中国优通控股
China UT Holding

CHINA U-TON HOLDINGS LIMITED
中 國 優 通 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6168)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Highlights

- The Group's revenue from continuing operations was RMB171,929,000 for the year ended 31 December 2017 (2016: RMB245,677,000), representing a decrease of RMB73,748,000 as compared with the previous financial year.

- The Company reported a loss attributable to the equity holders of the Company of RMB178,984,000 for the year ended 31 December 2017 (2016: loss of RMB253,203,000), representing a decrease of loss of RMB74,219,000 as compared with the corresponding period of the previous financial year.

- Loss per share for the year ended 31 December 2017 was 9.26 cents, representing a decrease of RMB4.49 cents as compared to RMB13.75 cents for the corresponding period of the previous financial year.

- The board of directors does not recommend payment of dividend for the year ended 31 December 2017 (2016: nil).

Consolidated statement of profit or loss

for the year ended 31 December 2017

(Expressed in Renminbi ("RMB"))

	Note	**2017**	2016
		RMB'000	RMB'000
			Re-presented
			(Note 5)
Continuing operations			
Revenue	4	**171,929**	245,677
Cost of sales/services		**(213,094)**	(269,416)
Gross loss	4(b)	**(41,165)**	(23,739)
Other income	6	**7,989**	2,947
Selling expenses		**(6,431)**	(24,616)
Administrative expenses		**(69,114)**	(58,070)
Research and development expenses		**(2,142)**	(6,447)
Impairment losses	7	**(35,936)**	(64,605)
Operating loss from continuing operations		**(146,799)**	(174,530)
Finance costs	8(a)	**(39,223)**	(63,696)
Changes in fair value of trading securities		**2,623**	—
Net gain on disposal of subsidiaries		**5,353**	37,700
Loss before taxation from continuing operations	8	**(178,046)**	(200,526)
Income tax	9	**(1,554)**	(3,150)
Loss for the year from continuing operations		**(179,600)**	(203,676)
Discontinued operation			
Loss for the year from discontinued operation, net of tax	5	**(5,883)**	(55,836)
Loss for the year		**(185,483)**	(259,512)

Consolidated statement of profit or loss

for the year ended 31 December 2017 (continued)

(Expressed in RMB)

	Note	**2017**	2016
		RMB'000	RMB'000
			Re-presented
			(Note 5)
Attributable to:			
Equity shareholders of the Company			
– Continuing operations		**(173,101)**	(197,367)
– Discontinued operation		**(5,883)**	(55,836)
		(178,984)	(253,203)
Non-controlling interests			
– Continuing operations		**(6,499)**	(6,309)
Loss for the year		**(185,483)**	(259,512)
Basic and diluted loss per share (RMB cents)	10		
Continuing and discontinued operation		**(9.26)**	(13.75)
– Continuing operations		**(8.96)**	(10.72)
– Discontinued operation		**(0.30)**	(3.03)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2017
(Expressed in RMB)

	2017	2016
	RMB'000	RMB'000
		Re-presented
		(Note 5)
Loss for the year	**(185,483)**	(259,512)
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**(3,780)**	671
Total comprehensive income for the year	**(189,263)**	(258,841)
Attributable to:		
Equity shareholders of the Company		
– Continuing operations	**(176,881)**	(196,696)
– Discontinued operation	**(5,883)**	(55,836)
	(182,764)	(252,532)
Non-controlling interests		
– Continuing operations	**(6,499)**	(6,309)
Total comprehensive income for the year	**(189,263)**	(258,841)

Consolidated statement of financial position

at 31 December 2017

(Expressed in RMB)

	Note	**2017**	2016
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**39,046**	47,590
Intangible assets		**1,174**	5,074
Goodwill	11	**—**	32,769
Available-for-sale financial assets	12	**84,098**	86,598
Prepayments for investments in financial assets	12	**9,290**	16,790
Non-current trade receivables	13	**—**	7,933
Deferred tax assets		**—**	990
		133,608	197,744
Current assets			
Trading securities		**8,897**	—
Inventories		**6,156**	11,459
Trade and bill receivables	13	**120,164**	152,295
Amounts due from customers for contract work	14	**337,394**	505,819
Other receivables, deposits and prepayments		**134,499**	261,308
Restricted bank deposits		**2,270**	170,697
Cash at bank and on hand		**195,061**	128,057
Assets held-for-sale	15	**454,534**	—
		1,258,975	1,229,635

Consolidated statement of financial position

at 31 December 2017 (continued)

(Expressed in RMB)

	Note	**2017**	2016
		RMB'000	RMB'000
Current liabilities			
Trade and other payables	16	**194,853**	315,776
Bank and other borrowings		**53,000**	237,275
Corporate bonds	17	**22,411**	3,578
Convertible bonds	18	**41,439**	—
Guaranteed notes	19	**25,325**	—
Income tax payable		**18,526**	21,761
Provision for warranties		**680**	606
Liabilities held-for-sale	15	**263,485**	—
		619,719	578,996
Net current assets		**639,256**	650,639
Total assets less current liabilities		**772,864**	848,383
Non-current liabilities			
Bank and other borrowings		**48,000**	133,726
Corporate bonds	17	**193,212**	186,847
Convertible bonds	18	**112,860**	49,139
Guaranteed notes	19	**88,464**	45,132
Deferred tax liabilities		**267**	906
		442,803	415,750
NET ASSETS		**330,061**	432,633
Capital and reserves			
Share capital		**162,874**	154,242
Reserves		**173,152**	279,479
Equity attributable to equity shareholders of the Company		**336,026**	433,721
Non-controlling interests		**(5,965)**	(1,088)
TOTAL EQUITY		**330,061**	432,633

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

China U-Ton Holdings Limited (the "Company") was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 June 2012. On 1 August 2014, the shares of the Company were transferred from the GEM to the Main Board of the Stock Exchange. The Company and its subsidiaries (hereinafter referred to as the "Group") principally engages in the design, deployment and maintenance of underground optical fibers, the installation and sale of low-voltage system equipment and related accessories, the design, construction and maintenance of communication networks, and the provision of money lending services.

2 QUALIFIED OPINION IN THE INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the independent auditor's report of the Company dated 29 March 2018:

Qualified opinion

We have audited the consolidated financial statements of China U-Ton Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matters described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Our auditor's report dated 31 March 2017 on the Group's consolidated financial statements for the year ended 31 December 2016 was qualified, given the circumstances as described in Note 2(a) to the consolidated financial statements, in respect of:

(a) insufficient audit evidence to determine (i) the commercial substance of the acquisition and disposal of Nanjing Newlixon Electric Appliance Co., Ltd. ("Nanjing Newlixon"), (ii) whether the Group obtained control of Nanjiang Newlixon and (iii) whether the amounts related to Nanjiang Newlixon were free from material misstatement; and

(b) departure from IFRS 3, *Business Combinations* and IFRS 10, *Consolidated financial statements*, if we had satisfied ourselves that the Group had obtained control over Nanjing Newlixon upon the completion of the acquisition until the time of disposal.

Our opinion on the current year's consolidated financial statements is also qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the financial statements to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are the provision of design, deployment and maintenance of optical fibers services, the installation and sale of low-voltage system equipment and related accessories, the provision of design, construction and maintenance of communication networks services, and the provision of money lending services.

Revenue mainly represents contract revenue from the design, deployment and maintenance of optical fibers services, contract revenue from the installation and sale of low-voltage system equipment and related accessories, contract revenue from the design, construction and maintenance of communication networks services, and money lending.

As disclosed in Note 5, the Group's activities in the installation and sale of low-voltage system equipment and related accessories have been reclassified as discontinued operation as at 31 December 2017.

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

	2017	2016
	RMB'000	RMB'000
		Re-presented (Note 5)
Continuing operations:		
Revenue from the provision of design, deployment and maintenance of optical fibers services	**151,603**	228,138
Revenue from the provision of the design, construction and maintenance of communication networks services	**17,772**	15,711
Revenue from the provision of money lending services	**2,554**	—
Rental income	**—**	1,828
	171,929	245,677
Discontinued operation:		
Revenue from the installation and sales of low-voltage system equipment and related accessories (Note 5)	**80,958**	57,004
	252,887	302,681

For the year ended 31 December 2017, revenue from transactions with one (2016: two) customer have exceeded 10% of the Group's revenue. Revenue from these customers amounted to RMB91,186,000 for the year ended 31 December 2017 (2016: RMB154,260,000).

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

(b) Segment information

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

In view of the continuous diversification of the Group's business and growth in certain segments, the Group has added two new segments, namely communication networks and money lending, for the year ended 31 December 2017. The comparative figures have been adjusted to conform to current year's presentation. No operating segments have been aggregated to form the following reportable segments.

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

— Low-voltage system: this segment installs and sells low-voltage system equipment and related accessories.

  As disclosed in Note 5, this segment has been reclassified as discontinued operation as at 31 December 2017.

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

— Rental: this segment leases out machinery and equipment.

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

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross (loss)/profit. No inter-segment sales have occurred for the years ended 31 December 2017 and 2016. The Group's other income and expense items, such as other income, selling expenses, administrative expenses, research and development expenses, impairment losses, finance cost, changes in fair value of trading securities and net gain on disposal of subsidiaries, and assets and liabilities, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	2017					
	Continuing operations				**Discontinued operation**	
	Optical fibers RMB'000	**Communication networks RMB'000**	**Money lending RMB'000**	**Sub-total RMB'000**	**Low-voltage system RMB'000 (Note 5)**	**Total RMB'000**
Revenue from external customers and reportable segment revenue	**151,603**	**17,772**	**2,554**	**171,929**	**80,958**	**252,887**
Reportable segment gross (loss)/profit	**(46,937)**	**4,418**	**1,354**	**(41,165)**	**8,141**	**(33,024)**

	2016					
	Continuing operations				Discontinued operation	
	Optical fibers RMB'000	Communication networks RMB'000	Rental RMB'000	Sub-total RMB'000	Low-voltage system RMB'000 (Note 5)	Total RMB'000
Revenue from external customers and reportable segment revenue	228,138	15,711	1,828	245,677	57,004	302,681
Reportable segment gross (loss)/profit	(27,591)	2,210	1,642	(23,739)	(22,276)	(46,015)

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

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Segment results	**(41,165)**	(23,739)	**8,141**	(22,276)	**(33,024)**	(46,015)
Other income	**7,989**	2,947	**1,723**	912	**9,712**	3,859
Selling expenses	**(6,431)**	(24,616)	**(6,090)**	(5,315)	**(12,521)**	(29,931)
Administrative expenses	**(69,114)**	(58,070)	**(2,893)**	(2,724)	**(72,007)**	(60,794)
Research and development expenses	**(2,142)**	(6,447)	**—**	—	**(2,142)**	(6,447)
Impairment losses	**(35,936)**	(64,605)	**(3,140)**	(23,634)	**(39,076)**	(88,239)
Finance costs	**(39,223)**	(63,696)	**(2,005)**	(1,810)	**(41,228)**	(65,506)
Changes in fair value of trading securities	**2,623**	—	**—**	—	**2,623**	—
Net gain on disposal of subsidiaries	**5,353**	37,700	**—**	—	**5,353**	37,700
Loss before taxation	**(178,046)**	(200,526)	**(4,264)**	(54,847)	**(182,310)**	(255,373)

(iii) Geographic information

At 31 December 2017 and 2016, substantially all of the Group's property, plant and equipment, intangible assets and goodwill 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 provided or the goods delivered.

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
The People's Republic of China (including Hong Kong) (the "PRC")	**151,303**	231,907	**80,958**	57,004	**232,261**	288,911
Africa	**20,626**	13,770	**—**	—	**20,626**	13,770
	171,929	245,677	**80,958**	57,004	**252,887**	302,681

5 DISCONTINUED OPERATION

In November 2017, the Company entered into a share sale and purchase agreement with Ordillia Group Limited, a company wholly-owned by Mr Li Qingli who was also an executive director of the Company. Pursuant to the above agreement, the Company is to dispose of its 100% equity interests in one of the Group's subsidiaries, namely Shijiazhuang Qiushi Communication Facilities Co., Ltd. ("Shijiazhuang Qiushi"), at a cash consideration of RMB82,000,000. Up to the date of these consolidated financial statements, the above transaction has yet to be completed. Nonetheless, all of the assets and liabilities of Shijiazhuang Qiushi are presented as assets and liabilities held-for-sale in the consolidated statement of financial position at 31 December 2017 (Note 15).

In addition, as the operation of the installation and sale of low-voltage system equipment and related accessories owned by Shijiazhuang Qiushi represented a separate major line of business of the Group, it has been presented as a discontinued operation in the consolidated statement of profit or loss for the year ended 31 December 2017. The consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 have been re-presented to show the discontinued operation separately from the continuing operations.

	Note	**2017**	2016
		RMB'000	RMB'000
Revenue	4	**80,958**	57,004
Cost of sales/services		**(72,817)**	(79,280)
Gross profit/(loss)	4(b)	**8,141**	(22,276)
Other income	6	**1,723**	912
Selling expenses		**(6,090)**	(5,315)
Administrative expenses		**(2,893)**	(2,724)
Impairment losses	7	**(3,140)**	(23,634)
Operating loss from discontinued operation		**(2,259)**	(53,037)
Finance costs	8(a)	**(2,005)**	(1,810)
Loss before taxation from discontinued operation	8	**(4,264)**	(54,847)
Income tax	9	**(1,619)**	(989)
Loss for the year from discontinued operation attributable to equity shareholders of the Company		**(5,883)**	(55,836)

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

	2017	2016
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	**1,771**	(416)
Net cash used in from investing activities	**(3,423)**	(45,566)
Net cash (used in)/generated from financing activities	**(18,127)**	91,094
	(19,779)	45,112

6 OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Interest income	**7,916**	2,557	**1,323**	912	**9,239**	3,469
Government grants	**34**	430	**400**	—	**434**	430
Net gain/(loss) on disposal of property, plant and equipment	**39**	(40)	**—**	—	**39**	(40)
	7,989	2,947	**1,723**	912	**9,712**	3,859

7 IMPAIRMENT LOSSES

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Impairment losses on trade and bill receivables (Note 13(b))	**16,526**	19,712	**3,140**	21,434	**19,666**	41,146
Impairment losses on other receivables, deposits and prepayments	**16,740**	40,126	**—**	2,200	**16,740**	42,326
Impairment losses on goodwill (Note 11)	**2,670**	4,767	**—**	—	**2,670**	4,767
	35,936	64,605	**3,140**	23,634	**39,076**	88,239

8 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Interest on bank and other borrowings	**14,770**	12,717	**2,005**	1,810	**16,775**	14,527
Finance charges on corporate bonds (Note 17)	**19,327**	18,726	**—**	—	**19,327**	18,726
Finance charges on convertible bonds (Note 18)	**12,960**	2,544	**—**	—	**12,960**	2,544
Finance charges on guaranteed notes (Note 19)	**7,908**	3,120	**—**	—	**7,908**	3,120
Total borrowing costs*	**54,965**	37,107	**2,005**	1,810	**56,970**	38,917
Net foreign exchange (gain)/loss	**(27,259)**	23,441	**—**	—	**(27,259)**	23,441
Changes in fair value on the derivative components of convertible bonds (Note 18)	**11,517**	3,148	**—**	—	**11,517**	3,148
	39,223	63,696	**2,005**	1,810	**41,228**	65,506

* No borrowing costs have been capitalised for the year ended 31 December 2017 (2016: RMBNil).

(b) Staff costs

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Salaries, wages and other benefits	**29,064**	46,729	**6,356**	4,757	**35,420**	51,486
Contributions to defined contribution retirement plans	**2,037**	2,074	**634**	513	**2,671**	2,587
Equity-settled share-based payment expenses	**9,876**	—	**—**	—	**9,876**	—
	40,977	48,803	**6,990**	5,270	**47,967**	54,073

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

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

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

(c) Other items

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Cost of inventories	**15,249**	27,869	**10,665**	6,543	**25,914**	34,412
Depreciation and amortisation	**7,000**	8,213	**364**	321	**7,364**	8,534
Operating lease charges in respect of office premises and sewer usages	**4,421**	6,693	**79**	34	**4,500**	6,727
Auditor's remuneration	**2,550**	2,400	**—**	—	**2,550**	2,400

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Current taxation:						
– PRC Corporate Income Tax	**1,203**	3,918	**1,619**	989	**2,822**	4,907
Deferred taxation:						
– Origination and reversal of temporary differences	**351**	(768)	**—**	—	**351**	(768)
	1,554	3,150	**1,619**	989	**3,173**	4,139

(b) *Reconciliation between tax expense and accounting loss at applicable tax rates:*

	Continuing operations		Discontinued operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
			(Note 5)	(Note 5)		
Loss before taxation	**(178,046)**	(200,526)	**(4,264)**	(54,847)	**(182,310)**	(255,373)
Income tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	**(34,695)**	(7,055)	**—**	—	**(34,695)**	(7,055)
Tax effect of taxable income on revenue (Note (iv))	**—**	3,300	**1,619**	989	**1,619**	4,289
Tax effect of non-deductible expenses	**54**	44	**—**	—	**54**	44
Tax effect of unused tax losses not recognised	**35,052**	6,861	**—**	—	**35,052**	6,861
Tax effect of unused tax losses not recognised in previous year but utilised or recognised in current year	**162**	—	**—**	—	**162**	—
Tax effect of write-down of deferred tax recognised in previous years	**981**	—	**—**	—	**981**	—
Actual tax expense	**1,554**	3,150	**1,619**	989	**3,173**	4,139

Notes:

(i) 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 2017 (2016: 16.5%).

(ii) 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 2017 (2016: 25%).

(iii) 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 ending 31 December 2019.

(iv) Pursuant to the approvals obtained from the tax authorities, certain subsidiaries of the Group established in the PRC are being taxed at fixed percentages of the respective subsidiaries' revenue for the year, ranging from 7% to 10% (2016: 7% to 10%).

10 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the year ended 31 December 2017 is calculated based on the loss attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Loss attributable to ordinary equity shareholders of the Company:

	2017	2016
	RMB'000	RMB'000
From continuing operations	**173,101**	197,367
From discontinued operation	**5,883**	55,836
	178,984	253,203

Weighted average number of ordinary shares:

	2017	2016
	'000	'000
Issued ordinary shares at 1 January	**1,887,620**	1,757,620
Effect of shares issued to equity shareholders of the Company in 2016	**—**	83,525
Effect of shares issued to equity shareholders of the Company in 2017	**44,932**	—
Weighted average number of ordinary shares at 31 December	**1,932,552**	1,841,145

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the years ended 31 December 2017 and 2016. The Group's convertible bonds (Note 18) and share options could potentially dilute basic earnings/loss per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the years ended 31 December 2017 and 2016.

11 GOODWILL

	RMB'000
Cost:	
At 1 January 2016, 31 December 2016 and 1 January 2017	37,536
Reclassified as assets held-for-sale (Note 15)	(30,099)
At 31 December 2017	7,437
Accumulated impairment losses:	
At 1 January 2016	—
Impairment losses	(4,767)
At 31 December 2016 and 1 January 2017	(4,767)
Impairment losses (Note 7)	(2,670)
At 31 December 2017	(7,437)
Carrying amount:	
At 31 December 2017	—
At 31 December 2016	32,769

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS/PREPAYMENTS FOR INVESTMENTS IN FINANCIAL ASSETS

	Note	**2017** **RMB'000**	2016 RMB'000
Available-for-sale financial assets included in non-current assets:			
Unlisted equity securities, at cost			
– Investment in Hebei Huaxun	(i)	**13,916**	13,916
– Investment in Sino Partner	(ii)	**64,110**	64,110
– Investment in Tian Bao	(iii)	**—**	10,000
– Investment in Jiaxing Jiamiao	(iv)	**7,500**	—
		85,526	88,026
Less: impairment losses		**(1,428)**	(1,428)
		84,098	86,598
Prepayments for investments in financial assets		**9,290**	16,790

Notes:

(i) Pursuant to an equity purchase agreement dated 3 December 2014, the Group was to acquire the 51% equity interests in Hebei Huaxun Weitong Internet Intergration Co., Ltd. (河北華訊微通網絡集成有限公司) ("Hebei Huaxun"). However, as the vendor was subsequently unable to fulfil certain conditions as stipulated in the agreement, the transaction did not proceed as planned. The original consideration, net of impairment loss, of RMB12,488,000 and the consideration payable of the same amount were recognised as available-for-sale financial assets and other payables in the Group's consolidated financial statements. The directors of the Company confirm that they are in negotiations with the vendor to terminate the agreement, and hence the transaction.

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

(iii) In January 2016, Shijiazhuang Qiushi acquired 10% equity interests in Tian Bao Fortune Equity Investment Fund (Shanghai) Co., Ltd. (天寶財富股權投資基金(上海) 有限公司) ("Tian Bao"), a fund established to invest in government infrastructure projects carried out in Hebei Province, with a cash consideration of RMB10,000,000. As disclosed in Notes 5 and 15, the investment in TianBao is owned by Shijiazhuang Qiushi and has been reclassified as assets held-for-sale on the consolidated statement of financial position as at 31 December 2017.

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

The directors of the Company consider the fair values of the above unquoted equity investments cannot be measured reliably and hence, they are measured at cost less impairment losses.

13 TRADE AND BILL RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Trade and bill receivables - current portion	**147,982**	199,741
Less: allowance for doubtful debts	**(27,818)**	(47,446)
	120,164	152,295
Trade receivables - non-current portion	**—**	7,933
	120,164	160,228

All of the current trade and bill receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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:

	2017	2016
	RMB'000	RMB'000
Within 90 days	**74,948**	53,444
91 to 180 days	**25,690**	23,784
181 to 365 days	**9,227**	20,998
Over 1 year	**10,299**	62,002
	120,164	160,228

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

(b) Impairment of trade and bill receivables

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

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

	2017	2016
	RMB'000	RMB'000
At 1 January	**47,446**	6,300
Impairment losses recognised (Note 7)	**19,666**	41,146
Uncollectible amounts written off	**(14,142)**	—
Reclassified as assets held-for-sale	**(25,152)**	—
At 31 December	**27,818**	47,446

At 31 December 2017, trade and bill receivables of RMB52,237,000 (2016: RMB91,432,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

(c) *Trade and bill receivables that are not impaired*

The ageing analysis of trade and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	**79,683**	17,978
Within 90 days past due	**7,774**	48,041
91 to 180 days past due	**536**	22,722
181 to 365 days past due	**3,289**	11,748
Over 1 year past due	**4,463**	15,753
	16,062	98,264
	95,745	116,242

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired mainly relate to state-owned telecommunication network and equipment operators and borrowers under money lending business that are in sound financial positions and have good track records with the Group. Based on past experience, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) *Retentions receivable*

The amount of retentions receivable from customers, recorded within "trade and bill receivables" at 31 December 2017 is RMB7,198,000 (2016: RMB10,045,000). The amount of those retentions receivable expected to be recovered after more than one year is RMB3,121,000 (2016: RMB4,916,000).

14 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017	2016
	RMB'000	RMB'000
Contracts in progress at 31 December:		
Contract costs incurred plus recognised profits less losses	**435,590**	786,362
Less: progress billings	**(98,196)**	(280,543)
	337,394	505,819

As at 31 December 2017, the amounts due from customers for contract work represented the unbilled contract revenue of uncompleted projects, which included an aggregate amount of RMB239,534,000 (2016: RMB319,732,000) due from stated-owned telecommunication operators in the PRC. The directors of the Company confirm that the above unbilled contract works are generally parts of larger scale projects undertaken by the owners, and consider it is the general practice within the construction industry in the PRC in which the owners will usually accept the contractors, such as the Group, to issue billings upon the completion of the larger scale projects. The directors of the Company confirm that they are in negotiations with the various owners and expect a substantial portion of the above contract works to be billed within one year.

15 ASSETS AND LIABILITIES HELD-FOR-SALE

As disclosed in Note 5, the intended disposed of shijiazhuang Qiashi resulted in the assets and liabilities of Shijiazhuang Qiushi being presented as assets and liabilities held-for-sale in consolidated statement of financial position at 31 December 2017.

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

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

16 TRADE AND OTHER PAYABLES

	Note	**2017** **RMB'000**	2016 RMB'000
Trade payables due to third parties		**126,632**	212,850
Other payables and accrued expenses:			
– payables for staff related costs		**18,540**	22,117
– other taxes payables		**15,210**	24,253
– payables for interest expenses		**10,000**	12,657
– payables for acquisition of available-for-sale financial assets	12(i)	**12,488**	12,488
– amounts due to non-controlling equity holders	(i)	**467**	5,604
– amounts due to related parties		**41**	575
– others		**11,475**	24,638
		68,221	102,332
Financial liabilities measured at amortised cost		**194,853**	315,182
Receipts in advance from customers		**—**	594
		194,853	315,776

Note:

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

At 31 December 2017, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

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

	2017 **RMB'000**	2016 RMB'000
Within 90 days	**38,113**	169,199
91 to 180 days	**13,622**	15,395
181 to 365 days	**24,087**	7,380
Over 1 year	**50,810**	20,876
	126,632	212,850

17 CORPORATE BONDS

In 2017, the Group issued unsecured corporate bonds with an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB42,414,000) (2016: HK$36,000,000, equivalent to approximately RMB31,000,000). The bonds issued in 2017 will mature in 2 years from the respective dates of issuance (2016: 2 to 7.5 years) and bear interest at 6% per annum payable annually (2016: 6.5% to 7% per annum payable annually). The movements of the balance of corporate bonds are as follows:

	2017	2016
	RMB'000	RMB'000
At 1 January	**190,425**	147,355
Net proceeds received	**36,476**	25,339
Repayments during the year	**(3,365)**	(6,583)
Finance charges accrued for the year (Note 8(a))	**19,327**	18,726
Interest paid during the year	**(14,192)**	(13,626)
Exchange adjustments	**(13,048)**	19,214
At 31 December	**215,623**	190,425
Less: amounts repayable within one year	**(22,411)**	(3,578)
Amounts repayable after one year	**193,212**	186,847

18 CONVERTIBLE BONDS

On 9 February 2017 and 27 June 2017, the Company issued convertible bonds with principal amounts of USD10,000,000 (equivalent to approximately RMB68,710,000) and USD4,000,000 (equivalent to approximately RMB27,317,000), respectively, to Donghai Investment Fund Series SPC. All of these convertible bonds have a maturity period of 2 years from their respective dates of issuance, bear interest at 8% per annum payable semi-annually. All of these convertible bonds are guaranteed by Mr. Jiang Changqing, the controlling shareholder (the "Controlling Shareholder"). The bonds are convertible at the option of the bondholder into ordinary shares during the conversion period beginning on the first anniversary of the issue date or such earlier date as may be agreed by the issuer and bondholder and ending on maturity date. The bondholder has the right to convert all or any part of the outstanding principal amount of the convertible bonds with the initial conversion price of HK$1.00 per conversion share, subject to any adjustment from time to time (i.e. the conversion options).

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

	2017			2016		
	Liability components RMB'000	**Derivative components RMB'000**	**Total RMB'000**	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January	**42,716**	**6,423**	**49,139**	—	—	—
Net proceeds received	**89,914**	**6,113**	**96,027**	39,313	2,927	42,240
Finance charges accrued for the year (Note 8(a))	**12,960**	**—**	**12,960**	2,544	—	2,544
Interest paid during the year	**(7,142)**	**—**	**(7,142)**	(1,774)	—	(1,774)
Exchange adjustments	**(7,124)**	**(1,078)**	**(8,202)**	2,633	348	2,981
Fair value adjustment to the derivative components (Note 8(a))	**—**	**11,517**	**11,517**	—	3,148	3,148
At 31 December	**131,324**	**22,975**	**154,299**	42,716	6,423	49,139
Less: amounts repayable within one year	**41,439**	**—**	**41,439**	—	—	—
Amounts repayable after one year	**89,885**	**22,975**	**112,860**	42,716	6,423	49,139

19 GUARANTEED NOTES

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

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

	2017	2016
	RMB'000	RMB'000
At 1 January	**45,132**	—
Net proceeds received	**95,714**	41,727
Finance charges accrued for the year(Note 8(a))	**7,908**	3,120
Interest paid during the year	**(8,306)**	(2,439)
Repayments during the year	**(17,342)**	—
Exchange adjustments	**(9,317)**	2,724
At 31 December	**113,789**	45,132
Less: amounts repayable within one year	**(25,325)**	—
Amounts repayable after one year	**88,464**	45,132

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company reported its audited results for the year ended 31 December 2017 with a loss attributable to the equity holders of the Company of RMB178,984,000, representing a decrease of loss of RMB74,219,000 from loss of RMB253,203,000 for the year ended 31 December 2016, or approximately 29.3% when compared with the corresponding period of the previous financial year. The Group's revenue from continuing operations for the year ended 31 December 2017 decreased by approximately 30% to RMB171,929,000. During the year ended 31 December 2017, due to increased competition in the traditional optical fiber deployment business, the Group adjusted its allocation of resources by taking the initiative to reduce the amount of business undertaken in 2017 and foster new potential business growth drivers. The strategy adjustment leads to a significant decrease in revenue of design, deployment and maintenance services of optical fibers. The Group recorded a substantial loss attributable to the equity holders of the Company due to the following reasons, 1) fall in revenue as a result of strategy adjustment, 2) increased costs due to delay in construction progress for a number of projects, and some construction contracts had not reached the stage to recognise contract revenue but costs incurred were recorded, 3) recognition of provisions for trade receivables from non-operator customers and other receivables from third parties that were in financial difficulties, 4) increase in borrowing costs due to increasing interest rates, 5) recognition of share option costs lead to a significant increase in administrative expenses.

BUSINESS REVIEW

The Group is principally engaged in the provision of design, deployment and maintenance services of optical fibers, other integrated services relating to the design, construction and maintance of communication networks, and low-voltage equipment related integration services, which was intended to be disposed, for details of the disposal, please refer to Note 5. Apart from optical fibers related services, the Group is also engaged in money lending business since July 2017. It is the Group's strategy to become a significant optical fiber deployment service provider for telecommunication operators in the PRC by further strengthening our microducts and mini-cable system integration deployment services of optical fibers in the PRC.

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

In order to seek international business opportunities, after conducting several site visits, feasibility studies and business opportunity evaluations, our overseas business development departments have established wholly-owned subsidiaries in Libya, South Africa and Algeria respectively and started business operations. During the year ended 31 December 2017, the Group achieved steady growth of overseas business. Meanwhile, we have also been exploring with local partners in many countries to consider establishing joint ventures to develop the local market.

The Group has extensive experience and remarkable advantage in the application of minicable and micro-ducts integration technology for laying optical fiber networks in storm water conduits in China. As the Company has planned for overseas expansion, the Group has explored with a number of domestic and foreign telecommunication operators and equipment providers to enhance and construct local optical fiber networks overseas, using local drainage system conduits and mini-cable and micro-ducts technology for laying new networks, and conducting business in rental of optical fiber resources (bare optical fiber, conduits) under the business model of "operators of operators".

Based on the experience of the Group and the results of detailed analysis, it has been shown that laying optical fiber cables through combining the use of drainage system and mini-cable and mirco-ducts technology is a technology that can construct networks with the most extensive coverage in a shorter time and at a lower cost, and it is expected that no alternative technology with a lower cost will be available in the foreseeable future. As an "operator of operators", we have competitive and cost advantages in using the technology. The business model of "operators of operators" involves a one-off cash payment by the customer to acquire the right to use optical fiber and conduits (IRU), and operation and maintenance fees are paid on an annual basis. This is expected to substantially improve the cash flow of the Group.

In order to diversify and strengthen our revenue streams to maximise returns to the Company's shareholders, the directors have identified money lending business to be an area where the Group can generate regular and long-term sustainable income. The Group has obtained a money lenders license in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in July 2017 with a view to develop its money lending business.

Deployment and maintenance services of optical fibers

During the year ended 31 December 2017, decrease in revenue of deployment services of optical fibers was mainly due to significant decrease in traditional deployment construction revenue in Hebei Province due to keen competition of the market. While costs increased as a result of delay in construction progress for a number of projects, a number of projects with relatively low gross profit margins were undertaken by the Group to maintain a certain market share. The above factors led to a decrease in revenue and gross margin of the optical fiber deployment business in 2017.

Low-voltage equipment integration

The business environment for low-voltage equipment integration services engaged by Qiushi has been competitive in the past two years. Qiushi's business declined significantly and recorded negative operating result in the past two years and dragged down the financial performance of the Group as a whole. During the year, the Group entered into the Disposal Agreement to dispose all of its interest in Qiushi. The management considers that the Proposed Disposal is expected to allow the Group to dispose of a loss-making business and reallocate the Company's resources to expand it business with higher growth potential. For details of the Proposed Disposal, please refer to section "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies - Disposal of Qiushi".

Other communication network services

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

Money lending

Money lending business is a new operating segment as a result of the commencement of the new operations in the current financial period. The money lending segment principally earns interest income from loans to third parties.

FUTURE PLANS AND PROSPECTS

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

FINANCIAL REVIEW

Continuing operations	Year ended 31 December **2017** **RMB'000**	 2016 RMB'000	 Increase (Decrease)%
Revenue	**171,929**	245,677	(30.0)
Gross loss	**(41,165)**	(23,739)	73.4
EBITDA	**(131,823)**	(128,617)	2.2
EBITDA margin %	**(76.7%)**	(52.4%)	(24.1)
Net loss	**(179,600)**	(203,676)	(11.8)
Loss for the year attributable to the equity holders of the Company	**(173,101)**	(197,367)	(12.3)
Net loss margin	**(100.7%)**	(80.3%)	20.4
Continuing and discontinued operations	**RMB cents**	RMB cents	RMB cents
Basic loss per share	**(9.26)**	(13.75)	(4.49)

	As at 31 December 2017	As at 31 December 2016
Current ratio	**2.0**	2.1
Gearing ratio	**117.4%**	82.5%

Revenue

The Group's revenue from continuing operations for the year ended 31 December 2017 was RMB171,929,000, representing a decrease of approximately 30.0% over the corresponding period of the previous financial year. The decrease in the Group's revenue from continuing operations was mainly due to decrease of construction contract revenue of deployment services of optical fibers.

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

	Year ended 31 December		
	2017	2016	Increase (Decrease)
	RMB'000	RMB'000	%
Continuing operations			
Revenue from the provision of design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**77,954**	160,955	(51.6)
– Micro-ducts and mini-cables system integration methods	**73,649**	67,183	9.6
Sub-total	**151,603**	228,138	(33.5)
Other communication networks services	**17,772**	15,711	13.1
Money lending	**2,554**	—	100.0
Rental income	**—**	1,828	(100.0)
Total	**171,929**	245,677	**(30.0)**
Discontinued operation			
Revenue from the installation and sales of low-voltage system equipment and related accessories	**80,958**	57,004	42.0
Total	**252,887**	302,681	(16.5)

Design, deployment and maintenance of optical fibers

Revenue generated from our provision of design, deployment and maintenance of optical fibers services, was RMB151,603,000, representing approximately 88.2% of the total revenue from continuing operations of the Group for the year ended 31 December 2017. The decrease in construction revenue for the year ended 31 December 2017 as compared to 2016 was mainly due to the decrease in the revenue derived from the provision of deployment services of optical fibers in Hebei Province due to keen competition.

The following table set forth our revenue from construction contract by major locations for the years indicated.

	Year ended 31 December			
	2017		2016	
	(RMB'000)	**%**	(RMB'000)	%
Hebei Province	**75,785**	**50.0**	157,476	69.0
Liaoning Province	**20,224**	**13.3**	14,384	6.3
Yunnan Province	**11,631**	**7.7**	2,413	1.1
Shanxi Province	**8,804**	**5.8**	3,100	1.4
Tianjin	**8,375**	**5.5**	2,455	1.1
Shandong Province	**4,960**	**3.3**	7,079	3.1
Guizhou Province	**2,841**	**1.9**	13,687	6.0
Henan Province	**2,137**	**1.4**	5,775	2.5
Sichuan Province	**295**	**0.2**	8,464	3.7
Others	**16,551**	**10.9**	13,305	5.8
	151,603	**100.0**	228,138	100.0

Other communication networks services

The increase in other communication networks services was mainly due to overseas expansion.

Money lending

Money lending business is a new business commenced in current year. The Group recorded turnover of approximately RMB2.55 million for the year ended 31 December 2017, representing approximately 1.5% of the total revenue from continuing operations of the Group for the year ended 31 December 2017.

Cost of sales and services

The Group's cost of sales and services from continuing operations for the year ended 31 December 2017 was approximately RMB213,094,000, representing a decrease of approximately 20.9% over the corresponding period of the previous year. The decrease in the Group's cost of sales was due to decrease of construction costs for deployment services of optical fibers.

Gross loss

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

	Year ended 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Gross (loss)/profit by services				
Continuing Operations				
Revenue from the provision of design, deployment and maintenance of optical fibers services				
– Traditional deployment methods	**(53,679)**	**130.4**	(33,275)	140.2
– Micro-ducts and mini-cables system integration methods	**6,742**	**(16.4)**	5,684	(23.9)
Sub-total	**(46,937)**	**114.0**	(27,591)	116.3
Other communication networks services	**4,418**	**(10.7)**	2,210	(9.3)
Money lending	**1,354**	**(3.3)**	—	—
Rental income	**—**	**—**	1,642	(7.0)
	(41,165)	**100.0**	(23,739)	100.0
Discontinued operation				
Revenue from the installation and sales of low-voltage system equipment and related accessories	**8,141**		(22,276)	
	(33,024)		(46,015)	

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

	Year ended 31 December		
	2017	2016	Increase/ (Decrease)
	%	%	percent point
Continuing Operations			
Gross margin by services			
Revenue from the provision of design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**(68.9)**	(20.7)	(48.2)
– Micro-ducts and mini-cables system integration methods	**9.2**	8.5	0.7
Overall	**(31.0)**	(12.1)	(18.9)
Other communication networks services	**24.9**	14.1	10.8
Money lending	**53**	—	53
Rental income	**—**	89.8	(89.8)
Overall gross margin	**(23.9)**	(9.7)	(14.2)
Discontinued operation			
Revenue from the installation and sales of low-voltage system equipment and related accessories	**10.1**	(39.1)	49.2

There was a decrease in overall gross margin from continuing operations for the year ended 31 December 2017 as compared with the corresponding period of the previous financial year.

The decrease in our gross margin was primarily due to the decrease in gross margin of construction contract revenue in relation to traditional deployment of optical fibers from loss of approximately 20.7% in year ended 31 December 2016 to loss of approximately 68.9% in year ended 31 December 2017. In general, the gross margin of construction contract varies according to the difficulties and complexities of each project.

The decrease in gross margin of construction contracts of deployment services of optical fibers using traditional deployment methods was mainly due to the following reasons, a) increased costs as a result of delay in construction progress and engineering change for a number of projects, b) increased competition of business in Hebei Province, c) some construction contracts had not reached the stage to recognise construction revenue but costs incurred were recorded and d) the fixed cost had remained while the revenue decreased. Therefore, there was a negative impact on the gross margin.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods increased from approximately 8.5% for the year ended 31 December 2016 to approximately 9.2% for the year ended 31 December 2017.

Major customers and service network

Based in Hebei Province, the Group principally provides one-stop optical fiber deployment solutions for telecommunication operators and provides low-voltage equipment integration services in China. Our major customers include China Mobile Communications Corporation ("China Mobile"), a major telecommunication operator in China which contributed approximately 53% of total revenue from continuing operations, and other regional telecommunication operators. As the Group maintains a favourable position in terms of resource in the industry of both micro-ducts and mini-cables system deployment technology, we obtain our contracts of that kind mainly through negotiated tender, while for traditional deployment business we mainly compete for contracts through open tender.

As at 31 December 2017, the Group's service network included Hebei Province, Shandong Province, Liaoning Province, Henan Province, Sichuan Province, Guizhou Province, Shanxi Province and Yunnan Province and etc.

Other income from continuing operations

Other income mainly included the interest income and government grants received by the Group, which amounted to RMB7,989,000 for the year ended 31 December 2017, representing an increase of RMB5,042,000 from RMB2,947,000 for the corresponding period of the previous year due to the increase in interest income.

Selling expenses and administrative expenses from continuing operations

The Group's selling expenses and administrative expenses for the year ended 31 December 2017 were RMB75,545,000, representing a decrease of RMB7,141,000 from RMB82,686,000 for the corresponding period of the previous year. The decrease in selling expenses and administrative expenses is a net effect of recognition of share option cost of RMB9,876,000 (31 December 2016: Nil) and a decrease of RMB17,017,000 in selling expenses and administrative expenses due to cost control.

Impairment losses from continuing operations

Impairment losses mainly included impairment losses of RMB16,526,000 on trade receivables, impairment losses of RMB16,740,000 on other receivables and impairment losses of RMB2,670,000 on goodwill. The impairment losses on trade receivables was mainly due to certain non-operator customers encountered financial difficulties in 2017 and upon management's assessment only a portion of the receivables is expected to be recovered. The significant decrease in impairment losses on other receivables was mainly due to recognition impairment of RMB23,700,000 on the difference between original consideration and amended consideration for disposal of Nanjing Newlixon in 2016.

Finance cost from continuing operations

Finance cost mainly included interest charged from bank and other borrowings, corporate bonds, convertible bonds and guaranteed notes and net foreign exchange differences on debts. The decrease in finance cost was mainly due to the net foreign exchange difference which changed from loss of RMB23,441,000 to gain of RMB27,259,000.

Net gain on disposal of subsidiary

Net gain on disposal of subsidiary represented disposal gain of Chengdu Hop Environmental Protection Technology Co., Ltd. in 2017 and disposal gain of Nanjing Newlixon of RMB37,700,000 in 2016.

Loss from continuing operations attributable to equity holders of the Company

The Group recorded net loss from continuing operations attributable to equity holders of the Company of RMB173,101,000 for the year ended 31 December 2017 compared to net loss of RMB197,367,000 for the corresponding period in 2016, representing a decrease of loss approximately 12.3%. The decrease in loss attributable to equity holders of the Company was mainly due to the net effect of the decrease in impairment losses of RMB28,669,000, the decrease in finance costs of RMB24,473,000, the decrease in selling expenses and administration expenses of an aggregate amount of RMB7,141,000, the increase in gross loss of RMB17,426,000 and the decrease in net gain on disposal of subsidiary of RMB32,347,000.

Trade and bill receivables

There was a decrease in trade and bills receivables as at 31 December 2017 of approximately RMB40,064,000 as compared to 31 December 2016, which was mainly due to the net effect of the settlement from customers, impairment losses recognised and new trade receivables provided by the Group during the year ended 31 December 2017.

Amount due from customers for contract works

There was a decrease in the amount due from customers for contract works as at 31 December 2017 of RMB168,425,000 as compared to 31 December 2016, which was mainly due to the net effect of decrease in revenue and construction revenue recognized in year 2017 but not certified by customers.

Goodwill

The decrease in goodwill was mainly due to the reclassification of goodwill of RMB30,099,000 relating to Qiushi to the assets held-for-sale as the low-voltage system segment has been reclassified as discontinued operation as at 31 December 2017. For details of the proposed disposal, please refer to section "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies - Disposal of Qiushi".

Available-for-sale financial assets

Available-for-sale financial assets mainly included investment of RMB64,110,000, representing 5.65% of equity interest of Sino Partner. Sino Partner principally engaged in the design, development, manufacturing and sales of high performance supercars under the brand "Apollo".

Trading securities

Trading securities represented an investment in listed equity security at fair value in Hong Kong, which amounted to RMB8,897,000 as at 31 December 2017.

Assets and liabilities held-for-sale

Assets and liabilities held-for-sale represented assets and liabilities relating to Qiushi and was stated at the lower of its carrying value and its fair value less costs to sell. All assets and liabilities of Qiushi were reclassified to assets held-for-sale and liabilities held-for-sale, respectively, as the low-voltage system segment has been reclassified as discontinued operation as at 31 December 2017. For details of the proposed disposal, please refer to section "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies - Disposal of Qiushi".

Bank and other borrowings

The Group had short-term and long-term bank and other borrowings as at 31 December 2017 amounted to RMB53,000,000 and RMB48,000,000 respectively. No financial instruments were used for hedging purposes. The Group's bank loans were made in Hong Kong dollars and Renminbi, RMB59,000,000 (31 December 2016: RMB78,726,000) of bank loans are carried at floating rates, and the remaining bank and other borrowings are carried at fixed rates.

Convertible bonds

On 7 June 2016, 9 February 2017 and 27 June 2017, the Company issued convertible bonds with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to HK$78,000,000) and USD4,000,000 (equivalent to HK$31,200,000), respectively. These convertible bonds are guaranteed by Mr. Jiang. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the corresponding convertible bond instrument: (i) Mr. Jiang ceases to be the chairman of the board ("Board"); (ii) Mr. Jiang, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 30% of the issued shares of the Company; and (iii) all or any substantial part of the assets of the Mr. Jiang is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government. For details, please refer to Note 18 and the Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017.

During the year ended 31 December 2016 and 31 December 2017, there was no conversion of the convertible bonds issued by the Company into share by the bondholders. As at 31 December 2017, the outstanding principal amount of all convertible bonds was approximately HK$159,200,000 (31 December 2016: HK$50,000,000). Based on the conversion price of the convertible bonds of HK$1.00 per share of the Company, a maximum number of 159,200,000 shares of the Company (31 December 2016: 50,000,000 shares) would be allotted and issued upon exercise of the conversion rights attaching to the outstanding convertible bonds in full, which represent approximately 8.01% of the total number of issued shares of the Company as at 31 December 2017, and approximately 7.42% of the enlarged total number of issued shares immediately after full conversion of convertible bonds at the conversion price of HK$1.00, respectively.

Below is an analysis of the shareholding structure of the Company (i) as at 31 December 2017; and (ii) immediately after full conversion of the convertible bonds at the initial conversion price of HK$1.00.

Shareholders	**As at 31 December 2017**		**Immediately after full conversion of the Convertible Bond at the initial Conversion Price of HK$1.00**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Jiang and his associates	648,502,000 (Note)	32.63	648,502,000 (Note)	30.21
The bondholders	—	—	159,200,000	7.42
Other substantial shareholders	470,273,000	23.66	470,273,000	21.91
Public	868,845,000	43.71	868,845,000	40.46
Total	1,987,620,000	100.00	2,146,820,000	100.00

Note: These comprise (i) 10,195,000 Shares owned by his spouse, Ms. Guo Aru, as beneficial owner; (ii) 638,307,000 Shares through his interest in Bright Warm Limited which is owned beneficially as to 100% by Mr. Jiang.

During the year ended 31 December 2016 and 31 December 2017, there was no dilutive effect attributable to the convertible bonds on the loss per share. Additional information of the convertible bonds issued by the Company, including but not limited to, analysis on the financial and liquidity position of the Group and discussion on the ability to meet its redemption obligations under the convertible bonds are set out in the paragraph "Liquidity and financial resources".

Guaranteed notes

In May 2016, January 2017 and June 2017, the Company issued guaranteed notes with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to approximately HK$78,000,000) and USD4,000,000 (equivalent to approximately HK$31,200,000), respectively. These guaranteed notes are guaranteed by Mr. Jiang. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the corresponding note instrument: (i) Mr. Jiang ceases to be the chairman of the Board; (ii) Mr. Jiang, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and control more than 30% of the issued shares of the Company; and (iii) all or any substantial part of the assets of the Mr. Jiang is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government. For details, please refer to Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017. All guaranteed notes have a maturity period of 2 years, with interest bearing at 11% per annum and are repayable semi-annually.

Related Party Balances and Transactions

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

Name of related party	**Relationship**
Mr. Li Qingli	Beneficial shareholder and director of the Company
Mr. Jiang Changqing	Beneficial shareholder and director of the Company
Ms. Guo Aru	Beneficial shareholder and director of the Company

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Non-trade nature:		
Ms. Guo	**—**	575
Mr. Li	**41**	—
	41	575

(c) Bank borrowings of RMB74,000,000 (31 December 2016: RMB72,945,000) are secured by personal guarantee from Mr. Jiang Chanqing and Ms. Guo Aru, directors of the Company. The guaranteed notes of RMB88,464,000 (31 December 2016: RMB45,132,000) and convertible bonds of RMB112,860,000 (31 December 2016: RMB49,139,000) are guaranteed by Mr. Jiang Changqing, director of the Company.

(d) The remuneration paid and payable to the key management of the Company who are also the directors for the year amounted to RMB8,051,000 (31 December 2016: RMB3,708,000).

Liquidity and financial resources

As at 31 December 2017, the Group had current assets of approximately RMB1,258,975,000 (31 December 2016: RMB1,229,635,000) which comprised cash and cash equivalents amounted to approximately RMB195,061,000 as at 31 December 2017 (31 December 2016: RMB128,057,000). As at 31 December 2017, the Group had non-current liabilities and current liabilities amounted to approximately RMB442,803,000 and RMB619,719,000 (31 December 2016: RMB415,750,000 and RMB578,996,000), consisting mainly of payables, corporate bonds, convertible bonds, guaranteed notes, bank and other borrowings arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 2.0 as at 31 December 2017 (31 December 2016: 2.1).

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

Gearing ratio

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporated bonds, convertible bonds and guaranteed notes less cash at bank and on hand and restricted bank deposits. Capital comprises all components of equity. The gearing ratio was approximately 117.4% as at 31 December 2017 (31 December 2016: approximately 82.5%).

Treasury policies

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

Foreign exchange exposure

For the year ended 31 December 2017, we had partial bank balances and corporate bonds which are denominated in foreign currencies and consequently we have foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the report date. During the year ended 31 December 2017, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign exchange risk.

Capital structure

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

Capital commitments

Capital commitments were contracted but not provided for in the financial statements as at 31 December 2017 are RMB 37,500,000 (31 December 2016: Nil). Capital commitments were mainly related to the acquisition of 51% equity interest in Yourui. For details of the Acquisition of Yourui, please refer to section "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies – Acquisition of Yourui".

Dividend

The Board does not recommends the payment of dividend for the year ended 31 December 2017 (2016: Nil).

Information on employees

As at 31 December 2017, the Group had 462 employees (31 December 2016: 503), including the executive directors. Total staff costs (including directors' emoluments) were approximately RMB47,967,000 for the year ended 31 December 2017 as compared to approximately RMB54,073,000 for the year ended 31 December 2016. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Significant investments held

Except for investment in subsidiaries, available-for-sale financial assets and trading securities during the year ended 31 December 2017, the Group did not hold any significant investment in equity interest in other company.

Future Plans for Material Investments and Capital Assets

The Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Acquisition of Yourui

In order to explore and make strategic investments in other new business opportunities, the Group acquired 51% of equity interest in Beijing Yourui Jiahe Electronic Technology Co., Ltd.* (北京優瑞嘉和電子科技有限公司) ("Yourui") at a consideration of maximum of RMB321,300,000 (the "Acquisition"), among which RMB37,500,000 shall be settled in cash, and the remaining consideration shall be settled in cash or by issuing new ordinary shares of the Company at the discretion of the Company if Yourui meets the performance guarantee as stipulated in the share purchase agreement dated 20 October 2017. The Acquisition is completed on 12 February 2018, upon fulfillment of all the conditions precedent set out in the share purchase agreement. After completion, Yourui becomes a subsidiary of the Company. Accordingly, the assets, liabilities and financial results of Yourui, together with its subsidiaries, will be consolidated into the financial statements of the Group. Yourui is principally engaged in the provision of environmentally intelligent technical products and services in the PRC. For details, please refer to the announcements of the Company dated 20 October 2017, 19 January 2018 and 12 February 2018.

Disposal of Qiushi

As approved by the Board, the Company entered into a share sale and purchase agreement (the "Disposal Agreement") with Ordillia Group Limited, a limited liability company incorporated in the BVI and wholly-owned by Mr. Li Qingli, a former executive director of the Company, on 26 November 2017, pursuant to which the Company agreed to dispose and Ordillia Group Limited agreed to purchase all of the shares of the Company in Shijiazhuang Qiushi Communication Facilities Co., Ltd. (the "Disposal Company" or "Qiushi") at a consideration with the net amount of RMB82,000,000 (the "Proposed Disposal"). Mr.Li Qingli also tendered his resignation as an executive director of the Company of the Company with effect from 28 January 2018. As Mr. Li Qingli is a connected person under Chapter 14A of the Listing Rules, the Proposed Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Qiushi is principally engaged in the provision of low-voltage system related business. The low-voltage system segment has been reclassified as discontinued operation as at 31 December 2017 due to the Proposed Disposal. For details, please refer to the announcements of the Company dated 26 November 2017, 28 November 2017, 15 December 2017, 27 December 2017, 10 January 2018, 24 January 2018, 8 February 2018, 7 March 2018 and 27 March 2018.

During the year ended 31 December 2017, save as disclosed above the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

Charges on assets

As at 31 December 2017, the Group had pledged bank deposit with carrying amount of RMB2,270,000 and to secure the bank and other borrowings (31 December 2016: RMB170,697,000).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2017 (31 December 2016: Nil).

OTHER INFORMATION

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

Comparison of Future Plans with the Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 31 December 2017. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

Business plan as set out in the Prospectus	**Actual business progress up to 31 December 2017**
1. Further strengthening our deployment services of optical fibers in the PRC	
(i) Investment in equipment	The Group has purchased various equipment, spare parts of equipment and motor vehicles for construction projects.
(ii) Market expansion	The Group has built sixteen experimental sections and purchased motor vehicles for marketing purposes. In addition, the Group has established three representative office in Chongqing, Tianjin and Shenzhen.
(iii) Securing strategic assets/ rights	The Group has signed one co-operation memorandum with a government department and the Group is communicating with various relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group completed three acquisitions which are located in Hunan Province, Chongqing and Hebei Province.
(v) Human resources	The Group has employed additional technical and management staff and provided relevant training to new and existing staff.
(vi) Research and development	The Group has continued to conduct research and development on technology related to micro-ducts and mini-cables system integration methods, especially the application in sewer system.
2. Expanding our business of low-voltage equipment integration services in the PRC	
(i) Sales and marketing	The Group has employed additional staff to strengthen sales and marketing network. In addition, the Group is conducting research on appropriate sales and marketing activities to promote reputation.

As of the date of this announcement, the directors had no intention to make any changes to the business plan.

Use of Proceeds

The net proceeds from the Placing on 12 June 2012 (the "Listing Date") were approximately HK$108.7 million (equivalent to approximately RMB88.7 million). The net proceeds from the Listing Date to 31 December 2017 had been applied as follows:

	Use of proceeds from the Listing Date to period ended 31 December 2017 as shown in the Prospectus HK$ (million)	Actual use of proceeds from the Listing Date to 31 December 2017 HK$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	26.18	11.86
(ii) Market expansion	15.50	15.50
(iii) Securing strategic assets/rights	23.42	23.42
(iv) Acquisition	12.20	12.20
(v) Human resources	2.60	2.60
(vi) Research and development	3.70	3.70
Sub-total	83.60	69.28
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	2.4	2.4
3. Repayment of bank and other borrowings	14.30	14.30
4. General working capital (Note)	8.4	8.40
Total	108.70	94.38

Note: The amount of general working capital had been reduced from HK$11.1 million to HK$8.4 million to reflect the difference of the estimated amount of net proceeds shown in the Prospectus amounted to HK$111.4 million and the final net proceeds of HK$108.7 million.

The future plans and prospects as stated in the Prospectus were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus. According to the Company's announcement dated 24 July 2014, the Company intended to adjust the allocation of the unutilised net proceeds in the sum of approximately HK$55.1 million. As of the date of this announcement, the directors are not aware of material change to the planned use of the proceeds from the plan as stated in such announcement.

On 29 September 2014, subscription of 62,500,000 new shares was completed and net proceeds were approximately HK$96.75 million (equivalent to approximately RMB76.70 million). On 11 February 2016, subscription of 50,000,000 new shares was completed and net proceeds were approximately HK$47.6 million (equivalent to approximately RMB 40.26 million). On 21 July 2017, subscription of 100,000,000 new shares was completed and net proceeds were approximately HK$87.02 million (equivalent to approximately RMB 75.11 million). The net proceeds from the completion date of the aforesaid subscription to 31 December 2017 had been applied as follows:

	Planned use HK$ (million)	**Actual use HK$ (million)**
1. Acquisition	21.30	21.30
2. General working capital	146.85	146.85
3. Repayments of debts	63.22	63.22
	231.37	231.37

On 7 June 2016, 9 February 2017 and 27 June 2017, the Company issued convertible bonds with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to HK$78,000,000) and USD4,000,000 (equivalent to HK$31,200,000), respectively. The net proceeds from the issue of the Convertible Bonds were approximately HK$49,500,000, HK$78,000,000 and HK$31,175,000 respectively. The net proceeds from the completion date of the aforesaid issuances to 31 December 2017 had been applied as follows:

	Planned use HK$ (million)	**Actual use HK$ (million)**
1. Day-to-day operations	146.82	146.82
2. Investments and acquisitions	11.86	11.86
	158.68	158.68

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 168,000,000 shares, which represents 10% of the shares in issue of the Company as at the Listing Date of the Company.

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

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

On 24 January 2017, 60,000,000 share options were granted to directors of the Company and employees of the Group under the above share option scheme. All share options granted will vest six months from the date of grant. The share options granted will lapse on 23 July 2020. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK$0.9 each and is settled gross in shares. For details, please refer to the announcement of the Company dated 24 January 2017.

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

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

(ii) Reconciliation of outstanding share options:

	Weighted average exercise price	Numbers of options 2017
Outstanding at 1 January	—	—
Granted during the year	HK$0.90	60,000,000
Forfeited during the year	HK$0.90	(15,000,000)
Outstanding/Exercisable at 31 December	HK$0.90	45,000,000

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

(iii) Measurement of fair value

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

Fair value of share options and assumptions	**Share options granted to directors**	**Share options granted to employees**
Fair value at measurement date	HK$0.27	HK$0.237
Share price	HK$0.90	HK$ 0.90
Exercise price	HK$0.90	HK$ 0.90
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	39.469%	39.469%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3.5	3.5
Expected dividends	0.000%	0.000%
Risk-free interest rate (based on Exchange Fund Notes)	1.364%	1.364%

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 either with or without a service condition. This condition, if any, has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

The estimated fair values of the options granted during the reporting period is approximately RMB9,876,000 (31 December 2016: Nil). All options vested in current year and the estimated fair values were recognised as expense to the profit or loss accordingly.

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

As at 31 December 2017, 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	638,307,000 Shares (L)	32.11%
	Our Company	Interest of Spouse	10,195,000 Shares (L)	0.51%
Ms. Guo Aru (Note 3)	Our Company	Interest of Spouse	638,307,000 Shares (L)	32.11%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.51%
Mr. Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	104,065,000 Shares (L)	5.24%
	Our Company	Benecial owner	6,640,000 Shares (L)	0.33%

Notes:

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

2. The 638,307,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of the Company and an executive director. Mr. Jiang Changqing is also interested in 1,800,000 share options granted under the Share Option Scheme.

3. Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo Aru is deemed to be interested in the 638,307,000 Shares owned by Mr. Jiang Changqing in the Company and 1 share owned by Mr. Jiang Changqing in Bright Warm Limited by virtue of the SFO. Moreover, Ms. Guo Aru held 10,195,000 Shares directly. Mr. Jiang Changqing is deemed to be interested in the 10,195,000 Shares held by Ms. Guo Aru. Ms. Guo Aru is also interested in 1,800,000 share options granted under the Share Option Scheme.

4. The 104,065,000 Shares are held by Ordillia Group Limited, the entire issued capital of which is beneficially owned by Mr. Li Qingli, who was an executive director as at 31 December 2017 and tendered his resignation as an executive director of the Company with effect from 28 January 2018. Mr. Li Qingli is also interested in 18,000,000 share options granted under the Share Option Scheme. Mr. Li Qingli (through himself and Ordillia Group Limited) disposed all of his 110,705,000 shares of the Company at the price of HKD1.00 per share on 26 January 2018. Since then Mr. Li Qingli ceased to be a shareholder of the Company.

Save as disclosed above, as at 31 December 2017, none of the directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules Appendix 10 of the Listing Rules relating to securities transactions by the directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, so far as was known to the directors, the following persons/entities (other than the directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	638,307,000 Shares (L)	32.11%
China Fund Limited	Our Company	Beneficial owner	359,568,000 Shares (L)	18.09%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	104,065,000 Shares (L)	5.24%
Ms. Ren Yanping (Note 4)	Our Company	Interest of spouse	110,705,000 Shares (L)	5.57%

Notes:

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

2. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of the Company and an executive director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 638,307,000 Shares owned by Bright Warm Limited by virtue of the SFO.

3. Ordillia Group Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Li Qingli, one of the substantial shareholders of our Company and an executive director as at 31 December 2017. Therefore, Mr. Li Qingli is also deemed to be interested in the 104,065,000 Shares owned by Ordillia Group Limited by virtue of the SFO. Mr. Li Qingli had tendered his resignation as an executive director of the Company with effect from 28 January 2018. Mr. Li Qingli (through himself and Ordillia Group Limited) disposed all of his 110,705,000 shares of the Company at the price of HKD1.00 per share on 26 January 2018. Since then Mr. Li Qingli ceased to be a shareholder of the Company.

4. Ms. Ren Yanping is the spouse of Mr. Li Qingli. Therefore, Ms. Ren Yanping is deemed to be interested in the 110,705,000 Shares owned by Mr. Li Qingli by virtue of the SFO. As Mr. Li Qingli ceased to be a shareholder of the Company since 26 January 2018, Ms. Ren Yanping also ceased to be interested in the Company.

Save as disclosed above, as at 31 December 2017, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Completion of the acquisition of Yourui

On 12 February 2018, the Group completed the acquisition of Yourui. The directors are of the view that the Acquisition will provide opportunities to the Company to diversify its existing business and broaden its revenue stream. For details of the Acquisition, please refer to section "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies – Acquisition of Yourui".

Resignation of Mr. Li Qingli

Mr. Li Qingli, who was an executive director as at 31 December 2017, tendered his resignation as an executive director of the Company with effect from 28 January 2018. Mr. Li Qingli disposed all of his 110,705,000 shares of the Company at the price of HKD1.00 per share on 26 January 2018 and as a result Mr. Li Qingli ceased to be a shareholder of the Company.

COMPETING INTERESTS

Save and except for interests in the Group, none of the directors and Mr. Jiang nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 31 December 2017 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the GEM Listing Rules") for the period where the Company's shares were listed on GEM. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Group continues and will continue to ensure compliance with the corresponding provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2017.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, throughout the year ended 31 December 2017 the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Lising Rules except Code Provision A.2.1.

Code Provision A2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Jiang Changqing to assume both roles as the chief executive officer and executive chairman of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organization, the Board will consider splitting the two roles. With the strong business experience of the directors, they do not expect any issues would arise due to the combined role of Mr. Jiang Changqing. The Group also has in place an internal control system to perform the check and balance function. There are also three independent non-executive directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Thursday, 10 May 2018. The circular of the Company containing details of the AGM together with the notice of AGM and form of proxy will be issued and disseminated to the shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on Thursday, 10 May 2018, the register of members will be closed from Monday, 7 May 2018 to Thursday, 10 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4 p.m. on Friday, 4 May 2018.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 to 3.23 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 to C3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee internal control procedures of the Company. The audit committee comprises three independent non-executive directors, namely Ms. Li Xiaohui (chairlady of the audit committee), Mr. Meng Fanlin and Mr. Wang Haiyu.

The audit committee had reviewed the final results for the year ended 31 December 2017 together with the Company's external auditor and provided advice and comments thereon and the audit committee has agreed to the figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This 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, respectively.

The Company's 2017 annual report containing all the information required under the Listing Rules will be despatched to the relevant shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 29 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Jiang Changqing, Ms. Guo Aru, Mr. Zhao Feng and Ms. Ji Huifang; the non-executive director of the Company is Mr. Ge Lingyue; the independent non-executive directors of the Company are Mr. Meng Fanlin, Mr. Wang Haiyu and Ms. Li Xiaohui.