



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

Interim Report
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Ge Lingyue (葛凌躍)

Independent Non-Executive Directors

Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)
Teng Xun (滕訊) (appointed on 29 February 2020)
Wu Hanpu (吳函璞) (appointed on 3 August 2020)

Company Secretary

Chan Oi Chong (陳愛莊) (ICS, HKICS)

Audit Committee

Teng Xun (滕訊) (Chairlady)
Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)

Nomination Committee

Meng Fanlin (孟繁林) (Chairman)
Wang Haiyu (王海玉)
Teng Xun (滕訊)

Remuneration Committee

Wang Haiyu (王海玉) (Chairman)
Meng Fanlin (孟繁林)
Teng Xun (滕訊)

Company's Website

www.chinauton.com.hk

Auditor

ZHONGHUI ANDA CPA Limited

Legal Adviser to the Company (Hong Kong Law)

Zhong Lun Law Firm

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
China Construction Bank
Industrial and Commercial Bank of 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

| | Six months ended 30 June | | Increase (Decrease) % |
|--|--------------------------------|---|---|
| | 2020 RMB'000 (Unaudited) | 2019 RMB'000 (Unaudited) | |
| Revenue | 10,900 | 52,822 | (79.4) |
| Gross (loss)/profit | (3,974) | 15,064 | (126.4) |
| EBITDA | (50,111) | (54,403) | (7.9) |
| EBITDA margin % | (459.7%) | (103.0%) | 356.7% |
| Net loss | (71,397) | (88,907) | (19.7) |
| Loss for the year attributable to the owners of the Company | (71,496) | (93,512) | (23.5) |
| Net loss margin | (655.0%) | (168.3%) | 486.7% |
| | RMB cents | RMB cents | RMB cents |
| Basic loss per share | (2.9) | (4.5) | (1.6) |
| | | As at 30 June 2020 (Unaudited) | As at 31 December 2019 (Audited) |
| Current ratio | | 0.65 | 0.76 |
| Gearing ratio | | 304.3% | 198.2% |

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of China U-Ton Future Space Industrial Group Holdings Ltd. (formerly known as China U-Ton Holdings Limited) (the “**Company**”) and its subsidiaries (collectively the “**Group**”) are pleased to present the unaudited interim results of the Group for the six months ended 30 June 2020 (the “**current period**”).

OVERVIEW

The Group’s revenue was approximately RMB10,900,000 for the six months ended 30 June 2020, representing a decrease of approximately RMB41,922,000 or 79.4% as compared with the revenue of approximately RMB52,822,000 for the corresponding period last year (the “**last corresponding period**”). The decrease was mainly caused by the outbreak of COVID-19 Pandemic in China commencing from February this year. Most of the Group’s customers in Beijing and Hebei were affected by the outbreak. They had either delayed their resumption of operation after the Chinese New Year Holiday or temporarily suspended the operation until the end of May, which affected the quotation and progress of all the works of the Group.

Gross loss for the current period amounted to approximately RMB3,974,000, which represented a decrease of approximately RMB19,038,000 or 126.4% from gross profit of approximately RMB15,064,000 for the last corresponding period. Gross loss margin during the current period was 36.5% compared to gross profit margin of 28.5% for the last corresponding period. The decrease was mainly caused by the low revenue amount which was not big enough to absorb the fixed overhead cost.

Net loss attributable to the owners of the Company for the current period was approximately RMB71,496,000, representing a decrease of approximately RMB22,016,000 or 23.5% from loss of approximately RMB93,512,000 for the last corresponding period.

Basic loss per share for the current period was RMB2.9 cents, which represented a decrease of 35.6% from a loss per share of RMB4.5 cents for the last corresponding period.

The board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

BUSINESS REVIEW

Due to the extensive spread of the COVID-19 Pandemic across China in the first half of this year, many businesses had been unable to resume work on time and forced to have their orders cancelled, and investments were bound to shrink accordingly. The social distancing arrangement had further impacted our core business segments which required certain extent of labour work or social contact.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

As impacted by the COVID-19 Pandemic, all revenue generated from the four business segments had decreased.

Amongst all, the drop in revenue in the environmentally intelligent technical products and services amounted to approximately RMB17,086,000 or 97.8% from RMB17,478,000 for the last corresponding period was the major factor. The year of 2019 was the 70th anniversary of the founding of the People's Republic of China (the "PRC"), 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. Unfortunately, the outbreak of COVID-19 Pandemic commencing from February 2020 had impacted the provision of such services.

Gross (loss)/profit

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

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

| | Six months ended 30 June | | | |
|---|--------------------------|-------|------------------------|--------|
| | 2020 | | 2019 | |
| | RMB'000 (unaudited) | % | RMB'000 (unaudited) | % |
| Gross (loss)/profit by services | | | | |
| Design, deployment and maintenance of optical fibers services | | | | |
| – Traditional deployment methods | (2,356) | 59.3 | (12,136) | (80.6) |
| – Micro-ducts and mini-cables system integration methods | (1,440) | 36.2 | 2,872 | 19.1 |
| Sub-total | (3,796) | 95.5 | (9,264) | (61.5) |
| Other communication networks services | – | – | 397 | 2.6 |
| Environmentally intelligent technical products and services | (98) | 2.5 | 14,320 | 95.1 |
| Money lending | (80) | 2.0 | 9,611 | 63.8 |
| | (3,974) | 100.0 | 15,064 | 100.0 |

Finance cost

Finance cost mainly includes interest charged by bank and other borrowings, corporate bonds and guaranteed notes. The decrease in finance cost was mainly due to the drop of bank borrowings.

Loss attributable to owners of the Company

For the reasons above, the Group recorded net loss attributable to owners of the Company of RMB71,496,000 for the current period compared to net loss of RMB93,512,000 for the last corresponding period, representing a decrease of approximately 23.5%.

Guaranteed notes

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

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

LIQUIDITY AND FINANCIAL RESOURCE

As at 30 June 2020, the Group had current assets of approximately RMB365,844,000 (31 December 2019: RMB434,720,000) which comprised cash and cash equivalents amounted to approximately RMB34,600,000 (31 December 2019: RMB29,384,000). As at 30 June 2020, the Group had non-current liabilities and current liabilities amounted to approximately RMB142,108,000 and RMB565,581,000 (31 December 2019: RMB141,051,000 and RMB574,574,000), respectively, consisting mainly of payables, corporate bonds, guaranteed notes, bank and other borrowings arising in the ordinary course of business. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.65 (31 December 2019: 0.76).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporate bonds and guaranteed notes) less cash at bank and on hand. Capital comprises all components of equity. The gearing ratio was approximately 304.3% as at 30 June 2020 (31 December 2019: approximately 198.2%).

Foreign exchange exposure

For the six months ended 30 June 2020, the corporate bonds and guaranteed notes of the Group are denominated in foreign currencies and consequently the Group had foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the reporting date. During the current period, the Group did not engage in any derivatives activities or commit to any financial instruments to hedge its exposure to foreign exchange risk.

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.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2020, the Group had 169 employees (30 June 2019: 257), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB7,760,000 for the six months ended 30 June 2020 as compared to approximately RMB10,386,000 for the last corresponding period. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

FUTURE PLANS AND PROSPECTS

Looking forward, the Group expects the operating environment will continue to be challenging. However, the application of wireless technology by the market and the promotion of cloud computing, big data and data centres, together with upgrades in systems and skills and application of development of 5G, is expected to lead to a multi-fold increase in the global demand for network bandwidth in the next few years. Optical fiber broadband network construction is the forerunner of all infrastructures, and the most important driver for the economic development of countries in the surrounding areas under the One Belt One Road initiative, the Middle East and Africa. Upgrade of existing networks and laying of new networks are required to cope with the local needs for future development. 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 stay competitive, more efforts will be made to strengthen internal control and management and to strictly control production costs and operating expenses. The Group will also continue to explore any opportunities to diversify our business with the ultimate aim of bringing greater value to the shareholders of the Company in the long run. The Group intends to expand into the area of green and smart building material, decoration and renovation business.

OTHER INFORMATION

SHARE CAPITAL

During the six months ended 30 June 2020, the listed shares of HK\$0.10 each in the share capital of the Company (the “**Shares**”) was 2,442,673,888 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

INTERIM DIVIDEND

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

IMPORTANT EVENTS AFTER THE CURRENT PERIOD

Arbitration against China Mobile

During the period from September 2018 to July 2020, Hebei Changtong Communication Engineering Co. Ltd. (“**Hebei Changtong**”), a wholly-owned subsidiary of the Group, submitted several batches of applications for arbitration to the Shijiazhuang Arbitration Commission and the other arbitration commissions against China Mobile Group Hebei Co., Ltd. (“**China Mobile Hebei**”) for the repayment of overdue service fees and interests (the “**Arbitrations**”).

As at the date of this announcement, Hebei Changtong has applied for the repayment of a total of approximately RMB324.66 million (including contract sum of approximately RMB223.28 million and interest payable of approximately RMB101.38 million) for the Arbitrations against China Mobile Hebei and the Shijiazhuang Arbitration Committee and the other arbitration commissions have ordered China Mobile Hebei to repay a total contract sum of approximately RMB132.12 million in respect of the Arbitrations. The remaining unawarded amount of service fees and interests would be subject to future decisions to be handed down by the Shijiazhuang Arbitration Committee and the other arbitration commissions.

As at the date of this announcement, the Company has received a total contract sum of approximately RMB161.76 million and there is still a receivable of approximately RMB36.24 million from China Mobile Hebei (representing a total of approximately RMB198.00 million (the “**Negotiation Sum**”). The Negotiation Sum being higher than the Arbitration Contract Sum was mainly due to China Mobile Hebei’s speeding up of the service agreements audit and payment in accordance with the terms of the respective service agreements.

For further details, please refer to the announcement of the Company dated 31 July 2020 in relation to the Arbitrations.

OTHER INFORMATION

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 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.

All the conditions of the subscription have been fulfilled and completion of the subscription took place on 21 August 2020 in accordance with the terms of the subscription agreement.

For details, please refer to the announcements of the Company dated 24 April 2020, 27 April 2020, 14 August 2020 and 21 August 2020.

Resignation and appointment of Independent Non-Executive Director

Ms. Li Xiaohui (李曉慧) resigned as an independent non-executive Director of the Company, the chairman of audit committee and the member of remuneration committee and nomination committee of the Company due to personal health concern from 1 July 2020.

According to Rule 3.21 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), audit committee of a listed issuer must be chaired by an independent non-executive director. The Board appointed Ms. Teng Xun as the chairman of audit committee of the Company upon the resignation of Ms. Li as the chairman of audit committee of the Company with effect from 1 July 2020.

According to Rule 3.10A of the Listing Rules, independent non-executive Directors of a listed issuer must represent at least one-third of its board of directors. Upon the resignation of Ms. Li as an independent non-executive Director, the Board will comprise ten members with six executive Directors, one non-executive Director and three independent non-executive Directors. As a result, the number of independent non-executive Directors of the Company falls below one-third of the Board as required under Rule 3.10A of the Listing Rules.

For details, please refer to the announcement of the Company dated 30 June 2020.

Ms. Wu Hanpu (吳函璞) was appointed as an independent non-executive Director with effect from 3 August 2020. Upon the appointment of Ms. Wu as an independent non-executive Director, the Board will comprise eleven members with six executive Directors, one non-executive Director and four independent non-executive Directors. As a result, the number of independent non-executive Directors of the Company is more than one-third of the Board as required under Rule 3.10A of the Listing Rules.

For details, please refer to the announcement of the Company dated 31 July 2020.

Change of Stock Short Name

Pursuant to the special resolutions passed by the shareholders at an extraordinary general meeting of the Company held on 9 March 2020, the name of the Company has changed from “China U-Ton Holdings Limited” to “China U-Ton Future Space Industrial Group Holdings Ltd.” and the dual foreign name in Chinese has been 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.

In line with its prospective expansion into the area of green and smart building material, decoration and renovation business, the stock short name for trading in the ordinary Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited has been changed from “CHINA U-TON” to “U-TON FUTURE” in English and from “中國優通” to “優通未來” in Chinese with effect from 9:00 a.m. on 5 August 2020.

For details, please refer to the announcement of the Company dated 30 July 2020.

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

As at 30 June 2020, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Company

| Name of director | Name of Group member/associated corporation | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|--|---|--------------------------------------|---|--|
| Mr. Jiang Changqing (Note 2 and note 3) | Our Company | Interest of a controlled corporation | 542,035,000 Shares (L) | 22.19% |
| | Our Company | Beneficial owner | 6,400,000 Shares (L) | 0.26% |
| | Our Company | Interest of spouse | 10,195,000 Shares (L) | 0.42% |

OTHER INFORMATION

Notes:

1. The letter “L” denotes the directors’ long position in the shares of our Company or the relevant associated corporation.
2. The 542,035,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang, an executive Director. Therefore, Mr. Jiang is deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited by virtue of the SFO. Mr. Jiang is also interested in 6,400,000 share options granted under the Share Option Scheme.
3. Ms. Guo Aru (“**Ms. Guo**”) is the spouse of Mr. Jiang. Ms. Guo held 10,195,000 Shares directly. Mr. Jiang is deemed to be interested in the 10,195,000 Shares held by Ms. Guo by virtue of the SFO. Ms. Guo is also interested in 6,400,000 share options granted under the Share Option Scheme. Mr. Jiang is deemed to be interested in the 6,400,000 share options held by Ms. Guo by virtue of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholder | Name of Group member | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|------------------------------|----------------------|-----------------------------|--|--|
| Ms. Guo Aru (Note 2) | Our Company | Interest of spouse | 548,435,000 Shares (L) | 22.45% |
| | | Beneficial owner | 10,195,000 Shares (L) | 0.42% |
| Bright Warm Limited (Note 2) | Our Company | Beneficial owner | 542,035,000 Shares (L) | 22.19% |
| China Fund Limited (Note 3) | Our Company | Beneficial owner | 193,508,000 Shares (L) | 7.92% |

OTHER INFORMATION

| Name of shareholder | Name of Group member | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding |
|---|----------------------|------------------------------------|---|--|
| Mr. Liu Xuezhong (Note 3) | Our Company | Interest of controlled corporation | 193,508,000 Shares (L) | 7.92% |
| Ms. Li Yuelan (Note 3) | Our Company | Interest of controlled corporation | 193,508,000 Shares (L) | 7.92% |
| Hifood Group Holdings Co., Ltd. (Note 4) | Our Company | Beneficial owner | 200,540,000 Shares (L) | 8.21% |
| 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% |
| Ms. 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 | 213,797,100 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 | 213,797,100 | 8.75% |

Notes:

- The letter "L" denotes the person's long position in the shares of our Company or the relevant Group member.
- Ms. Guo is the spouse of Mr. Jiang. Therefore, Ms. Guo is deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited and the 6,400,000 Shares owned by Mr. Jiang 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, an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited by virtue of the SFO.
- China Fund Limited is a company incorporated in the Cayman Island and the entire issued share capital of which is beneficially owned by Luckever Holdings Limited, a company incorporated in the Cayman Island, which in turn is owned as to 60.87% and 39.13% by Mr. Liu Xuezhong and Ms. Li Yuelan, respectively. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed to be interested in the 193,508,000 Shares owned by China Fund Limited by virtue of the SFO.

OTHER INFORMATION

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

SHARE OPTION SCHEME

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

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

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

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

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.

OTHER INFORMATION

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 | <u>219,000,000</u> | | |

(ii) Reconciliation of outstanding share options:

| | Weighted average exercise price | Numbers of options |
|--|------------------------------------|-----------------------|
| Outstanding/Exercisable at 1 January 2020 & 30 June 2020 | HK\$0.90 | <u>219,000,000</u> |

The share options outstanding at 30 June 2020 had a weighted average exercise price of HK\$0.90. The share options granted in 2017 have a remaining contractual life of approximately 0.07 years till 23 July 2020. The share options granted in December 2018 have a remaining contractual life of approximately 1.43 years till 6 December 2021.

(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 granted in 2017 | 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% |
| Fair value of share options and assumptions granted in 2018 | Share options granted to directors | Share options granted to employees and consultants |
| Fair value at measurement date | HK\$0.230 | HK\$0.229 |
| Share price | HK\$0.840 | HK\$0.840 |
| Exercise price | 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% |
| Option life (expressed as weighted average life used in the modelling under binomial lattice model) | 3.0 | 3.0 |
| Expected dividends | 0.000% | 0.000% |
| Risk-free interest rate (based on Hong Kong Exchange Fund Notes) | 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.

OTHER INFORMATION

CONNECTED TRANSACTIONS

During the period, the Company had certain bank and other borrowings and guaranteed notes that were secured by guarantees from Mr. Jiang (the “**Guarantees**”). Please refer to notes 18 and 20 to the Notes to the Condensed Consolidated Financial Statements for further details.

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

Besides, as at 30 June 2020, the Company had certain amount due from loans provided to Mr. Jiang which are unsecured, repayable on 26 July 2019 and 26 August 2019 with interest at 10% per annum. Please refer to note 15 to the Notes to the Condensed Consolidated Financial Statements for further details.

Save as disclosed above with respect to the amount due from loans provided to Mr. Jiang, 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 period ended 30 June 2020.

Save as disclosed above, details of other related party transactions of the Group are set out in note 22 to the Notes to the Condensed Consolidated Financial Statements of this interim 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, neither the Directors nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 June 2020 which may, directly or indirectly, compete with the Group’s business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Since the Company’s Shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 August 2014, the company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”). The Group strives to and will continue to ensure compliance with the corresponding provisions set out in The Model Code. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standards as set out in the Model Code by the Directors throughout the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, throughout the six months ended 30 June 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

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

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

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

The audit committee comprises three independent non-executive Directors, namely Ms. Teng Xun (chairlady of the audit committee), Mr. Meng Fanlin and Mr. Wang Haiyu.

The audit committee had discussed with the management the accounting principles and policies adopted by the Group and reviewed the Group's unaudited interim condensed consolidated financial statement and the related notes for the six months ended 30 June 2020.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

By order of the Board
China U-Ton Future Space Industrial Group Holdings Ltd.
Jiang Changqing
Chairman and Executive Director

Hong Kong, 27 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

| | | | For the six months ended 30 June | |
|--|------|--------------------------------|----------------------------------|--|
| | Note | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) | |
| Revenue | 4 | 10,900 | 52,822 | |
| Cost of sales/services | | (14,874) | (37,758) | |
| Gross (loss)/profit | | (3,974) | 15,064 | |
| Other income | 5 | 4,425 | 2,198 | |
| Impairment losses | | (5,266) | (8,284) | |
| Selling expenses | | (1,847) | (4,067) | |
| Administrative expenses | | (27,460) | (68,454) | |
| Research and development expenses | | (1,104) | (1,294) | |
| Operating loss | | (35,226) | (64,837) | |
| Finance costs | 6 | (19,090) | (31,928) | |
| Changes in fair value of trading securities | | (16,943) | 3,510 | |
| Changes in fair value on the derivative components of CB | | – | 1,999 | |
| Changes in fair value of contingent consideration | | – | 2,423 | |
| Loss before taxation | 7 | (71,259) | (88,833) | |
| Income tax | 8 | (138) | (74) | |
| Loss for the period | | (71,397) | (88,907) | |
| Other comprehensive loss for the period (after tax): | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| – Exchange differences on translation of financial statements into presentation currency | | (50) | (1,343) | |
| Total comprehensive loss for the period | | (71,447) | (90,250) | |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

| | | For the six months ended 30 June | |
|--|--------------------------------|----------------------------------|--|
| Note | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) | |
| Loss for the period attributable to: | | | |
| | (71,496) | (93,512) | |
| | <u>99</u> | <u>4,605</u> | |
| Loss for the period | <u>(71,397)</u> | <u>(88,907)</u> | |
| Total comprehensive loss attributable to: | | | |
| | (71,546) | (94,855) | |
| | <u>99</u> | <u>4,605</u> | |
| Total comprehensive loss for the period | <u>(71,447)</u> | <u>(90,250)</u> | |
| Loss per share (RMB cents) | | | |
| – Basic | 10 <u>(2.9)</u> | <u>(4.5)</u> | |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2020 RMB'000 (unaudited) | As at 31 December 2019 RMB'000 (audited) |
|--|------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 126,241 | 125,106 |
| Investment properties | | 25,667 | 25,786 |
| Intangible assets | | 5,799 | 5,997 |
| Right-of-use assets | | 5,364 | 7,378 |
| Goodwill | 12 | 66,708 | 66,708 |
| Equity investments at fair value through other comprehensive income | 13 | 61,251 | 61,251 |
| Loan to customers | | 57,577 | 57,577 |
| Contract assets | | 89,211 | 98,522 |
| Prepayments, deposits and other receivables | | 44,473 | 44,473 |
| | | <u>482,291</u> | <u>492,798</u> |
| Current assets | | | |
| Investments at fair value through profit or loss | | 15,074 | 37,292 |
| Inventories | | 1,694 | 1,710 |
| Trade and bill receivables | 14 | 160,422 | 177,571 |
| Loan to customers | | 78,066 | 85,093 |
| Contract assets | | 10,767 | 17,008 |
| Prepayments, deposit and other receivables | | 59,403 | 80,844 |
| Amount due from a director | 15 | 5,818 | 5,818 |
| Cash at bank and on hand | 16 | 34,600 | 29,384 |
| | | <u>365,844</u> | <u>434,720</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | 199,043 | 208,745 |
| Payables for acquisition of a subsidiary | | 27,500 | 27,500 |
| Bank and other borrowings | 18 | 62,707 | 68,707 |
| Corporate bonds | 19 | 150,735 | 146,010 |
| Guaranteed notes | 20 | 106,834 | 97,819 |
| Lease Liabilities | | 5,437 | 3,804 |
| Income tax payable | | 12,551 | 21,218 |
| Provision for warranties | | 774 | 771 |
| | | <u>565,581</u> | <u>574,574</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 June 2020 RMB'000 (unaudited) | As at 31 December 2019 RMB'000 (audited) |
|---|------|--|--|
| Net current liabilities | | <u>(199,737)</u> | <u>(139,854)</u> |
| Total assets less current liabilities | | <u>282,554</u> | <u>352,944</u> |
| Non-current liabilities | | | |
| Corporate bonds | 19 | 141,693 | 136,794 |
| Lease liabilities | | 358 | 4,200 |
| Deferred tax liabilities | | <u>57</u> | <u>57</u> |
| | | <u>142,108</u> | <u>141,051</u> |
| NET ASSETS | | <u>140,446</u> | <u>211,893</u> |
| Capital and reserves | | | |
| Share capital | | 203,023 | 203,023 |
| Reserves | | <u>(121,133)</u> | <u>(49,587)</u> |
| Equity attributable to owners of the Company | | <u>81,890</u> | <u>153,436</u> |
| Non-controlling interests | | <u>58,556</u> | <u>58,457</u> |
| TOTAL EQUITY | | <u>140,446</u> | <u>211,893</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|--------------------------|----------------------------|--------------------------|--------------------------------------|-----------------------------|--|-------------------------------|------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Capital Reserve RMB'000 | Other reserve RMB'000 | Statutory surplus reserve RMB'000 | Exchange reserve RMB'000 | Equity investment revaluation reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| For the six months ended 30 June 2019 (unaudited) | | | | | | | | | | | |
| Balance at 1 January 2019 | 170,909 | 363,360 | 8,573 | 10,033 | 45,675 | 1,099 | (39,034) | (371,600) | 189,015 | 55,507 | 244,522 |
| Changes in equity for 2019: | | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | - | (93,512) | (93,512) | 4,605 | (88,907) |
| Other comprehensive loss | - | - | - | - | - | (1,343) | - | - | (1,343) | - | (1,343) |
| Total comprehensive loss for the period | - | - | - | - | - | (1,343) | - | (93,512) | (94,855) | 4,605 | (90,250) |
| Share-based payments | - | - | 20,205 | - | - | - | - | - | 20,205 | - | 20,205 |
| Balance at 30 June 2019 (unaudited) | 170,909 | 363,360 | 28,778 | 10,033 | 45,675 | (244) | (39,034) | (465,112) | 114,365 | 60,112 | 174,477 |
| For the six months ended 30 June 2020 (unaudited) | | | | | | | | | | | |
| Balance at 1 January 2020 | 203,023 | 434,910 | 46,402 | 10,033 | 45,675 | 1,868 | (50,359) | (538,116) | 153,436 | 58,457 | 211,893 |
| Changes in equity for 2020 | | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | - | (71,496) | (71,496) | 99 | (71,397) |
| other comprehensive loss | - | - | - | - | - | (50) | - | - | (50) | - | (50) |
| Total comprehensive loss for the period | - | - | - | - | - | (50) | - | (71,496) | (71,546) | 99 | (71,447) |
| Balance at 30 June 2020 (unaudited) | 203,023 | 434,910 | 46,402 | 10,033 | 45,675 | 1,818 | (50,359) | (609,612) | 81,890 | 58,556 | 140,446 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
| Net cash generated from operating activities | <u>26,087</u> | <u>21,223</u> |
| Net cash used in investing activities | <u>(13,712)</u> | <u>(79,858)</u> |
| Net cash used in financing activities | <u>(7,159)</u> | <u>(490)</u> |
| Net increased/(decrease) in cash and cash equivalents | 5,216 | (59,125) |
| Cash and cash equivalents at 1 January | <u>29,384</u> | <u>78,593</u> |
| Cash and cash equivalents at 30 June, represented by bank balances and cash | <u>34,600</u> | <u>19,468</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited Liability under the Companies Law of the Cayman Islands. 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 in Hong Kong is Room 2404, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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 (“**Main Board**”) of the Stock Exchange of Hong Kong Limited. The last day of dealings in the Shares on GEM (Stock code: 8232) was 31 July 2014 with dealings in the Shares on the Main Board (Stock code: 6168) commencing at 9:00 a.m. with effect from 1 August 2014.

The Company is an investment holding company. The principal activities of its subsidiaries are provision of design, deployment and maintenance of optical fibers services, other communication networks services, environmentally intelligent technical products and services, and money lending services.

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

Pursuant to the special resolutions passed by the shareholders at an extraordinary general meeting of the Company held on 9 March 2020, the name of the Company has changed from China U-Ton Holdings Limited to China U-Ton Future Space Industrial Group Holdings Ltd. The change of name became effective on 9 March 2020.

2. BASIS OF PREPARATION

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

The accounting policies and methods of computation applied in these condensed interim financial statements are the same as those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The application of these new and revised IFRSs will not have material impact on the financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

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

The amount of each significant category of revenue during the period is as follows:

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2020 | 2019 |
| | RMB’000 | RMB’000 |
| | (unaudited) | (unaudited) |
| Design, deployment and maintenance of optical fibers services | 10,508 | 21,565 |
| Other communication networks services | – | 4,018 |
| Environmentally intelligent technical products and services | 392 | 17,478 |
| Money lending services | – | 9,761 |
| | <u>10,900</u> | <u>52,822</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE AND SEGMENT INFORMATION (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 six months ended 30 June 2020 and 2019 is set out below.

| | Six months ended 30 June 2020 (unaudited) | | | | |
|--|---|---|--|--------------------------|------------------|
| | Optical fibers RMB'000 | Other communication networks RMB'000 | Environmentally intelligent technical products and services RMB'000 | Money lending RMB'000 | Total RMB'000 |
| Revenue from external customers and reportable segment revenue | <u>10,508</u> | <u>–</u> | <u>392</u> | <u>–</u> | <u>10,900</u> |
| Reportable segment gross loss | <u>(3,796)</u> | <u>–</u> | <u>(98)</u> | <u>(80)</u> | <u>(3,974)</u> |

| | Six months ended 30 June 2019 (unaudited) | | | | |
|--|---|---|--|--------------------------|------------------|
| | Optical fibers RMB'000 | Other communication networks RMB'000 | Environmentally intelligent technical products and services RMB'000 | Money lending RMB'000 | Total RMB'000 |
| Revenue from external customers and reportable segment revenue | <u>21,565</u> | <u>4,018</u> | <u>17,478</u> | <u>9,761</u> | <u>52,822</u> |
| Reportable segment gross (loss)/profit | <u>(9,264)</u> | <u>397</u> | <u>14,320</u> | <u>9,611</u> | <u>15,064</u> |

Geographic information and timing of revenue recognition

At 30 June 2020 and 2019, substantially all of the Group's non-current assets are physically located or allocated to operations in 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographic information and timing of revenue recognition (Continued)

| Segments | Six months ended 30 June 2020 (unaudited) | | | | |
|-------------------------------|---|-----------------------------------|--|--------------------------|------------------|
| | Optical fibers RMB'000 | Communication networks RMB'000 | Environmentally intelligent technical products and services RMB'000 | Money lending RMB'000 | Total RMB'000 |
| Geographical markets | | | | | |
| The PRC including Hong Kong | 10,508 | – | 392 | – | 10,900 |
| Africa | – | – | – | – | – |
| Total | 10,508 | – | 392 | – | 10,900 |
| Timing of revenue recognition | | | | | |
| At a point in time | – | – | – | N/A | – |
| Over time | 10,508 | – | 392 | N/A | 10,900 |
| Total | 10,508 | – | 392 | N/A | 10,900 |

| Segments | Six months ended 30 June 2019 (unaudited) | | | | |
|-------------------------------|---|-----------------------------------|--|--------------------------|------------------|
| | Optical fibers RMB'000 | Communication networks RMB'000 | Environmentally intelligent technical products and services RMB'000 | Money lending RMB'000 | Total RMB'000 |
| Geographical markets | | | | | |
| The PRC including Hong Kong | 21,565 | – | 17,478 | 9,761 | 48,804 |
| Africa | – | 4,018 | – | – | 4,018 |
| Total | 21,565 | 4,018 | 17,478 | 9,761 | 52,822 |
| Timing of revenue recognition | | | | | |
| At a point in time | – | – | 6,698 | N/A | 6,698 |
| Over time | 21,565 | 4,018 | 10,780 | N/A | 36,363 |
| Total | 21,565 | 4,018 | 17,478 | N/A | 43,061 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME

| | Six months ended 30 June | |
|--------------------------------|--------------------------------|--------------------------------|
| | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
| Interest income | 77 | 97 |
| Investment income | 1,399 | 1,954 |
| Government grants | 481 | 147 |
| Other | 6,623 | – |
| Net loss on trading securities | (4,155) | – |
| | <u>4,425</u> | <u>2,198</u> |

6. FINANCE COSTS

| | Six months ended 30 June | |
|---------------------------------------|--------------------------------|--------------------------------|
| | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
| Interest on bank and other borrowings | 4,196 | 14,677 |
| Finance charges on corporate bonds | 7,758 | 8,529 |
| Finance charges on convertible bonds | – | 2,155 |
| Finance charges on guaranteed notes | 5,486 | 5,186 |
| Finance charges on lease liabilities | 1,263 | 495 |
| | <u>18,703</u> | <u>31,042</u> |
| Total borrowing costs | 387 | 886 |
| Net foreign exchange loss | | |
| | <u>19,090</u> | <u>31,928</u> |

7. LOSS BEFORE TAXATION

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
| Employee costs | 7,760 | 10,386 |
| Depreciation of property, plant and equipment | 1,860 | 2,299 |
| Amortisation of intangible assets | 198 | 203 |
| | <u>9,818</u> | <u>12,888</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. INCOME TAX

| | Six months ended 30 June | |
|----------------------------|--------------------------|-------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current taxation: | | |
| – PRC Corporate Income Tax | 138 | 74 |
| | <u>138</u> | <u>74</u> |

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

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%).

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2020 (2019: 25%).

One of the subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau 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 year ended 31 December 2021.

9. DIVIDENDS

The board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. LOSS PER SHARE

The basic loss per share for the period ended 30 June 2020 is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period, calculated as follows:

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Loss for the purposes of calculating basic loss per share (loss for the period attributable to the owners of the Company) | <u>(71,496)</u> | <u>(93,512)</u> |
| | Number of shares | |
| | 2020 | 2019 |
| | '000 | '000 |
| | (unaudited) | (unaudited) |
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share | <u>2,442,674</u> | <u>2,086,345</u> |
| Basic loss per share (RMB cents) | <u>(2.9)</u> | <u>(4.5)</u> |

There was no diluted loss per share for the six months ended 30 June 2020 and 2019 as there was no potential ordinary share issued during both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of approximately RMB2,994,000 (six months ended 30 June 2019: RMB889,000).

12. GOODWILL

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:

| | 30 June | 31 December |
|--|----------------------|---------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (audited) |
| Provision of environmentally intelligent technical products and services | <u>66,708</u> | <u>66,708</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Unlisted equity securities, at fair value | | |
| – Investment in Sino Partner (Note i) | 22,036 | 22,036 |
| – Investment in wealth management product (Note ii) | 39,215 | 39,215 |
| | 61,251 | 61,251 |

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.

Notes:

- i: It represents investment of approximately 1.76% of equity interest in Sino Partner Global Limited (“Sino Partner”) which is principally engaged in the design, development, manufacturing and sales of high performance supercars under the brand “Apollo”.
- ii: In January 2019, the Group invested RMB40,000,000 in unlisted wealth management product, which engaged in new retail industry.

14. TRADE AND BILL RECEIVABLES

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|------------------------------------|---|---|
| Trade and bill receivables | 191,986 | 209,135 |
| Less: allowance for doubtful debts | (31,564) | (31,564) |
| | 160,422 | 177,571 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. TRADE AND BILL RECEIVABLES (CONTINUED)

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

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|-----------------|---|---|
| Within 90 days | 17,671 | 60,280 |
| 91 to 180 days | 10,194 | 17,120 |
| 181 to 365 days | 55,187 | 39,158 |
| Over 1 year | 77,370 | 61,013 |
| | 160,422 | 177,571 |

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

15. 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 30 June 2020 RMB'000 (unaudited) | Balance at 31 December 2019 RMB'000 (audited) | Maximum amount outstanding during the period RMB'000 (unaudited) |
|-----------------|--|--|---|---|
| Jiang Changqing | Unsecured, repayable on 26 July 2019 and 26 August 2019 and interest at 10% per annum | 5,818 | 5,818 | 5,818 |

16. CASH AT BANK AND ON HAND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. TRADE AND OTHER PAYABLES

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| Trade payables due to third parties | 104,394 | 118,905 |
| Other payables and accrued expenses | | |
| – accrued expenses | 14,876 | 6,950 |
| – payables for staff related costs | 17,968 | 17,715 |
| – other taxes payables | 9,715 | 4,176 |
| – payables for interest expenses | 25,615 | 31,170 |
| – amounts due to non-controlling equity holders (i) | 1,442 | 274 |
| – others | 25,033 | 29,555 |
| | 94,649 | 89,840 |
| Total | 199,043 | 208,745 |

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

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

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|-----------------|---|---|
| Within 90 days | 2,172 | 20,473 |
| 91 to 180 days | 5,860 | 8,213 |
| 181 to 365 days | 16,181 | 18,794 |
| Over 1 year | 80,181 | 71,425 |
| | 104,394 | 118,905 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BANK AND OTHER BORROWINGS

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|--|---|---|
| Guaranteed by a director of the Company (Note 1) | 37,707 | 40,707 |
| Guaranteed by third parties (Note 2) | 22,000 | 22,000 |
| Unguaranteed and unsecured (Note 3) | 3,000 | 6,000 |
| | 62,707 | 68,707 |
| Effective interest rate | 4.35%-7.13% | 4.35%-7.13% |

Notes:

- Bank borrowings of RMB37,707,000 (2019: RMB40,707,000) are secured by personal guarantee from Mr. Jiang, the controlling shareholder and director of the Company. The bank borrowing had matured on 17 October 2019.
- Bank borrowings of RMB10,000,000 (2019: RMB10,000,000) 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 and Ms. Guo, a shareholder of the Company and the spouse of Mr. Jiang, and pledged by the investment property of approximately RMB19,822,000.

Bank borrowings of RMB12,000,000 (2019: RMB12,000,000) are secured by guarantees from a third party, 北京中技知識產權融資擔保有限公司. The guarantees from 北京中技知識產權融資擔保有限公司 are secured by the personal guarantee from Mr. Chen Xiaotong, a shareholder of the Company and pledged by the investment property of approximately RMB5,964,000, property, plant and equipment of approximately RMB5,962,000 and intangible assets of approximately RMB379,000.

- Bank borrowings of RMBnil (2019: RMB1,000,000) are unguaranteed and unsecured. Other borrowings of RMB3,000,000 (2019: RMB5,000,000) are borrowed from Ms. Guo, which is unsecured and unguaranteed.

As at 30 June 2020, the Group's banking facilities amounted to RMB19,000,000 (2019: RMB19,000,000) were utilised to the extent of RMB19,000,000 (2019: RMB19,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19. 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 ranging from 10.00% to 13.21%. The movements of the balance of corporate bonds are as follows:

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| At 1 January | 282,804 | 237,969 |
| Repayments during the period/year | – | (880) |
| Finance charges accrued for the period/year | 7,758 | 26,635 |
| Interest paid or transfer to other payable during the period/year | (1,159) | (17,204) |
| Transferred from convertible bond | – | 30,813 |
| Exchange adjustments | 3,025 | 5,471 |
| | 292,428 | 282,804 |
| Less: Amounts repayable within one year | (150,735) | (146,010) |
| | 141,693 | 136,794 |

The Group's corporate bonds are repayable as follows:

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---------------------------------------|---|---|
| Within 1 year and repayable on demand | 150,735 | 146,010 |
| After 1 year but within 2 years | 17,355 | 16,384 |
| After 2 year but within 5 years | 124,338 | 120,410 |
| | 292,428 | 282,804 |

20. 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 matured in January 2019 and June 2019, respectively, and bear interest at 11% per annum payable semi-annually. The guaranteed notes are guaranteed by the Controlling Shareholder. The effective interest rate is approximately 11% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. GUARANTEED NOTES (CONTINUED)

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

| | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|
| At 1 January | 97,819 | 100,524 |
| Interest charged during the period/year | 5,486 | 11,215 |
| Interest paid during the period/year | – | (16,959) |
| Exchange adjustments | <u>3,529</u> | <u>3,039</u> |
| At the end of the period/year | <u>106,834</u> | <u>97,819</u> |
| Less: amounts repayable within one year | <u>(106,834)</u> | <u>(97,819)</u> |
| Amounts repayable after one year | <u>–</u> | <u>–</u> |

21. CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no capital commitments (31 December 2019: Nil).

22. RELATED PARTY TRANSACTIONS

The remuneration of Directors and other members of key management during the current period were as follows:

| | Six months ended 30 June | |
|--|---|--------------------------------|
| | 2020 RMB'000 (Unaudited) | 2019 RMB'000 (Unaudited) |
| Key management personnel compensation: | | |
| – salaries and other allowances and benefits | 3,224 | 2,608 |
| – contributions to defined contribution plan | <u>3</u> | <u>10</u> |
| | <u>3,227</u> | <u>2,618</u> |

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including Directors and other senior management, totaling 11 individuals (six months ended 30 June 2019: 10 individuals).