中国优通控股
China UT Holding

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6168)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Highlights

- The Group's revenue was RMB302,681,000 for the year ended 31 December 2016 (2015: RMB475,507,000), representing a decrease of RMB172,826,000 as compared with the previous financial year.
- The Company reported a loss attributable to the equity holders of the Company of RMB253,203,000 for the year ended 31 December 2016 (2015: profit of RMB48,732,000), representing a change from profit to loss as compared with the previous financial year.
- Loss per share for the year ended 31 December 2016 was 13.75 cents, representing a change from earnings to loss as compared with an earnings per share of RMB2.77 cents for the previous financial year.
- The Board does not recommend payment of dividend for the year ended 31 December 2016 (2015: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**302,681**	475,507
Cost of sales/services		**(348,696)**	(329,773)
Gross (loss)/profit		**(46,015)**	145,734
Other income	5	**3,859**	4,258
Selling expenses		**(29,931)**	(12,347)
Administrative expenses		**(60,794)**	(61,355)
Research and development expenses		**(6,447)**	(2,001)
Impairment losses	6	**(88,239)**	(2,923)
(Loss)/profit from operations		**(227,567)**	71,366
Finance costs	7	**(65,506)**	(26,166)
Net gain on disposal of subsidiaries	8	**37,700**	10,781
Share of gain of an associate		**—**	509
(Loss)/profit before taxation	9	**(255,373)**	56,490
Income tax	10	**(4,139)**	(7,861)
(Loss)/profit for the year		**(259,512)**	48,629
Attributable to:			
Equity shareholders of the Company		**(253,203)**	48,732
Non-controlling interests		**(6,309)**	(103)
(Loss)/profit for the year		**(259,512)**	48,629
(Loss)/earnings per share	12		
Basic and diluted (RMB cents)		**(13.75)**	2.77

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in ("RMB"))

	2016	2015
	RMB'000	RMB'000
(Loss)/profit for the year	**(259,512)**	48,629
Other comprehensive income for the year (after tax): exchange differences on translation of financial statements into presentation currency	**671**	—
Total comprehensive income for the year	**(258,841)**	48,629
Attributable to:		
Equity shareholders of the Company	**(252,532)**	48,732
Non-controlling interests	**(6,309)**	(103)
Total comprehensive income for the year	**(258,841)**	48,629

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

(Expressed in RMB)

	Note	**2016**	2015
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**47,590**	27,808
Intangible assets		**5,074**	6,692
Goodwill		**32,769**	37,536
Available-for-sale financial assets	13	**86,598**	12,488
Prepayments for investments in financial assets	13	**16,790**	—
Non-current trade receivables	14	**7,933**	7,279
Deferred tax assets		**990**	531
		197,744	92,334
Current assets			
Available-for-sale financial assets	13	**—**	20,000
Inventories		**11,459**	7,019
Trade and bill receivables	14	**152,295**	196,839
Amounts due from customers for contract work	15	**505,819**	577,609
Other receivables, deposits and prepayments		**261,308**	107,401
Restricted bank deposits		**170,697**	136,885
Cash at bank and on hand		**128,057**	63,595
Assets held-for-sale		**—**	39,000
		1,229,635	1,148,348

	Note	2016 RMB'000	2015 RMB'000
Current liabilities			
Trade and other payables	16	**315,776**	280,113
Bank and other borrowings		**237,275**	186,041
Corporate bonds	17	**3,578**	6,471
Income tax payables		**21,761**	27,338
Provision for warranties		**606**	515
Liabilities held-for-sale		**—**	11,000
		578,996	511,478
Net current assets		**650,639**	636,870
Total assets less current liabilities		**848,383**	729,204
Non-current liabilities			
Bank and other borrowings		**133,726**	—
Corporate bonds	17	**186,847**	140,884
Convertible bonds	18	**49,139**	—
Guaranteed notes	19	**45,132**	—
Deferred tax liabilities		**906**	1,215
		415,750	142,099
NET ASSETS		**432,633**	587,105
Capital and reserves			
Share capital		**154,242**	143,139
Reserves		**279,479**	438,745
Equity attributable to equity holders of the Company		**433,721**	581,884
Non-controlling interests		**(1,088)**	5,221
TOTAL EQUITY		**432,633**	587,105

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

2. QUALIFIED OPINION IN THE INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the independent auditor's report of the Company dated 31 March 2017:

Qualified opinion

We have audited the consolidated financial statements of China U-Ton Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "*Basis for qualified opinion*" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

Note 2(a) discloses that in May 2015 the Group acquired 90% equity interests in Nanjing Newlixon Electric Appliance Co., Ltd. ("Nanjing Newlixon") and that subsequent to this acquisition, the Group and the non-controlling equity holder of Nanjing Newlixon (the "Newlixon NCEH") had disagreements in different areas including business development strategy, business revenue model and allocation of resources. According to Note 2(a), the directors of the Company had planned the disposal of the Group's 90% equity interests in Nanjing Newlixon to the Newlixon NCEH prior to 31 December 2015. As at 31 December 2015, cost of investment in Nanjing Newlixon was classified as "assets held-for-sale" and the related liability was classified as "liabilities held-for-sale" in the consolidated statement of financial position. Given these circumstances, in preparation of the Group's consolidated financial statements for the year ended 31 December 2015, the directors of the Company excluded the financial position as at 31 December 2015, the financial performance and cash flows from Nanjing Newlixon for the period from the date of acquisition of Nanjing Newlixon to 31 December 2015. In their report dated 31 March 2016, the predecessor auditors qualified their opinion on the consolidated financial statements for the year ended 31 December 2015 on the basis that this accounting treatment was not in accordance with IFRS 3, *Business Combinations*, and IFRS 10, *Consolidated financial statements*.

Note 2(a) to these financial statements further discloses that in March 2016, the Group entered into an agreement with the Newlixon NCEH to dispose of its 90% equity interests in Nanjing Newlixon (the "Disposal"). The Disposal was completed on 31 March 2016. Upon the completion of the Disposal, the Group recognised a disposal gain of RMB37,700,000 in the consolidated statement of profit or loss for the year ended 31 December 2016, being the difference between the consideration received/receivable and the original cost of the investment in Nanjing Newlixon.

These events and actions taken by the directors of the Company, further details of which are set out in Note 2(a) to the consolidated financial statements, have given rise to the following matters which form the basis for our qualified opinion:

(a) Insufficient audit evidence in respect of the transactions and balances in connection with the acquisition of Nanjing Newlixon, impairment of balances due from Nanjing Newlixon and Newlixon NCEH, and the gain on the Disposal

As set out in Notes 2(a), 20 and 31 to the consolidated financial statements, the Group recorded the following balances and amounts in connection with the acquisition and disposal of Nanjing Newlixon:

	2016	2015
	RMB'000	RMB'000
Assets held-for-sale	**—**	39,000
Other receivables, deposits and prepayments	**88,833**	25,281
Liabilities held-for-sale	**—**	11,000
Net gain on disposal of a subsidiary	**37,700**	—
Impairment loss on advances to Nanjing Newlixon and Newlixon NCEH	**(5,400)**	—
Impairment loss on consideration receivable	**(23,700)**	—

We were first appointed auditors of the Company on 6 January 2017. Because we were unable to obtain the books and records of Nanjing Newlixon and review the acquisition of Nanjing Newlixon retrospectively, we were unable to obtain sufficient appropriate audit evidence to determine (i) the commercial substance of the acquisition and disposal of Nanjing Newlixon; (ii) whether the Group obtained control of the 90% equity interests in Nanjing Newlixon in 2015; and (iii) whether the balances with Nanjing Newlixon as at 31 December 2016 and 2015 and the transactions with Nanjing Newlixon for the years ended 31 December 2016 and 2015 were free from material misstatement. In addition, we were not able to obtain sufficient appropriate evidence to determine whether (i) the recoverability, and hence impairment losses (if any), of the amounts due from Nanjing Newlixon and Newlixon NCEH; and (ii) the gain on the Disposal, were free from material misstatement.

Any adjustment that may have been necessary to the balances and transactions related to the acquisition and disposal of Nanjing Newlixon would have had a consequential impact on the Group's consolidated financial statements for the years ended 31 December 2016 and 2015.

(b) Departure from IFRS 3 and IFRS 10

As set out in part (a) above, we were unable to obtain sufficient appropriate audit evidence to determine whether the Group obtained control of the 90% equity interests in Nanjing Newlixon in 2015. However, if we had satisfied ourselves that the Group had obtained control over Nanjing Newlixon upon the completion of the acquisition until the time of disposal, we would have qualified our opinion on the basis that the exclusion of the financial position, financial performance and cash flows of Nanjing Newlixon from the consolidated financial statements, the presentation of the investment in Nanjing Newlixon at cost less impairment, and the recognition of disposal gain based on the difference between the consideration received/receivable and the cost of investment are departures from the requirements of IFRS 3 and IFRS 10. Given the events and circumstances as described in part (a) above, we were unable to ascertain the financial impact of the non-consolidation of Nanjing Newlixon on the consolidated financial statements for the year ended 31 December 2016.

(c) Comparative information

The comparative figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 December 2015. As stated above, in their report dated 31 March 2016 the predecessor auditor expressed a qualified opinion in respect of the non-consolidation of Nanjing Newlixon, being the same unresolved issues which are set out above. Therefore the comparative figures shown may not be comparable and any adjustments to the opening balances as at 1 January 2016 would have consequential effect on the financial performance of the Group for the year ended 31 December 2016 and/or the financial position of the Group as at 31 December 2016.

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

3 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued a number of amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's financial performance and financial position for the current or prior periods have been prepared or presented.

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

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of this financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the followings which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Lease*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

Revenue mainly represents contract revenue from the design, deployment and maintenance of optical fibers services, and contract revenue from the installation and sale of low-voltage system equipment and related accessories. The amount of each significant category of revenue recognised during the year is as follows:

	2016	2015
	RMB'000	RMB'000
Revenue from the provision of design, deployment and maintenance of optical fibers services	**228,138**	357,356
Revenue from the installation and sales of low-voltage system equipment and related accessories	**72,715**	118,110
Rental income	**1,828**	41
	302,681	475,507

For the year ended 31 December 2016, revenues from transactions with two (2015: two) customers have exceeded 10% of the Group's revenue. Revenue from these customers amounted to RMB154,260,000 for the year ended 31 December 2016 (2015: RMB237,249,000).

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

(b) Segment information

The Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segment.

- Optical fibers: this segment provides design, deployment and maintenance of optical fibers services.
- Low-voltage system: this segment installs and sells low-voltage system equipment and related accessories.
- Rental: this segment leases out machinery and equipment.

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross (loss)/profit. No inter-segment sales have occurred for the years ended 31 December 2016 and 2015. The Group's other income and expense items, such as other income, selling expenses, administrative expenses, research and development expenses, impairment losses, finance costs, net gain on disposal of subsidiaries and share of gain of an associate, and assets and liabilities, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure and interest income is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	2016			
	Optical fibers RMB'000	**Low-voltage system RMB'000**	**Rental RMB'000**	**Total RMB'000**
Revenue from external customers and reportable segment revenue	**228,138**	**72,715**	**1,828**	**302,681**
Reportable segment gross (loss)/profit	**(46,978)**	**(679)**	**1,642**	**(46,015)**

	2015			
	Optical fibers RMB'000	Low-voltage system RMB'000	Rental RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	357,356	118,110	41	475,507
Reportable segment gross profit	108,405	37,293	36	145,734

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

	2016	2015
	RMB'000	RMB'000
Segment results	**(46,015)**	145,734
Other income	**3,859**	4,258
Selling expenses	**(29,931)**	(12,347)
Administrative expenses	**(60,794)**	(61,355)
Research and development expenses	**(6,447)**	(2,001)
Impairment losses	**(88,239)**	(2,923)
Finance costs	**(65,506)**	(26,166)
Net gain on disposal of subsidiaries	**37,700**	10,781
Share of gain of an associate	**—**	509
Consolidated (loss)/profit before taxation	**(255,373)**	56,490

(iii) Geographic information

The Group operates mainly in the PRC. At 31 December 2016 and 2015, all of the Group's property, plant and equipment, intangible assets and goodwill are either physically located or allocated to operations located in the PRC. Over 95% of the Group's revenue were generated from external customers located in the PRC during the years ended 31 December 2016 and 2015.

5 OTHER INCOME

	2016 RMB'000	2015 RMB'000
Interest income	**3,469**	3,354
Government grants	**430**	914
Net loss on disposal of property, plant and equipment	**(40)**	(10)
	3,859	4,258

6 IMPAIRMENT LOSSES

	2016 RMB'000	2015 RMB'000
Impairment losses on trade and bill receivables	**41,146**	1,495
Impairment losses on other receivables	**42,326**	—
Impairment losses on goodwill	**4,767**	—
Impairment losses on available-for-sale financial assets	**—**	1,428
	88,239	2,923

7 FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings	**14,527**	9,752
Finance charges on corporate bonds (Note 17)	**18,726**	10,835
Finance charges on convertible bonds (Note 18)	**2,544**	—
Finance charges on guaranteed notes (Note 19)	**3,120**	—
Total borrowing costs*	**38,917**	20,587
Net foreign exchange loss	**23,441**	5,579
Changes in fair value on the derivative component of convertible bonds	**3,148**	—
	65,506	26,166

* No borrowing costs have been capitalised for the year ended 31 December 2016 (2015:Nil).

8 DISPOSAL OF A SUBSIDIARY

In May 2015 the Group acquired 90% equity interests in Nanjing Newlixon and that subsequent to this acquisition, the Group and Newlixon NCEH had disagreements in different areas including business development strategy, business revenue model and allocation of resources. The directors of the Company had planned the disposal of the Group's 90% equity interests in Nanjing Newlixon to the Newlixon NCEH prior to 31 December 2015. As at 31 December 2015, cost of investment in Nanjing Newlixon was classified as "assets held-for-sale" and the related liability was classified as "liabilities held-for-sale" in the consolidated statement of financial position.

In March 2016, the Group entered into an agreement with the New Lixon NCEH to dispose of its 90% equity interests in Nanjing Newlixon (the "Disposal"). The Disposal was completed on 31 March 2016. Upon the completion of the Disposal, the Group recognised a disposal gain of RMB37,700,000 in the consolidated statement of profit or loss for the year ended 31 December 2016, being the difference between the consideration received/receivable of RMB52,700,000 and the original cost of the investment in Nanjing Newlixon of RMB15,000,000. Pursuant to the above equity transfer agreement, the consideration of RMB52,700,000 will be settled by off-setting the liabilities owed to the Newlixon NCEH by the Group of RMB11,000,000 (classified as liabilities held-for-sale as at 31 December 2015) and cash consideration of RMB41,700,000. The Group had received RMB18,000,000 in 2016, and the remaining consideration receivable of RMB23,700,000 was included in "other receivables, deposits and prepayments" in the consolidated financial statements as at 31 December 2016. As at 31 December 2016, the directors of the Company consider the Group is unlikely to recover the remaining proceeds of RMB23,700,000, and accordingly, an impairment loss of the same amount was recognised in 2016. In March 2017, the Group, Nanjing Newlixon and Newlixon NCEH entered into a supplemental agreement to adjust the consideration of the Disposal downwards by RMB23,700,000.

9 (LOSS)/PROFIT BEFORE TAXATION

	2016	2015
	RMB'000	RMB'000
(Loss)/profit before taxation is arrived at after charging:		
Cost of inventories	**34,412**	67,814
Depreciation and amortisation	**8,534**	7,720
Operating lease charges in respect of office premises and sewer usage	**6,727**	5,322
Auditor's remuneration	**2,400**	2,330

10 INCOME TAX

	2016 RMB'000	2015 RMB'000
Current taxation:		
PRC Corporate income tax	**4,907**	11,794
PRC withholding tax	**—**	5,500
	4,907	17,294
Deferred taxation:		
Origination and reversal of temporary differences	**(768)**	(9,433)
	4,139	7,861

11 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year (2015: HK$1.0 cents per share)	**—**	13,869

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic loss per share for the year ended 31 December 2016 is calculated based on the loss attributable to the equity shareholders of the Company of RMB253,203,000 (2015: profit of RMB48,732,000) and the weighted average of 1,841,145,000 ordinary shares (2015: 1,757,620,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2016	2015
	'000	'000
Issued ordinary shares at 1 January	**1,757,620**	1,757,620
Effect of shares issued to equity shareholders of the Company in February 2016	**44,399**	—
Effect of shares issued to equity shareholders of the Company in July 2016	**39,126**	—
Weighted average number of ordinary shares at 31 December	**1,841,145**	1,757,620

(b) Diluted loss per share

There were no dilutive potential shares outstanding during the year ended 31 December 2016 and 2015. The Group's convertible bonds (Note 18) could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the year ended 31 December 2016.

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

	Note	2016 RMB'000	2015 RMB'000
Available-for-sale financial assets included in non-current assets:			
Unlisted equity securities, at cost			
Investment in Hebei Huaxun	(i)	13,916	13,916
Investment in Sino Partner	(ii)	64,110	—
Investment in Tian Bao	(iii)	10,000	—
		88,026	13,916
Less: impairment losses	(iv)	(1,428)	(1,428)
		86,598	12,488
Available-for-sale financial assets included in current assets:			
Wealth management products		—	20,000
Prepayments for investments in financial assets		16,790	—

Notes:

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

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

(iii) In January 2016, the Company acquired 10% equity interests of Tian Bao Fortune Equity Investment Fund (Shanghai) Co., Ltd., (天寶財富股權投資基金（上海）有限公司) ("Tian Bao") a fund established to invest in government infrastructure projects carried out in Hebei Province, with a cash consideration of RMB10,000,000.

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

14 TRADE AND BILL RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade and bill receivables - current portion	**199,741**	203,139
Less: allowance for doubtful debts	**(47,446)**	(6,300)
	152,295	196,839
Trade receivables - non-current portion	**7,933**	7,279
	160,228	204,118

The amount of trade receivables expected to be recovered or recognised as expense after more than one year is RMB7,933,000 (2015: RMB7,279,000). All of the other trade and bill receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bill receivables, based on the invoice date and net of allowance of doubtful debts, is as follows:

	2016	2015
	RMB'000	RMB'000
Within 90 days	**53,444**	109,956
91 to 180 days	**23,784**	25,812
181 to 365 days	**20,998**	20,175
Over 1 years	**62,002**	48,175
	160,228	204,118

15 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016	2015
	RMB'000	RMB'000
Contracts in progress at 31 December:		
Contract costs incurred plus recognised profits less losses	**786,362**	739,818
Less: progress billings	**(280,543)**	(162,209)
	505,819	577,609

As at 31 December 2016, the amounts due from customers for contract work represented the unbilled contract revenue of uncompleted projects, which included an aggregate amount of RMB319,732,000 (2015: RMB355,457,000) due from stated-owned telecommunication operators in the PRC. The directors of the Company confirm that the above unbilled contract work are generally parts of larger scale projects undertaken by the owners, and consider it is the general practice within the construction industry in the PRC in which the owners will usually accept the contractors, such as the Group, to issue billings upon the completion of the larger scale projects. The directors of the Company confirm that they are in negotiations with the various owners and expect a substantial portion of the above contract work to be billed within one year.

16 TRADE AND OTHER PAYABLES

	Note	**2016**	2015
		RMB'000	RMB'000
Trade payables due to third parties		**212,850**	178,716
Other payables and accrued expenses:			
– payables for staff related costs		**22,117**	17,738
– other taxes payables		**24,253**	29,635
– payables for interest expenses		**12,657**	8,563
– payables for acquisition of available-for-sale financial assets	16(i)	**12,488**	12,488
– amounts due to non-controlling equity holders	(i)	**5,604**	4,628
– amounts due to related parties	(i)	**575**	1,500
– others		**24,638**	26,827
		102,332	101,379
Financial liabilities measured at amortised cost		**315,182**	280,095
Receipts in advance from customers		**594**	18
		315,776	280,113

Note:

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

At 31 December 2016, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

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

	2016	2015
	RMB'000	RMB'000
Within 90 days	**169,199**	119,746
91 to 180 days	**15,395**	15,910
181 to 365 days	**7,380**	32,044
Over 1 years	**20,876**	11,016
	212,850	178,716

17 CORPORATE BONDS

In 2016, the Group issued unsecured corporate bonds with an aggregate principal amount of HK$36,000,000 (equivalent to approximately RMB31,000,000) (2015: HK$153,000,000, equivalent to approximately RMB121,664,000). The bonds issued in 2016 will mature in 2 to 7.5 years from the respective dates of issuance (2015: 2 to 7.5 years) and bear interest at 6.5% to 7% per annum payable annually (2015: 6.5% to 7% per annum payable annually).

The movements of the corporate bonds are as follows:

	2016	2015
	RMB'000	RMB'000
At 1 January	**147,355**	42,927
Net proceeds received	**25,339**	102,000
Repayments during the year	**(6,583)**	(7,892)
Interests charges accrued for the year (Note 7)	**18,726**	10,835
Interests paid during the year	**(13,626)**	(8,573)
Exchange adjustments	**19,214**	8,058
At 31 December	**190,425**	147,355
Less: amounts repayable within one year	**(3,578)**	(6,471)
Amounts repayable after one year	**186,847**	140,884

18 CONVERTIBLE BONDS

On 7 June 2016, the Company issued convertible bonds with an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB42,240,000), interest bearing at 8.0% per annum and maturing on 7 June 2018 to Chance Talent Management Limited. The convertible bonds are guaranteed by Mr. Jiang Changqing, the controlling shareholder (the "Controlling Shareholder") and the director of the Company.

Upon issuance, the bond will at the option of the holder be convertible on or after 7 June 2017 until and including 5 business days before 7 June 2018 into fully paid ordinary shares in the Company at an initial conversion price of HK$1.00 per share (i.e. the conversion option). The conversion option is classified as derivative financial instrument and has been included in the balance of convertible bonds in the consolidated statement of financial position.

The convertible bonds are analysed as follows:

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2016	**—**	**—**	**—**
Net proceeds recevied	**39,313**	**2,927**	**42,240**
Finance charges accrued for the year (Note 7)	**2,544**	**—**	**2,544**
Interest paid during the year	**(1,774)**	**—**	**(1,774)**
Exchange adjustments	**2,633**	**348**	**2,981**
Fair value adjustment to the derivative component	**—**	**3,148**	**3,148**
At 31 December 2016	**42,716**	**6,423**	**49,139**

19 GUARANTEED NOTES

In May 2016, the Company issued guaranteed notes with an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB42,005,000). The guaranteed notes will mature in May 2018 and bear interest at 11% per annum payable semi-annually. The guaranteed notes are guaranteed by the Controlling Shareholder.

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

	2016 RMB'000
At 1 January	—
Net proceeds received	41,727
Finance charges accrued for the year (Note 7)	3,120
Interest paid during the year	(2,439)
Exchange adjustments	2,724
At 31 December	45,132

MANAGEMENT DISCUSSION AND ANALYSIS

LISTING ON THE STOCK EXCHANGE OF HONG KONG

On 11 April 2014, an application was made by the Company to the Stock Exchange for the transfer of listing of all the Company's shares in issue from the GEM to the Main Board of the Stock Exchange. The Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014 (the "Transfer of Listing"). In connection with the listing on the Stock Exchange of Hong Kong, the Group took important steps to explore business opportunities and build up reputation.

OVERVIEW

The Company reported its audited results for the year ended 31 December 2016 with a loss attributable to the equity holders of the Company of RMB253,203,000, representing a change from profit to loss as compared with the previous financial year. Our gross profit decreased by RMB191,749,000 to loss of RMB46,015,000. The Group's revenue for the year ended 31 December 2016 decreased by approximately 36.3% to RMB302,681,000. During the year ended 31 December 2016, due to increased competition in the traditional optical fiber deployment business, the Group adjusted its allocation of resources by taking the initiative to reduce the amount of business undertaken in 2016 and foster new potential business growth drivers. The strategy adjustment lead to a significant decrease in revenue of design, deployment and maintenance services of optical fibers. The Group recorded a substantial loss attributable to the equity holders of the Company due to the following reasons, 1) decrease in revenue as a result of strategy adjustment while costs increased due to delay in construction progress for a number of projects, and some construction contracts had not reached the stage to recognise contract revenue but costs incurred were recorded, leading to significant decrease in gross margin, 2) increase in provision for trade receivables from non-operator customers that were in financial difficulties, 3) increase in financing scale and costs leading to an increase in finance costs, 4) increase in marketing expense due to development of new business which had not generated revenue in 2016, 5) devaluation of renminbi leading to an increase in exchanges losses for Hong Kong dollar debt.

BUSINESS REVIEW

The Group is principally engaged in the provision of design, deployment and maintenance services of optical fibers, and low-voltage equipment related integration and other services 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 micro-ducts and mini-cable system integration deployment services of optical fibers in the PRC and (2) expanding our business of low-voltage equipment integration services in the PRC.

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

In order to seek international business opportunities, after conducting several site visits, feasibility studies and business opportunity evaluations, our overseas business development departments have established wholly-owned subsidiaries in Ghana, Libya and South Africa respectively and started business operations. During the year ended 31 December 2016, the Group achieved steady growth of overseas business which are expected to generate revenue to the Group's business in 2017. Meanwhile, we have also been exploring with local partners in many countries to consider establishing joint ventures to develop the local market.

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

Based on the experience of the Group and the results of detailed analysis, it has been shown that laying optical fiber cables through combining the use of drainage system and mini-cable and mirco-ducts technology is a technology that can construct networks with the most extensive coverage in a shorter time and at a lower cost, and it is expected that no alternative technology with a lower cost will be available in the foreseeable future. As an "operator of operators", we have competitive and cost advantages in using the technology.

The business model of "operators of operators" involves a one-off cash payment by the customer to acquire the right to use optical fiber and conduits (IRU), and operation and maintenance fees are paid on an annual basis. This is expected to substantially improve the cash flow of the Group.

Deployment and maintenance services of optical fibers

During the year ended 31 December 2016, decrease in revenue of deployment services of optical fibers was mainly due to significant decrease in traditional deployment construction revenue in Hebei Province due to keen competition of the market and revenue in Chongqing as a result of disposal of a subsidiary, Chongqing Wuyang Communication Technology Co., Ltd. ("Chongqing Wuyang") on 26 October 2015. While costs increased as a result of delay in construction progress for a number of projects, a number of projects with relatively low gross profit margins were undertaken by the Group to maintain a certain market share. The above factors led to a decrease in revenue and gross margin of the optical fiber deployment business in 2016.

Low-voltage equipment integration and other services

During the year ended 31 December 2016, decrease in revenue was mainly due to large-scale projects undertaken in previous years which has entered into final stage in 2016, the underground common trench project in Zhengding New District, Shijiazhuang initiated in 2016 was still in the early stage of construction and only the experimental section started to recognise revenue. In order to ensure the smooth advancement of large-scale projects in 2017, the Group maintained the human resource level of this business segment. As a result, while revenue decreased, there was little change in fixed costs and gross profit margin from the low-voltage equipment integration business decreased in 2016.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of convertible bonds and guaranteed notes

On 18 January 2017, the Company announced the issuance of convertible bonds and guaranteed notes to independent third parties with principal amount of USD10,000,000 each. The issuance of both the convertible bonds and guaranteed notes were completed on 9 February 2017.

(b) Potential acquisition of 10% equity interests of a third party company

On 12 December 2016, the Company announced that it entered into a non-legally binding memorandum of understanding with a state-owned environmental protection company (the "Target Company"), pursuant to which the Group may acquire up to 10% equity interests in the Target Company with a consideration estimated to be approximately RMB100,000,000. Up to the date of issuance of these financial statements, the above transaction has yet to be finalised.

FUTURE PLANS AND PROSPECTS

The application of wireless technology by the market and the promotion of cloud computing, big data and data centres, together with upgrades in systems and skills and application of 4G and development of 5G, have resulted in a multi-fold increase in the global demand for bandwidth in the next few years. Optical fibre broadband network construction is the forerunner of all infrastructure, and the most important ring for the economic development of countries in the surrounding areas under the One Belt One Road initiative, as well as those in the Middle East and Africa. Upgrade of existing networks and laying of new networks are required to cope with the local needs for future development. The Group is proactively looking for business opportunities to expand its existing business overseas and conducting research on investment opportunities on the basis of its existing business, so as to tap into new drivers for business growth.

On the back of its advantages in technology and construction, the Group has explored cooperation opportunities with local telecommunications operators overseas for laying optical fibre networks and made investments to support their development for sustainable sharing of business revenues. The plan will enable the Group to expand its business from a service provider for laying optical fibre networks to an optical fibre network provider, enhancing the status of the Group as a stakeholder in the industry. The plan can increase the success rate of the business of providing services for laying of optical fibres, tap into new business for the sustainable development of the Group in future, and increase the recurring revenue of the Group. It can also provide the Group with a long-term and a more stable source of cash income and better equip it with funds for future plans.

Under the One Belt One Road initiative and its policy of supporting the construction works of countries with amicable relationships, the Group has set up broadband networks domestically and in Hong Kong and has expanded to overseas. As a regional leader in the industry, the Group is confident that the plan will reap, achieve and bring further business growth and substantial revenue.

The Group will pay attention to other potential telecommunication business opportunity and our Directors are cautiously optimistic on the prospect at this stage. More efforts will be made to strengthen internal control and management, strictly control production cost and operating expenses, so as to increase the overall profitability of the Group and maximize the returns for shareholders.

FINANCIAL REVIEW

	Year ended 31 December		
	2016	2015	Increase
	RMB'000	RMB'000	(Decrease)%
Revenue	**302,681**	475,507	(36.3)
Gross (loss)/profit	**(46,015)**	145,734	(131.6)
EBITDA	**(181,333)**	90,376	(300.6)
EBITDA margin %	**(59.9%)**	19.0%	(78.9)
Net (loss)/profit	**(259,512)**	48,629	(633.7)
(Loss)/profit for the year attributable to the equity holders of the Company	**(253,203)**	48,732	(619.6)
Net (loss)/profit margin	**(85.7%)**	10.2%	(95.9)
	RMB cents	RMB cents	RMB cents
Basic (loss)/earnings per share	**(13.75)**	2.77	(16.52)
	As at 31 December 2016	As at 31 December 2015	
Current ratio	**2.1**	2.2	
Gearing ratio	**82.5%**	22.6%	

Revenue

The Group's revenue for the year ended 31 December 2016 was RMB302,681,000, representing a decrease of approximately 36.3% over the corresponding period of the previous financial year. The decrease in the Group's revenue was mainly due to decrease of construction contract revenue of deployment services of optical fibers and revenue of low-voltage equipment integration services.

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

	Year ended 31 December		
	2016	2015	Increase (Decrease)
	RMB'000	RMB'000	%
Design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**160,955**	268,571	(40.1)
– Micro-ducts and mini-cables system integration methods	**67,183**	88,785	(24.3)
Sub-total	**228,138**	357,356	(36.2)
Low-voltage equipment integration and others services	**72,715**	118,110	(38.4)
Rental income	**1,828**	41	4,358.5
Total	**302,681**	475,507	(36.3)

Design, deployment and maintenance of optical fibers

Revenue generated from our provision of design, deployment and maintenance of optical fibers services, was RMB228,138,000 and RMB357,356,000, representing approximately 75.4% and 75.2% of the total revenue of the Group for the year ended 31 December 2016 and 2015, respectively. The decrease in construction revenue for the year ended 31 December 2016 as compared to 2015 was mainly due to the decrease in the revenue derived from the provision of deployment services of optical fibers in Hebei Province due to keen competition and Chongqing as a result of disposal of a subsidiary, Chongqing Wuyang on 26 October 2015.

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

	Year ended 31 December			
	2016		2015	
	(RMB'000)	**%**	(RMB'000)	%
Hebei Province	**157,476**	**69.0**	246,555	69.0
Beijing	**160**	**0.1**	3,043	0.9
Liaoning Province	**14,384**	**6.3**	14,521	4.0
Sichuan Province	**8,464**	**3.7**	9,198	2.6
Guizhou Province	**13,687**	**6.0**	16,984	4.8
Chongqing	**–**	**–**	40,657	11.4
Hunan Province	**675**	**0.2**	5,152	1.4
Tianjin	**2,455**	**1.1**	–	–
Henan Province	**5,775**	**2.5**	–	–
Shandong Province	**7,079**	**3.1**	–	–
Shanxi Province	**3,100**	**1.4**	–	–
Yunnan Province	**2,413**	**1.1**	–	–
Others	**12,470**	**5.5**	21,246	5.9
	228,138	**100.0**	357,356	100.0

Low-voltage equipment integration and other services

The income from low-voltage equipment integration and other services, mainly representing the income generated from the provision of integration services for low-voltage equipment 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 RMB72,715,000, accounting for approximately 24.0% of our total revenue for the year ended 31 December 2016. The decrease in revenue was mainly because some of the large construction projects were at early stage as at 31 December 2016 so that criteria for recognition of revenue could not be fulfilled at the time.

Rental income

The Group's revenue from rental income RMB1,828,000, represented 0.6% of total revenue.

Cost of sales and services

The Group's cost of sales and services for the year ended 31 December 2016 was approximately RMB348,696,000, representing a increase of approximately 5.7% over the corresponding period of the previous year. The increase in the Group's cost of sales was due to increase of construction costs for deployment services of optical fibers.

Gross (loss)/profit

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

	Year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Gross (loss)/profit by services				
Design, deployment and maintenance of optical fibers services				
– Traditional deployment methods	**(52,661)**	**(114.4)**	72,091	49.5
– Micro-ducts and mini-cables system integration methods	**5,684**	**12.4**	36,314	24.9
Sub-total	**(46,978)**	**(102.0)**	108,405	74.4
Low-voltage equipment integration and other services	**(679)**	**(1.5)**	37,293	25.6
Rental income	**1,642**	**3.5**	36	—
	(46,015)	**100.0**	145,734	100.0

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

	Year ended 31 December		
	2016	2015	Increase (Decrease)
	%	%	percent point
Gross margin by services			
Optical fibers design, deployment and maintenance			
– Traditional deployment methods	**(32.7)**	26.8	(59.5)
– Micro-ducts and mini-cables system integration methods	**8.5**	40.9	(32.4)
Overall	**(20.6)**	30.3	(50.9)
Low-voltage equipment integration and other services	**(0.9)**	31.6	(32.5)
Rental income	**89.8**	87.8	2.0
Overall gross margin	**(15.2)**	30.7	(45.9)

There was a decrease in overall gross margin for the year ended 31 December 2016 as compared with the corresponding period of the previous financial year.

The decrease in our gross margin from profit of approximately 30.7% for the year ended 31 December 2015 to loss of approximately 15.2% for the year ended 31 December 2016 was primarily due to the decrease in gross margin of construction contract revenue in relation to deployment of optical fibers from profit of approximately 30.3% in year ended 31 December 2015 to loss of approximately 20.6% in year ended 31 December 2016 and the gross loss/profit of which accounted for loss of approximately 102.0% and profit of 74.4% of total gross loss/profit in year ended 31 December 2016 and year ended 31 December 2015, respectively. In general, the gross margin of construction contract varies according to the difficulties and complexities of each project.

The gross margin of construction contracts of deployment services of optical fibers using traditional deployment methods decreased from profit of approximately 26.8% for the year ended 31 December 2015 to loss of approximately 32.7% for the year ended 31 December 2016. It was mainly due to the following reasons, a) increased costs as a result of delay in construction progress and engineering change for a number of projects, b) increased competition of business in Hebei Province, c) some construction contracts had not reached the stage to recognise construction revenue but costs incurred were recorded and d) the fixed cost had remained while the revenue decreased. Therefore, there was a negative impact on the gross margin.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods decreased from approximately 40.9% for the year ended 31 December 2015 to approximately 8.5% for the year ended 31 December 2016. The decrease was primarily attributable to the less complex projects generating relatively lower gross profit margin, in particular the projects in Hebei Province.

The gross margin of low-voltage equipment integration and other services decreased from profit of approximately 31.6% for the year ended 31 December 2015 to loss of approximately 0.9% for the year ended 31 December 2016. Such decrease was mainly attributable to less complex project undertaken in current year and increased cost for large-scale projects which has entered into final stage in 2016. In addition, the fixed cost had remained while the revenue decreased.

Major customers and service network

Based in Hebei Province, the Group principally provides one-stop optical fiber deployment solutions for telecommunication operators and provides low-voltage equipment integration services in China. Our major customers include China Mobile Communications Corporation ("China Mobile"), a major telecommunication operator in China which contributed approximately 38.15% of total revenue, and other regional telecommunication operators. As the Group maintains a favourable position in terms of resource in the industry of both micro-ducts and mini-cables system deployment technology, we obtain our contracts of that kind mainly through negotiated tender, while for traditional deployment business we mainly compete for contracts through open tender.

As at 31 December 2016, the Group's service network included Hebei Province, Shandong Province, Liaoning Province, Henan Province, Sichuan Province, Guizhou Province, Shanxi Province and Yunnan Province and etc.

Other income

Other income mainly included the interest income and government grants received by the Group.

Selling expenses and administrative expenses

The Group's selling expenses and administrative expenses for the year ended 31 December 2016 were RMB90,725,000, representing an increase of RMB17,023,000 from RMB73,702,000 for the corresponding period of the previous year. The increase was mainly because of expansion of new business of the Group which had not generated revenue in 2016.

Impairment losses

Impairment losses mainly included impairment losses of RMB41,146,000 on trade receivables, impairment losses of RMB42,326,000 on other receivables and impairment losses of RMB4,767,000 on goodwill. The substantial increase in impairment losses on trade receivables was mainly due to certain non-operator customers occurred financial difficulties in 2016 and management assessed that only a portion of the receivables are expected to be recovered. The significant increase in impairment losses on other receivables was mainly due to recognition impairment of RMB23,700,000 on the difference between original consideration and amended consideration for disposal of Nanjing Newlixon. For details for the disposal, please refer to section "Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies – Disposal of Nanjing Newlixon".

Finance cost

Finance cost mainly included interest charged from bank and other borrowings bonds and guaranteed notes and net foreign exchange loss on debts. The finance cost increased was mainly due to the average principal of borrowings, was higher in the year ended 31 December 2016 and significant increase in net foreign exchange loss related to Hong Kong dollar debt.

Net result of disposal of subsidiary

Net result of disposal of subsidiaries representing disposal gain of Nanjing Newlixon. The Group completed the disposal of aggregate 90% equity interest of Nanjing Newlixon on 31 March 2016. Upon the completion of the disposal, the Group recognised a disposal gain of RMB37,700,000, being the difference between the original consideration and the cost of the investment in Nanjing Newlixon.

(Loss)/profit attributable to equity holders of the Company

The Group recorded net loss attributable to equity holders of the Company of RMB253,203,000 for the year ended 31 December 2016 compared to net profit of RMB48,732,000 for the corresponding period in 2015, representing a decrease of approximately 619.6%. The decrease in (loss)/profit attributable to equity holders of the Company was mainly due to the net effect of the increase in impairment losses of RMB85,316,000, the increase in selling expenses and administration expenses of an aggregate amount of RMB17,023,000, increase of finance costs of RMB39,340,000, decrease in gross profit of approximately RMB191,749,000 and the increase in net result of disposal of subsidiary of RMB26,919,000.

Trade and bill receivables

There was a decrease in trade and bills receivables as at 31 December 2016 of approximately RMB44,544,000 as compared to 31 December 2015, which was mainly due to the net effect of the settlement from customers, impairment losses recognised and new trade receivables provided by the Group during the year ended 31 December 2016.

Amount due from customers for contract works

There was a decrease in the amount due from customers for contract works as at 31 December 2016 of RMB71,790,000 as compared to 31 December 2015, which was mainly due to the net effect of decrease in revenue and construction revenue recognized in year 2016 but not certified by customers.

Available-for-sale financial assets

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

Bank and other borrowings

The Group had short-term and long-term bank and other borrowings as at 31 December 2016 amounted to RMB237,275,000 and RMB133,726,000 respectively. No financial instruments were used for hedging purposes. The Group's bank loans were made in Hong Kong dollars and Renminbi, RMB78,726,000 of bank loans are carried at floating rates, and the remaining bank and other borrowings are carried at fixed rates.

Convertible bonds

On 7 June 2016, the Company issued convertible bond with a nominal value of HK$50,000,000 and a maturity period of 2 years. Interest bearing at 8% per annum and is repayable semi-annually. The convertible bond is guaranteed by Mr. Jiang Changqing, the chairman of the Company. The bonds are convertible at the option of the bondholders into ordinary shares in the conversion period beginning on the first anniversary of the Issue Date and ending on Maturity Date. The bondholders will have the right, but not the obligation, to convert all or any part of the outstanding principal amount of the convertible bond with the initial conversion price of HK$1.00 per conversion share, subject to any adjustment from time to time. For details, please refer to the Company's announcements dated 16 May 2016 and 7 June 2016.

As at 31 December 2016, the carrying amounts of liability and derivative components of the convertible bond are RMB42,716,000 and RMB6,423,000 respectively. No conversion or redemption of the convertible bond has occurred up to 31 December 2016.

Related Party Balances and Transactions

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

Name of related party	Relationship
Mr. Li Qingli	Beneficial shareholder and director of the Company
Mr. Jiang Changqing	Beneficial shareholder and director of the Company
Ms. Guo Aru	Beneficial shareholder and director of the Company
Hebei Qiushi Olin Funiture Sales Co., Ltd. ("Qiushi Olin")	Owned by Mr. Li Qingli

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Non-trade nature:		
Ms. Guo	**575**	500
Qiushi Olin	**—**	1,000
	575	1,500

(c) Bank borrowings of RMB 72,945,000 (31 December 2015: RMB25,000,000) are secured by personal guarantee from Mr. Jiang Chanqing and Ms. Guo Aru, directors of the Company. The guaranteed notes of RMB45,132,000 (31 December 2015: Nil) and convertible bonds of RMB49,139,000 (31 December 2015: Nil) are guaranteed by Mr. Jiang Changqing, director of the Company.

(d) The remuneration paid and payable to the key management of the Company who are also the Directors for the year amounted to RMB3,708,000 (31 December 2015: RMB8,896,000).

Liquidity and financial resources

As at 31 December 2016, the Group had current assets of approximately RMB1,229,635,000 (31 December 2015: RMB1,148,348,000) which comprised cash and cash equivalents amounted to approximately RMB128,057,000 as at 31 December 2016 (31 December 2015: RMB63,595,000). As at 31 December 2016, the Group had non-current liabilities and current liabilities amounted to approximately RMB415,750,000 and RMB578,996,000 (31 December 2015: RMB142,099,000 and RMB511,478,000), consisting mainly of payables, corporate bonds, 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 2.1 as at 31 December 2016 (31 December 2015: 2.2).

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

Gearing ratio

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other borrowings, corporated bonds, convertible bonds and guaranteed notes less cash at bank and on hand and restricted bank deposits. Capital comprises all components of equity. The gearing ratio was approximately 82.5% as at 31 December 2016 (31 December 2015: approximately 22.6%).

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 year ended 31 December 2016, we had partial bank balances and corporate bonds which are denominated in foreign currencies and consequently we have foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the report date. During the year ended 31 December 2016, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign exchange risk.

Capital structure

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

Capital commitments

As at 31 December 2016, the Group had no capital commitments (31 December 2015: RMB17,000).

Dividend

The Board does not recommends the payment of dividend for the year ended 31 December 2016 (2015: Nil).

Information on employees

As at 31 December 2016, the Group had 503 employees (31 December 2015: 656), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB54,073,000 for the year ended 31 December 2016 as compared to approximately RMB65,226,000 for the year ended 31 December 2015. 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, available-for-sale financial assets and financial assets during the year ended 31 December 2016, the Group did not hold any significant investment in equity interest in other company.

Future Plans for Material Investments and Capital Assets

Except as disclosed in the Company's voluntary announcement dated 12 December 2016 that the Group may acquire up to 10% interest in a state-owned environmental friendly energy conservation company by using around RMB100 million, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Disposal of Nanjing Newlixon

On 31 March 2016, the Group entered into share transfer agreements to dispose of the 90% equity interest in Nanjing Newlixon at an aggregate consideration of RMB52,700,000 to the non-controlling shareholder of Nanjing Newlixon and an entity controlled by the non-controlling shareholder of Nanjing Newlixon. For further details, please refer to the Company's announcement dated 31 March 2016. The Group provided substantial funding for a major project undertaken by Nanjing Newlixon in 2015 and 2016. Without the support of the Group as a result of disposal of Nanjing Newlixon, the project cannot be completed and the actual profit generated from the project was far less than the initial estimated profit. To reflect the actual profit of the project, on 31 March 2017, the Company and the non-controlling shareholder entered into a supplementary agreement to adjust the consideration from RMB52,700,000 to RMB29,000,000. Upon the completion of the disposal on 31 March 2016, the Group recognised a disposal gain of RMB37,700,000, being the difference between the original consideration and the cost of the investment in Nanjing Newlixon. As at 31 December 2016, an impairment loss of RMB23,700,000 has been provided for the receivables due from Nanjing Newlixon, being the difference between the original consideration and amended consideration.

Acquisition of Sino Partner

In order to explore and make strategic investments in other new business opportunities, the Group acquired 5.65% of equity interest in Sino Partner Global Limited ("Sino Partner") at a consideration of HK$74,400,000 by issuing 80,000,000 new ordinary shares of the Company. The acquisition is completed on 24 June 2016, upon fulfilment of all the conditions precedent set out in the sale and purchase agreement ("SPA"). The payment of the consideration shares is payable within ten business days after the Completion and the consideration shares were issued on 6 July 2016. Sino Partner principally engaged in the design, development, manufacturing and sales of high performance supercars in the PRC, Europe and other overseas countries. For details, please refer to the announcement of the Company dated 16 June 2016.

During the year ended 31 December 2016, save as disclosed above the Group did not have any other material acquisitions or disposals of subsidiaries and affiliated companies.

Charges on assets

As at 31 December 2016, the Group had pledged bank deposit with carrying amount of RMB170,697,000 and to secure the bank and other borrowings (31 December 2015: RMB136,885,000).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016 (31 December 2015: 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 2016. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

Business plan as set out in the Prospectus	Actual business progress up to 31 December 2016
1. Further strengthening our deployment services of optical fibers in the PRC	
(i) Investment in equipment	The Group has purchased various equipment, spare parts of equipment and motor vehicles for construction projects.
(ii) Market expansion	The Group has built sixteen experimental sections and purchased motor vehicles for marketing purposes. In addition, the Group has established three representative office in Chongqing, Tianjin and Shenzhen.
(iii) Securing strategic assets/rights	The Group has signed one co-operation memorandum with a government department and the Group is communicating with various relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group completed three acquisitions which are located in Hunan Province, Chongqing and Hebei Province.
(v) Human resources	The Group has employed additional technical and management staff and provided relevant training to new and existing staff.
(vi) Research and development	The Group has continued to conduct research and development on technology related to micro-ducts and mini-cables system integration methods, especially the application in sewer system.
2. Expanding our business of low-voltage equipment integration services in the PRC	
(i) Sales and marketing	The Group has employed additional staff to strengthen sales and marketing network. In addition, the Group is conducting research on appropriate sales and marketing activities to promote reputation.

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

Use of Proceeds

The net proceeds from the Placing on 12 June 2012 (the "Listing Date") were approximately HK$108.7 million (equivalent to approximately RMB88.7 million). The net proceeds from the Listing Date to 31 December 2016 had been applied as follows:

	Use of proceeds from the Listing Date to period ended 31 December 2016 as shown in the Prospectus HK$ (million)	Actual use of proceeds from the Listing Date to 31 December 2016 HK$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	26.18	11.02
(ii) Market expansion	15.50	15.50
(iii) Securing strategic assets/rights	23.42	23.42
(iv) Acquisition	12.20	12.20
(v) Human resources	2.60	2.60
(vi) Research and development	3.70	3.70
Sub-total	83.60	68.44
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	2.40	2.40
3. Repayment of bank and other borrowings	14.30	14.30
4. General working capital (Note)	8.40	8.40
Total	108.70	93.54

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

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

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

		Planned use HK$ (million)	Actual use HK$ (million)
1.	Acquisition	21.30	21.30
2.	General working capital	123.05	123.05
		144.35	144.35

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year, no options were granted or excised under the Share Option Scheme and there's no outstanding share options as at 31 December 2016.

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

As at 31 December 2016, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Company

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Jiang Changqing (Note 2 and note 3)	Our Company	Interest of a controlled corporation	644,307,000 Shares (L)	34.13%
	Our Company	Interest of Spouse	10,195,000 Shares (L)	0.54%
Ms. Guo Aru (Note 3)	Our Company	Interest of Spouse	644,307,000 Shares (L)	34.13%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.54%

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	104,065,000 Shares (L)	5.51%
	Our Company	Beneficial owner	6,640,000 Shares (L)	0.35%

Notes:

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

2. The 644,307,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of our Company and an executive Director.

3. Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo Aru is deemed to be interested in the 644,307,000 Shares owned by Mr. Jiang Changqing in the Company and 1 share owned by Mr. Jiang Changqing in Bright Warm Limited by virtue of the SFO. Moreover, Ms. Guo Aru held 10,195,000 Shares directly. Mr. Jiang Changqing is deemed to be interested in the 10,195,000 Shares held by Ms. Guo Aru.

4. The 104,065,000 Shares are held by Ordillia Group Limited, the entire issued capital of which is beneficially owned by Mr. Li Qingli, an executive Director.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2016, 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	644,307,000 Shares (L)	34.13%
China Fund Limited	Our Company	Beneficial owner	346,443,000 Shares (L)	18.35%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	104,065,000 Shares (L)	5.51%
Ms. Ren Yanping (Note 4)	Our Company	Interest of spouse	110,705,000 Shares (L)	5.86%
Mr. Zheng Jinqiao (Note 5)	Our Company	Interest of controlled corporations	95,000,000 Shares (L)	5.03%

Notes:

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

2. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of our Company and an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 644,307,000 Shares owned by Bright Warm Limited by virtue of the SFO.

3. Ordillia Group Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Li Qingli, one of the substantial shareholders of our Company and an executive Director. Therefore, Mr. Li Qingli is also deemed to be interested in the 104,065,000 Shares owned by Ordillia Group Limited by virtue of the SFO.

4. Ms. Ren Yanping is the spouse of Mr. Li Qingli. Therefore, Ms. Ren Yanping is deemed to be interested in the 110,705,000 Shares owned by Mr. Li Qingli by virtue of the SFO.

5. Richlink International Capital Co. Ltd ("Richlink International") is interested in 50,000,000 Shares. Richlink International is owned as to 100% by Mr. Zheng Jinqiao and therefore Mr. Zheng Jinqiao is deemed to be interested in the 50,000,000 Shares owned by Richlink International by virtue of the SFO. Moreover, Beijing Richlink Private Equity Management Co. Ltd ("Beijing Richlink PE") is interested in 45,000,000 Shares. Beijing Richlink PE is owned as to 58% by Beijing Richlink International Capital Co. Ltd, which in turn is owned as to 51% by Mr. Zheng Jinqiao, and therefore Mr. Zheng Jinqiao is also deemed to be interested in the 45,000,000 Shares owned by Beijing Richlink PE by virtue of the SFO.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other persons/ entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

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 Listing Rules) had any interest in any other companies as at 31 December 2016 which may, directly or indirectly, compete with the Group's business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the GEM Listing Rules") for the period where the Company's shares were listed on GEM. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Group continues and will continue to ensure compliance with the corresponding provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2016.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, throughout the year ended 31 December 2016 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 and contained in Appendix 14 to the Listing Rules since the Transfer of Listing, except Code Provision A.2.1 as more particularly described below. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Group continues and will continue to ensure compliance with the corresponding code previsions set out in Appendix 14 to the Listing Rules.

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

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Monday, 26 June 2017. The circular of the Company containing details of the AGM together with the notice of AGM and form of proxy will be issued and disseminated to the shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on Monday, 26 June 2017, the register of members will be closed from Wednesday, 21 June 2017 to Monday, 26 June 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4 p.m. on Tuesday, 20 June 2017.

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. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 to C3.7 of the Corporate Governance Code as set out in Appendix 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 (chairlady of the audit committee), Mr. Meng Fanlin and Mr. Wang Haiyu. Since the Company's shares were successfully listed on Main Board of the Stock Exchange on 1 August 2014, the Company has established an audit committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C3.3 to C3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The audit committee had reviewed the final results for the year ended 31 December 2016 together with the Company's external auditor and provided advice and comments thereon and the audit committee has agreed to the figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016..

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants ("Deloitte") resigned as the auditor of the Company with effect from 28 December 2016, as the Company and Deloitte could not reach an agreement on the audit fee for the financial year ending 31 December 2016. KPMG was appointed as the auditor of the Company with effect from 6 January 2017 to fill the casual vacancy following the resignation of Deloitte and will hold office until the conclusion of the next annual general meeting of the Company. A resolution to appoint the auditor, KPMG, is to be proposed at the forthcoming annual general meeting of the Company

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk and the website of the Company at www.chinauton.com, respectively.

The Company's 2016 annual report containing all the information required under the Listing Rules will be despatched to the relevant shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 31 March 2017

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