Mr. Jiang Changqing by virtue of the SFO. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang Changqing, an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 548,200,000 Shares owned by Bright Warm Limited by virtue of the SFO.

3. China Fund Limited is a company incorporated in the Cayman Island and the entire issued share capital of which is beneficially owned by Luckever Holdings Limited, a company incorporated in the Cayman Island, which in turn is owned as to 60.87% and 39.13% by Mr. Liu Xuezhong and Ms. Li Yuelan, respectively. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed to be interested in the 211,363,000 Shares owned by China Fund Limited by virtue of the SFO.

4. Hifood Group Holdings Co., Ltd. is owned as to 74.96% by HNA Aviation Investment Holding Company Ltd. HNA Aviation Investment Holding Company Ltd. is a wholly owned subsidiary of HNA Aviation (Hong Kong) Holdings Co., Limited, which is owned as to 51.28% by HNA Tourism (International) Investment Group Co., Limited. HNA Tourism (International) Investment Group Co., Limited is a wholly owned subsidiary of HNA Tourism International (Hong Kong) Co., Limited, which in turn is a wholly owned subsidiary of HNA Tourism Group Limited*（海航旅遊集團有限公司）. HNA Group Co., Ltd. owns 69.96% of HNA Tourism Group Limited*（海航旅遊集團有限公司）and is owned as to 70% by Hainan Traffic Administration Holding Co. Ltd.. Hainan Traffic Administration Holding Co. Ltd. is owned as to 50% by Tang Dynasty Development (Yangpu) Company Limited, which is owned as to 65% by Hainan Province Cihang Foundation. Therefore, Hainan Province Cihang Foundation (together with the abovementioned companies other than Hifood Group Holdings Co., Ltd.), are deemed to be interested in the 200,540,000 Shares owned by Hifood Group Holdings Co., Ltd. by virtue of the SFO.

5. Mighty Mark Investments Limited is a company incorporated in the British Virgin Islands and the entire issued capital of which is beneficially owned by Ms. Cheng Weihong. Therefore, Ms. Cheng Weihong is deemed to be interested in the 169,545,000 Shares owned by Mighty Mark Investments Limited by virtue of the SFO.

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

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

(1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option (the "**Date of Grant**") which must be a trading day;

(2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and

(3) the nominal value of the shares on the Date of Grant.

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

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 168,000,000 shares, which represents 10% of the shares in issue of the Company on 12 June 2012. The Company had granted a total of 168,000,000 share options ("**Share Option 1**") since the adoption of the Share Option Scheme, of which 123,000,000 share options so far granted had been exercised, lapsed or cancelled and 45,000,000 share options remain outstanding. As such, the Company had utilised 100% of the Share Option 1 limit.

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

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

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

	Number of share options	Vesting conditions	Contractual life of share options
Share options granted to directors	1,800,000	Six months from the date of grant	3 years
	76,000,000	1 year from the date of grant	2 years
Share options granted to employees	20,200,000	Six months from the date of grant	3 years
	105,000,000	1 year from the date of grant	2 years
Share options granted to consultants	16,000,000	1 year from the date of grant	2 years
Total	219,000,000		

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Numbers of options
Outstanding at 1 January 2019	HK$0.90	227,000,000
Lapsed during the year	HK$0.90	(8,000,000)
Outstanding/Exercisable at 31 December 2019	HK$0.90	219,000,000

The share options outstanding at 31 December 2019 had a weighted average exercise price of HK$0.90. The share options granted in 2017 have a remaining contractual life of approximately 0.57 years till 23 July 2020. The share options granted in December 2018 have a remaining contractual life of approximately 1.93 years till 6 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SERVICE CONTRACTS

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

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.

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

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

As a result, a total of 356,328,500 shares were issued during the year ended 31 December 2019 to Beijing Xingyun, Mr. Cheng and Mr. Li Zhanqing（李占青）, with each of them being allotted and issued 213,797,100 shares, 106,898,551 shares and 35,632,849 shares, respectively.

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, 213,797,100 Shares and 106,898,551 Shares were allotted and issued to Beijing Xingyun and Mr. Cheng, respectively. Please refer to the paragraph headed "Fulfillment of Performance Guarantee in respect of the Acquisition of 51% Equity Interest in Yourui" above.

Beijing Xingyun and Mr. Cheng hold approximately 29.40% and 14.70% equity interest in Yourui, which is not an insignificant subsidiary of the Company under rule 14A.09 of the Listing Rules. Accordingly, Beijing Xingyun and Mr. Cheng, being substantial shareholders of Yourui, are connected persons of the Company at the subsidiary level according to rule 14A.07(1) of the Listing Rules and the issue of the shares to Beijing Xingyun and Mr. Cheng constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Moreover, during the year, the Company had certain bank and other borrowings, convertible bonds and guaranteed notes that were secured by guarantees from Mr. Jiang Changqing (the "Guarantees"). Please refer to notes 34, 36, 37 and 47 to the Notes to the Consolidated Financial Statements for further details.

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

Besides, as at 31 December 2019, the Company had certain amount due from loans provided to Mr. Jiang Changqing which are unsecured, repayable on 26 July 2019 and 26 August 2019 with interest at 10% per annum. Please refer to note 30 to Notes to the Consolidated Financial Statements for further details.

Save as disclosed above with respect to the amount due from loans provided to Mr. Jiang Changqing, the Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to its connected transactions during the year ended 31 December 2019.

Save as disclosed above, details of other related party transactions of the Group are set out in note 47 to the Notes to the Consolidated Financial Statements of this annual report, and none of which falls under the definition of connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

COMPETING INTERESTS

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

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, throughout the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except Code Provision 3.10A of the Listing Rules. The Company has published its corporate governance report, details of which are set out on pages 32 to 43 of this annual report.

ANNUAL GENERAL MEETING ("AGM")

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

CLOSURE OF THE REGISTER OF MEMBERS

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

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Arbitration against China Mobile

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

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

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

Change of Company Name and Amendments and Restatement of Constitutional Documents

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

With effect from 6 May 2020, any new share certificate of the Company will be issued under the new names.

The memorandum of association and the articles of association of the Company have been amended and restated to reflect the above change of Company name.

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

Issue of New Shares under General Mandate

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

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

Appointment of Independent Non-Executive Director

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

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

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

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

Both the unaudited and audited annual results announcement had been 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.

The Company's 2019 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 Future Space Industrial Group Holdings Ltd.
(formerly known as China U-Ton Holdings Limited)
Jiang Changqing
Chairman and Executive Director

Hong Kong, 11 May 2020

Executive Directors

Mr. Jiang Changqing, aged 54, is the founder and the chairman of the Group. He joined Hebei Changtong Communication Engineering Co., Ltd.（河北昌通通信工有限公司）(“**Hebei Changtong**”), one of our operating subsidiaries, as a director since its incorporation in June 2000. Mr. Jiang was appointed as a Director of the Group on 31 March 2011 and re-designated as an executive Director on 27 May 2012. He is primarily responsible for the overall corporate strategies, planning, management and business development of the Group. Mr. Jiang has approximately 21 years' working experience in the telecommunications industry specializing in the optical fiber deployment technology and has over six years' experience in in-sewer deployment methods such as in-sewer, pipe jacking and cable troughing which utilizes micro-ducts, mini-cables and related techniques. Prior to the establishment of the Group, Mr. Jiang worked at Hengshui Technology Intelligence Office（衡水科技情報所）from March 1998 to June 2000 responsible for the management of the operation. He worked in a department of The People's Liberation Army of the PRC from October 1981 to June 1993 and was mainly responsible for coaching telecommunication equipment maintenance and construction. Mr. Jiang obtained a diploma in law through self-studying from the Hebei University（河北大學）in June 1996.

Mr. Chen Qizheng, aged 62, was appointed as a director and the Chief Executive Officer of the Group on 23 May 2018. From December 2003 to December 2008 and from December 2008 to June 2014, Mr. Chen served as the manager of the maintenance department and the assistant to the chairman of Hebei Changtong, respectively. Since June 2014, he serves as the acting general manager and the deputy general manager of Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. *（北京優通泰達電氣新技術發展有限公司）, a subsidiary of the Company, and the deputy general manager of Hebei Changtong. Mr. Chen served in the Hebei Provincial Military Region of the People's Liberation Army of the PRC with a final position as the deputy director of the Office for Communication and Support of National Economic Development under the Headquarters*（司令部通信支援國家經濟建設辦公室）(regimental commander and the rank of Colonel). Mr. Chen graduated from the Institute of Communication Command of the People's Liberation Army*（解放軍通信指揮學院）in September 1986 and the law department of Xi'an Politics Institute of the People's Liberation Army*（解放軍西安政治學院）in August 1996.

Mr. Zhao Feng, aged 48, was appointed as a director of the Group on 9 May 2017. He is serving as the chairman of Shenzhen Qianhai U-Ton Financial Leasing Co. Ltd., a subsidiary of the Company since February 2017. Mr. Zhao served as a broker and the manager of the trading department in Nanjing Zhongqi Futures Co., Ltd*（南京中期期貨經紀有限公司）from 1993 to 1999. He served as the general manager of the investment department in Shanghai Baolai Investment Co., Ltd.*（上海寶來投資管理有限公司）from 2000 to 2010、the business department of Nanjing office of Zhejiang Zhongda Futures Co., Ltd.*（浙江省中大期貨有限公司）from 2010 to 2014 and the asset management center of Nanzheng Futures Co. Ltd（南證期貨有限責任公司資管中心）from 2015 to October 2016. Mr. Zhao graduated from Nanjing Normal University（南京師範大學）with a bachelor degree in Foreign Language Studies in 1993 and obtained a bachelor degree in Financial Engineering from Southeast University（東南大學）in 1996. In 1995, Mr. Zhao completed the Jiangsu Province futures practitioners (management) training courses at China International Futures Co., Ltd. In 1997, he had a three-months studies in interest arbitrage transactions and fixed price trading in the London Metal Exchange. In 2009, he passed the qualification exam for futures practitioners by CSRC.

Ms. Ji Huifang, aged 45, was appointed as a director of the Group on 9 May 2017. Ms. Ji served as a marketing engineer of Siemens electrical Apparatus Ltd., Suzhou from 1996 to 1998. From 1998 to 2003 and from 2003 to 2007, she served as the experienced sales engineer of the power distribution products department and the market intelligence analysis supervisor of the industry automation activity department of the Shanghai branch of Schneider Electric Investment Co. Ltd., respectively. From 2007 to 2012 and from 2012 to 2014, she also served as the industry manager of the industry and automation activity department and the national marketing manager of PKA (smart infrastructure) department of Schneider Electric Co. Ltd., respectively. Ms. Ji completed the professional course of management at East China Normal University（上海華東師範大學）in July 1996, and obtained a MBA degree from South Cross University of Australia（澳大利亞南格斯大學）in October 2002.

Ms. Liu Jianzhou, aged 44, was appointed as a director of the Group on 23 May 2018 and the vice president on 16 March 2020. Ms. Liu has over 6 years of experience in the field of general management, strategic/business planning, marketing/commercial leadership, and business development. She worked as the vice president of Tianjin Century Pharmaceutical Co., Limited*（天津世紀藥業有限公司）from February 2011 to December 2017. During this period, she was mainly responsible for the development strategy and supervision of the company's business. She was also in charge of the operation management, maintaining clients' relationship and organizing and supervising internal affairs of the company. Ms. Liu graduated from Nankai University and received a bachelor's degree in international trade in July 1996.

Mr. Liu Zhen, aged 48, was appointed as a director of the Group on 1 December 2019. Mr. Liu has over 20 years of experience in the civil engineering industry. Mr. Liu had served as the deputy general manager, the chief engineer and the chief economist of China Construction First Group Huajiang Construction Corporation Limited*（中建一局華江建設有限公司）, a subsidiary of the China Construction First Group Corporation Limited*（中國建築一局（集團）有限公司）, the deputy chief commander and chief engineer of the project management team of the China Resources Building project of China Construction First Group Corporation Limited*, the chief engineer and general manager of the engineering department of China Resources Construction Corp.*（華潤建築有限公司）, the deputy director and deputy chief auditor of Henderson (China) Investment Company Limited*（恒基（中國）投資有限公司）and the general manager of certain subsidiaries of China Investment Development Corporation Limited*（中投發展有限責任公司）(including Liaodongwan Development Corporation Limited*（遼東灣發展有限責任公司）, China Investment Development (Tianjin) Binhai Corporation Limited*（中投發展（天津）濱海有限責任公司）and Beijing Technological Business District Construction Corporation Limited*（北京科技商務區建設有限 責任公司）). Mr. Liu has been the chairman of Zhongan Anchan Industrial Group Corporation Limited*（中安安產實業集團有限公司）since 2015. Mr. Liu graduated from Tianjin University in 1995 with a bachelor degree in civil structural engineering. In 2000 and 2003, he obtained the qualification of civil engineer (grade one)*（工民建壹級工程師）and senior engineer of building structure*（建築結構高級工程師）, respectively. Mr. Liu was also appointed by the Hong Kong Institute of Construction Managers in 2004 as a representative in Beijing from 2004 to 2005.

Non-Executive Director

Mr. Ge Lingyue, aged 60, was appointed as a non-executive director of the Group on 9 May 2017. Mr. Ge has over 21 years of experience in the telecommunications, media and IT technology industries. From 1993 to 1997, Mr. Ge was appointed as the senior consultant of the first chairman of China Unicom and participated in the preparatory and sponsorship work of China United Network Communications Corporation Limited, the planning and design of China Unicom's nationwide fiber-optic network, the investment and construction work of GSM mobile communication network and China Unicom satellite signaling system number 7 communications network. Since 1998, Mr. Ge has served as the managing director in Century Investment (Holding) Limited ("**Century Investment**"). In 2006, Mr. Ge, through the wholly owned subsidiary of Century Investment, CII Satellite Communications Limited ("**CII Satellite**"), established China Mobile Broadcasting Satellite Limited ("**CMBSat**") in Hong Kong with Echostar, a leading satellite operator in US, and Mr. Ge served as the chairman of the board of directors of CMBSat. Mr. Ge is currently an executive Director of Greens Holdings Ltd (stock code: 1318) (shares of which are listed on The Stock Exchange of Hong Kong Limited and trading of which has been suspended since 2 June 2015), the chairman and general manager of Beijing Century Fortunet Technology Co., Ltd. and Beijing Gaosheng Times Technology Co., Ltd., the vice chairman and general manager of China Satellite Mobile Media Limited, a subsidiary of China Telecom and a director of Century Investment (Holding) Limited, Century East Network Limited and Century Network Holding Limited. Mr. Ge graduated from the department of Business Management from the Academy of Social Science Graduate School in 1991.

Independent Non-executive Directors

Mr. Meng Fanlin, aged 75, was appointed as an independent non-executive director of the Group on 27 May 2012. Prior to joining the Group, Mr. Meng had worked as a senior consultant and general manager of China Mobile Communications Corporation's Hebei branch Qinhuangdao office*（河北移動通信秦皇島分公司）, director of China Telecom Group's Langfang city telecommunication office*（中國電信廊坊市電信局）, the vice head and acting head of the Post and Telecommunication Administration of Hebei Qinhuangdao*（秦皇島市郵電局）and the head of telecommunication department etc. Mr. Meng obtained a bachelor degree in local telecommunications*（市內電話通信）from Jilin University（吉林大學）(formerly known as Changchun Post and Telecommunication Institute（長春郵電學院）) in July 1966.

Mr. Wang Haiyu, aged 67, was appointed as an independent non-executive Director of the Group on 27 May 2012. Prior to joining the Group, Mr. Wang had worked as the bureau's chief and senior consultant of the Fifth Construction Bureau of China International Telecommunication Construction Corporation* ("CITCC")（中國通信建設集團有限公司第五工程局）, general manager of the domestic engineering department of CITCC，general manager of the engineering and marketing department of CITCC and senior engineer, director and assistant of bureau chief of the Second Construction Bureau of CITCC *（中通建第二工程局）. Mr. Wang received his bachelor degree in telecommunications from the Nanjing University of Posts and Telecommunications（南京郵電大學）in 1978. He is a registered qualification certificate constructor*（中華人民共和國一級建造師）by the Ministry of Housing and Urban-Rural Development of the PRC*（中華人民共和國住房和城鄉建設部）with expertise in communication, a senior engineer（高級工程師）and telecommunication and national bid evaluation expert *（通信建設評標專家）by the Ministry of Information Industry.

Ms. Li Xiaohui, aged 52, was appointed as an independent non-executive Director of the Group 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）with the responsibilities of researching and formulating independent auditing principles, writing 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）. Ms. Li had worked as a partner and external affairs manager at Canshi Certified Public Accountants（滄獅會計師事務所）. Ms. Li obtained a bachelor 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, a master degree in economics from Renmin University of China（中國人民大學）in January 1993 and the degree of Doctor of Economy from the Central University of Finance and Economics（中央財經大學）in July 2001. 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 is currently an independent non-executive director of Poly Culture Group Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 3636), Ms. Li was the independent director of Kailuan Energy Chemical Co., Ltd., a company listed on The Shanghai Stock Exchange (stock code: 600997), Bank of Beijing Co., Ltd., a company listed on The Shanghai Stock Exchange (stock code: 601169), and Fangda Carbon New Material Co., Ltd., a company listed on The Shanghai Stock Exchange (stock code: 600516) from April 2011 to December 2017, August 2013 to August 2019 and May 2015 to May 2019, respectively.

Ms. Teng Xun, aged 27, was appointed as an independent non-executive Director of the Group on 29 February 2020. Ms. Teng is a Certified Public Accountant and an ERP Accountant in China. She has practical experience in accounting, merge and acquisition, listing and restructuring of company, financial & taxation and asset allocation strategic planning consultancy work. Ms. Teng is currently working as the Controller in a consultancy firm in Tianjin. She graduated from Xiamen University of Technology*（廈門理工學院）, in June 2015 with a bachelor degree in Accounting Management. In December 2019, she obtained a master degree in Professional Accounting in Nankai University*（南開大學）, China.

Senior Management

Mr. Dong Baoyi, aged 71, joined Hebei Changtong as technical director in November 2006 and was promoted as chief technical officer in March 2011, mainly responsible for the Group's optical fibers technology development and management. Prior to joining the Group, Mr. Dong worked for the local telecommunication bureau in Xingyi City, Guizhou Province as technician, the Post and Telecommunication Administration of Tangshang city（唐山市郵電局）as vice department head of long-distance machinery department（長遠機械科）, vice manager and manager of telecommunication department and China Netcom's Tangshan branch as an assistant manager. Mr. Dong obtained a diploma in telecommunication enterprise and power source facilities（電信企業動力和電源設備）from Shijiazhuang Post and Telecommunication School（石家莊郵電學校）in July 1968 and a diploma in economic management（經濟管理）through distance learning from the Hebei Provincial Committee Party School of Correspondence Education（河北省委黨校函授學院）in July 2005.

Company Secretary

Ms. Chan Oi Chong, aged 43, was appointed as the Company Secretary on 1 December 2015. Ms. Chan has more than 16 years of financial, auditing and company secretarial experience. She is currently a director of JRK Secretarial Limited. Ms. Chan was appointed as an independent non-executive director of Cool Link (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 8491) on 30 August 2017 and Xinghe Holdings Berhad, a company held in the ACE market of Bursa Mayalsia (stock code: 0095) on 1 October 2018. Ms. Chan received her bachelor degree in business administration in accounting from the Hong Kong University of Science and Technology in the year of 1998. She has been admitted as fellow members of the Hong Kong Institute of Company Secretaries and Institute of Chartered Secretaries and Administrators for more than 11 years.

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

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

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

Code of Conduct Regarding Securities Transactions by Directors

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

The Board of Directors

Composition

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

Executive Directors:
Jiang Changqing（姜長青）(Chairman)
Chen Qizheng（陳齊爭）(Chief Executive Officer)
Zhao Feng（趙峰）
Ji Huifang（計惠芳）
Liu Jianzhou（劉建洲）
Liu Zhen（劉震）(appointed on 1 December 2019)

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）
Teng Xun（滕訊）(appointed on 29 February 2020)

The biographical details of each Director are set out in the section "**Directors and Senior Management Profile**" on pages 27 to 31 in this annual report.

Following the appointment of Mr. Liu Zhen on 1 December 2019, the Board then comprised ten members (including six executive Directors, one non-executive Director and three independent non-executive Directors). Accordingly, the Company was not in compliance with Rule 3.10A of the Listing Rules, which stipulates that independent non-executive directors of a listed issuer must represent at least one-third of its board of directors.

In order to fulfill the said requirements, Ms. Teng Xun was appointed as an independent non-executive Director with effect from 29 February 2020 (which is within the 3-month grace period in accordance with Rule 3.11 of the Listing Rules). Subsequent to her appointment, the number of independent non-executive Directors represented at least one-third of the Board as required under Rule 3.10A of the Listing Rules.

Board, board committees and general meetings

CG Code Provision A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In compliance with the CG code, there were in total 11 board meetings held during the financial year ended 31 December 2019. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. Other meetings will be held when necessary. Such meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

The total number of the meetings and the individual attendance of each Director at each of the meetings during the financial year ended 31 December 2019 were as follows:

	Number of meetings attended					
Name of Directors	**Board Meetings**	**Remuneration Committee meetings**	**Nomination Committee meetings**	**Audit Committee meetings**	**Shareholders' Annual General Meeting**	**Shareholders' Extraordinary General Meeting**
Executive Directors						
Jiang Changqing (Chairman)	11/11	N/A	N/A	N/A	1/1	2/2
Chen Qizheng (Chief Executive Officer)	11/11	N/A	N/A	N/A	1/1	2/2
Zhao Feng	11/11	N/A	N/A	N/A	1/1	2/2
Ji Huifang	11/11	N/A	N/A	N/A	1/1	2/2
Liu Jianzhou	11/11	N/A	N/A	N/A	1/1	2/2
Liu Zhen (appointed on 1 December 2019)	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Director						
Ge Lingyue	11/11	N/A	N/A	N/A	1/1	2/2
Independent Non-Executive Directors						
Meng Fanlin	11/11	1/1	1/1	2/2	1/1	1/2
Wang Haiyu	11/11	1/1	1/1	2/2	1/1	1/2
Li Xiaohui	11/11	1/1	1/1	2/2	0/1	2/2
Teng Xun (appointed on 29 February 2020)	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

Responsibilities of the Board and Management

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

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

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

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The financial statements set out on pages 46 to 138 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 44 to 45.

The Directors wish to make the following statement with regard to the Going Concern Basis in note 2 to the Independent Auditor's Report:

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

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

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

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

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

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

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

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

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 2019, all Directors have been given relevant guideline materials and physically attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Particulars of which are as follows:

Directors	Type of trainings
Executive Directors	
Jiang Changqing	A,B
Chen Qizheng	A,B
Zhao Feng	A,B
Ji Huifang	A,B
Liu Jianzhou	A,B
Liu Zhen	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 materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

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

Appointment, Re-election and Removal

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

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

Nomination Committee

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

The primary duties of the nomination committee are:

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

As at 31 December 2019, 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 2019, one nomination committee meeting was held and all nomination committee members attended.

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

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 2019, the remuneration committee consists of three independent non-executive Directors namely Mr. Wang Haiyu (Chairman), Ms. Li Xiaohui and Mr. Meng Fanlin.

During the year ended 31 December 2019, one remuneration committee meeting was held, and all remuneration committee members attended. During the meeting, the remuneration committee had:

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

Audit Committee

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

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

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

As at 31 December 2019, the audit committee consists of three independent non-executive Directors, namely Ms. Li Xiaohui (Chairlady), Mr. Wang Haiyu and Mr. Meng Fanlin. During the year ended 31 December 2019, two audit committee meetings were held and all audit committee members attended. In the meetings, the audit committee had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed risk management and internal controls systems and financial reporting matters. The audit committee also met with the external auditors to review and discuss the annual and interim reports of the Company.

The Group's annual results for the year ended 31 December 2019 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 2019 complied with applicable accounting standards, Listing Rules and the legal requirements, and that adequate disclosures have been made.

During the year ended 31 December 2019, the board has not taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditors.

Auditors' Remuneration

During the year ended 31 December 2019, the Company engaged ZHONGHUI ANDA CPA Limited as the external auditors.

As at 31 December 2019, the fees paid and payable to the Group's auditors in respect of their assurance services (including audit services) provided to the Group were as follows:

	Amount (RMB)
Types of services	
Audit services	1,600,000
Non-audit services	200,000

The reporting responsibilities of ZHONGHUI ANDA CPA Limited are set out in the Independent Auditors' Report on pages 44 to 45.

Company Secretary

Ms. Chan Oi Chong, being the Company Secretary, is primarily responsible for the company secretarial work of the Group. The Company Secretary has received relevant professional training which fulfilled the requirement of Rule 3.29 of the Listing Rules.

Risk Management and Internal Control

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

Risk Management System

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

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

Internal Control System

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

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

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

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

Based on the internal control reviews conducted in 2019, 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 the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, employee qualifications and experience of relevant employee were adequate, and the training programs and budget provided were sufficient.

Dividend Policy

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

– earnings and financial condition;

– operating requirements;

– capital requirements; and

– other conditions that the Directors may consider relevant.

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

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 shareholders in respect of the EGM varies according to the nature of the resolutions as follows:

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

(2) At least 21 days' notice in writing if a special resolution is to be considered at the EGM.

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

Investor Relations and Communication

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

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2019 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 2019, there has been no significant change in the Company's constitutional documents.

ZHONGHUI

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

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China U-Ton Future Space Industrial Group Holdings Ltd. (formerly known as China U-Ton Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 138, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374
Hong Kong, 11 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Continuing operations			
Revenue	8	**99,043**	202,697
Cost of sales/services		**(105,186)**	(134,702)
Gross (loss)/profit		**(6,143)**	67,995
Interest income		**4,662**	989
Other income	9	**3,766**	10,239
Other gains/(losses)	10	**(4,748)**	(122,748)
Selling expenses		**(7,487)**	(6,419)
Administrative expenses		**(92,832)**	(75,572)
Research and development expenses		**(7,168)**	(1,946)
Operating loss from continuing operations		**(109,950)**	(127,462)
Finance costs	11	**(50,651)**	(71,345)
Loss before taxation from continuing operations		**(160,601)**	(198,807)
Income tax	12	**(3,065)**	(4,098)
Loss for the year from continuing operations		**(163,666)**	(202,905)
Discontinued operation			
Profit for the year from discontinued operation, net of tax	44	**–**	3,767
Loss for the year	13	**(163,666)**	(199,138)
Other comprehensive loss for the year (after tax):			
Items that will not be reclassified to profit or loss:			
– Fair value changes of equity investment at fair value through other comprehensive income		**(11,325)**	(5,084)
Items that may be reclassified to profit or loss:			
– Exchange differences on translation of financial statements into presentation currency		**769**	4,208
Total comprehensive loss for the year		**(174,222)**	(200,014)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(166,516)**	(229,988)
– Discontinued operation		**–**	3,767
		(166,516)	(226,221)
Non-controlling interests			
– Continuing operations		**2,850**	27,083
		(163,666)	(199,138)
Total comprehensive loss attributable to:			
Owners of the Company		**(177,072)**	(227,097)
Non-controlling interests		**2,850**	27,083
		(174,222)	(200,014)
Basic and diluted loss per share (RMB cents)	16		
– Continuing and discontinued operations		**(7.69)**	(11.05)
– Continuing operations		**(7.69)**	(11.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**125,106**	130,389
Investment properties	18	**25,786**	27,343
Intangible assets	19	**5,997**	8,325
Right-of-use assets	20	**7,378**	–
Goodwill	22	**66,708**	157,708
Equity investments at fair value through other comprehensive income	23	**61,251**	32,576
Prepayments for equity investments at fair value through other comprehensive income	23	**–**	2,300
Loan to customers	27	**57,577**	–
Contract assets	28	**98,522**	–
Prepayments, deposits and other receivables	29	**44,473**	–
		492,798	358,641
Current assets			
Investments at fair value through profit or loss	24	**37,292**	–
Inventories	25	**1,710**	5,615
Trade and bill receivables	26	**177,571**	205,387
Loan to customers	27	**85,093**	167,672
Contract assets	28	**17,008**	242,101
Prepayments, deposits and other receivables	29	**80,844**	116,009
Amount due from a director	30	**5,818**	–
Restricted bank deposits	31	**–**	2,290
Cash at bank and on hand	31	**29,384**	78,593
		434,720	817,667

	Notes	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payables	32	**208,745**	226,856
Payables for acquisition of a subsidiary	33	**27,500**	266,839
Bank and other borrowings	34	**68,707**	48,000
Corporate bonds	35	**146,010**	42,499
Convertible bonds	36	**–**	29,489
Guaranteed notes	37	**97,819**	100,524
Lease liabilities	38	**3,804**	–
Income tax payable		**21,218**	20,925
Provision for warranties		**771**	741
		574,574	735,873
Net current (liabilities)/assets		**(139,854)**	81,794
Total assets less current liabilities		**352,944**	440,435
Non-current liabilities			
Corporate bonds	35	**136,794**	195,470
Lease liabilities	38	**4,200**	–
Deferred tax liabilities	39	**57**	443
		141,051	195,913
NET ASSETS		**211,893**	244,522
Capital and reserves			
Share capital	41	**203,023**	170,909
Reserves		**(49,587)**	18,106
Equity attributable to owners of the Company		**153,436**	189,015
Non-controlling interest		**58,457**	55,507
TOTAL EQUITY		**211,893**	244,522

The consolidated financial statements on pages 46 to 138 were approved and authorised for issue by Board of Directors on 11 May 2020 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 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Equity investment revaluation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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
Balance at 1 January 2019	**170,909**	**363,360**	**10,033**	**8,573**	**45,675**	**1,099**	**(39,034)**	**(371,600)**	**189,015**	**55,507**	**244,522**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**769**	**(11,325)**	**(166,516)**	**(177,072)**	**2,850**	**(174,222)**
Issue of shares for settlement of contingent consideration for acquisition of a subsidiary	**32,114**	**71,550**	**–**	**–**	**–**	**–**	**–**	**–**	**103,664**	**–**	**103,664**
Capital injection to a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**100**	**100**
Share-based payments	**–**	**–**	**–**	**37,829**	**–**	**–**	**–**	**–**	**37,829**	**–**	**37,829**
Balance at 31 December 2019	**203,023**	**434,910**	**10,033**	**46,402**	**45,675**	**1,868**	**(50,359)**	**(538,116)**	**153,436**	**58,457**	**211,893**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Loss before taxation		
– Continuing operations	**(160,601)**	(198,807)
– Discontinued operation	**–**	104,185
Adjustments for:		
Depreciation of property, plant and equipment	**6,183**	5,849
Depreciation of investment properties	**1,557**	1,083
Depreciation of right-of-use assets	**3,920**	–
Amortisation of intangible assets	**2,328**	2,084
Impairment losses	**136,405**	4,946
Net gain on disposal of property, plant and equipment	**(38)**	–
Finance costs	**50,651**	73,085
Investment income	**(3,011)**	(1,944)
Interest income	**(4,662)**	(1,598)
Changes in equity investments at fair value through profit or loss	**(5,982)**	–
Net gain on disposal of equity investments at fair value through profit or loss	**–**	(927)
Net loss on disposal of subsidiaries	**–**	3,886
Changes in fair value of contingent consideration	**(125,675)**	73,339
Other income from settlement of trade receivables by transfer of property	**–**	(8,299)
Provision for warranties	**30**	61
Share-based payments	**37,829**	2,647
Operating cash flows before working capital changes	**(61,066)**	59,590
Decrease/(increase) in inventories	**3,905**	(1,498)
Decrease/(increase) in trade and bill receivables	**18,340**	(250,900)
Decrease/(increase) in loan to customers	**13,891**	(95,187)
Decrease in contract assets	**126,571**	113,969
Increase in prepayments, deposits and other receivables	**(17,780)**	(53,846)
(Decrease)/increase in trade and other payables	**(39,926)**	158,144
Cash used in operations	**43,935**	(69,728)
Income tax paid	**(3,158)**	(4,685)
Net cash generated from/(used in) operating activities	**40,777**	(74,413)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(1,357)**	(9,859)
Payments for purchase of investment properties	**–**	(6,339)
Payments for purchase of intangible assets	**–**	(2,315)
Proceeds from disposal of property, plant and equipment	**3**	12
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 equity investments at fair value through other comprehensive income	**(40,000)**	–
Payments for purchase of investments at fair value through profit or loss	**(31,310)**	–
Proceeds from sale of investments at fair value through profit or loss	**–**	9,824
Payments for cash consideration of acquisition of a subsidiary	**(10,000)**	–
Increase in amount due from a director	**(5,818)**	–
Increase in loans to third parties	**(14,046)**	–
Net cash inflow on acquisition of Yourui	**–**	7,662
Net cash inflow on disposal of Shijiazhuang Qiushi	**–**	34,095
Decrease/(increase) in restricted bank deposits	**2,290**	(20)
Investment income received	**3,011**	1,944
Interest received	**4,662**	1,598
Net cash (used in)/generated from investing activities	**(92,565)**	63,738
Cash flows from financing activities		
Proceeds from bank and other borrowings	**50,500**	5,000
Repayments of bank and other borrowings	**(29,793)**	(67,750)
Net proceeds from issuance of corporate bonds	**–**	28,653
Repayments of corporate bonds	**(880)**	(24,754)
Proceeds from non-controlling interest for capital injection	**100**	–
Repayments of convertible bonds	**–**	(24,935)
Repayments of guaranteed notes	**–**	(25,924)
Repayments of lease liabilities	**(3,294)**	–
Decrease in amounts due to related parties	**–**	(41)
Interest paid	**(17,880)**	(42,285)
Net cash used in financing activities	**(1,247)**	(152,036)
Net decrease in cash and cash equivalents	**(53,035)**	(162,711)
Cash and cash equivalents at 1 January	**78,593**	195,061
Cash at bank and on hand classified as held-for-sale at 1 January	**–**	31,352
Effect of foreign exchange rate changes	**3,826**	14,891
Cash and cash equivalents at 31 December	**29,384**	78,593

1. GENERAL INFORMATION

China U-Ton Future Space Industrial Group Holdings Ltd. (formerly known as 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.

2. GOING CONCERN BASIS

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

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND REVISED 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 2019. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

IFRS 16 "Leases"

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

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

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

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

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

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

4. 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 value 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 5 to the consolidated financial statements.

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

Consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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.

4. 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.

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(iii) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

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

– Land and buildings 1-20 years

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

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

The Group as lessor

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

Intangible assets (other than goodwill)

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

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

– Customer relationships 3-5 years

– Patents 5-10 years

– Software 5 years

Both the period and method of amortisation are reviewed annually.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discontinued operations

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.

4. 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.

4. 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, loan to customers and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

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

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

Cash and cash equivalents

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

4. 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.

4. 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.

4. 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 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.

4. 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 other 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.

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

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

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

Related parties

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

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(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.

4. 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.

4. 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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

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

Key sources of estimation uncertainty

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

Revenue and profit recognition

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

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.

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 RMB66,708,000.

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 7 and 23 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of these equity investment at fair value through other comprehensive income.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign exchange risk

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

At 31 December 2019, 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 RMB4,441,000 (2018: RMB3,515,000) higher, arising mainly as a result of the foreign exchange loss on corporate bonds denominated in Hong Kong dollar. If RMB had strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB4,441,000 (2018: RMB3,515,000) lower, arising mainly as a result of the foreign exchange gain on corporate bonds denominated in Hong Kong dollar.

At 31 December 2019, 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 RMB6,432,000 (2018: RMB6,440,000) 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 RMB6,432,000 (2018: RMB6,440,000) 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 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 2019, if the share prices of the investments at fair value through profit or loss increase/decrease by 10%, profit after tax for the year would have been RMB3,729,000 (2018: Nil) higher/lower, arising as a result of the fair value gain/loss of the investments.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

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

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

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

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

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

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 2019, 27% (2018: 33%) and 45% (2018: 55%) 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.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

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.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

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

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

The Group uses two categories for non-trade 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 2019			
Loans to	74,048	22,138	96,186
Provision for loss allowance	(35,965)	(22,138)	(58,103)
Carrying amounts	38,083	–	38,083
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

6. 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			
2019	49%	100%	60%
2018	39%	100%	55%
Loss allowance at 1 Jan 2018	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
Increase in provision in 2019	12,727	–	12,727
Loss allowance at 31 Dec 2019	35,965	22,138	58,103

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Trade and other payables	**197,619**	**–**	**–**	**–**	**197,619**
Payables for acquisition of a subsidiary	**27,500**	**–**	**–**	**–**	**27,500**
Bank and other borrowings	**69,232**	**–**	**–**	**–**	**69,232**
Corporate bonds	**158,917**	**26,553**	**137,627**	**–**	**323,097**
Guaranteed notes	**97,819**	**–**	**–**	**–**	**97,819**
	551,087	**26,553**	**137,627**	**–**	**715,267**
At 31 December 2018					
Trade and other payables	205,213	–	–	–	205,213
Payables for acquisition of a subsidiary	37,500	–	–	–	37,500
Bank and other borrowings	49,900	–	–	–	49,900
Corporate bonds	61,527	81,494	160,592	–	303,613
Convertible bonds	28,431	–	–	–	28,431
Guaranteed notes	100,943	–	–	–	100,943
	483,514	81,494	160,592	–	725,600

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets:		
Equity investments at fair value through profit or loss		
Mandatorily measured	37,292	–
Equity investments at fair value through other comprehensive income	61,251	32,576
Financial assets at amortised cost (including cash and cash equivalents)	464,904	559,704
Financial liabilities:		
Financial liabilities at amortised cost	674,449	656,696
Financial liabilities at fair value through profit or loss:		
Held for trading	–	231,338

(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.

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements at 31 December 2019 categorised into			Fair value measurements at 31 December 2018 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	**37,292**	**–**	**37,292**	–	–	–
Equity investments at fair value through other comprehensive income						
– Private equity investments	**–**	**22,036**	**22,036**	–	32,576	32,576
– Wealth management product	**–**	**39,215**	**39,215**	–	–	–
	37,292	**61,251**	**98,543**	–	32,576	32,576

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

	Fair value measurements at 31 December 2019 categorised into			Fair value measurements at 31 December 2018 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
Derivative liabilities						
– Contingent consideration for acquisition of a subsidiary	**–**	**–**	**–**	–	229,339	229,339
	–	**–**	**–**	1,999	229,339	231,338

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

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

7. 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 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

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

Description	**Contingent consideration of acquisition of a subsidiary 2019 RMB'000**
At 1 January	**(229,339)**
Settlement by shares	**103,664**
Changes in fair value of investment at fair value through profit or loss	**125,675**
At 31 December	**–**

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

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 the end of reporting period	73,339

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

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**	**2019 RMB'000**	2018 RMB'000
Convertible bonds – Derivative components	Black–Scholes model	Risk free rate Current share price Volatility	**–**	1,999

7. 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 2019: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 RMB'000	Fair value 2018 RMB'000
Private equity investments classified as equity investments at fair value through other comprehensive income	Market approach	Lack of marketability discount	20.00%	Decrease	**22,036**	32,576
		Lack of control discount	13.04%	Decrease		
Wealth management product classified as equity investments at fair value through other comprehensive income	Adjusted net assets value method	Underlying asset's value	N/A	Increase	**39,215**	–
Derivative liabilities – Contingent consideration of acquisition of a subsidiary	Expected Share Price Matrix	Risk free rate	2.11% - 2.33%	Decrease	**–**	229,339
		Currency exchange rate	0.8797	Decrease		

During the two years, the valuation techniques used for private equity investments classified as equity investments at fair value through other comprehensive income was changed from income approach to market approach. The directors consider the market approach is the most appropriate valuation approach as more comparable information in the public market.

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

8. REVENUE AND SEGMENT INFORMATION

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

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

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

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

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

Segment information

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

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.

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 2019 and 2018. 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.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment results *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	For the year ended 31 December 2019						
	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	46,319	3,056	18,982	30,686	99,043	–	99,043
Reportable segment gross (loss)/profit	(39,831)	(574)	18,682	15,580	(6,143)	–	(6,143)

	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

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment results	**(6,143)**	67,995	**–**	79,781	**(6,143)**	147,776
Interest income and other income	**8,428**	11,228	**–**	1,608	**8,428**	12,836
Other gains/(losses)	**(4,748)**	(122,748)	**–**	40,577	**(4,748)**	(82,171)
Selling expenses	**(7,487)**	(6,419)	**–**	(12,061)	**(7,487)**	(18,480)
Administrative expenses	**(92,832)**	(75,572)	**–**	(3,980)	**(92,832)**	(79,552)
Research and development expenses	**(7,168)**	(1,946)	**–**	–	**(7,168)**	(1,946)
Finance costs	**(50,651)**	(71,345)	**–**	(1,740)	**(50,651)**	(73,085)
(Loss)/profit before taxation	**(160,601)**	(198,807)	**–**	104,185	**(160,601)**	(94,622)

Segment assets and liabilities

	As at 31 December 2019				
	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	**417,798**	**3,632**	**180,081**	**251,477**	**852,988**
Segment liabilities	**(214,917)**	**(2,937)**	**(6,788)**	**(41,038)**	**(265,680)**

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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)

Reconciliations of reportable segment assets and liabilities

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets						
Segment assets	**852,988**	1,093,096	**–**	–	**852,988**	1,093,096
Other assets (Note i)	**74,530**	83,212	**–**	–	**74,530**	83,212
Consolidated total assets	**927,518**	1,176,308	**–**	–	**927,518**	1,176,308
Liabilities						
Segment liabilities	**(265,680)**	(446,577)	**–**	–	**(265,680)**	(446,577)
Other liabilities (Note ii)	**(449,945)**	(485,209)	**–**	–	**(449,945)**	(485,209)
Consolidated total liabilities	**(715,625)**	(931,786)	**–**	–	**(715,625)**	(931,786)

Notes:

(i) Other assets mainly include equity investments at fair value through other comprehensive income and other receivables.

(ii) Other liabilities mainly include corporate bonds and guaranteed notes.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic information and timing of revenue recognition

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

	2019						
	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	46,319	–	18,982	30,686	95,987	–	95,987
Africa	–	3,056	–	–	3,056	–	3,056
Total	46,319	3,056	18,982	30,686	99,043	–	99,043
Timing of revenue recognition							
At a point in time	–	–	N/A	11,887	11,887	–	11,887
Over time	46,319	3,056	N/A	18,799	68,174	–	68,174
Total	46,319	3,056	N/A	30,686	80,061	–	80,061

	2018						
	Continuing operations					Discontinued operation	
Segments	Optical fibers 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

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

Construction service fee income (Optical fibers and Communication networks)

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

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

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

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

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

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

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

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

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

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

9. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Government grants	**147**	68	**–**	–	**147**	68
Investment income	**3,011**	1,944	**–**	–	**3,011**	1,944
Net gain on disposal of equity investment through profit or loss	**–**	927	**–**	–	**–**	927
Net gain on disposal of property, plant and equipment	**38**	–	**–**	–	**38**	–
Other income from settlement of trade receivables by transfer of property	**–**	7,300	**–**	999	**–**	8,299
Penalty income	**409**	–	**–**	–	**409**	–
Sundry income	**161**	–	**–**	–	**161**	–
	3,766	10,239	**–**	999	**3,766**	11,238

10. OTHER GAINS/(LOSSES)

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Impairment losses on trade and bill receivables	**(9,476)**	–	**–**	–	**(9,476)**	–
Impairment losses on prepayment, deposits and other receivables	**(22,518)**	(51,253)	**–**	–	**(22,518)**	(51,253)
Impairment losses on loans to customers	**(11,111)**	–	**–**	–	**(11,111)**	–
Impairment losses on prepayments for investments at fair value through profit or loss	**(2,300)**	–	**–**	–	**(2,300)**	–
Impairment losses on goodwill	**(91,000)**	–	**–**	–	**(91,000)**	–
Reversal of impairment losses on trade and bill receivables	**–**	5,730	**–**	40,577	**–**	46,307
Changes in fair value of investment at fair value through profit or loss	**5,982**	–	**–**	–	**5,982**	–
Changes in fair value of contingent consideration	**125,675**	(73,339)	**–**	–	**125,675**	(73,339)
Net loss on disposal of subsidiaries	**–**	(3,886)	**–**	–	**–**	(3,886)
	(4,748)	(122,748)	**–**	40,577	**(4,748)**	(82,171)

11. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Interest on bank and other borrowings	**3,200**	4,950	**–**	1,740	**3,200**	6,690
Interest on lease liabilities	**731**	–	**–**	–	**731**	–
Finance charges on unsettled interest payable	**69**	–	**–**	–	**69**	–
Finance charges on corporate bonds	**26,635**	24,280	**–**	–	**26,635**	24,280
Finance charges on convertible bonds	**3,581**	6,355	**–**	–	**3,581**	6,355
Finance charges on guaranteed notes	**11,215**	11,465	**–**	–	**11,215**	11,465
Total borrowing costs*	**45,431**	47,050	**–**	1,740	**45,431**	48,790
Net foreign exchange loss	**7,227**	19,712	**–**	–	**7,227**	19,712
Changes in fair value on the derivative components of convertible bonds	**(2,007)**	4,583	**–**	–	**(2,007)**	4,583
	50,651	71,345	**–**	1,740	**50,651**	73,085

* No borrowing costs have been capitalised for the year ended 31 December 2019 (2018: RMBNil).

12. INCOME TAX

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

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

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

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

12. INCOME TAX *(Continued)*

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

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

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

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

	Continuing operations		**Discontinued operation**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Loss before taxation	**(160,601)**	(198,807)	**–**	104,185	**(160,601)**	(94,622)
Income tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(36,807)**	(35,754)	**–**	–	**(36,807)**	(35,754)
Tax effect of taxable income on revenue	**–**	–	**–**	4,337	**–**	4,337
Tax effect of non-taxable income	**(22,146)**	(158)	**–**	–	**(22,146)**	(158)
Tax effect of non-deductible expenses	**24,057**	8	**–**	–	**24,057**	8
Tax effect of unused tax losses not recognised	**37,961**	40,002	**–**	–	**37,961**	40,002
Income tax	**3,065**	4,098	**–**	4,337	**3,065**	8,435

13. LOSS FOR THE YEAR

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

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cost of inventories	**15,820**	22,404	**–**	5,830	**15,820**	28,234
Depreciation of property, plant and equipment	**6,183**	5,380	**–**	469	**6,183**	5,849
Depreciation of investment properties	**1,557**	1,083	**–**	–	**1,557**	1,083
Depreciation of right-of-use assets	**3,920**	–	**–**	–	**3,920**	–
Amortisation of intangible assets	**2,328**	2,084	**–**	–	**2,328**	2,084
Operating lease charges	**–**	6,088	**–**	98	**–**	6,186
Auditor's remuneration	**1,600**	1,600	**–**	–	**1,600**	1,600
Staff costs including directors' emoluments						
Salaries, bonus and allowances	**20,710**	23,017	**–**	7,454	**20,710**	30,471
Equity-settled share-based payments	**37,829**	2,647	**–**	–	**37,829**	2,647
Retirement benefits scheme contributions	**2,354**	1,889	**–**	1,546	**2,354**	3,435
	60,893	27,553	**–**	9,000	**60,893**	36,553

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	20	385	1,341
Zhao Feng	600	–	–	3,466	4,066
Ji Huifang	600	–	–	3,466	4,066
Liu Jianzhou (note iii)	600	–	–	3,852	4,452
Chen Qizheng (note iii)	600	–	–	2,503	3,103
Liu Zhen (note iv)	50	–	–	–	50
Non-executive directors					
Ge Lingyue	120	–	–	963	1,083
Independent non-executive directors					
Meng Fanlin	120	–	–	–	120
Wang Haiyu	120	–	–	–	120
Li Xiaohui	120	–	–	–	120
Total for 2019	3,730	136	20	14,635	18,521

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	23	27	986
Guo Aru (note i)	250	156	9	27	442
Li Qingli (note ii)	50	–	–	–	50
Zhao Feng	600	–	–	239	839
Ji Huifang	600	–	–	239	839
Liu Jianzhou (note iii)	350	–	–	265	615
Chen Qizheng (note iii)	350	–	–	172	522
Non-executive directors					
Ge Lingyue	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

Note:

(i) resigned on 23 May 2018

(ii) resigned on 28 January 2018

(iii) appointed on 23 May 2018

(iv) appointed on 1 December 2019

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 three (2018: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2018: one) individuals are set out below:

	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**260**	666
Share based payments	**7,104**	40
	7,364	706

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–

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

15. DIVIDENDS

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

16. LOSS PER SHARE

Basic loss per share

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

Loss attributable to owners of the Company:

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

Weighted average number of ordinary shares:

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

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

Diluted loss per share

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

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 2018	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**
Additions	**–**	**7**	**501**	**288**	**561**	**1,357**
Disposals	**–**	**–**	**(1,719)**	**–**	**(41)**	**(1,760)**
At 31 December 2019	**120,396**	**477**	**15,793**	**16,376**	**7,025**	**160,067**
Accumulated depreciation						
At 1 January 2018	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**
Charge for the year	**3,392**	**42**	**1,046**	**1,239**	**464**	**6,183**
Written back on disposals	**–**	**–**	**(1,264)**	**–**	**(39)**	**(1,303)**
At 31 December 2019	**4,307**	**405**	**13,289**	**10,999**	**5,961**	**34,961**
Carrying amount						
At 31 December 2019	**116,089**	**72**	**2,504**	**5,377**	**1,064**	**125,106**
At 31 December 2018	**119,481**	**107**	**3,504**	**6,328**	**969**	**130,389**

18. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Cost		
As at 1 January	**29,690**	–
Additions	**–**	6,339
Transfer from property, plant and equipment	**–**	23,351
As at 31 December	**29,690**	29,690
Accumulated depreciation and impairment loss		
As at 1 January	**2,347**	–
Charge for the year	**1,557**	1,083
Transfer from property, plant and equipment	**–**	1,264
As at 31 December	**3,904**	2,347
Net book value		
As at 31 December	**25,786**	27,343
Fair value as at 31 December	**34,065**	32,748

19. INTANGIBLE ASSETS

	Customer relationships RMB'000	Patents RMB'000	Software RMB'000	Total RMB'000
Cost				
At 1 January 2018	3,300	–	174	3,474
Additions	–	2,315	–	2,315
Acquisition of a subsidiary	–	6,920	–	6,920
At 31 December 2018 and 2019	3,300	9,235	174	12,709
Accumulated amortisation				
At 1 January 2018	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
Charge for the year	439	1,857	32	2,328
At 31 December 2019	3,300	3,248	164	6,712
Carrying amount				
At 31 December 2019	–	5,987	10	5,997
At 31 December 2018	439	7,844	42	8,325

20. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

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

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

21. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiaries	Place and date of establishment/ incorporation	Registered /issued and paid up capital	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
Naidong district Yourui Jiahe Environmental Protection Technology Co., Ltd. (乃東區優瑞嘉和環保科技有限責任公司)*	The PRC 15 September 2017	RMB 30,000,000	51%	–	51%	Provision of environmentally intelligent technical products and services
Xinjiang Yourui Jiahe Environmental Protection Technology Co., Ltd. (新疆优瑞嘉和環保科技有限公司)*	The PRC 5 February 2018	RMB 18,000,000	51%	–	51%	Provision of environmentally intelligent technical products and services
Beijing Yourui Henghe Construction Engineering Co., Ltd. (北京优瑞恒和建筑工程有限公司)*	The PRC 17 July 2019	RMB 1,500,000	51%	–	51%	Provision of environmentally intelligent technical products and services

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

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

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

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

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

Name	**Yourui and its subsidiaries**	
	2019	2018
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC
% of ownership interests/voting rights held by NCI	**49%/49%**	49%/49%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	**18,038**	20,279
Current assets	**166,238**	144,349
Current liabilities	**(44,917)**	(37,331)
Net assets	**139,359**	127,297
Accumulated NCI	**68,286**	62,376
Year ended 31 December 2019/from 12 February 2018 (date of acquisition) to 31 December 2018:		
Revenue	**30,926**	96,431
Profit	**12,062**	57,116
Total comprehensive income	**12,062**	57,116
Profit allocated to NCI	**5,910**	27,987
Net cash generated from operating activities	**4,348**	14,543
Net cash used in investing activities	**(5,854)**	(15,249)
Net cash generated from financing activities	**12,000**	–
Net increase/(decrease) in cash and cash equivalents	**10,494**	(706)

22. GOODWILL

	RMB'000
Cost:	
At 1 January 2018	7,437
Arising on acquisition of a subsidiary	157,708
At 31 December 2018 and 2019	165,145
Accumulated impairment losses:	
At 1 January 2018 and 31 December 2018	(7,437)
Impairment losses	(91,000)
At 31 December 2019	(98,437)
Carrying amount:	
At 31 December 2019	66,708
At 31 December 2018	157,708

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

	2019 RMB'000	2018 RMB'000
Provision of environmentally intelligent technical products and services	**66,708**	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 20.1%. The discount rate used is pre-tax and reflects specific risks relating to the provision of environmentally intelligent technical products and services operations' CGUs.

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

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

	2019 RMB'000	2018 RMB'000
Unlisted equity securities, at fair value		
– Investment in Sino Partner	**22,036**	25,076
– Investment in Jiaxing Jiamiao	**–**	7,500
– Investment in wealth management product (note i)	**39,215**	–
	61,251	32,576
Prepayments for equity investments in fair value through other comprehensive income	**–**	2,300

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.

(Note i) In January 2019, the Group invested RMB40,000,000 in unlisted wealth management product, which engaged in new retail industry.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Equity securities, at fair value		
Listed in Hong Kong	**37,292**	–

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Optical fibers deployment services related materials	**1,710**	5,615

26. TRADE AND BILL RECEIVABLES

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

(a) Ageing analysis

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

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

26. 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:

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

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

26. TRADE AND BILL RECEIVABLES *(Continued)*

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

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

(c) Retentions receivable

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

27. LOAN TO CUSTOMERS

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

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

(a) Ageing analysis

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

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

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

27. LOAN TO CUSTOMERS *(Continued)*

(b) Impairment of loan to customers

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

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

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

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

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

28. CONTRACT ASSETS

Disclosures of revenue-related items:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 1 January 2018 RMB'000
Contract assets – construction	**115,204**	242,101	337,394
Contract assets – consultancy	**326**	–	–
Total contract assets	**115,530**	242,101	337,394
Analysed as:			
Current assets	**17,008**	242,101	337,394
Non-current assets	**98,522**	–	–
	115,530	242,101	337,394
Contract receivables (included in trade and bill receivables)	**177,571**	205,387	47,679

Significant changes in contract assets during the year:

	2019 Contract assets RMB'000	2018 Contract assets RMB'000
Increase due to operations in the year	**153,549**	101,797
Transfer of contract assets to receivables	**(280,120)**	(197,090)

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 2019, contract assets represented the unbilled contract revenue of uncompleted projects, which included an aggregate amount of RMB79,672,000 (2018: RMB162,053,000) 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.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Amounts due from Nanjing Newlixon and Newlixon NCEH		**22,138**	22,138
Loans to third parties	(a)	**74,048**	60,002
Prepayments for inventories		**15,856**	10,247
Prepaid expenses		**8,477**	7,680
Deposits for construction contracts' bidding and performance		**9,746**	11,945
Deposits for utilities expenses and lease		**1,647**	797
Other receivables for disposal of subsidiaries		**1,076**	1,076
Prepayments for development of new potential projects		**73,219**	65,117
Others		**26,047**	21,426
		232,254	200,428
Less: allowance for doubtful debts	(b)	**(106,937)**	(84,419)
		125,317	116,009
Analysed as:			
Current assets		**80,844**	116,009
Non-current assets		**44,473**	–
		125,317	116,009

(a) The balance comprise guaranteed loans to third parties bearing interest ranging from 10% to 18% (2018: 10% to 15%).

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

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**84,419**	33,166
Impairment losses recognised	**22,518**	51,253
Balance at 31 December	**106,937**	84,419

30. AMOUNT DUE FROM A DIRECTOR

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

Name	Terms of loan	Balance at 31 December 2019 RMB'000	Balance at 1 January 2019 RMB'000	Maximum amount outstanding during the year RMB'000
Jiang Changqing	Unsecured, repayable on 26 July 2019 and 26 August 2019 and interest at 10% per annum	5,818	–	5,818

31. 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.

32. TRADE AND OTHER PAYABLES

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

Note:

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

32. 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:

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

33. PAYABLES FOR ACQUISITION OF A SUBSIDIARY

	2019 **RMB'000**	2018 RMB'000
Cash consideration for acquisition of a subsidiary	**27,500**	37,500
Contingent consideration for acquisition of a subsidiary	**–**	229,339
Total	**27,500**	266,839

34. BANK AND OTHER BORROWINGS

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

	2019 RMB'000	2018 RMB'000
Guaranteed by a director of the Company	**40,707**	48,000
Guaranteed by third parties	**22,000**	–
Unguaranteed and unsecured	**6,000**	–
	68,707	48,000

	2019 RMB'000	2018 RMB'000
Fixed rate borrowings	**13,000**	–
Variable rate borrowings	**55,707**	48,000
	68,707	48,000

	Effective interest rate	
Fixed rate borrowings	**4.35%-4.50%**	N/A
Variable rate borrowings	**4.75%-7.13%**	4.75%-5.00%

(b) Bank borrowings of RMB40,707,000 (2018: RMB48,000,000) are secured by personal guarantee from Mr. Jiang Changqing, the controlling shareholder (the "Controlling Shareholder") and director of the Company. The bank borrowing has matured on 17 October 2019.

(c) Bank borrowings of RMB10,000,000 (2018: Nil) are secured by guarantees from a third party, 北京首創融資擔保有限公司. The guarantees from 北京首創融資擔保有限公司 are secured by the personal guaranteed from Mr. Jiang Changqing, the controlling shareholder (the "Controlling Shareholder") and director of the Company and Ms. Guo Aru, a shareholder of the Company and pledged by the investment property of approximately RMB19,822,000.

Bank borrowings of RMB12,000,000 (2018: Nil) are secured by guarantees from a third party, 北京中技知識產權融資擔保有限公司. The guarantees from 北京中技知識產權融資擔保有限公司 are secured by the personal guarantee from Mr. Chen Xiaotong, a shareholder of the Company and pledged by the investment property of approximately RMB5,964,000, property, plant and equipment of approximately RMB5,962,000 and intangible assets of approximately RMB379,000.

(d) Bank borrowings of RMB1,000,000 (2018: Nil) are unguaranteed and unsecured. Other borrowings of RMB5,000,000 (2018: Nil) are borrowed from Ms. Guo Aru, a shareholder of the Company, which is unsecured and unguaranteed.

(e) At 31 December 2019, the Group's banking facilities amounted to RMB19,000,000 (2018: RMB200,077,000) were utilised to the extent of RMB19,000,000 (2018: RMB48,000,000).

35. CORPORATE BONDS

The bonds issued will mature in 2 years from the respective dates of issuance and bear interest at 6% per annum payable annually. The effective interest rate is range from 10.00% to 13.21%. The movements of the balance of corporate bonds are as follows:

	2019	2018
	RMB'000	RMB'000
At 1 January	**237,969**	215,623
Net proceeds received	**–**	28,653
Repayments during the year	**(880)**	(24,754)
Finance charges accrued for the year	**26,635**	24,280
Interest paid or transfer to other payables during the year	**(17,204)**	(17,017)
Transferred from convertible bond	**30,813**	–
Exchange adjustments	**5,471**	11,184
At 31 December	**282,804**	237,969
Less: Amounts repayable within one year	**(146,010)**	(42,499)
Amounts repayable after one year	**136,794**	195,470

The Group's corporate bonds are repayable as follows:

	2019	2018
	RMB'000	RMB'000
Within 1 year and repayable on demand	**146,010**	42,499
After 1 year but within 2 years	**16,384**	65,139
After 2 years but within 5 years	**120,410**	130,331
	282,804	237,969

36. 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 12% per annum.

On 27 June 2019, the convertible bonds with a nominal value of USD4,000,000 has matured. The new repayment schedule is to repay all the outstanding amount of the convertible bond in cash. As the conversion rights have already expired, the outstanding amount of the convertible bonds was transferred to corporate bonds. The convertible bonds are analysed as follows:

	2019			2018		
	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	**27,490**	**1,999**	**29,489**	131,324	22,975	154,299
Finance charges accrued for the year	**3,581**	**–**	**3,581**	6,355	–	6,355
Interest paid or transfer to other payables during the year	**(2,024)**	**–**	**(2,024)**	(7,061)	–	(7,061)
Exchange adjustments	**1,766**	**8**	**1,774**	6,834	803	7,637
Transferred to corporate bonds	**(30,813)**	**–**	**(30,813)**	–	–	–
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	**–**	**(2,007)**	**(2,007)**	–	4,583	4,583
At 31 December	**–**	**–**	**–**	27,490	1,999	29,489
Less: amounts repayable within one year	**–**	**–**	**–**	(27,490)	(1,999)	(29,489)
Amounts repayable after one year	**–**	**–**	**–**	–	–	–

37. GUARANTEED NOTES

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

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

	2019 RMB'000	2018 RMB'000
At 1 January	**100,524**	113,789
Finance charges accrued for the year	**11,215**	11,465
Interest paid or transfer to other payables during the year	**(16,959)**	(10,380)
Repayments during the year	**–**	(25,924)
Exchange adjustments	**3,039**	11,574
At 31 December	**97,819**	100,524
Less: amounts repayable within one year	**(97,819)**	(100,524)
Amounts repayable after one year	**–**	–

38. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**4,556**	–	**3,804**	–
In the second to fifth years, inclusive	**3,500**	–	**1,918**	–
After five years	**3,867**	–	**2,282**	–
	11,923	–		
Less: Future finance charges	**(3,919)**	–		
Present value of lease liabilities	**8,004**	–	**8,004**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,804)**	–
Amount due for settlement after 12 months			**4,200**	–

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

39. DEFERRED TAX

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

	Liabilities Fair value adjustments on intangible assets and related amortisation RMB'000
At 1 January 2018	(267)
Credited to the consolidated statement of profit or loss and other comprehensive income	337
Acquisition of a subsidiary	(513)
At 31 December 2018	(443)
Credited to the consolidated statement of profit or loss and other comprehensive income	386
At 31 December 2019	(57)

Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unused tax losses of RMB415,404,000 at 31 December 2019 (2018: RMB375,870,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of RMB169,005,000 (2018: RMB167,770,000) will expire in 2020 to 2024 (2018: 2019 to 2023). Other tax losses may be carried forward indefinitely.

Deferred tax liabilities not recognised

At 31 December 2019, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to RMB154,140,000 (2018:RMB167,691,000). Deferred tax liabilities of RMB15,414,000 (2018: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.

40. 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 2018	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
Lapsed during the year	HK$0.90	(5,000,000)
Outstanding/exercisable at 31 December 2019	HK$0.90	22,000,000

The share options outstanding at 31 December 2019 had an exercise price of HK$0.90 (2018: HK$0.90) and a remaining contractual life of 0.57 years (2018: 1.57 years).

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(iii) Measurement of fair value

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

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

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

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

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Share option B

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

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

	Number of share option	Vesting conditions	Contractual life of share options
Share options granted to directors	76,000,000	1 year from the date of grant	3 years
Share options granted to employees	108,000,000	1 year from the date of grant	3 years
Share options granted to consultants	16,000,000	1 year from the date of grant	3 years
Total	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
Lapsed during the year	HK$0.90	(3,000,000)
Outstanding/exercisable at 31 December 2019	HK$0.90	197,000,000

The share options outstanding at 31 December 2019 had an exercise price of HK$0.90 (2018: HK$0.90) and a remaining contractual life of 1.93 years (2018: 2.93 years).

40. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Share option B *(Continued)*

(iii) Measurement of fair value

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

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

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

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

41. SHARE CAPITAL

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

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

Ordinary shares, issued and fully paid:

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

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

ii) On 18 October 2019, the Company issued 334,914,000 ordinary shares to settle part of the contingent consideration of acquisition of a subsidiary. HK$33,491,000 (equivalent to approximately RMB30,237,000) was credited to share capital and HK$66,983,000 (equivalent to approximately RMB60,474,000) was credited to the share premium account.

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.

41. 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 2019, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

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

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

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

42. RESERVES

(a) Group

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

(b) Company

	Share premium RMB'000	Capital reserve RMB'000	Equity investment revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	260,006	9,876	(33,950)	(123,701)	112,231
Changes in equity for 2018:					
Loss and total comprehensive loss for the year	–	–	(5,084)	(195,042)	(200,126)
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
At 1 January 2019	**363,360**	**8,573**	**(39,034)**	**(314,793)**	**18,106**
Changes in equity for 2019:					
Loss and total comprehensive loss for the year	**–**	**–**	**(3,040)**	**(175,034)**	**(178,074)**
Issue of shares for settlement of contingent consideration for acquisition of a subsidiary	**71,550**	**–**	**–**	**–**	**71,550**
Share-based payments	**–**	**37,829**	**–**	**–**	**37,829**
At 31 December 2019	**434,910**	**46,402**	**(42,074)**	**(489,827)**	**(50,589)**

42. RESERVES *(Continued)*

(b) Company *(Continued)*

(i) Share premium

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

(ii) Other reserve

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

(iii) Capital reserve

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

(iv) Statutory reserve

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

(v) Exchange reserve

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

(vi) Equity investment revaluation reserve

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

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

	2019 RMB'000	2018 RMB'000
Non-current assets		
Interests in a subsidiary, at cost	**47,004**	47,004
Equity investments at fair value through other comprehensive income	**22,036**	25,076
	69,040	72,080
Current assets		
Other receivables, deposits and prepayments	**904**	6,393
Amounts due from subsidiaries	**497,489**	492,712
Cash at bank and on hand	**933**	2,267
	499,326	501,372
Current liabilities		
Trade and other payables	**34,994**	16,146
Amounts due to subsidiaries	**315**	309
Corporate bonds	**146,010**	42,499
Convertible bonds	**–**	29,489
Guaranteed notes	**97,819**	100,524
	279,138	188,967
Net current assets	**220,188**	312,405
Total assets less current liabilities	**289,228**	384,485
Non-current liabilities		
Corporate bonds	**136,794**	195,470
NET ASSETS	**152,434**	189,015
Capital and reserves		
Share capital	**203,023**	170,909
Reserves	**(50,589)**	18,106
TOTAL EQUITY	**152,434**	189,015

44. 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 28 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.

The profit for the year from the discontinued operation is analysed as follows:

	2018 RMB'000
Profit of discontinued operation	99,848
Loss on disposal of discontinued operation	(96,081)
	3,767

	2018 RMB'000
Revenue	215,228
Cost of sales/services	(135,447)
Gross profit	79,781
Interest income	609
Other income	999
Selling expenses	(12,061)
Administrative expenses	(3,980)
Other gains/(losses) – reversal of impairment losses	40,577
Operating profit from discontinued operation	105,925
Finance costs	(1,740)
Profit before taxation from discontinued operation	104,185
Income tax	(4,337)
Profit for the year from discontinued operation attributable to owners of the Company	99,848

44. DISCONTINUED OPERATION *(Continued)*

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

	2018 RMB'000
Net cash generated from operating activities	29,840
Net cash used in investing activities	(1,867)
Net cash used in financing activities	(51,553)
	(23,580)

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

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Guaranteed notes RMB'000	Interest payable RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2018	–	101,000	215,623	154,299	113,789	10,000	41	594,752
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)
Repayments of guaranteed notes	–	–	–	–	(25,924)	–	–	(25,924)
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	–	(62,750)	(13,118)	(31,996)	(36,304)	(7,827)	(41)	(152,036)
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. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Convertible bonds RMB'000	Guaranteed notes RMB'000	Interest payable RMB'000	Amounts due to related parties RMB'000	Total RMB'000
Changes from financing cash flows:								
Repayments of lease liabilities	(3,294)	–	–	–	–	–	–	(3,294)
Proceeds from bank and other borrowings	–	50,500	–	–	–	–	–	50,500
Repayments of bank and other borrowings	–	(29,793)	–	–	–	–	–	(29,793)
Repayments of corporate bonds	–	–	(880)	–	–	–	–	(880)
Interest paid	(731)	–	–	(1,104)	(2,348)	(13,697)	–	(17,880)
Total changes from financing cash flows	(4,025)	20,707	(880)	(1,104)	(2,348)	(13,697)	–	(1,347)
Exchange adjustments	–	–	5,471	1,774	3,039	–	–	10,284
Effect of initial application of IFRS 16	7,891	–	–	–	–	–	–	7,891
Addition of lease liabilities	3,407	–	–	–	–	–	–	3,407
Transfer to corporate bonds	–	–	30,813	(30,813)	–	–	–	–
Transfer to Interest payables	–	–	(17,204)	(920)	(14,611)	32,735	–	–
Changes in fair value on the derivative components of convertible bonds	–	–	–	(2,007)	–	–	–	(2,007)
Interest expenses	731	–	26,635	3,581	11,215	3,269	–	45,431
At 31 December 2019	**8,004**	**68,707**	**282,804**	**–**	**97,819**	**31,170**	**–**	**488,504**

46. LEASE COMMITMENTS

As lessee:

At 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases are payable as follows:

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

The Group is the lessee in respect of a number of properties and sewers held under operating leases. 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:

	2019 **RMB'000**	2018 RMB'000
Within one year	**862**	862
In the second to fifth year inclusive	**832**	1,694
	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.

47. RELATED PARTY TRANSACTIONS

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

(a) Transactions with the Controlling Shareholder and his affiliates

	2019	2018
	RMB'000	RMB'000
Net increase/(decrease) in non-interest bearing advances received from related parties	**2,163**	(2,303)

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 34, 36 and 37.

(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:

	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**4,126**	4,685
Retirement schemes contributions	**20**	39
Share based payments	**17,900**	1,299
	22,046	6,023

48. EVENT AFTER THE REPORTING PERIOD

Arbitration

As at 29 April 2020, series of arbitrations lodged by Hebei Changtong Communication Engineering Co., Ltd. ("Hebei Changtong") against China Mobile Group Hebei Co., Ltd. ("China Mobile Hebei") with a total sum of approximately RMB324.66 million have been claimed.

As at 29 April 2020, Hebei Changtong has applied for the repayment of a total of approximately RMB324.66 million for all arbitrations against China Mobile Hebei.

The Shijiazhuang Arbitration Commission and the other arbitration commissions have ordered China Mobile Hebei to repay a total of approximately RMB125.96 million including (1) service fees, (2) deposits paid by Hebei Changtong and (3) damages against China Mobile Hebei, in respect of the on-going arbitrations. The remaining unawarded amount of service fees would also be subject to future decision(s) to be handed down by the Shijiazhuang Arbitration Commission and the other arbitration commissions.

The Shijiazhuang Arbitration Commission and the other arbitration commissions may, from time to time, hand down further batches of decision in respect of the arbitrations against China Mobile Hebei and Hebei Changtong may submit further arbitrations against China Mobile Hebei seeking to recover, among others, its outstanding service fees.

Issue of new shares under general mandate

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

The 417,269,077 subscription shares represent (i) approximately 17.08% of the existing issued share capital of the Company, and (ii) approximately 14.59% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares (assuming that there will not be any change in the issued share capital of the Company from the date of this announcement to the date of completion of the Subscription). The aggregate nominal value of the subscription shares will be approximately HK$41.7 million.

Subject to the completion of the Subscription, the gross proceeds from the Subscription will be approximately HK$129.4 million and the net proceeds from the Subscription (after deduction of other expenses of the Subscription) will be approximately HK$128.4 million. It is expected that such net proceeds from the Subscription will be utilized for general working capital, repayment of debts and future investment of the Group.

49. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 11 May 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note)	(Note)	(Note)	(Note)
Non-current assets					
Property, plant and equipment	**125,106**	130,389	39,046	47,590	27,808
Investment properties	**25,786**	27,343	–	–	–
Intangible assets	**5,997**	8,325	1,174	5,074	6,692
Right-of-use assets	**7,378**	–	–	–	–
Goodwill	**66,708**	157,708	–	32,769	37,536
Equity investments at fair value through other comprehensive income	**61,251**	32,576	50,148	69,618	12,488
Prepayments for equity investments at fair value through other comprehensive income	**–**	2,300	9,290	16,790	–
Non-current trade receivables	**–**	–	–	7,933	7,279
Deferred tax assets	**–**	–	–	990	531
Loan to customers	**57,577**	–	–	–	–
Contract assets	**98,522**	–	–	–	–
Prepayments, deposits and other receivables	**44,473**	–	–	–	–
	492,798	358,641	99,658	180,764	92,334
Current assets					
Investments at fair value through profit or loss	**37,292**	–	8,897	–	20,000
Inventories	**1,710**	5,615	6,156	11,459	7,019
Trade and bill receivables	**177,571**	205,387	47,679	152,295	196,839
Loan to customers	**85,093**	167,672	72,485	–	–
Contract assets	**17,008**	242,101	337,394	505,819	577,609
Prepayments, deposits and other receivables	**80,844**	116,009	134,499	261,308	107,401
Amount due from a director	**5,818**	–	–	–	–
Restricted bank deposits	**–**	2,290	2,270	170,697	136,885
Cash at bank and on hand	**29,384**	78,593	195,061	128,057	63,595
	434,720	817,667	804,441	1,229,635	1,109,348
Assets classified as held for sale	**–**	–	454,534	–	39,000
	434,720	817,667	1,258,975	1,229,635	1,148,348

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note)	(Note)	(Note)	(Note)
Current liabilities					
Trade and other payables	**208,745**	226,856	194,853	315,776	280,113
Payables for acquisition of a subsidiary	**27,500**	266,839	–	–	–
Bank and other borrowings	**68,707**	48,000	53,000	237,275	186,041
Corporate bonds	**146,010**	42,499	22,411	3,578	6,471
Convertible bonds	**–**	29,489	41,439	–	–
Guaranteed notes	**97,819**	100,524	25,325	–	–
Lease liabilities	**3,804**	–	–	–	–
Income tax payable	**21,218**	20,925	18,526	21,761	27,338
Provision for warranties	**771**	741	680	606	515
Liabilities held-for-sale	**–**	–	263,485	–	11,000
	574,574	735,873	619,719	578,996	511,478
Net current (liabilities)/assets	**(139,854)**	81,794	639,256	650,639	636,870
Total assets less current liabilities	**352,944**	440,435	738,914	831,403	729,204
Non-current liabilities					
Bank and other borrowings	**–**	–	48,000	133,726	–
Corporate bonds	**136,794**	195,470	193,212	186,847	140,884
Convertible bonds	**–**	–	112,860	49,139	–
Guaranteed notes	**–**	–	88,464	45,132	–
Lease liabilities	**4,200**	–	–	–	–
Deferred tax liabilities	**57**	443	267	906	1,215
	141,051	195,913	442,803	415,750	142,099
Net assets	**211,893**	244,522	296,111	415,653	587,105
Capital and reserves					
Share capital	**203,023**	170,909	162,874	154,242	143,139
Reserves	**(49,587)**	18,106	139,202	262,499	438,745
Equity attributable to owners of the Company	**153,436**	189,015	302,076	416,741	581,884
Non-controlling interests	**58,457**	55,507	(5,965)	(1,088)	5,221
TOTAL EQUITY	**211,893**	244,522	296,111	415,653	587,105

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note)	(Note)	(Note)	(Note)
Revenue	**99,043**	202,697	171,929	302,681	475,507
Cost of sales	**(105,186)**	(134,702)	(213,094)	(348,696)	(329,773)
Gross (loss)/profit	**(6,143)**	67,995	(41,165)	(46,015)	145,734
Interest income	**4,662**	989	7,916	–	–
Other income	**3,766**	10,239	73	3,859	4,258
Other gains/(loss)	**(4,748)**	(122,748)	(27,960)	(88,239)	(2,923)
Selling expenses	**(7,487)**	(6,419)	(6,431)	(29,931)	(12,347)
Administrative expenses	**(92,832)**	(75,572)	(69,114)	(60,794)	(61,355)
Research and development expenses	**(7,168)**	(1,946)	(2,142)	(6,447)	(2,001)
Operating (loss)/profit from continuing operations	**(109,950)**	(127,462)	(138,823)	(227,567)	71,366
Finance costs	**(50,651)**	(71,345)	(39,223)	(65,506)	(26,166)
Net gain on disposal of subsidiaries	**–**	–	–	37,700	10,781
Share of gain of an associate	**–**	–	–	–	509
(Loss)/profit before taxation from continuing operations	**(160,601)**	(198,807)	(178,046)	(255,373)	56,490
Income tax	**(3,065)**	(4,098)	(1,554)	(4,139)	(7,861)
(Loss)/profit for the year from continuing operations	**(163,666)**	(202,905)	(179,600)	(259,512)	48,629
Discontinued operation					
Profit/(Loss)for the year from discontinued operation, net of tax	**–**	3,767	(5,883)	–	–
(Loss)/profit for the year	**(163,666)**	(199,138)	(185,483)	(259,512)	48,629
Other comprehensive (loss)/income for the year (after tax):					
Item that will not be reclassified to profit or loss:					
– Fair value changes of equity investment at fair value through other comprehensive income	**(11,325)**	(5,084)	(16,970)	(16,980)	–
Item that may be reclassified to profit or loss:					
– Exchange differences on translation of financial statements into presentation currency	**769**	4,208	(3,780)	671	–
Total comprehensive (loss)/income for the year	**(174,222)**	(200,014)	(206,233)	(275,821)	48,629

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note)	(Note)	(Note)	(Note)
Loss for the year attributable to:					
Owners of the Company					
– Continuing operations	**(166,516)**	(229,988)	(173,101)	(253,203)	48,732
– Discontinued operation	**–**	3,767	(5,883)	–	–
	(166,516)	(226,221)	(178,984)	(253,203)	48,732
Non-controlling interests					
– Continuing operations	**2,850**	27,083	(6,499)	(6,309)	(103)
(Loss)/profit for the year	**(163,666)**	(199,138)	(185,483)	(259,512)	48,629
Total comprehensive loss attributable to:					
Owners of the Company	**(177,072)**	(227,097)	(199,734)	(269,512)	48,732
Non-controlling interests	**2,850**	27,083	(6,499)	(6,309)	(103)
Total comprehensive (loss)/income for the year	**(174,222)**	(200,014)	(206,233)	(275,821)	48,629
Basic and diluted (loss)/earnings per share (RMB cents)					
– Continuing and discontinued operations	**(7.69)**	(11.05)	(9.26)	(13.75)	2.77
– Continuing operations	**(7.69)**	(11.24)	(8.96)	(13.75)	2.77

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