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: 8232)

HALF-YEAR RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE

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Highlights

- The Company's shares were successfully listed on GEM of the Stock Exchange on 12 June 2012
- The Company reported a profit attributable to the equity holders of the Company of RMB20,651,000 for the six months ended 30 June 2012, an increase of RMB1,150,000 when compared with the corresponding period of the previous financial year
- The Group's revenue was approximately RMB82,046,000 for the six months ended 30 June 2012, an improvement of RMB20,582,000 when compared with the corresponding period of the previous financial year
- Gross margin for the six months ended 30 June 2012 was approximately 51.6%, which translates into gross profit of approximately RMB42,370,000
- Earnings per share for the six months ended 30 June 2012 was RMB1.6 cents and there was no change compared to RMB1.6 cents for the corresponding period of the previous financial year
- The Board does not recommend the payment of any interim dividend for the period

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Revenue	**82,046**	61,464
Cost of sales/services	**(39,676)**	(37,900)
Gross profit	**42,370**	23,564
Other income	**138**	75
Other gains and losses	**1,319**	7,799
Marketing and distribution expenses	**(2,687)**	(1,057)
Administration expenses	**(6,645)**	(4,493)
Listing expenses	**(10,411)**	(2,669)
Finance costs	**(727)**	(1,022)
Profit before taxation	**23,357**	22,197
Income tax expense	**(2,706)**	(1,239)
Profit and total comprehensive income for the period	**20,651**	20,958
Profit for the period attributable to non-controlling interests	**—**	(1,457)
Profit for the period attributable to the equity holders of the Company	**20,651**	19,501

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of China U-Ton Holdings Limited (the "Company"), I am pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six-months period ended 30 June 2012.

LISTING ON THE STOCK EXCHANGE OF HONG KONG

The Company's shares were successfully listed on GEM of the Stock Exchange on 12 June 2012 and the Company has received net proceeds (representing gross proceeds less listing expenses and transaction costs for issue of shares) of approximately HK$108.7 million (equivalent to approximately RMB88.7 million). In connection with the listing on the Stock Exchange of Hong Kong, the Group took important steps to explore business opportunities and build up reputation.

BUSINESS OVERVIEW

The business performance during the six months period ended 30 June 2012 was good, especially the achievement of continuous growth in revenue and gross profit from construction contract of deployment services of optical fibers by using micro-ducts and mini-cables system integration methods. Moreover, increase of revenue outside Hebei Province reflects our ability in riding successfully on the favourable trend established in the previous years to explore more business.

In addition, Hebei Changtong Communication Engineering Co., Ltd. ("Hebei Changtong"), a wholly owned subsidiary of the Company has received Grade I in Enterprise Qualification Certificate in Communication Information Network System Integration (通信信息網絡系統集成企業資質證書甲級資質) (the "Certificate") issued by Ministry of Industry and Information Technology on 20 June 2012. According to the Certificate, Hebei Changtong can perform overall solution's strategic planning, design, equipment selection and installation, software development, construction, subsequent maintenance of all kinds of size of basic networks, operation networks, supportive networks of communication information network construction engineering in all locations of the PRC. The expiry date of the Certificate is 20 June 2014. Hebei Changtong had previously received Grade II in Enterprise Qualification Certificate in Communication Information Network System Integration (通信信息網絡系統集成企業資質證書乙級資質) with the capacity to undertake projects with individual contract sum of no more than RMB10 million on 9 September 2007. Thus, the receipt of the Certificate can enhance healthy business exploration by the Group.

FUTURE PROSPECTS

Both deployment market of optical fibers and market for low-voltage equipment integration in China are growing steadily. According to the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), the level of urbanisation in China, which is expressed in the ratio of municipal population to total population in China, is expected to exceed 50% at the end of 2015 resulting in greater opportunities for the growth of deployment market of optical fibers in China. In addition, the 12th Five-Year Plan for Construction Industry (建築業發展「十二五」規劃) issued by Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) has focused on the development of high and new technologies and the PRC Government has formulated relevant development planning on intelligent buildings.

This national policy is expected to drive ample business opportunities for low-voltage equipment integration companies in the PRC. Thus, we are optimistic about the future prospect of our business. We would execute our business plan throughout our business strategies and our competitive strengths in order to achieve steady growth in profitability, explore more strategic geographical regions for our long term business development and increase the shareholders' value.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all fellow directors, management and our staff for their unwavering dedication and contribution to our Group's development. I would also like to thank all of our shareholders for their trust and continuous support.

China U-Ton Holdings Limited
Jiang Changqing
Chairman and Executive Director

Hong Kong, 10 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company reported its unaudited results for the six months ended 30 June 2012 with a profit attributable to the equity holders of the Company of approximately RMB20,651,000, representing a increase of approximately RMB1,150,000 over the corresponding period of the previous financial year. Whilst our gross profit increased by approximately 79.8% to RMB42,370,000, our profits attributable to the equity holders of the Company increased by approximately 5.9% only. Such lower percentage of increase of our profit was mainly due to the increase of selling expenses and administrative expenses, the increase of listing expenses and absence of gain on discharge of obligations under convertible loans in the first half of 2012 (while such gain amounted to RMB6,352,000 in the first half of 2011). The Group's turnover for the six months ended 30 June 2012 increased by 33.5% to approximately RMB82,046,000 which reflects the Group's ability in riding successfully on the favourable trend established in the previous financial year, seizing business opportunities in the optical fibers and equipment integration services market in China as well as improving the Group's core revenues and operating profitability.

BUSINESS REVIEW

The Company's shares were successfully listed on GEM of the Stock Exchange on 12 June 2012 (the "Listing Date") and the Company has received net proceeds of approximately HK$108.7 million (equivalent to approximately RMB88.7 million). None of the net proceeds was used as at 30 June 2012.

The Group is principally engaged in the provision of deployment services of optical fibers in the PRC. It is the Group's strategy to become a significant optical fiber deployment service provider for telecommunication operators in the PRC by (1) further strengthening our deployment services of optical fibers in the PRC and (2) expanding our business of low-voltage equipment integration services in the PRC.

January–December 2011 Performance

As this is the Group's first-ever published results, the highlights of the Group's performance prior to successful listing are summarized as follows. As stated in the Prospectus, revenue increased by approximately 213.8% from approximately RMB51.5 million for the year ended 31 December 2010 to approximately RMB161.7 million for the year ended 31 December 2011. The increase was mainly attributable to (i) new revenue stream of approximately RMB40.5 million generated from provision of low-voltage equipment integration services upon acquisition of 石家莊求實通信設備有限公司("Shijiazhuang Qiushi") on 1 March 2011; and (ii) the increase in revenue by approximately RMB66.8 million derived from construction contracts for deployment of optical fibers from approximately RMB45.8 million for the year ended 31 December 2010 to approximately RMB112.6 million for the year ended 31 December 2011 in relation to projects in Shijiazhuang, Tangshan, Cangzhou, Hengshui, Zhangjiakou, Chengde, Handan and Baoding as a result of geographical expansion of the business of the Group.

Profit attributable to equity holders of the Company of approximately RMB55.4 million for the year ended 31 December 2011, while there was loss for the year attributable to equity holders of the Company of approximately RMB1.3 million for the year ended 31 December 2010. Such loss was mainly due to non-recurring restructuring costs of approximately RMB13.7 million as a result of the deemed acquisition of Partnerfield Investments Limited ("Partnerfield") and Hebei Deer City Network Technology Co., Ltd. ("Hebei Deer") by Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. ("Beijing U-Ton") on 28 December 2010.

The increase in profit before taxation and profit attributable to equity holders of the Company from approximately RMB16.8 million and RMB12.5 million (excluding the effect of the non-recurring restructuring costs of approximately RMB13.7 million) respectively for the year ended 31 December 2010 to approximately RMB61.0 million and RMB55.4 million respectively for the year ended 31 December 2011 was primarily due to (i) significant increase in revenue as a result of our business expansion and acquisition of Shijiazhuang Qiushi on 1 March 2011; (ii) the non-recurring other gains of approximately RMB7.6 million arising from fair value adjustment on initial recognition of other borrowings of approximately RMB1.3 million and gain on discharge of obligations under convertible loans of approximately RMB6.3 million and (iii) the Group recorded non-recurring other gains of approximately RMB3.2 million in 2011 mainly as a result of recovery of other receivables of approximately RMB2.7 million which were fully written off in Hebei Deer before the related acquisition and recovered subsequently in December 2011.

January–June 2012 Performance

For the six-month period ended 30 June 2012, we recorded revenue of approximately RMB82,046,000, representing an increase of 33.5%, gross profit of approximately RMB42,370,000, representing an increase of 79.8%, and profits attributable to the equity holders of our Group of approximately RMB20,651,000, representing an increase of 5.9%, over the corresponding period ended 30 June of 2011.

The growth of revenue and gross profit was mainly contributed by the satisfactory performance of construction contract revenue, especially from construction projects located in Beijing, Shenyang of Liaoning Province and Hebei Province's Chengde, Hengshui and Handan. Whilst our gross profit increased by approximately 79.8%, our profits attributable to the equity holders of the Company increased by approximately 5.9% only. Such lower percentage of increase of our profit was mainly due to the increase of selling expenses and administrative expenses, the increase of listing expenses and absence of gain on discharge of obligations under convertible loans in the first half of 2012 (while such gain amounted to RMB6,352,000 in the first half of 2011).

April–June 2012 Performance

As for the three-month period ended 30 June 2012, we recorded revenue of approximately RMB45,633,000, representing an increase of 42.7%, gross profit of approximately RMB19,734,000, representing an increase of 50.6%, and profits attributable to the equity holders of our Group of approximately RMB5,257,000, representing a decrease of 54.4%, over the corresponding period ended 30 June of 2011.

The growth of revenue and gross profit was mainly contributed by the satisfactory performance of construction revenue, especially of construction projects located in Hebei Province's Chengde, Handan and Shenyang of Liaoning Province. The decrease of profits attributable to the equity holders of the Company of RMB6,279,000 was mainly due to increase of listing expenses of RMB4,757,000 and absence of gain on discharge of obligations under convertible loans in second quarter of the year 2012 (while such gain amounted to RMB6,352,000 in the second quarter of year 2011).

Deployment projects of optical fibers

During the six-month period ended 30 June 2012, the Group achieved steady growth of business development of construction projects located in Beijing, Shenyang of Liaoning Province and Hebei Province's Chengde, Hengshui and Handan. Key projects located in above cities/districts used micro ducts and mini-cables system integration methods, and those projects were almost completed and most of the revenue had been recognised, thus gross profit margin improved accordingly. As at 30 June 2012, the Group has projects in progress with total backlog which amounted to approximately RMB28,757,000 and projects to be commenced with total contractual amounts of approximately RMB47,320,000 of which projects were mainly located in Hebei Province.

The following table set out the details of projects in progress and projects to be commenced regarding deployment projects of optical fibers as at 30 June 2012:

	Recognised revenue as at 30 June 2012 (Note 2) (RMB'000)	Total contractual amount for the projects as at 30 June 2012 (Note 3) (RMB'000)	Backlog amount for the projects as at 30 June 2012 (Note 4) (RMB'000)
Projects in progress (Note 1)	**48,130**	**76,887**	**28,757**
Projects to be commenced (Note 5)	**N/A**	**47,320**	**N/A**

Notes:

1. Projects in progress referred to projects for which we have recognised part but not all of the revenue for accounting purposes as at 30 June 2012. The portion of contract value for projects in progress which has not been realised is deemed as part of our backlog.

2. Recognised revenue referred to the revenue recognised from the date of commencement of projects to 30 June 2012.

3. Total contractual amount referred to the contractual amount as stipulated in the optical fibers deployment project contracts. For contracts where no contractual amount was stated, the contractual amount equals to the revenue recognised from the date of commencement of projects to 30 June 2012.

4. Backlog amount for the projects referred to the difference between the total contractual amount of projects and their recognised revenue from the date of commencement of projects to 30 June 2012.

5. Projects to be commenced referred to projects for which have been secured by us but have not commenced works and no revenue has been recognised as at 30 June 2012.

Low voltage equipment integration services

During the six-month period ended 30 June 2012, the Group achieved steady growth of business development of low voltage equipment integration services mainly arising from public facilities projects. As at 30 June 2012, the Group have projects in progress with total backlog amount of approximately RMB1,624,000 and projects to be commenced with contractual amount of approximately RMB957,000. Customers of those projects are mainly property companies and governmental departments.

The following table set out the details of projects in progress and projects to be commenced regarding low voltage equipment integration services as at 30 June 2012:

	Recognised revenue as at 30 June 2012 (Note 2) (RMB'000)	Total contractual amount for the projects as at 30 June 2012 (RMB'000)	Backlog amount for the projects as at 30 June 2012 (Note 3) (RMB'000)
Projects in progress (Note 1)	**5,755**	**7,379**	**1,624**
Projects to be commenced (Note 1)	**N/A**	**957**	**N/A**

Notes:

1. Project in progress referred to projects for which we have completed part of the works as stipulated in the contracts, but not all of the revenue is recognised for accounting purposes. Projects to be commenced refer to projects for which have been secured by us but have not commenced works and no revenue has been recognised as at 30 June 2012.

2. Recognised revenue referred to the revenue recognised from the date of commencement of projects to 30 June 2012.

3. Backlog amount for the projects referred to the difference between the total contractual amount of projects and their recognised revenue from the date of commencement of projects to 30 June 2012.

FINANCIAL REVIEW

	Six months ended 30 June 2012 (in RMB'000)	Six months ended 30 June 2011 (in RMB'000)	% Increase
Revenue	**82,046**	61,464	33.5
Gross Profit	**42,370**	23,564	79.8
Profit for the period attributable to the equity holders of the Company	**20,651**	19,501	5.9

Revenue

The Group's turnover for the first half of 2012 was approximately RMB82,046,000, representing an increase of approximately 33.5% over the corresponding period of the previous financial year. The increase in the Group's turnover was mainly due to increase of construction contract revenue and income from low-voltage equipment integration services.

The following table set out the breakdown of our Group's revenue during the periods indicated:

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deployment services of optical fibers				
– Construction contract revenue				
– Traditional deployment methods	**13,082**	9,653	**22,057**	20,381
– Micro-ducts and mini-cables system integration methods (Note 1)	**20,397**	13,170	**42,883**	29,030
Sub-total	**33,479**	22,823	**64,940**	49,411
Others				
– Services income	**1,017**	**1,176**	2,254	2,351
– Sales of goods	**504**	**496**	619	802
– Rental income	**16**	**16**	32	32
Sub-total	**35,016**	24,511	**67,845**	52,596
Low-voltage equipment integration services (Note 2)	**10,617**	7,471	14,201	8,868
Total	**45,633**	31,982	**82,046**	61,464

Notes:

1. The revenue represented the revenue generated from the deployment services of optical fibers which involve the application of micro-ducts and mini-cables system integration methods.

2. The revenue represented the revenue of Shijiazhuang Qiushi from 1 March 2011 (date of acquisition).

Deployment of optical fibers

Construction contract revenue

The construction contract revenue, representing the income generated from our provision of the deployment services of optical fibers, was approximately RMB64,940,000 and RMB49,411,000, representing approximately 79.2% and 80.4% of the total revenue of the Group for the six months ended 30 June 2012 and 2011, respectively. The increase in construction revenue for the six months ended 30 June 2012 as compared to the same period in 2011 was mainly due to the increase in the revenue derived from the provision of deployment services of optical fibers in Beijing, Shenyang of Liaoning Province, Hebei Province's Hengshui, Chengde and Handan as a result of geographical expansion of our business.

The following table set forth our revenue from construction contract by location for the periods indicated.

	Three months ended 30 June				Six months ended 30 Jun			
	2012		2011		**2012**		2011	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**	RMB'000	%
Hebei Province	**26,936**	**80.5**	20,789	91.1	**52,699**	**81.2**	45,606	92.3
Outside Hebei Province	**6,543**	**19.5**	2,034	8.9	**12,241**	**18.8**	3,805	7.7
Total construction contract revenue	**33,479**	**100.0**	22,823	100.0	**64,940**	**100.0**	49,411	100.0

Services income

The services income, representing the income generated from our provision of the maintenance services in respect of optical fiber networks to the telecommunication operators in the PRC irrespective of whether or not the deployment works thereof are carried out by us, was approximately RMB2,254,000 and RMB2,351,000, representing approximately 2.7% and 3.8% of the total revenue of our Group for the six months ended 30 June 2012 and 2011, respectively. Our maintenance services mainly cover regular inspection of the deployed cables, repair and re-connection of optical fibers and testing of the signal transmission. There was slightly decrease in services income for the six months ended 30 June 2012 as compared to the same period in 2011 and all the maintenance services were carried out in Hebei Province.

Sales of goods

We sell certain ancillary products including micro-ducts and spare parts to clients and anti-corrosive steel wires to local telecommunication operators. We outsource the manufacturing process of micro-ducts to manufacturers by providing them with steel wires and coating materials of our own recipe for their reprocessing of steel wires into anti-corrosive steel wires.

The income from sales of goods was approximately RMB619,000 and RMB802,000, representing approximately 0.8% and 1.3% of the total revenue of the Group for the six months ended 30 June 2012 and 2011, respectively.

The decrease in sales of goods for the six months ended 30 June 2012 as compared to the same period in 2011 was mainly due to the decrease in the sales of the ancillary products in relation to our deployment projects of optical fibers.

Rental income

The rental income, representing the income generated from the sub-lease of the underground area to our clients for their deployment of telecommunication networks therein, was approximately RMB32,000 and RMB32,000 for the six months ended 30 June 2012 and 2011, respectively. There was no change in rental income for the six months ended 30 June 2012 as compared to the same period in 2011 as there was no change in underground area leased out to our clients.

Low-voltage equipment integration services

The income from low-voltage equipment integration services, representing the income generated from the provision of integration services for low-voltage equipments and accessories to our clients which includes financial institutions, governmental departments, public facilities, road and transportation companies, and state-owned and private companies was approximately RMB14,201,000, representing approximately 17.3% of our total revenue for the six months ended 30 June 2012. Given that we acquired Shijiazhuang Qiushi on 1 March 2011, the income from low-voltage equipment integration services was a pproximately RMB8,868,000, representing approximately 14.4% of our total revenue for the period from 1 March 2011 to 30 June 2011.

The proportionate increase of the revenue was mainly due to revenue from a public facility project which amounted to RMB4,300,000.

Gross profit

The following table set forth the gross profit of each of our services for the periods indicated:

	Three months ended 30 June		**Six months ended 30 June**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Gross profit by services				
Construction contract revenue				
– Traditional deployment methods	**4,101**	4,304	**8,684**	7,788
– Micro-ducts and mini-cables system integration methods	**12,386**	6,086	**28,141**	14,300
Sub-total	**16,487**	10,390	**36,825**	22,088
Services income	**403**	655	**1,046**	1,358
Sales of goods	**236**	59	**281**	141
Rental income	**9**	9	**18**	18
Low-voltage equipment integration services	**2,599**	1,988	**4,200**	(41)
	19,734	13,101	**42,370**	23,564

The following table set forth the gross profit margin of each of our services for the periods indicated:

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Gross profit margin by services				
Construction contract revenue				
– Traditional deployment methods	**31.3**	44.6	**39.4**	38.2
– Micro-ducts and mini-cables system integration methods	**60.7**	46.2	**65.6**	49.3
Sub-total of construction contract revenue	**49.2**	45.5	**56.7**	44.7
Services income	**39.6**	55.7	**46.4**	57.8
Sales of goods	**46.8**	11.9	**45.4**	17.6
Rental income	**56.3**	56.3	**56.3**	56.3
Low-voltage equipment integration services	**24.5**	26.6	**29.6**	(0.5)
Total gross profit margin	**43.2**	41.0	**51.6**	38.3

The increase in our gross profit margin from approximately 38.3% for the six months ended 30 June 2011 to approximately 51.6% for the six months ended 30 June 2012 was primarily due to the increase in gross profit margin of construction contract revenue in relation to deployment of optical fibers from approximately 44.7% in six months ended 30 June 2011 to approximately 56.7% in six months ended 30 June 2012 and the gross profit of which accounted for approximately 86.9% and 93.7% of total gross profit in six months ended 30 June 2011 and six months ended 30 June 2012, respectively. In addition, there was a gross loss in low-voltage equipment integration services in 2011.

The gross profit margin of construction contracts of deployment services of optical fibers using traditional deployment methods increased slightly from approximately 38.2% in six months ended 30 June 2011 to approximately 39.4% in six months ended 30 June 2012.

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 49.3% in six months ended 30 June 2011 to approximately 65.6% in six months ended 30 June 2012. The increase was primarily attributable to the fact that there were more complex projects generating relatively higher gross profit margin in particular the projects in Hebei province's Chengde, Hengshui and Shenyang of Liaoning province. Those projects were almost completed and most of the revenue had been recognised in six months ended 30 June 2012.

The gross profit margin of services income decrease from approximately 57.8% in six months ended 30 June 2011 to approximately 46.4% in six months ended 30 June 2012. Such decrease was mainly attributable to the decrease in demand on maintenance services during current period.

The gross profit margin of sales of goods increase from approximately 17.6% in six months ended 30 June 2011 to approximately 45.4% in six months ended 30 June 2012. Such increase was mainly attributable to the sales of ancillary products to our clients at relatively higher unit selling price during the period.

There was no change in the gross profit margin of rental income.

The gross profit margin of low voltage equipment integration services for six months ended 30 June 2012 was 29.6%. The gross loss for the six months ended 30 June 2011 was mainly due to high cost of sales/services.

Other income

Other income mainly included the interest income received by the Group.

Other gains and losses

Other gains and losses mainly included net foreign exchange gain or loss, gain on discharge of long outstanding payables, recovery of other receivables, fair value adjustment on initial recognition of other borrowings and gain on discharge of obligations under convertible loans. For the six months period ended 30 June 2011, there was a gain on discharge of obligations under convertible loans which amounted to approximately RMB6,352,000 but there was no such gain in six months period ended 30 June 2012. Thus, the total amount of other gains for the current interim period decreased substantially as compared to the previous corresponding period.

Listing Expenses

Listing expenses represent expenses incurred for the purpose of placing of the Company's shares listed on GEM of the Stock Exchange on 12 June 2012. As the listing expenses were only incurred since April 2011 and the listing of the placing shares is on 12 June 2012, the related expenses incurred during the six months period ended 30 June 2012 is substantially greater than the same period of last year.

Marketing and distribution expenses and administrative expenses

The Group's marketing and distribution expenses and administrative expenses for the six months ended 30 June 2012 were approximately RMB9,332,000, representing an increase of approximately 68.1% from approximately RMB5,550,000 for the corresponding period of the previous year. The increase was mainly because of expansion of business of the Group.

Finance cost

Finance cost included interest charged from bank and other borrowings. The finance cost decreased was mainly due to the average principal of other borrowings was higher in six months ended 30 June 2011. In addition, there was a termination of convertible loans in June 2011 and no new convertible loans had been issued subsequently.

Profit attributable to equity holders of the Company

For the reporting period, the Group recorded net profit attributable to equity holders of the Company of approximately RMB20,651,000 compared to approximately RMB19,501,000 for the six months ended 30 June 2011, representing an increase of approximately 5.9%. The increase of profit attributable to equity holders was mainly due to the net effect of the increase in gross profit of approximately RMB18,806,000, increase in marketing and distribution expenses and administration expenses of an aggregate amount of approximately RMB3,782,000, increase in listing expenses of approximately RMB7,742,000 and decrease in other gains of approximately RMB6,480,000 which was mainly resulted from absence of gain on discharge of obligation under convertible loans of approximately RMB6,352,000.

Trade and bill receivables

There was a decrease in trade and bills receivables as at 30 June 2012 of approximately RMB31,828,000 as compared to 30 June 2011 which was mainly due to the net effect of the settlement from customers and new trade and bills receivables provided during the six months ended 30 June 2012.

Amount due from customers for contract works

There was an increase in amount due from customers for contract works as at 30 June 2012 of approximately RMB61,028,000 as compared to 30 June 2011 which was mainly due to net effect of the settlement from customers and revenue arising from the six months ended 30 June 2012 (such revenue generated had not been certified by the customers or underlying construction had not been completed as at 30 June 2012). Since most of the revenue for six months ended 30 June 2012 was mainly arising from the construction revenue from projects in progress as at 30 June 2012, amount due from customers for contract works increased greatly.

Bank and other borrowings

The Group had bank and other borrowings as at 30 June 2012 in the sum of RMB23,800,000. Bank borrowings of RMB2,220,000 are made from Bank in the PRC during the current interim period in RMB at floating interest rates of 7.5% per annum and will be due on August 2012. Other borrowings as at 30 June 2012 amounted to an aggregate of RMB21,580,000 which comprised of the following: (1) RMB12,413,000 with principal amount of RMB13,000,000, which was interest free, unsecured and will be repayable on 5 March 2013. The fair value as at 30 June 2012 amounted to RMB12,413,000; (2) RMB937,000 with principal amount of HK$1,150,000, which is unsecured, carried interest of 10% per annum and repayable on 24 November 2012; (3) RMB7,450,000 with principal amount HK$9,471,220, which was interest free, unsecured and will be repayable on 13 March 2013. The fair value as at 30 June 2012 amounted to RMB7,450,000; and (4) RMB780,000 with principal amount of HK$1,000,000 which was interest free, unsecured and will be repayable on 1 May 2013. No financial instruments were used for hedging purposes.

Liquidity and financial resources

During the period under the review, the Group had current assets of approximately RMB320,221,000 (31 December 2011: RMB184,451,000) which comprised cash and cash equivalents in RMB143,542,000 as at 30 June 2012 (31 December 2011: RMB43,800,000). As at 30 June 2012, the Group had non-current liabilities, and its current liabilities amounted to approximately RMB2,913,000 and RMB96,045,000 (31 December 2011: RMB2,197,000 and RMB108,809,000, consisting mainly of payables arising in the normal course of operation). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 3.3 as at 30 June 2012 (31 December 2011: 1.7).

The Group finances its operation primarily with the use of internally-generated cashflows, banking facilities and maintains a strong cash position to meet potential needs for business expansion and development.

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 0.1 as at 30 June 2012 (31 December 2011: approximately 0.1).

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 six months ended 30 June 2012, we had partial bank balances, other payables and other borrowings 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 six months ended 30 June 2012, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 12 June 2012. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 30 June 2012, the Group had capital commitments which amounted to RMB96,000 (31 December 2011: RMB83,000).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

Information on employees

As at 30 June 2012, the Group had 208 employees (31 December 2011: 193), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB7,520,000 for the six months ended 30 June 2012 as compared to approximately RMB3,968,000 for the six months ended 30 June 2011. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses will be paid by 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, during the six months ended 30 June 2012, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Company's Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

Charges on assets

As at 30 June 2012, the Group had pledged trade receivables with carrying amount of RMB2,776,000 to secure the bank borrowings (31 December 2011: RMB6,195,000).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2012 (31 December 2011: Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2012**	2011	**2012**	2011
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	3	**45,633**	31,982	**82,046**	61,464
Cost of sales/services		**(25,899)**	(18,881)	**(39,676)**	(37,900)
Gross profit		**19,734**	13,101	**42,370**	23,564
Other income		**97**	45	**138**	75
Other gains and losses	4	**4**	6,434	**1,319**	7,799
Marketing and distribution expenses		**(1,622)**	(822)	**(2,687)**	(1,057)
Administrative expenses		**(3,776)**	(2,862)	**(6,645)**	(4,493)
Listing expenses		**(7,426)**	(2,669)	**(10,411)**	(2,669)
Finance costs	5	**(506)**	(615)	**(727)**	(1,022)
Profit before taxation	6	**6,505**	12,612	**23,357**	22,197
Income tax expense	7	**(1,248)**	(766)	**(2,706)**	(1,239)
Profit and total comprehensive income for the period		**5,257**	11,846	**20,651**	20,958
Profit and total comprehensive (expense) income for the period attributable to:					
Equity holders of the Company		**5,257**	11,536	**20,651**	19,501
Non-controlling interests		**–**	330	**—**	1,457
		5,257	11,846	**20,651**	20,958
		RMB	RMB	**RMB**	RMB
Earnings per share					
Basic (cents)	9	**0.4**	0.9	**1.6**	1.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**30 June 2012 RMB'000 (unaudited)**	31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	10	**7,142**	6,451
Goodwill		**30,099**	30,099
Intangible assets		**46**	11
Deferred tax assets		**2,193**	2,092
Deposits paid for acquisition of property, plant and equipment		**55**	71
		39,535	38,724
Current assets			
Inventories		**3,120**	2,846
Trade and bill receivables	11	**34,488**	66,316
Other receivables, deposits and prepayments	12	**13,975**	2,682
Amounts due from customers for contract work	13	**124,508**	63,480
Restricted bank deposits		**588**	5,327
Bank balances and cash		**143,542**	43,800
		320,221	184,451
Current liabilities			
Trade and other payables	14	**68,911**	61,269
Amounts due to related parties	18(b)	**—**	39,084
Bank and other borrowings	15	**23,800**	5,888
Provision		**80**	60
Income tax payables		**3,254**	2,508
		96,045	108,809

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**30 June 2012 RMB'000 (unaudited)**	31 December 2011 RMB'000
Net current assets		**224,176**	75,642
Total assets less current liabilities		**263,711**	114,366
Non-current liabilities			
Deferred tax liabilities		**2,913**	2,197
Net assets		**260,798**	112,169
Capital and reserves			
Issued equity	16	**136,982**	—
Reserves		**123,816**	112,169
Total equity		**260,798**	112,169

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to equity holders of the Company								
	Issued equity								
	Share capital RMB'000	Other reserves RMB'000	Share Premium RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000 (Note(f))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
For the six months ended 30 June 2012 (unaudited)									
Balance at 1 January 2012	**–**	**–**	**47,004**	**(4,858)**	**9,347**	**60,676**	**112,169**	**–**	**112,169**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**20,651**	**20,651**	**–**	**20,651**
Capital contribution by equity participants (Note (a))	**–**	**–**	**–**	**20,000**	**–**	**–**	**20,000**	**–**	**20,000**
Issue of shares pursuant to the placing (Note 16)	**34,199**	**–**	**82,077**	**–**	**–**	**–**	**116,276**	**–**	**116,276**
Transaction costs attributable to issue of shares	**–**	**–**	**(8,298)**	**–**	**–**	**–**	**(8,298)**	**–**	**(8,298)**
Issue of shares to initial shareholders pursuant to the capitalisation issue (Note 16)	**102,783**	**–**	**(102,783)**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2012	**136,982**	**–**	**18,000**	**15,142**	**9,347**	**81,327**	**260,798**	**–**	**260,798**
For the six months ended 30 June 2011 (unaudited)									
Balance at 1 January 2011	–	20,000	–	(624)	3,069	11,573	34,018	1,244	35,262
Profit and total comprehensive income for the period	–	–	–	–	–	19,501	19,501	1,457	20,958
Acquisition of Hebei Changtong (Note (b))	–	(10,000)	–	6,909	–	–	(3,091)	3,091	–
Acquisition of Shijiazhuang Qiushi (Note (c))	–	–	–	28,684	–	–	28,684	3,183	31,867
Distribution to equity participants (Note (b))	–	–	–	(10,000)	–	–	(10,000)	–	(10,000)
Arising from share swap for equity interest in Partnerfield (Note (d))	–	(10,000)	–	10,000	–	–	–	–	–
Acquisition of additional interest in Hebei Deer (Note (e))	–	–	–	7,177	–	–	7,177	(8,975)	(1,798)
Balance at 30 June 2011	–	–	–	42,146	3,069	31,074	76,289	–	76,289

Notes:

(a) On 4 June 2012, the outstanding amounts due to Mr. Jiang Changqing ("Mr. Jiang"), the chairman and director of the Company, and Ms. Guo Aru ("Ms. Guo"), the director of the Company, of approximately RMB20,000,000 were waived by such related parties and recognised as capital contribution from shareholders.

(b) On 28 January 2011, 河北德爾城市網路科技有限公司 ("Hebei Deer"), a subsidiary of the Company, acquired the entire equity interest of 河北昌通通信工程有限公司 ("Hebei Changtong") from Mr. Jiang for a cash consideration of RMB10,000,000. This cash consideration was considered as a distribution to the equity participant and debited to the capital reserves. Upon completion of the transfer of the equity interest of Hebei Changtong to Hebei Deer, there was a 10% non-controlling interest, amounting to RMB3,091,000, in Hebei Changtong at consolidation level. This is accounted for business combination under common control.

(c) On 1 March 2011, Hebei Deer acquired the entire equity interest of 石家莊求實通信設備有限公司 ("Shijiazhuang Qiushi") from Mr. Li Qingli ("Mr. Li"), who is a director of the Company, and his spouse for a combined consideration of cash of RMB9,669,000 and issued and allotted 5,626 shares of Partnerfield Investments Limited ("Partnerfield"), a subsidiary of the Company, to Mr. Li as part of the consideration (equivalent to 15.79% of Partnerfield's total equity interest). In accordance with the equity interest valuation report issued by independent valuers, the fair value of Partnerfield's total equity interest is RMB201,823,000.

(d) On 11 May 2011, Mr. Jiang transferred the 80% equity interest in Partnerfield Investments Limited ("Partnerfield") held by him to the Company in exchange for 720 shares of the Company issued as consideration. Mr. Li and Plansmart Investment Limited ("Plansmart", wholly owned by Mr. Li) transferred the 15.79% and 4.21% equity interest in Partnerfield held by each of them to the Company, respectively in exchange for 180 shares of the Company issued as consideration in aggregate. Upon completion, the Company continued to be indirectly owned as to 80% and 20% by Mr. Jiang and Mr. Li, respectively.

(e) Pursuant to an equity transfer agreement dated 28 April 2011 entered into between Partnerfield and 河北瑞輝新型節能玻璃製品有限公司 ("Hebei Ruihui"), which is the non-controlling shareholder of Hebei Deer, Partnerfield acquired 10% equity interest in Hebei Deer from Hebei Ruihui at a consideration of RMB1,798,000 which was included in amount due to related parties as at 31 December 2011. On 25 May 2011, upon the completion of such equity transfer, Hebei Deer became the wholly-owned subsidiary of the Company. The difference of RMB7,177,000 between the consideration and the carrying amount of the non-controlling interest of RMB8,975,000 is credited to the capital reserves.

(f) In accordance with the Articles of Association of subsidiaries established in the People's Republic of China (the "PRC") now comprising the Group, these entities are required to transfer 10% of the profit after taxation determined in accordance with the PRC GAAP to the statutory surplus reserve until the reserve reaches 50% of the registered capital of respective entities. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of these entities.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Net cash used in operating activities		**(11,143)**	(11,840)
Net cash generated from investing activities		**3,529**	3,308
Net cash generated from (used in) financing activities	17	**107,356**	(9,077)
Net increase (decrease) in cash and cash equivalents		**99,742**	(17,609)
Cash and cash equivalents at 1 January		**43,800**	47,222
Cash and cash equivalents at 30 June, represented by bank balances and cash		**143,542**	29,613

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and with International Accounting Standard 34 "Interim Financial Reporting".

In preparation for the listing of the Group's shares on the GEM of the Hong Kong Stock Exchange (the "Listing"), the Group has undertaken certain reorganisation and restructuring, which were set out in the prospectus dated 6 June 2012 ("Prospectus"). The Company's shares were listed on the GEM of the Hong Kong Stock Exchange on 12 June 2012.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described below.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current interim period. The application of those amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Mr. Jiang an executive director, and the ultimate controlling party of the Group, is the chief operating decision maker. He reviewed the sales of major products for the purpose of resources allocation and performance assessment. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

An analysis of the Group's revenue for each reporting period is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales of goods	**1,182**	3,622	**3,965**	4,432
Construction contract revenue	**43,418**	27,168	**75,795**	54,649
Services income	**1,017**	1,176	**2,254**	2,351
Rental income	**16**	16	**32**	32
	45,633	31,982	**82,046**	61,464

Revenue from major products and services

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Deployment services of optical fibers				
– sales of goods	**504**	496	**619**	802
– provision of services	**33,479**	22,823	**64,940**	49,411
Low-voltage equipment integration services				
– sales of goods	**678**	3,126	**3,346**	3,630
– provision of services	**9,939**	4,345	**10,855**	5,238
Pipeline maintenance service	**1,017**	1,176	**2,254**	2,351
Rental income	**16**	16	**32**	32
	45,633	31,982	**82,046**	61,464

Geographical disclosures

The Group operates in the PRC. All of the non-current assets of the Group are located in the PRC.

The Group's revenue from external customers by geographical location are detailed below:

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The PRC	**45,633**	31,968	**82,046**	61,450
Overseas	**—**	14	**—**	14
	45,633	31,982	**82,046**	61,464

4. OTHER GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Other gains (losses) comprise:				
Net foreign exchange gain	**(46)**	76	**30**	159
Gain on disposal of property, plant and equipment	**—**	6	**—**	6
Gain on discharge of long outstanding payables (Note a)	**—**	6,352	**—**	6,352
Recovery of other receivables	**12**	—	**12**	—
Fair value adjustment on initial recognition of other borrowings (Note 15)	**38**	—	**1,277**	1,282
	4	6,434	**1,319**	7,799

Note a: In June 2011, Partnerfield has entered into agreements with the holders of convertible loans to settle the entire outstanding balances of HK$15,044,000 (approximately RMB12,522,000). Pursuant to the agreements, the Group agreed to pay HK$7,420,000 (approximately RMB6,170,000) to the lenders to discharge all obligations of Partnerfield under the convertible loans resulted in a gain of HK$7,624,000 (approximately RMB6,352,000).

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Imputed interest expenses on other borrowings (Note 15)	**315**	320	**384**	420
Interest on other borrowings	**24**	119	**47**	237
Interest on bank borrowings wholly repayable within five years	**167**	176	**296**	365
	506	615	**727**	1,022

6. PROFIT BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit before taxation has been arrived at after charging:				
Depreciation of property, plant and equipment	**372**	241	**634**	467
Amortisation of intangible assets	**3**	1,531	**4**	1,532
Research expenses	**345**	75	**431**	79

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax:				
PRC enterprise income tax	**1,076**	573	**2,091**	1,118
Deferred tax:				
Current year	**(139)**	(19)	**(101)**	(318)
Withholding tax	**311**	212	**716**	439
	172	193	**615**	121
	1,248	766	**2,706**	1,239

8. DIVIDENDS

No dividends have been paid, declared or proposed during the current and prior interim period.

The directors of the Company do not recommend the payment of an interim dividend.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Company is based on the following data:

	Three months ended 30 June		**Six months ended 30 June**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
Profit for the period attributable to equity holders of the Company	**5,257**	11,536	**20,651**	19,501

	Three months ended 30 June		**Six months ended 30 June**	
	2012	2011	**2012**	2011
	'000	'000	**'000**	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,352,308**	1,260,000	**1,306,154**	1,195,140

For the respective reporting period, the calculations of basic earnings per share are based on 1,260,000,000 shares in issue on the assumption that the Group reorganisation, except for the acquistion of Shijiazhuang Qiushi, and capitalisation issue as disclosed in the section of "History, development and reorganisation – Reorganisation" and "Statutory and general information" in the Prospectus respectively had been completed on 1 January 2011.

No information of diluted earnings per share is presented as there was no potential ordinary shares outstanding during both reporting periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment amounting to approximately RMB1,326,000 (six months ended 30 June 2011: RMB1,415,000).

11. TRADE AND BILL RECEIVABLES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Trade receivables	**34,234**	62,527
Less: Allowance for impairment of receivables	**(207)**	(207)
	34,027	62,320
Bill receivable	**461**	3,996
	34,488	66,316

The collection period of the majority of the trade receivables ranges from 30 to 180 days from the invoice date during the reporting periods. No interest is charged on the outstanding balance. There is no credit term granted to customers.

The following is an aged analysis of trade and bill receivables by invoice/completion certificate date:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Within 90 days	**20,588**	58,699
91 to 180 days	**966**	2,051
181 to 365 days	**10,509**	3,138
1 to 2 years	**1,631**	2,186
2 to 3 years	**794**	242
Total trade and bill receivables	**34,488**	66,316

As at 30 June 2012, retentions held by customers for contract works included in trade receivables amounted to approximately RMB1,006,000 (31 December 2011: RMB2,338,000).

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Other receivables – non-trade	**6,522**	50
Advances to suppliers	**228**	1,215
Deposits	**5,954**	1,086
Others	**1,271**	331
	13,975	2,682

Included in the deposits as at 30 June 2012 are amounts paid by the Group for the tender submission of RMB5,334,000 (31 December 2011: RMB654,000).

As at 30 June 2012, the non-trade other receivables are amounts of RMB6,522,000 paid to the sole bookrunner and lead manager in order to settle the service fees of various professional parties in relation to the placing of 420,000,000 shares on behalf of the Company.

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

Amounts due from customers for contract work represents contracts in progress at the end of the reporting period. There is a substantial increase in the amounts due from customers for contract work as of 30 June 2012 comparing to 31 December 2011 because most projects commenced in the current interim period are not completed or the projects are not certified by the customer.

14. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Trade payables	**38,792**	37,257
Bill payables	**—**	5,052
Other payables	**20,129**	8,949
Other tax payables	**4,986**	4,216
Accrued payroll	**5,004**	5,795
	68,911	61,269

The following is an aged analysis of trade and bill payables by date of invoices received at the end of the reporting period:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Within 90 days	**19,726**	25,791
91 to 180 days	**7,506**	5,561
181 to 365 days	**8,669**	10,402
1 to 2 years	**2,846**	483
2 to 3 years	**11**	47
Over 3 years	**34**	25
	38,792	42,309

15. BANK AND OTHER BORROWINGS

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Secured bank borrowings	**2,220**	4,956
Other borrowings - interest bearing	**937**	932
Other borrowings - interest free	**20,643**	—
	23,800	5,888

As at 30 June 2012, the interest bearing other borrowings represented the advance from an independent third party which carried a fixed interest of 10% per annum (31 December 2011: 10% per annum). This borrowing is unsecured and is repayable one year from the date of drawdown.

The interest free other borrowings at 30 June 2012 are amounts due to independent third parties. The principal amounts are approximately RMB21,494,000 in aggregate are unsecured and repayable one year from the respective date of drawdown. Fair value adjustment at the effective interest rates from 5% to 6.56% amounting to RMB1,277,000 was credited as income. The imputed interest of these interest free borrowing which amounted to RMB384,000 was recognised as finance costs for the six months ended 30 June 2012.

16. ISSUED EQUITY

The issued equity as at 31 December 2011 and 30 June 2012 represents the share capital of the Company and the details are set out as follows:

	Number of shares	Share capital	
		HK'000	RMB'000
Authorised			
4,000 million ordinary shares of HK$0.10 each at 30 June 2012	4,000,000,000	400,000	326,088
Issued and fully paid			
On incorporation	1	—	—
Issue of shares to initial shareholders	99	—	—
Issue of shares for the Group reorganisation	900	—	—
At 30 June 2011, 31 December 2011 and 1 January 2012	1,000	—	—
Issue of shares pursuant to the capitalisation issue (Note (a))	1,259,999,000	126,000	102,783
Issue of shares pursuant to the placing (Note (b))	420,000,000	42,000	34,199
At 30 June 2012	1,680,000,000	168,000	136,982

Note (a) Pursuant to the shareholders' written resolutions dated 27 May 2012, 1,259,999,000 shares were issued and allotted to the shareholders by way of capitalisation of the sum of HK$125,999,900 standing to the credit of the share premium account of the Company, such shares ranking pari passu in all respect with the then existing issued shares of the Company. The Company's shares were listed on GEM of Hong Kong Stock Exchange on 12 June 2012.

Note (b) On 11 June 2012, 420,000,000 new shares of HK$0.10 each were issued for cash at a price of HK$0.34 per share.

17. NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Proceed from issue of shares	**116,276**	—
Transaction costs for issue of shares	**(8,298)**	—
Distribution to equity participants	**—**	(20,000)
Proceeds from new bank borrowings raised	**10,487**	6,322
Proceeds from other borrowings raised	**21,494**	20,320
Repayments of bank borrowings	**(13,223)**	(12,497)
Repayments of other borrowings	**—**	(3,161)
Repayment to related parties	**(19,084)**	—
Advance from related parties	**—**	267
Others	**(296)**	(328)
Net cash generated from (used in) financing activities	**107,356**	(9,077)

18. RELATED PARTY BALANCES AND TRANSACTIONS

(a) For the current interim 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
Hebei Deer	Significantly influenced by Mr. Li before restructuring
河北乾源通信設備有限公司 (“Hebei Qianyuan”)	Controlled by Mr. Jiang and Ms. Guo
河北瑞輝新型節能玻璃製品有限公司 (“Hebei Ruihui”)	Controlled by Mr. Du Yanhua*
河北鑫華羊絨有限公司 (“Hebei Xinhua”)	Controlled by Mr. Du Yanhua*
Mr. Jiang	Shareholder and director of the Company
Ms. Guo	The spouse of Mr. Jiang
Mr. Li	Shareholder and director of the Company
Ms. Ren Yanping	The spouse of Mr. Li
Ordillia	Controlled by Mr. Li

* Mr. Du Yanhua is a member of Group’s key management personnel.

(b) At 30 June 2012 and 31 December 2011, the Group has amounts payable to the following related parties and the details are set out below:

Name of related party	**30 June 2012 RMB’000 (unaudited)**	31 December 2011 RMB’000
Non-trade nature		
Hebei Ruihui	—	1,800
Ms. Guo	—	4,130
Mr. Jiang	—	16,347
Mr. Li	—	8,115
Ms. Ren Yanping	—	2,603
Ordillia	—	5,889
Hebei Xinhua	—	200
	—	39,084

The amounts are unsecured, interest-free and repayable on demand.

In relation to the non-trade payables to related parties, an amount of RMB19,084,000 was settled during the current period and an amount of RMB20,000,000 was waived by the related parties before the Listing.

(c) During the current interim period, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Three months ended 30 June 2012 RMB'000 (unaudited)	Three months ended 30 June 2011 RMB'000 (unaudited)	Six months ended 30 June 2012 RMB'000 (unaudited)	Six months ended 30 June 2011 RMB'000 (unaudited)
Ms. Guo	Rental expense	—	19	—	19
Hebei Qianyuan	Rental expense	—	90	—	90

(d) The remuneration paid and payable to the key management of the Company who are also the directors of the Company for the current interim period amounted to RMB268,000 (six months ended 30 June 2011: RMB180,000).

19. CAPITAL COMMITMENTS

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**96**	83

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

From the date of listing, i.e., 12 June 2012 to 30 June 2012, the Group has not executed any business plan as set out in the Prospectus. As of the date of this report, the Directors had no intention to make any changes to the business plan.

Use of Proceeds

The net proceeds from the Placing were approximately HK$108.7 million (equivalent to approximately RMB88.7 million). No net proceeds raised from the placing of the shares were applied up to (and including) 30 June 2012. 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. As of the date of this report, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme (the "Share Option Scheme") on 27 May 2012. The principal terms of the two schemes were summarised in the sections headed "Other information – Share Option Scheme" in Appendix IV to the Prospectus.

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.

Share Option Scheme

During the six months ended 30 June 2012, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

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

The Company's shares were listed on GEM of the Stock Exchange on 12 June 2012. As at 30 June 2012, 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) ("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 5.46 to 5.67 of the GEM 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	Our Company	Interest of a controlled corporation (Note 2)	1,008,000,000 Shares (L)	60%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Ms. Guo Aru	Our Company Limited	Family (Note 3)	1,008,000,000 Shares (L)	60%
	Bright Warm	Family (Note 3)	1 share (L)	100%
Mr. Li Qingli	Our Company	Interest of a controlled corporation (Note 4)	252,000,000 Shares (L)	15%

Notes:

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

2. The Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang, one of the controlling shareholders of our Company and an executive Director.

3. Ms. Guo is the spouse of Mr. Jiang. Therefore, Ms. Guo is deemed to be interested in the 1,008,000,000 Shares owned by Mr. Jiang in the Company and 1 share owned by Mr. Jiang in Bright Warm Limited by virtue of the SFO.

4. The Shares are held by Ordillia Group Limited, the entire issued capital of which is beneficially owned by Mr. Li, one of the substantial shareholders of our Company and an executive Director.

Save as disclosed above, as at 30 June 2012, 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 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2012, 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	1,008,000,000 Shares (L)	60%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	252,000,000 Shares (L)	15%
Ms. Ren Yanping	Our Company	Family (Note 4)	252,000,000 Shares (L)	15%

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, one of the controlling shareholders of our Company and an executive Director. Therefore, Mr. Jiang is also deemed to be interested in the 1,008,000,000 Shares owned by Bright Warm 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, one of the substantial shareholders of our Company and an executive Director. Therefore, Mr. Li is also deemed to be interested in the 252,000,000 Shares owned by Ordillia by virtue of the SFO.

4. Ms. Ren is the spouse of Mr. Li. Therefore, Ms. Ren is deemed to be interested in the 252,000,000 Shares owned by Mr. Li by virtue of the SFO.

Save as disclosed above, as at 30 June 2012, 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

The Company's shares were listed on GEM of the Stock Exchange on 12 June 2012. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012, except as disclosed in the Prospectus.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Guotai Junan Capital Limited ("Guotai Junan"), the compliance adviser of the Company, neither Guotai Junan nor its directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 June 2012, except as disclosed in this Prospectus.

Guotai Junan received and will receive fees for acting as the compliance adviser of the Company.

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 30 June 2012 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 Rules 5.48 to 5.67 of the GEM 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 from the Listing Date up to and including 30 June 2012.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules from the Listing Date up to and including 30 June 2012, except code provisions A1.8 and A.2.1 as more particularly described below.

Code provision A1.8 provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Board currently considers that the Company and the Directors have taken sufficient measures to avoid any mistakes of a director and to minimize the risk of claim against the directors. As such, the Company has not arranged insurance cover; however, the Board will continue to review the policy of arranging insurance cover for the directors from time to time and may arrange the insurance cover in the future.

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 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. 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM 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 (chairman of the audit committee), Mr. Meng Fanlin and Mr. Wang Haiyu.

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2012 have not been audited by the Company's auditors, but have been reviewed by the audit committee in accordance with Rule 5.30 of the GEM Listing Rules and who is of the opinion that the interim financial statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 10 August 2012

As at the date of this announcement, the executive Directors are Mr. Jiang Changqing, Ms. Guo Aru and Mr. Li Qingli, the independent non-executive Directors are Mr. Meng Fanlin, Mr. Wang Haiyu and Ms. Li Xiaohui.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be posted on the website of the Company at www.chinauton.com.