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This announcement, for which the directors (the "Directors") of CHINA U-TON HOLDINGS LIMITED (the "Company") 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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 RMB85,234,000 for the year ended 31 December 2013, an increase of RMB19,526,000, 29.7% when compared with the corresponding period of the previous financial year.
- The Group's revenue was approximately RMB377,619,000 for the year ended 31 December 2013, an improvement of RMB131,251,000, 53.3% when compared with the corresponding period of the previous financial year.
- Gross profit margin for the year ended 31 December 2013 was approximately 39.1% (2012: 44.4%), which translates into gross profit of approximately RMB147,615,000, an increase of RMB38,326,000.
- Earnings per share for the year ended 31 December 2013 was RMB5.1 cents and increase of RMB0.7 cents compared to RMB4.4 cents for the corresponding period of the previous financial year. The increase of earnings per share was due to increase of profit in 2013.
- The Board does not recommend payment of any dividend for the year.
- The backlog amount for the deployment projects of optical fibers as at 31 December 2013 amounted to approximately RMB131,623,000 (31 December 2012: RMB108,379,000).
- Additional contracts obtained by the Group subsequent to 31 December 2013 and as at 24 March 2014 was amounted to approximately RMB74,527,000.
- The estimated amount for the tender succeeded but the Group has not entered into any contract as at 24 March 2014 amounted to approximately RMB119,680,000.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	3	**377,619**	246,368
Cost of sales/services		**(230,004)**	(137,079)
Gross profit		**147,615**	109,289
Other income		**3,024**	622
Other gains and losses	4	**(625)**	931
Marketing and distribution expenses		**(7,695)**	(6,262)
Administrative expenses		**(32,229)**	(16,152)
Research and development expenses		**(2,200)**	(627)
Listing expenses		—	(10,411)
Finance costs		**(6,117)**	(2,257)
Profit before taxation	5	**101,773**	75,133
Income tax expense	6	**(12,490)**	(9,425)
Profit and total comprehensive income for the year		**89,283**	65,708
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		**85,234**	65,708
Non-controlling interests		**4,049**	—
		89,283	65,708
		RMB	RMB
Earnings per share	8		
Basic (cents)		**5.1**	4.4
Diluted (cents)		**5.1**	4.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Notes	At 31 December 2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**21,870**	12,157
Goodwill		**34,080**	30,099
Intangible assets		**86**	93
Trade receivables	9	**13,928**	16,492
Deferred tax assets		**68**	106
Deposits paid for acquisition of property, plant and equipment		**—**	1,034
		70,032	59,981
Current assets			
Inventories		**3,377**	3,128
Trade and bill receivables	9	**155,601**	88,919
Other receivables, deposits and prepayments		**17,731**	10,912
Amounts due from customers for contract work		**254,466**	139,745
Restricted bank deposits		**30,020**	20,545
Bank balances and cash		**161,709**	130,300
		622,904	393,549
Current liabilities			
Trade and other payables	10	**173,913**	75,449
Amounts due to related parties		**4,164**	1,900
Bank and other borrowings		**83,398**	59,703
Provision		**222**	112
Income tax payables		**17,525**	10,004
		279,222	147,168
Net current assets		**343,682**	246,381
Total assets less current liabilities		**413,714**	306,362
Non-current liabilities			
Bonds		**7,240**	—
Deferred tax liabilities		**6,454**	4,113
		13,694	4,113
Net assets		**400,020**	302,249

	2013 RMB'000	2012 RMB'000
Capital and reserves		
Share capital/issued equity	**136,982**	136,982
Reserves	**251,703**	165,267
Equity attributable to equity holders of the Company	**388,685**	302,249
Non-controlling interests	**11,335**	—
Total equity	**400,020**	302,249

1. GENERAL

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

In preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the Group has undertaken certain reorganisation and restructuring (the " Group Reorganisation"), 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.

In the opinion of the Directors, Bright Warm Limited is the Company's immediate and ultimate holding company. Bright Warm Limited was a private Company incorporated in the British Virgin Islands).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised IFRSs adopted during the reporting period

The Group has applied the following new and revised IFRSs for the first time in the current year:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10 IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

In addition, the Group has early adopted the Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

Except for described below, the application of other new or revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consoildated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Impact of the application of Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

Upon the adoption of the amendments to IAS 1, the Group's "consolidated statement of comprehensive income" is renamed as the "consolidated statement of profit or loss and other comprehensive income". Other than this change of name, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income of the Group.

Impact of the early application of Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of issuing IFRS 13 in 2011, some of the disclosure requirements in IAS 36, including the recoverable amount disclosures for non-financial assets were amended. In May 2013, the International Accounting Standards Board issued further amendments to IAS 36 which will become effective for annual periods beginning on or after 1 January 2014. The further amendments to IAS 36, in particular, revise certain disclosure requirements relating to the recoverable amount for non-financial assets. After evaluating both amendments, the Directors decided to early adopt the latest amendments to IAS 36. The application of the amendments to IAS 36 does not result in any impact on the amounts reported in these consolidated financial statements. The disclosure of recoverable amounts for non-financial assets has been prepared in accordance with these latest amendments to IAS 36.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The Directors anticipate that the application of the above new and revised IFRSs will have no material impact on the amounts reported in these consolidated financial statements and/or disclosures set out these consolidated financial statements.

3. SEGMENT INFORMATION

The Chairman of the Company is the chief operating decision maker of the Group. 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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Deployment services of optical fibers		
- sales of goods	**931**	990
- provision of services	**308,355**	165,210
Low-voltage equipment integration services		
- sales of goods	**4,244**	13,464
- provision of services	**57,983**	58,198
Pipeline maintenance service	**6,012**	8,441
Rental income	**94**	65
	377,619	246,368

Geographical disclosures

The Group operates in the PRC. All of the non-current assets of the Group at the end of the reporting period are located in the PRC.

All of the Group's revenue generated from external customers located in the PRC in both years.

Information about major customers

Revenue from the customer of the corresponding year contributed over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Customer A	**132,395**	123,999
Customer B	**72,338**	—

4. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Other gains (losses) comprise:		
Impairment loss on trade receivables	**(1,776)**	—
Provision of employee injury	**—**	(10)
Net foreign exchange loss	**(1,482)**	(316)
Loss on disposal of property, plant and equipment	**—**	(592)
Fair value adjustment on initial recognition of other borrowings	**2,580**	1,826
Gain on sales of scrap material	**—**	23
Fair value gain on contingent consideration	**53**	—
	(625)	931

5. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**3,008**	1,499
Amortisation of intangible assets	**106**	12

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax	**10,254**	5,523
Deferred tax:		
Current year	**2,236**	3,902
	12,490	9,425

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,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") the Company's wholly-owned subsidiary, 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)), the taxable income of Hebei Changtong Communication Engineering Co., Ltd ("Hebei Changtong"), the Company's wholly-owned subsidiary, was derived 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)), the taxable income of Shijiazhuang Qiushi Communication Facilities Co., Ltd ("Shijiazhuang Qiushi"), the Company's wholly-owned subsidiary, was computed based on 7% of its total revenue.

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

7. DIVIDENDS

No dividends have been proposed, paid or declared by the Company during both reporting periods.

8. EARNINGS PER SHARE

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**85,234**	65,708

	Year ended 31 December	
	2013	2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,680,000**	1,494,098
Effect of dilutive potential ordinary shares arising from issue of share options by the Company	**1,901**	311
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,681,901**	1,494,409

For the year ended 31 December 2012, the calculation of basic earnings per share has been adjusted for the effect of the capitalisation issue on 27 May 2012.

9. TRADE AND BILL RECEIVABLES

The following is an aged analysis of trade and bill receivables by invoice/completion certificate after deducting the allowance for trade receivables at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**106,547**	77,718
91 to 180 days	**6,584**	784
181 to 365 days	**17,959**	2,913
1 to 2 years	**19,697**	4,292
2 to 3 years	**1,859**	93
Total trade and bill receivables	**152,646**	85,800
Trade receivable repayable by installments	**16,883**	19,611
Total trade receivables	**169,529**	105,411

10. TRADE PAYABLES

Included in trade and other payables are trade payables of RMB135,363,000 (2012: RMB54,323,000). The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	At 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	**117,817**	37,453
91 to 180 days	**3,917**	6,357
181 to 365 days	**7,419**	6,829
1 to 2 years	**5,328**	3,684
2 to 3 years	**882**	—
	135,363	54,323

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business Review

The Group is principally engaged in providing deployment services of optical fibers in the PRC. The Group utilizes its proprietary micro-ducts and micro-cables system deployment technology and integrates it with the traditional deployment method to provide efficient and low-cost optical fiber network construction and capacity expansion services for densely populated areas and areas which are insufficient of pipelines. In recent years, driven by the emerging modes of consumption such as household broadband access, internet videos, online shopping, micro media, mobile games and mobile videos, the information and telecommunication industry has experienced rapid development. The Ministry of Industry and Information Technology of the People's Republic of China (the "MIIT") estimates that the value of information technology consumption for the period between January and May 2013 has reached RMB1.38 trillion, representing an increase of 19.8% over the same period of the previous year. Telecommunication operators are increasing the investments in optical fiber network development and upgrade projects to tap the significant market potential which drives the demand for the Group's principal business – deployment services of optical fibers and thus enables us to achieve significant growth in revenue. The Group has seized the market opportunities and actively explored new markets. Following the successful expansion in Sichuan market at the end of 2012, the Group acquired 51% of the issued share capital of each of two telecommunication construction companies, Chongqing Wuyang Communication Technology Co. Ltd (重慶五洋通信技術有限公司) ("Chongqing Wuyang") and Hunan San Cheng Communication Construction Co. Ltd (湖南三成通信建設有限公司) ("Hunan San Cheng") in the first half of 2013. Leveraging the well-established local business relations and networks of the two companies in their respective markets, the Group could penetrate into Chongqing, Guizhou and Hunan markets within a relatively short period of time to further expand its business scope and increase its market share. Revenue contributed by Chongqing Wuyang and Hunan San Cheng for the year ended 31 December 2013 amounted to approximately RMB43,081,000 and approximately RMB22,460,000 respectively. In addition, customer base of the Group can be further broadened.

During the year ended 31 December 2013, the Group completed 371 projects of deployment services of optical fibers (2012: 104 projects) and most of these projects of deployment services of optical fibers were completed in the fourth quarter of 2013. As at 31 December 2013, the Group had 159 projects in progress and 26 projects of deployment services of optical fibers to be commenced. In addition, the Group entered into additional 15 contracts of deployment services of optical fibers from 1 January 2014 to 24 March 2014.

Revenue

During the year ended 31 December 2013, the Group's revenue significantly increased by 53.3% over the same period last year to approximately RMB377,619,000 (2012: RMB246,368,000). During the year ended 31 December 2013, the provision of deployment services of optical fibers and low-voltage equipment integration services accounted for 83.5% and 16.5% of our total revenue, respectively. In 2013, service areas in respect of our deployment services of optical fibers further expanded outside Hebei Province, driving the substantial increase in revenue from this business segment by 80.5% to RMB315,392,000 (2012: RMB174,706,000), which was mainly due to geographical expansion in 2013. The low-voltage equipment integration service, with revenue decreased by 13.2% to RMB62,227,000 from RMB71,662,000 in 2012.

	2012 RMB'000	**2013** **RMB'000**	**% Change**
Deployment services of optical fibers	174,706	**315,392**	80.5
Low-voltage equipment integration services	71,662	**62,227**	(13.2)
Total	246,368	**377,619**	53.3

Gross profit and gross profit margin

The overall gross profit increased by 35.1% to RMB147,615,000 in 2013 from RMB109,289,000 in 2012. The gross profit margin decreased by 5.3 percent point over the same period last year to 39.1% in 2013. It was mainly due to two reasons. Firstly, projects of deployment services of optical fibers were less complex than that for the year ended 31 December 2012. Secondly, the revenue of the two new subsidiaries (namely Chongqing Wuyang and Hunan San Cheng) were arising from traditional deployment construction service of optical fibers and the related gross profit margin was comparatively low. In addition, these two subsidiaries had sub-contracted some of the works to the local construction companies or teams which in turn further reduced their profit margin.

The following table sets forth the gross profit of our businesses:

	2012 RMB'000	**2013** **RMB'000**	**% Increase (decrease)**
Deployment services of optical fibers	85,542	**124,039**	45.0
Low-voltage equipment integration services	23,747	**23,576**	(0.7)
Total	109,289	**147,615**	35.1

The following table sets forth the gross profit margin of our businesses:

	2012 %	**2013** **%**	**Increase (decrease) percent point**
Deployment services of optical fibers	49.0	**39.3**	(9.7)
Low-voltage equipment integration services	33.1	**37.9**	4.8
Total	44.4	**39.1**	(5.3)

Deployment services of optical fiber

The Group completed 41 projects during the year ended 31 December 2013 and had 27 projects in progress of micro-ducts and mini-cables system integration projects as at 31 December 2013, with construction contract revenue decreased by 16.3% over the same period last year to RMB86,831,000 (2012: RMB103,790,000). The revenue of the two new subsidiaries (namely Chongqing Wuyang and Hunan San Cheng) were arising from traditional deployment construction service of optical fibers and the related gross profit margin was comparatively low. Further, the Group completed 330 projects during the year ended 31 December 2013 and had 132 projects in progress of traditional deployment projects as at 731 December 2013, with revenue increasing by 260.7% over the same period of last year to RMB221,524,000 (2012: RMB61,420,000).

Turnover

	2012 RMB'000	**2013** **RMB'000**	**% Increase (decrease)**
Deployment services of optical fibers - Construction contract revenue			
- Traditional deployment methods	61,420	**221,524**	260.7
- Micro-ducts and mini-cables system integration methods	103,790	**86,831**	(16.3)
Sub-total	165,210	**308,355**	86.6
Others			
- Services income	8,441	**6,012**	(28.8)
- Sales of goods	990	**931**	(6.0)
- Rental income	65	**94**	44.6
Sub-total	9,496	**7,037**	(25.9)
Total	174,706	**315,392**	80.5

Gross profit & Gross profit margin

The following table sets forth the gross profit of each type of deployment services of optical fiber:

	2012 RMB'000	**2013** **RMB'000**	**% Increase (decrease)**
Gross profit by services			
Construction contract revenue			
- Traditional deployment methods	24,803	**81,674**	229.3
- Micro-ducts and mini-cables system integration methods	55,081	**39,777**	(27.8)
Sub-total	79,884	**121,451**	50.2
Services income	4,160	**2,068**	(50.3)
Sales of goods	463	**456**	(1.5)
Rental income	35	**64**	82.9
	84,542	**124,039**	45.0

The following table sets forth the gross profit margin of each type of our services:

	2012	**2013**
	%	**%**
Gross profit margin by services		
Construction contract revenue		
- Traditional deployment methods	40.4	**36.9**
- Micro-ducts and mini-cables system integration methods	53.1	**45.8**
Sub-total of construction contract revenue	48.4	**39.4**
Services income	49.3	**34.4**
Sales of goods	46.8	**49.0**
Rental income	53.8	**68.1**
Total	49.0	**39.3**

The following table sets forth our revenue and gross profit margin (GP %) from construction contract by major location for the year indicated.

	For the year ended 31 December			
	2012 (RMB'000)	GP %	**2013 (RMB'000)**	**GP %**
Hebei Province	118,067	49.3	**127,223**	**42.3**
Beijing	10,845	55.7	**10,476**	**30.9**
Liaoning Province	24,543	46.7	**23,742**	**46.9**
Sichuan Province	9,300	40.8	**81,043**	**45.6**
Guizhou Province	—	—	**13,508**	**23.7**
Chongqing	—	—	**42,402**	**24.8**
Hunan Province	79	—	**9,352**	**25.9**
Others	2,376	57.2	**609**	**34.8**
Total construction contract revenue and gross profit margin	165,210	48.4	**308,355**	**39.4**

Major customer and service network

Our major customers include China Mobile Communications Corporation ("China Mobile"), a major telecommunication operator in China, and other regional telecommunication operators. During the year, sales to China Mobile accounted for 35.1% of the Group's total revenue (2012: 50.3%). As the Group maintained a favourable position in terms of resource in the industry of both micro-ducts and mini-cables system deployment technology, we obtained our contracts of that kind mainly through negotiated tender, while for traditional deployment business we mainly compete for contracts through open tender.

As at 31 December 2013, the Group's service network covered Beijing, Chongqing and 11 provinces in China, including Hebei, Shandong, Shaanxi, Hunan, Jiangxi, Liaoning, Anhui, Henan, Guizhou, Sichuan and Inner Mongolia.

Contract progress

Depending on the complexity of projects, the construction period for deployment of optical fibers was approximately seven to nine months. The following table sets forth the details of backlog revenue:

	As at 31 December 2013			
	Number of projects	Total contractual amount RMB'000	Recognized revenue RMB'000	Backlog revenue RMB'000
Micro-ducts and mini-cables				
System integration method	**31**	**79,008**	**43,648**	**35,360**
(i) Projects in progress	**27**	**71,119**	**43,648**	**27,471**
(ii) Projects to be commenced	**4**	**7,889**	**–**	**7,889**
Traditional deployment method	**154**	**167,907**	**71,644**	**96,263**
(i) Projects in progress	**132**	**129,497**	**71,644**	**57,853**
(ii) Projects to be commenced	**22**	**38,410**	**–**	**38,410**
Total	**185**	**246,915**	**115,292**	**131,623**

Additional contracts obtained by the Group subsequent to 31 December 2013 and as at 24 March 2014 was amounted to approximately RMB74,527,000 and in which contract of micro-ducts and mini-cables system integration method amount to approximately RMB55,946,000.

In addition, the estimated amount for the tender succeeded but the Group has not entered into any contract as at 24 March 2014 amounted to approximately RMB119,680,000.

Micro-ducts and mini-cables system integration method

Traditionally, optical fibers are deployed by way of direct burial which requires excavation of roads. Therefore, it not only takes time to apply for the relevant permits, but also may cause traffic congestion and environmental pollution. This deployment method is very inconvenient in populated areas with high density of buildings, which is an insurmountable problem for telecommunication operators in achieving network upgrade and capacity expansion. Taking the advantage of this market insufficiency, the Group applied the micro-ducts and mini-cables system deployment technology by using existing public sewer pipeline system as the routing to deploy optical fibers. The technology avoids excavation and subsequent reinstatement of roads, and significantly reduces the construction period and construction costs, which has an absolute advantage in metropolitan areas. It provides a high-efficiency, comparatively low-cost, convenient-construction-and-maintenance solution for telecommunication operators. With the Group's vigorous promotion and active improvement on related technologies, the micro-ducts and mini-cables system deployment method is recognized and welcomed by our major customers, especially when applying in the network construction in metropolitan areas.

As a pioneer to micro-ducts and mini-cables system deployment technology in China, the Group keeps ahead of its peers with a number of advantages in terms of resources and technologies. One of the preconditions to apply micro-ducts and mini-cables system deployment technology is to obtain the usage rights of the public sewer systems. As the inherent issue of exclusiveness in using public sewer pipeline system arises once the Group commenced operations, hence, we regard the use rights as a resource investment. At present, the Group has obtained the exclusive rights in using the sewer systems in 10 districts or cities including Changping district of Beijing, Xuanhua district of Zhangjiakou, Chengde, Qinhuangdao, Baoding, Xingtai, Shahe, Handan, Jinan and Meishan, and the non-exclusive right in Hengshui. Meanwhile, relying on our successful track records and exclusive technologies, we also actively approach government departments in other provinces and accumulate the usage rights of public sewer systems in various districts to further consolidate our competitive strength. In addition, the Group has actively involved in the research and development of micro-ducts and mini-cables system related products as well as the upgrade of deployment technologies. Currently, we have owned a total of 29 appearance design, utility and invention patents. Among these 29 appearance design and patents, six are jointly owned by a major telecommunication operator and the Group. Especially in the production of micro-ducts products, the Group has a patented formula which is effective for reducing the wear and tear of micro-ducts under harsh environment (such as sewers) whilst maintaining stable signal transmission. Therefore, the Group's solutions are not only welcomed by telecommunication operators, but also recognized by government departments in different areas.

Low-voltage equipment integration business

Low-voltage equipment integration service of the Group mainly provides intelligent management and monitoring solutions, such as Enterprise Resources Planning System, intelligent office, intelligent building management systems, building safety systems as well as road safety monitoring system for industrial commerce and public institutions. Depending on the complexity of projects, installation period for low-voltage equipment integration projects typically ranges from 1 month to half a year. The Group completed 13 projects during the year ended 31 December 2013 and two projects in progress as at 31 December 2013 with total backlog revenue amounted to RMB3,370,000. The Group had 1 contract to be commenced amounted to RMB2,070,580. The revenue decreased during the year ended 31 December 2013 due to the slight change of the Group's business strategy to concentrate on the customers with stronger financial background customers in order to improve our financial position and gross profit margin and therefore fewer low-voltage equipment integration service provided during the year.

Prospects and future plans

With Hebei Province as our base, the Group is gradually expanding its business to the southern region of the Yangtze River as planned to actively explore new markets. On 2 May 2013 and 15 May 2013, we announced to acquire 51% issued capital of each of Hunan San Cheng and Chongqing Wuyang at a cash consideration of RMB2,510,000 and RMB12,250,000 respectively. Such acquisitions not only help the Group enter into the related markets and expand its customer base, but also enhance the business and relation networks of the Group, increase revenue contribution to the Group broaden the customer base of the Group. Chongqing Wuyang was awarded the Grade B Enterprise Qualification Certificate of Integrated Telecommunication and Information Network Systems by the Ministry of Industry and Information Technology of the PRC and has won a number of tenders for optical fiber deployment projects in Chongqing. Currently, the awareness of micro-ducts and mini-cables system integration technology is relatively low in the new markets such as Sichuan Province, Guizhou Province, Chongqing and Hunan Province and most of our optical fiber deployment projects are using the traditional deployment method which has a lower profit margin. However, leveraging our successful experience in the markets such as Beijing, Hebei Province and Liaoning Province, the Group is actively approaching the local government authorities in the above mentioned new markets to accelerate the process of obtaining the rights in using public sewer systems to introduce the micro-ducts and mini-cables system technology to such new markets. Looking forward, we will continue to pursue our plans of entering into the major markets in southern China like Guangzhou, Shenzhen and Yunnan by way of submitting tenders, mergers and acquisitions or cooperation with local enterprises engaging in the optical fiber deployment business to further penetrate into the southern China market.

Premier Li Keqiang said in an executive meeting of the State Council held on 12 July 2013 that the government would boost information technology consumption, launch the "broadband China" strategy and accelerate the construction and upgrade of network and telecommunication infrastructure with a target of achieving an annual growth rate of over 20% in information technology consumption in the later three years of the "12th Five Year Plan" period, i.e. between 2016 and 2018. Meanwhile, the general expansion of coverage of 3G networks and government's striving to grant 4G licenses have also been put on the agenda. It is believed that telecommunication operators will continue to invest in construction and upgrade of information and mobile telecommunication networks in the future. As optical fiber cables are the backbone of connecting mobile telecommunication base stations, and broadband/telecommunication networks, deployment services of optical fibers are always required by telecommunication operators no matter for their base station construction, network construction or later stage maintenance. Accordingly, the Group believes that the rapid development of telecommunication and information technology will continue to bring forth considerable development opportunities to us and the Group will grow further under such favourable business environment.

The Group recognizes that there are limited resources of sewer systems, so we will reserve the use rights as a strategic objective for development. Currently, the Group is actively communicating with the government departments in different provinces to strive for the obtaining of exclusive rights in using the sewer systems as a foundation for entering the aforesaid markets. Through continuous accumulation of the use rights in each region, the Group will strengthen its competitive advantage and lay the foundation for future regional expansion. With the Group's micro-ducts and mini-cables system technology as well as the exclusive sewer systems usage rights, we believe that we will be able to accurately grasp the potential of the optical fiber deployment market and create more brilliant performance.

(II) Financial Review

	2012 RMB'000	**2013** **RMB'000**	**%** **Increase** **(decrease)**
Turnover	246,368	**377,619**	**53.3**
Cost of Sales	137,079	**230,004**	**67.8**
Gross Profit	109,289	**147,615**	**35.1**
Gross Profit margin	44.4%	**39.1%**	**(5.3)**
Net Profit	65,708	**89,283**	**35.9**
Net Profit margin	26.7%	**23.6%**	**(3.1)**
Basic earnings per share (cents)	4.4	**5.1**	**15.9**
Profit for the year attributable to equity holders	65,708	**85,234**	**29.7**
Return on equity (Note 1)	21.7%	**21.3%**	**(0.4)**

Note 1: Being dividing net profit for the year by the total equity.

Turnover

The Group's turnover for the year of 2013 was approximately RMB377,619,000, representing an increase of approximately 53.3% over the corresponding period of the previous year. The increase in the Group's turnover was due to increase of turnover from construction revenue of deployment services of optical fiber.

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 RMB308,355,000 and RMB165,210,000, representing approximately 81.7% and 67.3% of the total revenue of the Group for the year ended 31 December 2013 and 2012, respectively. The increase in construction revenue for the year ended 31 December 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 Chongqing, Sichuan, Hunan and Guizhou as a result of geographical expansion of our business.

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 RMB6,012,000 and RMB8,441,000, for the year ended 31 December 2013 and 2012 respectively. The services income decreased was mainly due to last year, there was a service income from Jinan of Shandong Province amounted to RMB2,500,000 and there was no such service provided in current year. Our maintenance services mainly cover regular inspection of the deployed cables, repair and re-connection of optical fibers and testing of the signal transmission.

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 RMB931,000 and RMB990,000 for the year ended 31 December 2013 and 2012 respectively.

The slight decrease in sales of goods for the year ended 31 December 2013 as compared to the same period in 2012 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 and rental income from sub-lease of motor vehicles to our clients, which was amounted to approximately RMB94,000 and RMB65,000 for the year ended 31 December 2013 and 2012 respectively.

Low-voltage equipment integration services

The income from low-voltage equipment integration services decreased during the year ended 31 December 2013 was mainly due to the slight change of the Group's business strategy to concentrate on the customers with stronger financial background in order to improve our finanical position and gross profit margin and therefore fewer low voltage equipment integration service provided during the year.

Cost of sales

The Group's cost of sales for the year of 2013 was approximately RMB230,004,000, representing an increase of approximately 67.8% over the corresponding period of the previous year. The increase in the Group's cost of sales was mainly due to increase of construction revenue of deployment services of optical fiber. The following tables summarized the details of cost of sales:

	2012		**2013**	
	RMB'000	%	**RMB'000**	**%**
Labour costs	65,881	48.1	**185,393**	**80.6**
Material costs	54,692	39.9	**27,803**	**12.1**
Others	16,506	12.0	**16,808**	**7.3**
	137,079	100.0	**230,004**	**100.0**

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2013 was approximately RMB147,615,000, representing an increase of approximately 35.1% over the corresponding period of the previous year. Gross profit margin decreased in approximately 5.3 percent point to 39.1% in 2013 from 44.4%, due to the increase of construction contract revenue from traditional deployment method of which the gross profit margin is comparatively lower.

The gross profit margin of construction contracts of deployment services of optical fibers using traditional deployment methods decreased from 40.4% in the year ended 31 December 2012 to 36.9% in the year ended 31 December 2013. There were more projects in Chongqing, Hunan and Guizhou of which gross profit margin was 24.8%, 25.9% and 23.7% respectively and gross profit margin of projects in Shijiazhuang of Hebei decrease as those projects were less complex than that of previous years. Besides, some of the works of projects in Chongqing, Hunan and Guizhou had been sub-contracted to local construction companies or teams, gross profit margin was comparatively lower accordingly.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods decreased from 53.1% in the year ended 31 December 2012 to 45.8% in the year ended 31 December 2013. The decrease was primarily attributable to the fact that in last year, there were more complex projects with relatively higher gross profit margin in particular the projects in Chengde and Hengshui of Hebei Province as well as Shenyang of Liaoning Province. In year of 2013, these projects were comparatively less complex.

The gross profit margin of services income decreased from 49.3% in the year ended 31 December 2012 to 34.4% in the year ended 31 December 2013. Such decrease was mainly attributable to the increase in average cost of maintenance services during current period.

The gross profit margin of sales of goods increased from 46.8% in the year ended 31 December 2012 to 49.0% in the year ended 31 December 2013. Such increase was mainly attributable to the sales of ancillary products to our clients at relatively higher unit selling price during the period.

The gross profit margin of rental income increased as average cost of rental income decreased in 2013.

The gross profit margin of low voltage equipment integration services increased slightly from 33.1% in the year ended 31 December 2012 to 37.9% in the year ended 31 December 2013. Such increase was mainly attributable to the lower cost of sales/services during the year.

Other income

Other income mainly included the bank interest income, government grants and imputed interest income on trade receivable. Such inputed interest income and government grants were new in 2013 and caused the overall other income increased in 2013.

Other gains and losses

Other gains and losses mainly included impairment loss on trade receivables, net foreign exchange loss and fair value adjustment on initial recognition of other borrowings. The amount was changed from gains to losses which was mainly due to impairment loss on trade receivables in 2013.

Marketing and distribution expenses and administrative expenses

The Group's marketing and distribution expenses and administrative expenses for the year ended 31 December 2013 were approximately RMB39,924,000, representing an increase of approximately RMB17,510,000 from approximately RMB22,414,000 for the corresponding period of the previous year. The increase was mainly because of expansion of business of the Group and the two new subsidiaries were acquired during the year ended 31 December 2013. In addition, there was a non-cash equity-settled share-based expenditure (share option expenditure) amounted to RMB1,202,000 included in administrative expenses.

Finance cost

Finance cost included interest charged from bank and other borrowings, corporate bond and imputed interest expanses on other borrowings. The finance cost increased mainly due to the fact that average principal sum of bank and other borrowings was higher in the year ended 31 December 2013.

Income tax expenses

The income tax expenses increased by RMB3,065,000 to RMB12,490,000 for the year ended 31 December 2013, which was increased by 32.5% when compared with that of year 2012. It was mainly due to the taxable profit of PRC subsidiaries increased greatly for the year ended 31 December 2013.

Net Profit

For the year ended 31 December 2013, the Group recorded a net profit attributable to equity holders of the Company of approximately RMB85,234,000 as compared to approximately RMB65,708,000 for the corresponding period of the previous year.

Basic earnings per share and return on equity were increased resulting from net effect of increase of net profit in 2013.

Trade and bill receivables and amount due from customers for contract works

There was an increase in trade and bills receivables as at 31 December 2013 of approximately RMB64,118,000 as compared to 31 December 2012 which was mainly due to the net effect of the settlement from customers and new trade and bills receivables provided during the year ended 31 December 2013. In addition, there was an increase in amount due from customers for contract works as at 31 December 2013 of approximately RMB114,721,000 as compared to 31 December 2012 which was mainly due to revenue arising from the year ended 31 December 2013. Such revenue generated had not been certified by the customers or underlying construction had not been completed as at 31 December 2013. Since approximately half of the revenue for year ended 31 December 2013 was arising from fourth quarter of year 2013, both trade and bill receivables and amount due from customers for contract works increased greatly accordingly. As at 24 March 2014, the customers settled trade receivable and amount due from customers for contract works amounted to RMB13,586,000 and RMB21,851,000 respectively, and in the sum of RMB35,603,000.

The following table summarizes the details of trade and bills receivables:

Types of customers	Amount of trade and bills receivables as at 31 Dec 2013	Percentage	Subsequent settlement as at 24 March 2014
	RMB'000	%	RMB'000
China Mobile Group	42,132	24.9	1,362
Other telecommunication operators	1,294	0.8	318
State owned enterprises and governments	20,413	12.0	1,142
Listed companies	19,244	11.3	1,649
Others	86,446	51.0	9,115
	169,529	100.0	13,586

Most of the amount of trade and bills receivables of others types of customers are mainly arising from the local telecommunication construction companies, telecommunication equipment companies and telecommunication integration system companies. Among the respective total balance of RMB86,446,000, approximately RMB77,482,000 were within 90 days aged as at 31 December 2013. The collection period of the majority of trade receivables ranges from 30 to 180 days from the invoice date.

The following table summarizes the details of amount due from customers for contract works:

Types of customers	Amount due from customers for contract works as at 31 December 2013	Percentage	Completed projects but had not been certified by customers as at 31 Dec 2013	Projects in progress as at 31 Dec 2013	Amount certified by customers subsequent to 31 Dec 2013 and as at 24 March 2014	Subsequent settlement as at 24 March 2014
	RMB'000	%	RMB'000	RMB'000	RMB'000	RMB'000
China Mobile Group	159,606	62.7	68,874	90,732	2,424	4,517
Other telecommunication operators	18,270	7.2	17,834	436	2,504	705
Others	76,590	30.1	59,606	16,985	—	16,629
	254,466	100.0	146,314	108,153	4,928	21,851

Most of the amount due from customers for contract works of other types of customers are mainly arising from the local telecommunication construction companies and telecommunication equipment companies in which the ultimate customers were telecommunication operators.

Liquidity and financial resources

As at 31 December 2013, the Group had net current assets of approximately RMB343,682,000 (31 December 2012: RMB246,381,000) which comprised cash and cash equivalents amounted to approximately RMB161,709,000 as at 31 December 2013 (31 December 2012: RMB130,300,000). As at 31 December 2013, the Group had non-current liabilities amounted to approximately RMB13,694,000 (31 December 2012: RMB4,113,000), and its current liabilities amounted to approximately RMB279,222,000 (31 December 2012: RMB147,168,000), consisting mainly of payables, bank and other borrowings arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 2.2 as at 31 December 2013 (31 December 2012: 2.7).

The Group had bank and other borrowings as at 31 December 2013 were RMB24,300,000 and RMB59,098,000 respectively and in the sum of RMB83,398,000. Such borrowings are repayable not exceeding 1 year. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments. As at 31 December 2013, carrying amount of bonds amounted to RMB7,240,000. The Group finances its operation primarily with the use of banking facilities, internally-generated cashflows, and maintains a net cash position to meet potential needs for business expansion and development.

Gearing ratio

The gearing ratio of the Group, calculated as total debt (including bank and other borrowings and bonds) over shareholders' fund, was approximately 22.7% as at 31 December 2013 (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 year 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

The Group's businesses are principally operated in China, accordingly virtually all of its transactions are conducted in RMB and major of the Group's assets and liabilities are also denominated in RMB. The Group is also subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB which is the functional currency of our Group.

For the year ended 31 December 2013, we had bank balances and cash, other payables and other borrowings which are denominated in foreign currencies and consequently we have foreign exchange risk exposure from conversion of amount denominated in foreign currencies as at the report date. During the twelve months ended 31 December 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 that date. The capital of the Company comprises ordinary shares and capital reserves.

There was no interest capitalised by the Group during the year of 2013 (2012: Nil).

During the year ended 31 December 2013, the Company granted 8,400,000 share options to the eligible participant. For further details, please refer to the consolidated financial statements and section headed "Other Information - Share Option Scheme" in this announcement.

Capital commitments

As at 31 December 2013, the Group had capital commitments amounted to RMB621,000 (2012: RMB1,600,000).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2013 (2012: Nil).

Information on employees

As at 31 December 2013, the Group had 427 employees (2012: 248), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB31,240,000, as compared to approximately RMB17,751,000 for the year ended 31 December 2012. The emoluments of the Directors for the year ended 31 December 2013 and 2012 amounted to RMB1,543,000 and RMB851,000 respectively. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may 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 Government as well as share options.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 27 May 2012 ("Share Option Scheme") where options to subscribe for shares may be granted to the Directors and employees of the Group.

Significant investments held

Except for investments in subsidiaries, during the year ended 31 December 2013, the Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

Save as disclosed above, the Group did not have any plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2013, the Group acquired 51% interest in each of two telecommunication construction companies (namely Chongqing Wuyang and Hunan San Cheng).

Charges of assets

As at 31 December 2013, the Group had pledged bank deposit amounted to approximately RMB28,000,000 (2012: RMB20,271,000) and trade receivables amounted to RMB5,400,000 (2012: RMB16,137,000) to facilitate the bank borrowings. In addition, there was restricted bank deposits amounted to RMB1,620,000 and RMB400,000 to secure the Group's bill facilities and other business transactions as at 31 December 2013.

Contingent liabilities

Save as disclosed herein, the Group had no contingent liabilities as at 31 December 2013 (2012: Nil).

OTHER INFORMATION

Comparison between Future Plans and Prospects and Actual Business Progress and Use of Proceeds

Comparison of Future Plans with the Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 31 December 2013 (the "Period"). Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

Business plan up to 31 December 2013 as set out in the Prospectus	Actual business progress up to 31 December 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 sixteen experimental sections in various provinces. In addition, the Group has established two representative offices in Chongqing and Tianjin.
(iii) Securing strategic assets/rights	The Group has signed one co-operation memorandum with a governmental department and the Group is communicating with various relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group has completed two acquisitions (51% interest in each of Chongqing Wuyang and Hunan San Cheng).
(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 December 2013 had been applied as follows:

	Use of proceeds from the Listing Date to period ended 31 December 2013 as shown in the Prospectus HK$ (million)	Actual use of proceeds from the Listing Date to 31 December 2013 HK$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	21.30	2.18
(ii) Market expansion	14.28	6.42
(iii) Securing strategic assets/rights	23.42	—
(iv) Acquisition	12.20	12.20
(v) Human resources	2.60	2.6
(vi) Research and development	2.5	2.5
Sub-total	76.3	25.9
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	2.4	1.08
3. Repayment of bank and other borrowings	14.3	14.3
4. General working capital (Note)	8.4	8.4
Total	101.4	49.68

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

Interests of the Compliance Adviser

As notified by Guotai Junan Capital Limited, the compliance adviser of the Company, neither Guotai Junan Capital Limited 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 December 2013.

Pursuant to the agreement dated 7 June 2012 entered into between Guotai Junan Capital Limited and the Company, Guotai Junan Capital Limited received and will receive fees for acting as the compliance adviser of the Company.

Directors' Interests in Contracts

Save as aforesaid, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

Contract of Significance

Save as disclosed, there was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries.

Connected Transactions

The Company had not entered into any connected transaction during the year, which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2013 are disclosed in the consolidated financial statements. The related party transactions set out in the consolidated financial statements did not constitute connected transactions under the GEM Listing Rules.

Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year, options to subscribe for 8,400,000 shares were granted under the Share Option Scheme. The exercise price per share for each option so granted is HK$0.82. No options were exercised, cancelled or lapsed during the year. As at 31 December 2013, the number of shares comprised in the outstanding options was 15,120,000.

Details of the movement of the Share Options during the year ended 31 December 2013 were as follows:

					Number of options				
Name or category of participant	Date of grant	Option exercisable and vesting period	Exercise price HK$	Closing price as at date of grant	Oustanding as at 01/01/2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31/12/2013
Employee	14/8/2012	15/8/2012 to 14/8/2022	0.65	0.65	6,720,000	0	0	0	6,720,000
Employee	23/6/2013	4/6/2013 to 3/6/2018	0.82	0.82	0	8,400,000	0	0	8,400,000
Total	N/A	N/A	N/A	N/A	6,720,000	8,400,000	0	0	15,120,000

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2013 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules:

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2013, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Jiang Changqing (Note 2 and Note 3)	Our Company	Interest of a controlled corporation	1,062,980,000 Shares (L)	63.27%
	Our Company	Family	10,195,000 Shares (L)	0.61%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Guo Aru (Note 3)	Our Company	Family	1,062,980,000 Shares (L)	63.27%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.61%
	Bright Warm Limited	Family	1 share (L)	100%
Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	151,000,000 Shares (L)	8.99%
	Ordillia Group Limited	Beneficial owner	1,000 shares (L)	100%

Notes:

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

2. The 1,062,980,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Jiang Changqing, one of the controlling shareholders of our Company and an executive Director.

3. Guo Aru is the spouse of Jiang Changqing. Therefore, Guo Aru is deemed to be interested in the 1,062,980,000 Shares owned by Jiang Changqing in the Company and 1 share owned by Jiang Changqing in Bright Warm Limited by virtue of the SFO. Moreover, Guo Aru held 10,195,000 Shares directly. Jiang Chongqing is deemed to be interested in the 10,195,000 Shares held by Guo Aru.

4. The Shares are held by Ordillia Group Limited, the entire issued capital of which is beneficially owned by Li Qingli, an executive Director.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 the required standard of dealings by the directors to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 31 December 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:

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	1,062,980,000 Shares (L)	63.27%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	151,000,000 Shares (L)	8.99%
Ren Yanping (Note 4)	Our Company	Family	151,000,000 Shares (L)	8.99%

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 Jiang Changqing, one of the controlling shareholders of our Company and an executive Director. Therefore, Jiang Changqing is also deemed to be interested in the 1,062,980,000 Shares owned by Bright Warm Limited by virtue of the SFO.

3. Ordillia Group Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Li Qingli, an executive Director. Therefore, Li Qingli is also deemed to be interested in the 151,000,000 Shares owned by Ordillia Group Limited by virtue of the SFO.

4. Ren Yanping is the spouse of Li Qingli. Therefore, Ren Yanping is deemed to be interested in the 151,000,000 Shares owned by Li Qingli by virtue of the SFO.

Save as disclosed above, as at 31 December 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.

Competition and Conflict of Interests

During the year ended 31 December 2013, none of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2013, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

Events after the Reporting Period

There was no significant event affecting the Company and its subsidiaries which have occurred after the reporting period of the Group.

Pre-Emptive Rights

There is no provision for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules since the Listing Date up to the date of this annual report.

Corporate Governance Code

For the year ended 31 December 2013, the Company had complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules, except code provision and A.2.1 as more particularly described below.

A.2.1 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 for the benefit of the Group's continual growth and development. When the Group has developed to become a more sizeable organization, the Board will consider splitting the two roles to be assumed by two individuals. 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 to enable the Company to make and implement decisions promptly and effectively.

Closure of the Register of Members

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on 6 June 2014 the register of members will be closed from 4 June 2014 to 6 June 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong (address to be changed to 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong), for registration not later than 4:30 p.m. on 3 June 2014.

Annual General Meeting

The AGM will be held on 6 June 2014, the notice of which will be published and dispatched to the shareholders of the Company in the manner required by the GEM Listing Rules accordingly.

Audit Committee

An audit committee was established by the Board on 27 May 2012 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system.

As at the date of this announcement, the audit committee of the Company consists of three members, namely Ms. Li Xiaohui, Mr. Meng Fanlin and Mr. Wang Huiyu. Ms. Li Xiaohui currently serves as the chairman of our audit committee, of which the members discussed with the management over internal control and financial reporting matters related to the preparation of the financial report for the year ended 31 December 2013.

The Audit Committee had reviewed the final results for the year ended 31 December 2013 together with the Company's external auditor and provided advice and comments thereon.

Auditors

A resolution to re-appoint the retiring auditors, Messrs. Deloitte Touche Tohmatsu, is to be proposed at the forthcoming annual general meeting of the Company. There was no change in auditors in the past 3 years.

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

Hong Kong, 24 March 2014

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.