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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)  
Liu Jianzhou (劉建洲)  
Liu Zhen (劉震)  
Mok Kwan Leong (莫鈞亮)  
(appointed on 29 March 2022)  
Ji Huifang (計惠芳) (resigned on 15 December 2021)

### Non-Executive Director

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

### Independent Non-Executive Directors

Wang Haiyu (王海玉)  
Wu Hanpu (吳函璞) (resigned on 6 June 2022)  
Mok Hon Kwong Thomas (莫漢銑)  
(appointed on 25 May 2022)  
Ma Yu-heng (馬有恒) (appointed on 25 May 2022)  
Meng Fanlin (孟繁林) (resigned on 5 May 2021)  
Teng Xun (滕訊) (resigned on 6 May 2021)

### Company Secretary

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

### Audit Committee

Mok Hon Kwong Thomas (莫漢銑) (Chairman)  
(appointed on 25 May 2022)  
Ma Yu-heng (馬有恒) (appointed on 25 May 2022)  
Wang Haiyu (王海玉)  
Teng Xun (滕訊) (Chairlady) (resigned on 6 May 2021)  
Meng Fanlin (孟繁林) (resigned on 5 May 2021)

### Nomination Committee

Ma Yu-heng (馬有恒) (Chairman)  
(appointed on 25 May 2022)  
Mok Hon Kwong Thomas (莫漢銑)  
(appointed on 25 May 2022)  
Wang Haiyu (王海玉)  
Meng Fanlin (孟繁林) (Chairman)  
(resigned on 5 May 2021)  
Teng Xun (滕訊) (resigned on 6 May 2021)

### Remuneration Committee

Wang Haiyu (王海玉) (Chairman)  
Ma Yu-heng (馬有恒) (appointed on 25 May 2022)  
Mok Hon Kwong Thomas (莫漢銑)  
(appointed on 25 May 2022)  
Meng Fanlin (孟繁林) (resigned on 5 May 2021)  
Teng Xun (滕訊) (resigned on 6 May 2021)

### Auditor

ZHONGHUI ANDA CPA Limited

### Registered Office

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

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

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

### **Principal Place of Business in Hong Kong**

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

### **Principal Bankers**

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

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

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

### **Principal Share Registrar and Transfer Office**

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

### **Hong Kong Branch Share Registrar and Transfer Office**

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

### **Place of Listing**

The Stock Exchange of Hong Kong Limited

### **Stock Code**

6168

# RESULTS HIGHLIGHTS

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

# MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of China U-Ton Future Space Industrial Group Holdings Ltd. (in Liquidation) (the “**Company**”) and its subsidiaries (collectively the “**Group**”) is pleased to present the unaudited interim results of the Group for the six months ended 30 June 2021.

## OVERVIEW

The Group’s revenue was approximately RMB5,241,000 for the six months ended 30 June 2021 (the “**Current Period**”), representing a decrease of approximately RMB5,659,000 or 51.9% as compared with the revenue of approximately RMB10,900,000 for the 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 2020 and gradually recovered commencing from the second half of 2021. Most of the Group’s customers in Beijing and Hebei were affected by the outbreak and they only allowed the Group to restart the service projects cautiously.

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

Net loss attributable to the owners of the Company for the Current Period was approximately RMB18,583,000, representing a decrease of approximately RMB52,913,000 or 74.0% from loss of approximately RMB71,496,000 for the Last Corresponding Period.

Basic loss per share for the Current Period was RMB0.65 cents, which represented a decrease of 77.8% from loss per share of RMB2.93 cents for the Last Corresponding Period.

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

## BUSINESS REVIEW

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

## FINANCIAL REVIEW

### Revenue

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other gains/(losses)

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

### Administrative expenses

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

### Gross loss

The Group recorded a decrease in gross loss for the Current Period as compared with the gross loss for the Last Corresponding Period. The decrease in the gross loss was primarily due to the drop in overhead cost as less employees were hired due to the drop in revenue.

### Finance cost

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

### Loss attributable to owners of the Company

For the reasons above, the Group recorded net loss attributable to owners of the Company of RMB18,583,000 for the Current Period compared to net loss of RMB71,496,000 for the Last Corresponding Period, representing a decrease of approximately 74.0%.

### Corporate bonds

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

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

### Guaranteed notes

In January and June 2017, the Company issued guaranteed notes with a nominal value of USD10,000,000 (equivalent to approximately HK\$78,000,000) and USD4,000,000 (equivalent to approximately HK\$31,200,000), respectively. These guaranteed notes are guaranteed by Mr. Jiang 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 2021, the Group had current assets of approximately RMB217,917,000 (31 December 2020: RMB209,894,000) which comprised cash and cash equivalents amounted to approximately RMB18,517,000 (31 December 2020: RMB21,652,000). As at 30 June 2021, the Group had non-current liabilities and current liabilities amounted to approximately RMB3,191,000 and RMB747,437,000 (31 December 2020: RMB116,981,000 and RMB606,051,000), respectively, consisting mainly of payables, corporate bonds, guaranteed notes, bank and other borrowings arising in the ordinary course of business. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.29 (31 December 2020: 0.35).

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

### Gearing ratio

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

### Foreign exchange exposure

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group had 146 employees (30 June 2020: 169), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB6,350,000 for the six months ended 30 June 2021 as compared to approximately RMB7,760,000 for the Last Corresponding Period. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

### FUTURE PLANS AND PROSPECTS

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

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

# OTHER INFORMATION

## SHARE CAPITAL

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

## INTERIM DIVIDEND

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

## IMPORTANT EVENTS SINCE 2021

### 1. Winding up by the Court and Appointment of Provisional Liquidators

- a. On 4 February 2021, a petition (“**the Petition**”) in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) (the “**Ordinance**”) was filed by Li Zhong (“**the Petitioner**”) in the High Court of The Hong Kong Special Administrative Region (“**the High Court**”) against the Company on the principal ground that the Company had failed to settle the sum of HK\$565,000 being the interest and legal costs incurred in relation to the bond for the principal amount of HK\$8,000,000 issued to the Petitioner by the Company. The Petition applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts or alternatively that it was just and equitable for the Company to be wound up. The hearing of the Petition took place on 5 May 2021 at 10:00 a.m. in the High Court and the winding up order was made on the same day. The Official Receiver was appointed as the Provisional Liquidator of the Company.

Under section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), any disposition of the property of the Company, including things in action, and any transfer of shares, or alterations in the status of the members of the Company, made after the commencement of the winding up, shall, unless the Court otherwise orders, be void.

- b. On 18 February 2021, a petition in the matter of the Ordinance was filed by Dan Xiaodong (“**Dan**”) in the High Court against the Company on the principal ground that the Company had failed to settle the sum of HK\$8,500,000 being the outstanding balance of judgement debt together with interest thereon under the Judgment dated 25 September 2020 in High Court Action No. 200/2020. Dan applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts. The said petition was dismissed on 31 May 2021.
- c. On 10 March 2021, a petition in the matter of the Ordinance was filed by Zhang Wenkai (“**Zhang**”) in the High Court against the Company in HCCW 105/2021 on the principal ground that the Company had failed to settle the sum of HK\$700,000 being the annual interest incurred in relation to the bond for the principal amount HK\$10,000,000 issued to Zhang by the Company. Zhang applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 24 May 2021.

## OTHER INFORMATION

- d. On 19 April 2021, a petition in the matter of the Ordinance was filed by Yao Hongyi (“**Yao**”) in the High Court against the Company in HCCW 154/2021 on the principal ground that the Company had failed to settle the aggregate sum of HK\$7,800,000 being the principal amount and interest thereon in relation to the bond issued to Yao by the Company. Yao applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 11 June 2021.

### 2. Suspension of trading in the shares of the Company

In view of the above High Court winding up order, trading in the Company’s shares on The Stock Exchange of Hong Kong Limited has been suspended with effect from 3:00 p.m. on 5 May 2021 and will remain suspended pending fulfilment of the resumption guidance and any supplement or modification thereto.

### 3. Appointment of the Provisional Liquidators

On 7 May 2021, the Official Receiver as the Provisional Liquidator of the Company made an application to the High Court for a Regulating Order pursuant to sections 227A and 227B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) seeking, inter alia, an order to appoint Mr. Chan Ho Yin Michael and Ms. Chi Lai Man Jocelyn both of Borrelli Walsh Limited as the joint and several liquidators of the Company.

Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Maninvest Asia Limited, have been appointed as joint and several liquidators (the “**Liquidators**”) of the Company pursuant to an order dated 25 June 2021 made by the High Court.

### 4. Listing status of the Company

On 7 July 2021 and 22 September 2022 the Company received letters from the Stock Exchange, in which the Stock Exchange sets out the following resumption guidance for the Company:

- (a) publish all outstanding financial results required under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and address any audit modifications;
- (b) demonstrate its compliance with Rules 13.24, 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules;
- (c) have the Winding-up Order against the Company withdrawn or dismissed and liquidators (provisional or not) discharged;
- (d) inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position;
- (e) conduct an independent forensic investigation into the suspected unauthorised subscription <sup>(Note 1)</sup>, announce the findings and take appropriate remedial action; and
- (f) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules.

*Note 1:* The particulars of the suspected unauthorized subscription could be found at section “Important Events since 2021” of this 2021 Interim Report. Shareholders are also invited to review the announcement of the Company dated 16 September 2022 for more information of the suspected unauthorized subscription.

The Stock Exchange further indicated that it may modify or supplement the resumption guidance if the Company's situation changes.

If the Company fails to fulfill the above Resumption Guidance by 4 November 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status. The Company is taking various steps to fulfill the Resumption Guidance which includes:

- (i) the appointment of independent non-executive Directors to the Board and as members of Nomination Committee, Remuneration Committee and Audit Committee with effect from 25 May 2022 (please refer to the announcement of the Company dated 24 May 2022);
- (ii) establishment of a special investigation committee and appointment of an independent investigator in relation to the suspected unauthorised subscription (please refer to the announcement of the Company dated 16 September 2022); and
- (iii) the appointment of the company secretary of the Company (please refer to the announcement of the Company dated 26 October 2022).

As of the date of this report, the Company has complied with Rules 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules. Save for the foregoing, the Resumption Guidance has yet to be fulfilled.

References are made to the statement of disciplinary action dated 9 December 2021 in relation to, among other things, Exchange's Disciplinary Action against the Company.

The Listing Committee found that the Company breached:

- (1) Rule 13.25(1)(b) by failing to inform the Exchange and to publish an announcement upon the presentation of winding-up petitions. The obligation to disclose arises immediately after an issuer becomes aware of a winding-up petition, and is not dependent on the outcome of the petition or whether the petition may be settled before the hearing date.
- (2) Rules 13.49(1) and 13.46(2)(a) by failing to publish its annual results for the financial year ended 31 December 2020 and despatch its annual report for the financial year ended 31 December 2020 within the prescribed time.

### 5. The restructuring process of the Group

On 29 March 2022, the Company, GSC Limited (formerly known as Harrod Invest Limited) ("**Potential Investor**") and Mr. Jiang Changqing ("**Mr. Jiang**") entered into the Framework Agreement, in relation to, among others, the Potential Investor's interest to invest a total amount of HK\$100,000,000 into the Company involving (i) the Possible Subscription; (ii) schemes of arrangement in Hong Kong and Cayman Islands or an alternative creditors' arrangement to be entered into between the Company and its creditors to settle all outstanding amounts which are due by the Company to such creditors; and (iii) the Capital Reorganization, for the purpose of and in connection with the implementation of the Restructuring.

Further, under the Framework Agreement, the Company and the Potential Investor agreed that the Potential Investor shall initially provide a loan to the Company in the amount of HK\$10,000,000 payable in two installments, the loan proceeds of which shall be placed in a trust bank account controlled by the Liquidators on behalf of the Company ("**Trust Bank Account**") for the settlement of partial professional fees in relation to the Restructuring. The whole HK\$10,000,000 has been advanced by the Potential Investor into the Trust Bank Account.

## OTHER INFORMATION

The Potential Investor also agreed to provide the interim financing in cash to the Group so as to fully support the working capital requirement of the business operation of the Group in Hong Kong. The Company agreed to grant in favor of the Potential Investor a fixed charge over the entire share capital of the operating company which receives the Interim Financing from the Potential Investor as security for the Investor Payment.

If the Possible Subscription materializes, upon completion of the Possible Subscription, the Potential Investor and the parties acting in concert with it may in aggregate be interested in more than 50% of the entire issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares which may lead to a change in control of the Company and will then give rise to an obligation on the part of the Potential Investor (and any parties acting in concert with it) to make a mandatory unconditional general offer for all the Shares (other than those already owned or agreed to be acquired by the Potential Investor or parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

On 29 September 2022, the Company and the Liquidators entered into a restructuring agreement (the “**Restructuring Agreement**”) with the Potential Investor and its sole director and sole beneficial owner, Dr. Chuang Tsz Cheung, Christopher (together, the “**Investors**”), pursuant to which the Company will implement the Restructuring which involves (i) the reorganization of the share capital of the Company by way of the Capital Reduction and the Sub-division; (ii) the subscription of new Shares by the Investors (the “**Subscription**”); (iii) the reorganization of the Group; (iv) the placing of new Shares by a placing agent; (v) the Creditors’ Schemes; (vi) the proposed repayment of onshore loans due to a bank in the PRC; and (vii) the resumption of trading of the Shares on the Stock Exchange.

### 6. Suspected Unauthorised Subscription

References are made to the announcement of the Company dated 3 January 2020 in relation to a memorandum of understanding (the “**MOU**”) on potential business cooperation (“**Potential Business Cooperation**”) with an independent investor, Xin Jiang Bo Run Investment Holdings Group Limited\* (新疆博潤投資控股集團有限公司) (formerly known as Xin Jiang Bo Run Investment Holdings Limited\* (新疆博潤投資控股有限公司) (the “**Xin Jiang Bo Run**”) and Beijing Future Space Zhizhai Technology Company Limited\* (北京未來空間智宅科技有限公司) (“**Beijing Future Space**”) and the announcement of the Company dated 21 August 2020 in relation to the successful subscription by Xin Jiang Bo Run of a total of 417,269,077 fully paid shares of the Company at the price of HK\$0.31 per share (the “**Xin Jiang Subscription**”).

On 5 July 2022, Beijing Yin Ao Law Firm (北京市銀奧律師事務所) (the “**Litigation Lawyer**”) received an electronic copy of a letter issued by the Xin Jiang Bo Run dated 4 July 2022, claiming that all signatures of the representatives of the Xin Jiang Bo Run and the seals of the Xin Jiang Bo Run affixed in the documents in relation to the Potential Business Cooperation and the Xin Jiang Subscription, including but not limited to, the MOU, the authorisation letter dated 2 January 2020 (purportedly) issued by Xin Jiang Bo Run authorising Ms. Guo Yezi and Mr. Sun Xiao to handle the Xin Jiang Subscription, the subscription agreement in relation to the Xin Jiang Subscription and the delegation of payment letter (purportedly) issued by Xin Jiang Bo Run to Beijing Jubang Jiujiu Investment Management Co., Ltd.\* (北京聚邦久久投資管理有限公司), were forged and all the documents, hence the Xin Jiang Subscription, were unauthorised (the “**Suspected Unauthorised Subscription**”). The electronic copy of the Xin Jiang Bo Run’s Letter was delivered to the liquidators of the Company (the “**Liquidators**”), by the representative of the indirect wholly owned subsidiary of the Company, U-Ton Future Space (Beijing) Technology Development Ltd.\* (優通未來空間(北京)科技發展有限公司) and the Litigation Lawyer on 5 July 2022 and 12 August 2022, respectively.

Shareholders are invited to review the announcement of the Company dated 16 September 2022 for more information in relation to the Xin Jiang Subscription and subsequent actions taken by the Company.

### 7. Arbitration against China Mobile

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

As at the date of this report, Hebei Changtong had applied for the repayment of a total of approximately RMB324.66 million for the Arbitrations against China Mobile Hebei and the Shijiazhuang Arbitration Committee and the other arbitration commissions have ordered China Mobile Hebei to repay a total of approximately RMB132.12 million in respect of the Arbitrations. The remaining unawarded amount of service fees and interests would be subject to future decisions to be handed down by the Shijiazhuang Arbitration Committee and the other arbitration commissions.

For further details, please refer to the announcement of the Company dated 30 October 2020 in relation to the Arbitrations.

## OTHER INFORMATION

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

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

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

Ms. Teng Xun (滕訊) resigned as an independent non-executive Director on 6 May 2021.

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

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

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

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

Ms. Wu Hanpu (吳函璞) resigned as an independent non-executive Director on 6 June 2022.

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

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

## 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 2021, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the Company

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

Notes:

- The letter "L" denotes the directors' long position in the shares of our Company or the relevant associated corporation.
- The 542,035,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, an executive Director. Therefore, Mr. Jiang Changqing is deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited by virtue of the SFO. Mr. Jiang Changqing is also interested in 6,400,000 share options granted under the Share Option Scheme.
- 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 6,400,000 share options granted under the Share Option Scheme. Mr. Jiang Changqing is deemed to be interested in the 6,400,000 share options held by Ms. Guo Aru by virtue of the SFO.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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 2021, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Name of Group member	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Ms. Guo Aru (Note 2)	Our Company	Interest of spouse	548,435,000 Shares (L)	19.18%
		Beneficial owner	10,195,000 Shares (L)	0.36%
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	542,035,000 Shares (L)	18.95%
China Fund Limited (Note 3)	Our Company	Beneficial owner	162,783,000 Shares (L)	5.69%
Mr. Liu Xuezhong (Note 3)	Our Company	Interest of controlled corporation	162,783,000 Shares (L)	5.69%
Ms. Li Yuelan (Note 3)	Our Company	Interest of controlled corporation	162,783,000 Shares (L)	5.69%
Hifood Group Holdings Co., Ltd. (Note 4)	Our Company	Beneficial owner	200,540,000 Shares (L)	7.01%

## OTHER INFORMATION

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

### Notes:

- The letter "L" denotes the person's long position in the shares of our Company or the relevant Group member.
- Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo is deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited and the 6,400,000 Shares owned by Mr. Jiang Changqing by virtue of the SFO. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang Changqing, an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 542,035,000 Shares owned by Bright Warm Limited by virtue of the SFO.
- China Fund Limited is a company incorporated in the Cayman Island and the entire issued share capital of which is beneficially owned by Luckever Holdings Limited, a company incorporated in the Cayman Island, which in turn is owned as to 60.87% and 39.13% by Mr. Liu Xuezhong and Ms. Li Yuelan, respectively. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed to be interested in the 162,783,000 Shares owned by China Fund Limited by virtue of the SFO.
- Hifood Group Holdings Co., Ltd. is owned as to 74.96% by HNA Aviation Investment Holding Company Ltd. HNA Aviation Investment Holding Company Ltd. is a wholly owned subsidiary of HNA Aviation (Hong Kong) Holdings Co., Limited, which is owned as to 51.28% by HNA Tourism (International) Investment Group Co., Limited. HNA Tourism (International) Investment Group Co., Limited is a wholly owned subsidiary of HNA Tourism International (Hong Kong) Co., Limited, which in turn is a wholly owned subsidiary of HNA Tourism Group Limited\* (海航旅遊集團有限公司). HNA Group Co., Ltd. owns 69.96% of HNA Tourism Group Limited\* (海航旅遊集團有限公司) and is owned as to 70% by Hainan Traffic Administration Holding Co. Ltd.. Hainan Traffic Administration Holding Co. Ltd. is owned as to 50% by Tang Dynasty Development (Yangpu) Company Limited, which is owned as to 65% by Hainan Province Cihang Foundation. Therefore, Hainan Province Cihang Foundation (together with the abovementioned companies other than Hifood Group Holdings Co., Ltd.), are deemed to be interested in the 200,540,000 Shares owned by Hifood Group Holdings Co., Ltd. by virtue of the SFO.

## OTHER INFORMATION

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 2021, 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 168,000,000 share options so far granted had been exercised, lapsed or cancelled. As such, the Company had utilised 100% of the Share Option 1 limit.

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

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

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

	<b>Weighted average exercise price</b>	<b>Numbers of options</b>
Outstanding at 1 January 2021	HK\$0.90	<u>197,000,000</u>
Outstanding/Exercisable at 30 June 2021	HK\$0.90	<u>197,000,000</u>

The share options outstanding at 30 June 2021 had a weighted average exercise price of HK\$0.90. The share options granted in December 2018 have a remaining contractual life of approximately 0.33 years till 6 December 2021.

## OTHER INFORMATION

### COMPETING INTERESTS

Save and except for interests in the Group, neither the Directors nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 June 2021 which may, directly or indirectly, compete with the Group's business.

### CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

### CORPORATE GOVERNANCE PRACTICES

After reviewing the Company's corporate governance practices and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**"), the Board was satisfied that the Company had complied with the CG Code provision for the Current Period, except the followings:

#### **Delay in Publication of the 2020 Annual Results and the 2021 Interim Results and Delay in Dispatch of the 2020 Annual Report and the 2021 Interim Report**

Pursuant to Rules 13.46 and 13.49 of the Listing Rules, the Company is required to publish its annual results for the year ended 31 December not later than three months after the end of the reporting period (i.e. on or before 31 March) and dispatch its annual report for the year ended 31 December to the shareholders of the Company (the "**Shareholders**") not later than four months after the end of the reporting period (i.e. on or before 30 April).

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

The Company had delayed the publication of the 2020 Annual Results and the 2021 Interim Results and the dispatch of the 2020 Annual Report and the 2021 Interim Report. It was because additional time was required to complete the audit of the financial statements of the Group for the year ended December 2020.

#### **Non Compliance with Rule 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules and Non Compliance with Code Provision A.5.1 of the CG Code**

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

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

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

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

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

### **Compliance with Rules 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules and Code Provision A.5.1 of the CG Code**

Following (i) the appointment of Mr. Mok Hon Kwong Thomas (“**Mr. Thomas Mok**”) and Mr. Ma Yu-heng (“**Mr. Ma**”) as INEDs; (ii) the appointment of Mr. Thomas Mok as the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee; (iii) the appointment of Mr. Ma as the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee, all of which with effect from 25 May 2022; (iv) the respective resignation of Mr. Ge Lingyue and Ms. Wu Hanpu as a non-executive Director and an INED with effect from 6 June 2022 and (v) the appointment of Mr. Cheung Kwok Wo as the company secretary of the Company with effect from 26 October 2022:

- (a) the Board will have nine directors, three of whom will be INEDs, representing one-third of the Board. Accordingly, the Company will be in compliance with the requirements of Rules 3.10(1) and 3.10A of the Listing Rules;
- (b) Mr. Thomas Mok is a fellow of The Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants, United Kingdom, and Mr. Ma is a member of CPA Australia. The Audit Committee will comprise three members, namely, Mr. Thomas Mok, Mr. Ma and Mr. Wang Haiyu (“**Mr. Wang**”), all of whom will be INEDs, and the Audit Committee will be chaired by Mr. Thomas Mok. Accordingly, the Company will be in compliance with the requirements of Rules 3.10(2) and 3.21 of the Listing Rules;
- (c) the Nomination Committee will comprise three members, namely, Mr. Ma, Mr. Thomas Mok and Mr. Wang, all of whom will be independent non-executive Directors, and the Nomination Committee will be chaired by Mr. Ma. Accordingly, the Company will be in compliance with the requirements of code provision A5.1 of the CG Code; and
- (d) the Company has now complied with Rule 3.28 of the Listing Rules requiring that the Company must appoint an individual who possess the necessary qualifications and experience as required under Rule 3.28 of the Listing Rules as its company secretary.

As of the date of this report, the Company has complied with Rules 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules. Save for the foregoing, the Resumption Guidance has yet to be fulfilled.

## OTHER INFORMATION

### 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 provisions with the latest update in January 2019. Its terms of reference are available on the websites of the Stock Exchange.

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

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

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

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

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

### 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, 4 November 2022

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Loss for the period attributable to:</b>			
– Owners of the Company		(18,583)	(71,496)
– Non-controlling interests		(89)	99
<b>Loss for the period</b>		<b>(18,672)</b>	<b>(71,397)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
– Owners of the Company		(19,268)	(71,546)
– Non-controlling interests		(89)	99
<b>Total comprehensive loss for the period</b>		<b>(19,357)</b>	<b>(71,447)</b>
<b>Loss per share (RMB cents)</b>			
– Basic	10	(0.65)	(2.93)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	9,563	10,026
Investment properties		15,093	15,495
Interest in an associate		1,081	–
Equity investments at fair value through other comprehensive income		22,036	22,036
		<b>47,773</b>	<b>47,557</b>
<b>Current assets</b>			
Investments at fair value through profit or loss		–	34,831
Inventories		1,223	4,501
Trade and bill receivables	12	18,463	18,294
Loan to customers		44,559	4,193
Contract assets		4,248	–
Prepayments, deposit and other receivables		130,907	126,423
Cash at bank and on hand		18,517	21,652
		<b>217,917</b>	<b>209,894</b>
<b>Current liabilities</b>			
Trade and other payables	13	214,462	209,113
Payables for acquisition of a subsidiary		27,500	27,500
Bank and other borrowings		60,450	50,707
Corporate bonds		302,843	184,063
Guaranteed notes		119,823	111,663
Lease liabilities		412	1,063
Income tax payable		21,162	21,162
Provision for warranties		785	780
		<b>747,437</b>	<b>606,051</b>
<b>Net current liabilities</b>		<b>(529,520)</b>	<b>(396,157)</b>
<b>Total assets less current liabilities</b>		<b>(481,747)</b>	<b>(348,600)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Corporate bonds		–	113,133
Lease liabilities		<b>3,191</b>	<b>3,848</b>
		<b>3,191</b>	<b>116,981</b>
<b>NET LIABILITIES</b>		<b>(484,938)</b>	<b>(465,581)</b>
<b>Capital and reserves</b>			
Share capital	14	<b>240,267</b>	240,267
Reserves		<b>(711,368)</b>	(692,100)
<b>Equity attributable to owners of the Company</b>		<b>(471,101)</b>	(451,833)
<b>Non-controlling interests</b>		<b>(13,837)</b>	(13,748)
<b>TOTAL EQUITY</b>		<b>(484,938)</b>	<b>(465,581)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company (Unaudited)

	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
<b>Balance at 1 January 2020</b>	203,023	434,910	46,402	10,033	45,675	1,868	(50,359)	(538,116)	153,436	58,457	211,893
<b>Changes in equity for 2020:</b>											
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)
<b>Balance at 30 June 2020 (unaudited)</b>	203,023	434,910	46,402	10,033	45,675	1,818	(50,359)	(609,612)	81,890	58,556	140,446
<b>At 1 January 2021</b>	240,267	513,123	46,402	10,033	45,675	(847)	(89,574)	(1,216,912)	(451,833)	(13,748)	(465,581)
<b>Changes in equity for 2021:</b>											
Loss for the period	-	-	-	-	-	-	-	(18,583)	(18,583)	(89)	(18,672)
Other comprehensive loss	-	-	-	-	-	(685)	-	-	(685)	-	(685)
Total comprehensive loss for the period	-	-	-	-	-	(685)	-	(18,583)	(19,268)	(89)	(19,357)
<b>Balance at 30 June 2021 (unaudited)</b>	240,267	513,123	46,402	10,033	45,675	(1,532)	(89,574)	(1,235,495)	(471,101)	(13,837)	(484,938)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(12,223)</b>	26,087
<b>Net cash generated from/(used in) investing activities</b>	<b>340</b>	(13,712)
<b>Net cash generated from/(used in) financing activities</b>	<b>8,471</b>	(7,159)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,412)</b>	5,216
Effect of foreign exchange rate changes	277	-
Cash and cash equivalents at 1 January	21,652	29,384
<b>Cash and cash equivalents at 30 June</b>	<b>18,517</b>	34,600

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the principal place of business is Unit B, 12/F, Hang Seng Causeway Bay Bldg, 28 Yee Wo Street, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and have been suspended for trading since 3:00 p.m. on 5 May 2021.

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

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

## 2. BASIS OF PREPARATION

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

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

### **Suspension of trading in shares of the Company**

References are made to the Company's announcements dated 5 May 2021 in relation to, among other things, winding up by court and appointment of provisional liquidator. In view of the above, trading in the Company's shares on The Stock Exchange has been suspended with effect from 3:00 p.m. on 5 May 2021.

### **Appointment of the Provisional Liquidators**

On 4 February 2021, a petition ("**the Petition**") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) was filed by Li Zhong ("**the Petitioner**") in the High Court of The Hong Kong Special Administrative Region ("**the High Court**") against the Company on the principal ground that the Company had failed to settle the sum of HK\$565,000 being the interest and legal costs incurred in relation to the bond for the principal amount of HK\$8,000,000 issued to the Petitioner by the Company. The Petition applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts or alternatively that it was just and equitable for the Company to be wound up. The hearing of the Petition took place on 5 May 2021 at 10:00 a.m. in the High Court and the winding up order was made on the same day. The Official Receiver was appointed as the Provisional Liquidator of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 2. BASIS OF PREPARATION (CONTINUED)

### Appointment of the Provisional Liquidators (Continued)

Under section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), any disposition of the property of the Company, including things in action, and any transfer of shares, or alterations in the status of the members of the Company, made after the commencement of the winding up, shall, unless the Court otherwise orders, be void.

On 18 February 2021, a petition in the matter of the Ordinance was filed by Dan Xiaodong (“**Dan**”) in the High Court against the Company on the principal ground that the Company had failed to settle the sum of HK\$8,500,000 being the outstanding balance of judgement debt together with interest thereon under the Judgment dated 25 September 2020 in High Court Action No. 200/2020. Dan applied for the winding up of the Company on the ground that the Company was insolvent and unable to pay its debts. The said petition was dismissed on 31 May 2021.

On 10 March 2021, a petition in the matter of the Ordinance was filed by Zhang Wenkai (“**Zhang**”) in the High Court against the Company in HCCW 105/2021 on the principal ground that the Company had failed to settle the sum of HK\$700,000 being the annual interest incurred in relation to the bond for the principal amount HK\$10,000,000 issued to Zhang by the Company. Zhang applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 24 May 2021.

On 19 April 2021, a petition in the matter of the Ordinance was filed by Yao Hongyi (“**Yao**”) in the High Court against the Company in HCCW 154/2021 on the principal ground that the Company had failed to settle the aggregate sum of HK\$7,800,000 being the principal amount and interest thereon in relation to the bond issued to Yao by the Company. Yao applied for the winding up of the Company on the ground that the Company shall be deemed to be unable to pay its debts. The said petition was withdrawn on 11 June 2021.

On 7 May 2021, the Official Receiver as the Provisional Liquidator of the Company made an application to the High Court for a Regulating Order pursuant to sections 227A and 227B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) seeking, inter alia, an order to appoint Mr. Chan Ho Yin Michael and Ms. Chi Lai Man Jocelyn both of Borrelli Walsh Limited as the joint and several liquidators of the Company.

Mr. Ho Man Kit and Ms. Kong Sze Man Simone of Manivest Asia Limited, have been appointed as joint and several liquidators (the “**Liquidators**”) of the Company pursuant to an order dated 25 June 2021 made by the High Court.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 2. BASIS OF PREPARATION (CONTINUED)

### Listing status of the Company

On 7 July 2021 and 22 September 2022, the Company received letters from the Stock Exchange, in which the Stock Exchange set out the following resumption guidance for the Company:

- (a) publish all outstanding financial results required under the Rules Governing the Listing Rules and address any audit modifications;
- (b) demonstrate its compliance with Rules 13.24, 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules;
- (c) have the Winding-up Order against the Company withdrawn or dismissed and liquidators (provisional or not) discharged;
- (d) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position;
- (e) conduct an independent forensic investigation into the suspected unauthorised subscription, announce the findings and take appropriate remedial action; and
- (f) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules.

The Stock Exchange further indicated that it may modify or supplement the resumption guidance if the Company's situation changes.

If the Company fails to fulfill the above Resumption Guidance by 4 November 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status. The Company is taking various steps to fulfill the Resumption Guidance which includes:

- (i) the appointment of independent non-executive Directors to the Board and as members of Nomination Committee, Remuneration Committee and Audit Committee with effect from 25 May 2022 (please refer to the announcement of the Company dated 24 May 2022);
- (ii) establishment of a special investigation committee and appointment of an independent investigator in relation to the suspected unauthorised subscription (please refer to the announcement of the Company dated 16 September 2022); and
- (iii) the appointment of the company secretary of the Company (please refer to the announcement of the Company dated 26 October 2022).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 2. BASIS OF PREPARATION (CONTINUED)

### Listing status of the Company (Continued)

As of the date of this report, the Company has complied with Rules 3.10, 3.10A, 3.21 and 3.28 of the Listing Rules. Save for the foregoing, the Resumption Guidance has not yet to be fulfilled.

References are made to the statement of disciplinary action dated 9 December 2021 in relation to, among other things, Exchange's Disciplinary Action against the Company.

The Listing Committee found that the Company breached:

- (1) Rule 13.25(1)(b) by failing to inform the Exchange and to publish an announcement upon the presentation of winding-up petitions. The obligation to disclose arises immediately after an issuer becomes aware of a winding-up petition, and is not dependent on the outcome of the petition or whether the petition may be settled before the hearing date.
- (2) Rules 13.49(1) and 13.46(2)(a) by failing to publish its annual results for the financial year ended 31 December 2020 and despatch its annual report for the financial year ended 31 December 2020 within the prescribed time.

### Proposed Restructuring

On 29 March 2022, the Company, GSC Limited (formerly known as Harrod Invest Limited) ("**Potential Investor**") and Mr. Jiang Changqing ("**Mr. Jiang**") entered into the Framework Agreement, in relation to, among others, the Potential Investor's interest to invest a total amount of HK\$100,000,000 into the Company involving (i) the Possible Subscription; (ii) schemes of arrangement in Hong Kong and Cayman Islands or an alternative creditors' arrangement to be entered into between the Company and its creditors to settle all outstanding amounts which are due by the Company to such creditors; and (iii) the Capital Reorganization, for the purpose of and in connection with the implementation of the Restructuring.

Further, under the Framework Agreement, the Company and the Potential Investor agreed that the Potential Investor shall initially provide a loan to the Company in the amount of HK\$10,000,000 payable in two installments, the loan proceeds of which shall be placed in a trust bank account controlled by the Liquidators on behalf of the Company ("**Trust Bank Account**") for the settlement of partial professional fees in relation to the Restructuring. The whole HK\$10,000,000 has been advanced by the Potential Investor into the Trust Bank Account.

The Potential Investor also agreed to provide the interim financing in cash to the Group so as to fully support the working capital requirement of the business operation of the Group in Hong Kong. The Company agreed to grant in favor of the Potential Investor a fixed charge over the entire share capital of the operating company which receives the Interim Financing from the Potential Investor as security for the Investor Payment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

## 2. BASIS OF PREPARATION (CONTINUED)

### Proposed Restructuring (Continued)

If the Possible Subscription materializes, upon completion of the Possible Subscription, the Potential Investor and the parties acting in concert with it may in aggregate be interested in more than 50% of the entire issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares which may lead to a change in control of the Company and will then give rise to an obligation on the part of the Potential Investor (and any parties acting in concert with it) to make a mandatory unconditional general offer for all the Shares (other than those already owned or agreed to be acquired by the Potential Investor or parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

On 29 September 2022, the Company and the Liquidators entered into a restructuring agreement (the “**Restructuring Agreement**”) with the Potential Investor and its sole director and sole beneficial owner, Dr. Chuang Tsz Cheung, Christopher (together, the “**Investors**”), pursuant to which the Company will implement the Restructuring which involves (i) the reorganization of the share capital of the Company by way of the Capital Reduction and the Sub-division; (ii) the subscription of new Shares by the Investors (the “**Subscription**”); (iii) the reorganization of the Group; (iv) the placing of new Shares by a placing agent; (v) the Creditors’ Schemes; (vi) the proposed repayment of onshore loans due to a bank in the PRC; and (vii) the resumption of trading of the Shares on the Stock Exchange.

### Going concern basis

The Group incurred a loss of RMB18,672,000 for the period ended 30 June 2021 and as at 30 June 2021 the Group had net current liabilities and net liabilities of RMB529,520,000 and RMB484,938,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the Current Period, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the Current Period and prior periods.

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

### 4. 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 4. FAIR VALUE MEASUREMENTS (CONTINUED)

#### (a) Disclosures of level in fair value hierarchy:

	Fair value measurements at 30 June 2021 categorised into			Fair value measurements at 31 December 2020 categorised into		
	Level 1	Level 3	Total	Level 1	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurements:</b>						
<b>Assets:</b>						
Investments at fair value through profit or loss						
– Listed securities in Hong Kong	-	-	-	34,831	-	34,831
Equity investments at fair value through other comprehensive income						
– Private equity investments	-	22,036	22,036	-	22,036	22,036
	<u>-</u>	<u>22,036</u>	<u>22,036</u>	<u>-</u>	<u>22,036</u>	<u>22,036</u>
	<u>-</u>	<u>22,036</u>	<u>22,036</u>	<u>34,831</u>	<u>22,036</u>	<u>56,867</u>

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

Description	Equity investments at fair value through other comprehensive income 2021 RMB'000
At 1 January	22,036
Total gains or losses recognised in other comprehensive income	-
At 30 June	<u>22,036</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 4. 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 2020 RMB'000
At 1 January	61,251
Total gains or losses recognised in other comprehensive income	<u>—</u>
At 30 June	<u>61,251</u>

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2021:

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

#### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 30 June 2021 RMB'000	Fair value 31 December 2020 RMB'000
Private equity investments classified as equity investments at fair value through other comprehensive income	Market approach	Lack of marketability discount	20.00%	Decrease	22,036	22,036
		Lack of control discount	13.04%	Decrease		

During the two periods, 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 period ended 30 June 2021, 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.

### 5. REVENUE AND SEGMENT INFORMATION

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 5. 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 2021 and 2020 is set out below.

Segments	Six months ended 30 June 2021 (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	4,865	-	376	-	5,241
Reportable segment gross (loss)/profit	(435)	-	35	-	(400)

Segments	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	10,508	-	392	-	10,900
Reportable segment gross loss	(3,796)	-	(98)	(80)	(3,974)

#### Geographic information and timing of revenue recognition

At 30 June 2021 and 2020, substantially all of the Group's non-current assets are physically located or allocated to operations in the People's Republic of China (the "PRC"). The following table sets out information about the geographic location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services provide or the goods delivered.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

### 6. FINANCE COSTS

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 7. LOSS BEFORE TAXATION

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

### 8. INCOME TAX EXPENSE

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

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

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2021 (2020: 16.5%).

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (2020: 25%).

One of the subsidiaries of the Group established in the PRC have obtained approvals from the tax 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 2021.

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.

### 9. DIVIDEND

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 10. LOSS PER SHARE

The basic loss per share for the period ended 30 June 2021 is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the purposes of calculating basic loss per share (loss for the period attributable to the owners of the Company)	<u>(18,583)</u>	<u>(71,496)</u>

	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>2,859,943</u>	<u>2,442,674</u>

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

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group has not acquired property, plant and equipment (six months ended 30 June 2020: RMB2,994,000).

### 12. TRADE AND BILL RECEIVABLES

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 12. 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:

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

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

### 13. TRADE AND OTHER PAYABLES

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 13. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

### 14. SHARE CAPITAL

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

	<b>No. of shares '000</b>	HKD'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>4,000,000</u>	<u>400,000</u>

Ordinary shares, issued and fully paid:

	<b>No. of shares '000</b>	RMB'000
At 1 January 2020	2,442,674	203,023
Shares issued	<u>417,269</u>	<u>37,244</u>
At 31 December 2020 and 30 June 2021	<u>2,859,943</u>	<u>240,267</u>

### 15. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 16. CAPITAL COMMITMENTS

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

### 17. RELATED PARTY TRANSACTIONS

#### Key management personnel compensations

The remuneration of Directors and other members of key management during the Current Period were as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key management personnel compensation:		
– salaries and other allowances and benefits	1,436	3,224
– contributions to defined contribution plan	3	3
	<u>1,439</u>	<u>3,227</u>

### 18. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 4 November 2022.