

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors (the “Directors”) of CHINA U-TON HOLDINGS LIMITED (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*



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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

## Highlights

- The Company reported a profit attributable to the equity holders of the Company of RMB16,057,000 for the three months ended 31 March 2013, an increase of RMB663,000 when compared with the corresponding period of the previous financial year.
- The Group's revenue was approximately RMB55,954,000 for the three months ended 31 March 2013, an improvement of RMB19,541,000 when compared with the corresponding period of the previous financial year.
- Gross profit margin for the three months ended 31 March 2013 was approximately 46.6%, which translates into gross profit of approximately RMB26,093,000, an increase of RMB3,457,000.
- Earnings per share for the three months ended 31 March 2013 was RMB0.96 cents and decrease of RMB0.24 cents compared to RMB1.2 cents for the corresponding period of the previous financial year. The decrease of earnings per share was due to the increase of weighted average number of shares after the placement of new shares of the Company in June 2012.
- The Board does not recommend the payment of any interim dividend for the period.
- The backlog amount for the deployment projects of optical fibers as at 31 March 2013 amounted to approximately RMB54,465,000.
- The estimated amount for the tender succeeded but the Group has not entered into any contract for the deployment projects of optical fibers as at the date of this announcement amounted to approximately RMB80,000,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

The Company reported its unaudited results for the three months ended 31 March 2013 with a profit attributable to the equity holders of the Company of approximately RMB16,057,000, representing an increase of 4.3% over the corresponding period of the previous financial year. Our gross profit increased by approximately RMB3,457,000 to RMB26,093,000. The Group's turnover for the three months ended 31 March 2013 increased by 53.7% to approximately RMB55,954,000 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 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.

The growth of revenue and gross profit was mainly contributed by the satisfactory performance of construction contract revenue, especially from construction projects located in Shenyang of Liaoning Province, Hebei Province's Zhangjiakou and Shijiazhuang, and Sichuan Province.

#### **Deployment projects of optical fibers**

During the three-month period ended 31 March 2013, the Group achieved steady growth of business development of construction projects located in Shenyang of Liaoning Province, Zhangjiakou and Shijiazhuang of Hebei Province, and Sichuan Province. As more projects located in the above cities/districts used traditional deployment methods, the gross profit margin decreased accordingly. As at 31 March 2013, the Group has projects in progress with total backlog which amounted to approximately RMB44,398,000 and projects to be commenced with total contractual amounts of approximately RMB10,067,000 of which projects were mainly located in Hebei Province.

The following table sets out the details of projects in progress and projects to be commenced regarding deployment projects of optical fibers as at 31 March 2013:

	Recognised revenue as at 31 March 2013 (RMB'000)	Total contractual amount for the projects as at 31 March 2013 (RMB'000)	Backlog amount for the projects as at 31 March 2013 (RMB'000)
Projects in progress	71,793	116,191	44,398
Projects to be commenced	N/A	10,067	10,067
	<u>71,793</u>	<u>126,258</u>	<u>54,465</u>

As at the date of this announcement, the Group succeeded in the tender for certain deployment projects of optical fibers but has not entered into any contract with an estimated contract amount of approximately RMB80,000,000.

### **Low voltage equipment integration services**

During the three-month period ended 31 March 2013, there was a decrease in revenue mainly arising from the decrease of construction service of low voltage equipment integration during the period.

## **FUTURE PROSPECTS**

### **Prospects and plans**

Based on the revenue of first quarter of the year, backlog amount for the projects as at 31 March 2013 and estimated contract amount of successful tender as at the date of this announcement, the Company is optimistic about result for the year 2013.

In addition, being a country with a large number of Internet users in the world, China has a network speed which is still consolidated at a comparatively low level. To keep pace with the development of new generation of communication, the Ministry of Industry and Information Technology of the PRC (“MIIT”) put forward the development strategy of “Broadband China” in 2011, with the goal that by the end of the “12th Five-Year” plan, the national fixed broadband access users will exceed 250 million, and China’s urban and rural households will obtain broadband access capacity of 20 MB and 4 MB, respectively. It is expected that this will greatly promote the growth of optical fibers network and the demand for deployment service. To speed up implementation of the policy of “fiber-to-the-home”, at the end of 2012, the MIIT further issued two national standards, namely, “Code for Design of Fiber-to-the-home Communication Facility Engineering in Residential Areas and Residential Buildings” (《住宅區和住宅建築內光纖到戶通信設施工程設計規範》) and “Code for Construction and Acceptance Inspection of

Fiber-to-the-home Communication Facility Engineering in Residential Areas and Residential Buildings” (《住宅區和住宅建築內光纖到戶通信設施工程施工及驗收規範》), which provided that from 1 April 2013, similar to water, electricity and gas, the optical fibers network should be directly connected to every household in new buildings. On the other hand, the development of mobile communication network cannot be overlooked as well. With popularity of smart mobile terminals, data flows substantially increased. Current mobile communication network based on mainstream 2G technology in China is overloaded, and the upgrade of networks is imperative. Major telecommunication operators either invested in the network upgrade from 2G to 3G or built more base stations for existing 3G networks in order to expand the capacity and solve the flow pressure. China Mobile has first announced a development plan for 4G network, targeting to build a total of 200,000 4G base stations during 2013 to speed up the upgrade of wireless networks. Furthermore, China Mobile is planned to invest approximately RMB40 billion in 4G/LTE mobile network construction. Optical fibers and optical fiber cables are important backbones connecting the constructions of base stations to broadband/communication networks. Therefore, telecommunication operators will demand deployment services of optical fibers in terms of base station construction, network construction and post-maintenance. We believe that this will bring about huge opportunities for the Group’s business.

The Group has planned to strengthen its sales effort, expand the service networks and actively promote micro-ducts and mini-cables system deployment technologies. We will consolidate our businesses in Northern China leveraging on the network advantages in Hebei Province and the usage rights of the sewer systems acquired, targeting to further penetrate into Beijing and Shenyang markets and actively develop Tianjin market in 2013. Furthermore, we will also expand our service networks to Sichuan Province, Hunan Province, Guangdong Province and Yunnan Province, Chongqing and other major cities in Southern China and Western China. We desire to further promote our micro-ducts and mini-cables system deployment technologies and strive for a greater market share with our successful track records. Combining the Group’s technological advantage with its rich experience in micro-ducts and mini-cables system, we will enter the above-mentioned markets through self-supporting tender, merger and acquisition or cooperation with local enterprises. Currently, after approaching the government departments in the aforesaid cities to strive for obtaining the usage rights of the sewer systems, our Group has passed the relevant tests prescribed by the government and obtained the certifications. It is believed that this will further accelerate the pace of our market penetration.

## FINANCIAL REVIEW

	<b>Three months ended 31 March 2013 (in RMB'000)</b>	Three months ended 31 March 2012 (in RMB'000)	% Increase
Revenue	<b>55,954</b>	36,413	53.7
Gross Profit	<b>26,093</b>	22,636	15.3
Profit for the period attributable to the equity holders of the Company	<b>16,057</b>	15,394	4.3

### Revenue

The Group's turnover for the three months ended 31 March of 2013 was approximately RMB55,954,000, representing an increase of approximately 53.7% 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.

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

	<b>Three months ended 31 March</b>			
	<b>2013</b>		<b>2012</b>	
	<b>RMB'000</b>	<b>%</b>	RMB'000	%
<b>Deployment services of optical fibers construction contract revenue</b>				
– Traditional deployment methods	<b>33,618</b>	<b>60.1</b>	8,975	24.7
– Micro-ducts and mini-cables system integration methods	<b>19,535</b>	<b>34.9</b>	22,486	61.8
<b>Sub-total</b>	<b>53,153</b>	<b>95.0</b>	31,461	86.5
<b>Others</b>				
– Services income	<b>1,317</b>	<b>2.4</b>	1,237	3.4
– Sales of goods	<b>546</b>	<b>1.0</b>	115	0.3
– Rental income	<b>16</b>	<b>0.0</b>	16	0.0
<b>Sub-total</b>	<b>55,032</b>	<b>98.4</b>	32,829	90.2
<b>Low-voltage equipment integration services</b>	<b>922</b>	<b>1.6</b>	3,584	9.8
<b>Total</b>	<b>55,954</b>	<b>100.0</b>	36,413	100.0

## Deployment of optical fibers

### Construction contract revenue

The construction contract revenue, being the income generated from our provision of the deployment services of optical fibers, was approximately RMB53,153,000 and RMB31,461,000, representing approximately 95.0% and 86.5% of the total revenue of the Group for the three months ended 31 March 2013 and 2012, respectively. The increase in construction revenue for the three months ended 31 March 2013 as compared to the same period in 2012 was mainly due to the increase in the revenue derived from the provision of deployment services of optical fibers in Shenyang of Liaoning Province, Zhangjiakou and Shijiazhuang of Hebei Province, and Sichuan Province as a result of geographical expansion of our business.

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

	Three months ended 30 March			
	2013		2012	
	RMB'000	%	RMB'000	%
Hebei Province	<b>36,894</b>	<b>69.4</b>	25,763	81.9
Outside Hebei Province	<b>16,259</b>	<b>30.6</b>	5,698	18.1
Total construction contract revenue	<b><u>53,153</u></b>	<b><u>100.0</u></b>	<b><u>31,461</u></b>	<b><u>100.0</u></b>

### 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 RMB1,317,000 and RMB1,237,000, representing approximately 2.4% and 3.4% of the total revenue of our Group for the three months ended 31 March 2013 and 2012, 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 increase in services income for the three months ended 31 March 2013 as compared to the same period in 2012.

## **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 RMB546,000 and RMB115,000, representing approximately 1.0% and 0.3% of the total revenue of the Group for the three months ended 31 March 2013 and 2012, respectively.

The increase in sales of goods for the three months ended 31 March 2013 as compared to the same period in 2012 was mainly due to the increase 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 RMB16,000 and RMB16,000 for the three months ended 31 March 2013 and 2012, respectively. There was no change in rental income for the three months ended 31 March 2013 as compared to the same period in 2012 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 include financial institutions, governmental departments, public facilities, road and transportation companies, and state-owned and private companies was approximately RMB922,000, representing approximately 1.6% of our total revenue for the three months ended 31 March 2013.



## Gross profit

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

	Three months ended 31 March			
	2013		2012	
	RMB'000	%	RMB'000	%
<b>Gross profit by services</b>				
Construction contract revenue				
– Traditional deployment methods	13,873	53.2	4,583	20.3
– Micro-ducts and mini-cables system integration methods	10,969	42.1	15,755	69.6
Sub-total	24,842	95.3	20,338	89.9
Services income	620	2.4	643	2.8
Sales of goods	273	1.0	45	0.2
Rental income	9	0.0	9	0.0
Low-voltage equipment integration services	349	1.3	1,601	7.1
	<u>26,093</u>	<u>100.0</u>	<u>22,636</u>	<u>100.0</u>

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

	Three months ended	
	31 March	
	2013	2012
	%	%
<b>Gross profit margin by services</b>		
Construction contract revenue		
– Traditional deployment methods	41.3	51.1
– Micro-ducts and mini-cables system integration methods	56.1	70.1
Sub-total of construction contract revenue	46.7	64.6
Services income	47.1	52.0
Sales of goods	50.0	39.1
Rental income	56.3	56.3
Low-voltage equipment integration services	37.9	44.7
Total gross profit margin	<u>46.6</u>	<u>62.2</u>

Though there was a decrease in overall gross profit margin for the three months ended 31 March 2013 when compared with the corresponding period, the gross profit margin surged by 2.2% when compared with that of the year ended 31 December 2012.

The decrease in our gross profit margin from approximately 62.2% for the three months ended 31 March 2012 to approximately 46.6% for the three months ended 31 March 2013 was primarily due to the decrease in gross profit margin of construction contract revenue in relation to deployment of optical fibers from approximately 64.6% in three months ended 31 March 2012 to approximately 46.7% in three months ended 31 March 2013 and the gross profit of which accounted for approximately 95.3% and 89.9% of total gross profit in three months ended 31 March 2013 and three months ended 31 March 2012, respectively. In general, the gross profit margin of construction contract varies with difficulties and complexities of each project.

The gross profit margin of construction contracts of deployment services of optical fibers using traditional deployment methods decreased from approximately 51.1% in three months ended 31 March 2012 to approximately 41.3% in three months ended 31 March 2013. It was mainly due to the expansion of new business in Sichuan Province in which the gross profit margin was lower than projects in Hebei Province in order to increase the market share of Sichuan Province and general decrease of gross profit margin of construction contract revenue by using traditional deployment methods.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods decreased from approximately 70.1% in three months ended 31 March 2012 to approximately 56.1% in three months ended 31 March 2013. The decrease was primarily attributable to the fact that in last corresponding year, there were more complex projects generating relatively higher gross profit margin, in particular the projects in Chengde, Hengshui and Handan of Hebei Province and gross profit margin of these projects was approximately 70%.

The gross profit margin of services income decreased from approximately 52.0% in three months ended 31 March 2012 to approximately 47.1% in three months ended 31 March 2013. Such decrease was mainly attributable to the increase in average cost of maintenance services during the period.

The gross profit margin of sales of goods increased from approximately 39.1% in three months ended 31 March 2012 to approximately 50.0% in three months ended 31 March 2013. 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 decreased from approximately 44.7% in three months ended 31 March 2012 to approximately 37.9% in three months ended 31 March 2013. Such decrease was mainly attributable to the higher cost of sales/services during the period.

**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 loss.

**Marketing and distribution expenses and administrative expenses**

The Group's marketing and distribution expenses and administrative expenses for the three months ended 31 March 2013 were approximately RMB7,229,000, representing an increase of approximately RMB3,295,000 from approximately RMB3,934,000 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 increased was mainly due to the average principal of bank and other borrowings was higher in three months ended 31 March 2013.

**Profit attributable to equity holders of the Company**

The Group recorded net profit attributable to equity holders of the Company of approximately RMB16,057,000 for the three months ended 31 March 2013 compared to approximately RMB15,394,000 for the corresponding period in 2012, representing an increase of approximately 4.3%. The increase of profit attributable to equity holders was mainly due to the fact that the effect of the increase in gross profit of approximately RMB3,457,000 outweighed the effect on, increase in marketing and distribution expenses and administration expenses of an aggregate amount of approximately RMB3,295,000, decrease in listing expenses of approximately RMB2,985,000.

**Trade and bill receivables**

There was a decrease in trade and bills receivables as at 31 March 2013 of approximately RMB4,233,000 as compared to 31 December 2012 which was mainly due to the net effect of the settlement from customers and new trade receivables provided during the three months ended 31 March 2013.

### **Amount due from customers for contract works**

There was an increase in the amount due from customers for contract works as at 31 March 2013 of approximately RMB18,920,000 as compared to 31 December 2012 which was mainly due to net effect of the settlement from customers and increase in revenue arising from the three months ended 31 March 2013 (such revenue generated had not been certified by the customers or the underlying construction had not been completed as at 31 March 2013). Since most of the revenue for three months ended 31 March 2013 was mainly arising from the construction revenue from projects in progress as at 31 March 2013 and revenue generated had not been certified by customers, the amount due from customers for contract works increased accordingly.

### **Bank and other borrowings**

The Group had bank and other borrowings as at 31 March 2013 amounted to RMB47,909,000 and RMB22,676,000 respectively. No financial instruments were used for hedging purposes.

### **Liquidity and financial resources**

As at 31 March 2013, the Group had current assets of approximately RMB391,935,000 (31 December 2012: RMB393,549,000) which comprised cash and cash equivalents amounted to approximately RMB90,773,000 as at 31 March 2013 (31 December 2012: RMB130,300,000). As at 31 March 2013, the Group had non-current liabilities and current liabilities amounted to approximately RMB4,570,000 and RMB130,871,000 (31 December 2012: RMB4,113,000 and RMB147,168,000), consisting mainly of payables and, 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 3.0 as at 31 March 2013 (31 December 2012: 2.7).

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

### **Gearing ratio**

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 22.2% as at 31 March 2013 (31 December 2012: approximately 19.8%).

### **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 of Directors (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 three months ended 31 March 2013, we had partial bank balances and other payables 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 three months ended 31 March 2013, 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 mainly comprises ordinary shares and capital reserves.

## **Capital commitments**

As at 31 March 2013, capital commitments of the Group was RMB241,000 (31 December 2012: RMB1,600,000).

## **Dividend**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

## **Information on employees**

As at 31 March 2013, the Group had 253 employees (31 December 2012: 248), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB5,138,000 for the three months ended 31 March 2013 as compared to approximately RMB3,795,000 for the three months ended 31 March 2012. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses will 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, during the three months ended 31 March 2013, 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 dated 6 June 2012 (the "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 three months ended 31 March 2013, 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 31 March 2013, the Group had pledged bank deposit and trade receivables with carrying amount of RMB30,189,000 and RMB27,012,000 to secure the bank and other borrowings (31 December 2012: RMB20,271,000 and RMB16,137,000).

### **Contingent liabilities**

The Group had no material contingent liabilities as at 31 March 2013 (31 December 2012: Nil).

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

		Three months ended 31 March	
	Notes	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Revenue	3	55,954	36,413
Cost of sales/services		<u>(29,861)</u>	<u>(13,777)</u>
Gross profit		26,093	22,636
Other income		236	41
Other gains and losses	4	(171)	1,315
Marketing and distribution expenses		(1,435)	(1,065)
Administrative expenses		(5,794)	(2,869)
Listing expenses		—	(2,985)
Finance costs	5	<u>(1,164)</u>	<u>(221)</u>
Profit before taxation	6	17,765	16,852
Income tax expense	7	<u>(1,708)</u>	<u>(1,458)</u>
Profit and total comprehensive income for the period		<u>16,057</u>	<u>15,394</u>
Profit and total comprehensive (expense) income for the period attributable to:			
Equity holders of the Company		16,057	15,394
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>16,057</u>	<u>15,394</u>
		RMB	RMB
Earnings per share	9		
Basic (cents)		<u>0.96</u>	<u>1.2</u>
Diluted (cents)		<u>0.96</u>	<u>1.2</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	31 March 2013 RMB'000 (unaudited)	31 December 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	13,910	12,157
Goodwill		30,099	30,099
Intangible assets		91	93
Trade receivables		16,492	16,492
Deferred tax assets		118	106
Deposits paid for acquisition of property, plant and equipment		1,102	1,034
		<u>61,812</u>	<u>59,981</u>
<b>Current assets</b>			
Inventories		2,643	3,128
Trade and bill receivables	11	84,686	88,919
Other receivables, deposits and prepayments		24,979	10,912
Amounts due from customers for contract work	12	158,665	139,745
Restricted bank deposits		30,189	20,545
Bank balances and cash		90,773	130,300
		<u>391,935</u>	<u>393,549</u>
<b>Current liabilities</b>			
Trade and other payables	13	50,672	75,449
Amounts due to related parties	16(b)	—	1,900
Bank and other borrowings	14	70,585	59,703
Provision		128	112
Income tax payables		9,486	10,004
		<u>130,871</u>	<u>147,168</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	31 March 2013 RMB'000 (unaudited)	31 December 2012 RMB'000
<b>Net current assets</b>		<u>261,064</u>	<u>246,381</u>
<b>Total assets less current liabilities</b>		<u>322,876</u>	<u>306,362</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>4,570</u>	<u>4,113</u>
<b>Net assets</b>		<u><u>318,306</u></u>	<u><u>302,249</u></u>
<b>Capital and reserves</b>			
Issued equity	15	<u>136,982</u>	136,982
Reserves		<u>181,324</u>	<u>165,267</u>
<b>Total equity</b>		<u><u>318,306</u></u>	<u><u>302,249</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013

	Attributable to equity holders of the Company					
	Issued equity RMB'000	Capital reserves RMB'000	Share option reserves RMB'000	Statutory surplus reserves RMB'000	Accumulated profits RMB'000	Total equity RMB'000
For the three months ended 31 March 2013 (unaudited)						
Balance at 1 January 2013	136,982	28,142	1,394	26,460	109,271	302,249
Profit and total comprehensive income for the period	—	—	—	—	16,057	16,057
At 31 March 2013	<u>136,982</u>	<u>28,142</u>	<u>1,394</u>	<u>26,460</u>	<u>125,328</u>	<u>318,306</u>
For the three months ended 31 March 2012 (unaudited)						
Balance at 1 January 2012	—	42,146	—	9,347	60,676	112,169
Profit and total comprehensive income for the period	—	—	—	—	15,394	15,394
Balance at 31 March 2012	<u>—</u>	<u>42,146</u>	<u>—</u>	<u>9,347</u>	<u>76,070</u>	<u>127,563</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2013

	Three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Net cash (used in) operating activities	<b>(36,482)</b>	(21,791)
Net cash (used in) generated from investing activities	<b>(12,027)</b>	4,443
Net cash generated from financing activities	<b>8,982</b>	17,294
Net (decrease) in cash and cash equivalents	<b>(39,527)</b>	(54)
Cash and cash equivalents at 1 January	<b>130,300</b>	43,800
Cash and cash equivalents at 31 March, represented by bank balances and cash	<b>90,773</b>	43,746

## **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”).

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

### **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 three months ended 31 March 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 except as described below.

In the current period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards (“IFRSs”) that are mandatorily effective for the current period. The application of those amendments to IFRSs in the current 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.

#### Revenue from major products and services

	Three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Deployment services of optical fibers		
– sales of goods	546	115
– provision of services	53,153	31,461
Low-voltage equipment integration services		
– sales of goods	460	2,668
– provision of services	462	916
Pipeline maintenance service	1,317	1,237
Rental income	16	16
	<u>55,954</u>	<u>36,413</u>

#### Geographical disclosures

The Group operates in the PRC. All the Group's revenue for the period ended 31 March 2013 and 2012 are resourced from the PRC and all of the non-current assets of the Group are located in the PRC.

### 4. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Other gains (losses) comprise:		
Net foreign exchange (loss) gain	(171)	76
Write back of impairment loss on doubtful trade receivables	—	1,239
	<u>(171)</u>	<u>1,315</u>

## 5. FINANCE COSTS

	Three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Imputed interest expenses on other borrowings	157	69
Interest on other borrowings	240	23
Interest on bank borrowings wholly repayable within five years	767	129
	<u>1,164</u>	<u>221</u>

## 6. PROFIT BEFORE TAXATION

	Three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	563	262
Amortisation of intangible assets	2	1
Research expenses	653	86
	<u>653</u>	<u>86</u>

## 7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax	<u>1,263</u>	<u>1,015</u>
Deferred tax:		
Current year	(12)	38
Withholding tax	<u>457</u>	<u>405</u>
	<u>445</u>	<u>443</u>
	<u>1,708</u>	<u>1,458</u>

Other than set out below, the PRC enterprise income tax for the Group's subsidiaries established in the PRC is 25%:

- (a) Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 14 September 2011, the company's subsidiary, 北京優通泰達電氣新技術發展有限公司 Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. ("Beijing U-Ton") had been designated as a High and New Technology Enterprise and its PRC enterprise income tax rate is 15% for three years since the year of 2011.
- (b) Pursuant to a certificate issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得徵收辦法(試行)), Hebei Changtong's taxable income was computed based on 8% of its total revenue.
- (c) Pursuant to the PRC enterprise income tax assessment form issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得徵收辦法(試行)), taxable income of Shijiazhuang Oiushi was computed based on 7% of its total revenue.

The PRC enterprise income tax computation bases of Hebei Changtong and Shijiazhuang Oiushi as set out in (b) and (c) above are subject to the approval of relevant PRC tax authorities on a year-by-year basis.

## 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 for the three months ended 31 March 2013.

## 9. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company	<u>16,057</u>	<u>15,394</u>
	Three months ended 31 March	
	2013 '000	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,680,000	1,260,000
Effect of dilutive potential ordinary shares arising from shares options	<u>640</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,680,640</u>	<u>1,260,000</u>

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 acquisition 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2013, the Group acquired property, plant and equipment amounting to approximately RMB2,316,000 (three months ended 31 March 2012: RMB915,000).



## 11. TRADE AND BILL RECEIVABLES

	<b>31 March 2013 RMB'000 (unaudited)</b>	31 December 2012 RMB'000
Trade receivables - current portion	<b>84,868</b>	89,101
Less: Allowance for impairment of receivables	<b>(182)</b>	(182)
	<b>84,686</b>	88,919
Bill receivable	<b>—</b>	—
	<b>84,686</b>	88,919
Trade receivables - non-current portion	<b>16,492</b>	16,492
	<b>101,178</b>	105,411

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:

	<b>31 March 2013 RMB'000 (unaudited)</b>	31 December 2012 RMB'000
Within 90 days	<b>20,696</b>	97,329
91 to 180 days	<b>73,154</b>	784
181 to 365 days	<b>2,169</b>	2,913
1 to 2 years	<b>4,001</b>	4,292
2 to 3 years	<b>1,158</b>	93
Total trade and bill receivables	<b>101,178</b>	105,411

As at 31 March 2013, retentions held by customers for contract works included in trade receivables amounted to approximately RMB5,802,000 (31 December 2012: RMB6,925,000).

## 12. 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 was an increase in the amounts due from customers for contract work as of 31 March 2013 comparing to 31 December 2012 because most projects commenced in the current period are not completed or the projects are not certified by the customers.

## 13. TRADE AND OTHER PAYABLES

	<b>31 March 2013 RMB'000 (unaudited)</b>	31 December 2012 RMB'000
Trade and bill payables	<b>34,910</b>	54,323
Other payables	<b>15,762</b>	21,126
	<b><u>50,672</u></b>	<u>75,449</u>

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

	<b>31 March 2013 RMB'000 (unaudited)</b>	31 December 2012 RMB'000
Within 90 days	<b>17,764</b>	37,453
91 to 180 days	<b>9,846</b>	6,357
181 to 365 days	<b>4,763</b>	6,829
1 to 2 years	<b>2,494</b>	3,684
2 to 3 years	<b>43</b>	—
Over 3 years	<b>—</b>	—
	<b><u>34,910</u></b>	<u>54,323</u>

## 14. BANK AND OTHER BORROWINGS

	<b>31 March</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	
Secured bank borrowings	<b>47,909</b>	26,184
Other borrowings - interest bearing	<b>10,000</b>	15,000
Other borrowings - interest free	<b>12,676</b>	18,519
	<b><u>70,585</u></b>	<u>59,703</u>

As at 31 March 2013, the interest bearing other borrowings represented the advance from an independent third party which carried a fixed interest rate of 9.6% per annum (31 December 2012: 9.6% to 12% per annum). This borrowing is secured and repayable one year from the date of drawdown.

The interest free other borrowings as at 31 March 2013 is an amount due to an independent third party. The principal amount of approximately RMB13,000,000 is unsecured and repayable one year from the respective date of drawdown. The imputed interest of this interest free borrowing which amounted to RMB157,000 was recognised as finance costs for the three months ended 31 March 2013.

## 15. ISSUED EQUITY

The issued equity as at 31 December 2012 and 31 March 2013 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 31 March 2013	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	—	—
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 31 March 2013, 31 December 2012 and 1 January 2013	<u>1,680,000,000</u>	<u>168,000</u>	<u>136,982</u>

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.

## 16. 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:

<b>Name of related party</b>	<b>Relationship</b>
Hebei Deer City Network Technology Co., Ltd. 河北乾源通信設備有限公司	Significantly influenced by Mr. Li before restructuring
河北瑞輝新型節能玻璃製品有限公司 ("Hebei Ruihui")	Controlled by Mr. Jiang and Ms. Guo
河北鑫華羊絨有限公司 ("Hebei Xinhua")	Controlled by Mr. Du Yanhua*
Mr. Jiang Changqing ("Mr. Jiang")	Shareholder and director of the Company
Ms. Guo Aru ("Ms. Guo")	The spouse of Mr. Jiang
Mr. Li Qingli ("Mr. Li")	Shareholder and director of the Company
Ms. Ren Yanping	The spouse of Mr. Li
Ordillia Group Limited ("Ordillia")	Controlled by Mr. Li

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

- (b) At 31 March 2013 and 31 December 2012, the Group has amounts payable to the following related parties and the details are set out below:

<b>Name of related party</b>	<b>31 March</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	
Non-trade nature		
Hebei Ruihui	—	—
Ms. Guo	—	—
Mr. Jiang	—	—
Mr. Li	—	1,900
Ms. Ren Yanping	—	—
Ordillia	—	—
Hebei Xinhua	—	—
	<u>—</u>	<u>1,900</u>

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

- (c) The remuneration paid and payable to the key management of the Company who are also the directors of the Company for the current period amounted to RMB231,000 (three months ended 31 March 2012: RMB110,000).

## 17. CAPITAL COMMITMENTS

	<b>31 March</b>	31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b><u>241</u></b>	<u>1,600</u>

## 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 period ended 31 March 2013. 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 March 2013
1. Further strengthening our deployment services of optical fibers in the PRC	
(i) Investment in equipment	The Group has purchased various equipments, spare parts of equipments and motor vehicles for construction projects.
(ii) Market expansion	The Group has built three experimental sections and purchased motor vehicles for marketing purposes. In addition, the Group has decided a suitable location to establish one representative office in Hebei Province.
(iii) Securing strategic assets/rights	The Group has started to communicate with relevant governmental department of some provinces in the PRC.
(iv) Acquisition	The Group has an acquisition target which is located in Hunan Province.
(v) Human resources	The Group has employed additional technical 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 apply 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 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). The net proceeds from the Listing Date to 31 March 2013 had been applied as follows:

	<b>Use of proceeds from the Listing Date to period ending 30 June 2013 as shown in the Prospectus HK\$ (million)</b>	<b>Actual use of proceeds from the Listing Date to 31 March 2013 HK\$ (million)</b>
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	16.42	—
(ii) Market expansion	13.06	2.00
(iii) Securing strategic assets/rights	19.76	—
(iv) Acquisition	12.20	—
(v) Human resources	2.00	—
(vi) Research and development	1.90	1.00
	<hr/>	<hr/>
Sub-total	65.34	3.00
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	1.80	—
3. Repayment of bank and other borrowings	14.30	11.60
4. General working capital (Note)	8.40	8.40
	<hr/>	<hr/>
Total	<u>89.84</u>	<u>23.00</u>

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. 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.

Movements of the options, which have been granted under the 2012 Share Option Scheme, during the three months ended 31 March 2013, are set out below:

Category of Participants	Number of share options						Date of grant	Closing price		Option Exercisable and vesting period
	Outstanding as at 1 January 2013	Granted during the period	Reclassified during the period	Exercised during the period	Forfeited during the period	Outstanding as at 31 March 2013		as at date of grant HK\$	Exercise price HK\$	
Employee (Note) (Other than the directors, chief executives and substantial shareholders)	6,720,000	-	-	-	-	6,720,000	14.08.2012	0.65	0.65	15.08.2012 – 14.08.2022

Note: The employee works under employment contracts that is regard as "continuous contracts" for the purpose of the employment ordinance.

**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 31 March 2013, 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**

<b>Name of Director</b>	<b>Name of Group member/ associated corporation</b>	<b>Capacity/ nature of interest</b>	<b>Number and class of securities</b> (Note 1)	<b>Approximate percentage of shareholding</b>
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	Family (Note 3)	1,008,000,000 Shares (L)	60%
	Bright Warm Limited	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 31 March 2013, 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 31 March 2013, 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:

<b>Name of shareholder</b>	<b>Name of Group member</b>	<b>Capacity/ nature of interest</b>	<b>Number and class of securities</b> (Note 1)	<b>Approximate percentage of shareholding</b>
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 31 March 2013, 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 three months ended 31 March 2013, 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 31 March 2013, except as disclosed in the Prospectus.

Guotai Junan 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 31 March 2013 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 31 March 2013.

## **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 31 March 2013, except code provisions A.2.1 as more particularly described below.

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 three months ended 31 March 2013 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 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, 13 May 2013

*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](http://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](http://www.chinauton.com).*