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 2012

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CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors (the "Board") of China U-Ton Holdings Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

2012 was an important milestone for the Group. The Company was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("Listing") on 12 June 2012 ("Listing Date"), which not only represented a recognition of our Group's solid capabilities in optical fiber deployment solutions in China, but also provided a platform for the Group to gain access to the international capital market to facilitate future growth. Moreover, the successful listing enhanced our reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for our further expansion. I would like to once again thank all the professional parties and our management team for their joint efforts in making the Listing a success.

During the year, benefiting from the PRC's favorable policies of replacing copper wire by optical fiber, connecting optical fiber to the home (the "FTTH") and Tri-network convergence together with the blooming demand for mobile internet, the optical fiber deployment business of the Group continued to expand and achieved lucrative results for its first report after Listing. For the year ended 31 December 2012, revenue of the Group was approximately RMB246,368,000, increased substantially by approximately 52.3% year-on-year, reaching a historical record high level since its inception. Gross profit increased notably to RMB109,289,000 from RMB75,042,000 for the same period last year. Although the Group's expenditure increased due to Listing costs while experiencing substantial decrease in non-cash other gains, net profit for the Group still recorded a growth of 15.6% to approximately RMB65,708,000. Earnings per share was approximately RMB4.4 cents.

The Group is based in Hebei Province and is mainly engaged in providing one-stop integrated optical fiber deployment solutions and services to telecommunication operators in the PRC. The Group targets at major domestic telecommunication operators in the PRC which are rapidly expanding and upgrading their optical fiber network coverage. Therefore, we have introduced the micro-ducts and mini-cables system integration method for deployment of optical fibers deployment. By using existing public sewer system as platform to deploy optical fibers, such method addresses specific urban environmental difficulties of road excavation, pollution and traffic congestion encountered by the traditional technology and avoids the time delay in the application for licences. As a result, the construction cycle is shortened substantially with a decrease in our costs. Our Group owned a total of 24 appearance design, utility and invention patents in micro-ducts and mini-cables related technologies, and entered into agreements to use the public sewer systems in a total of 11 distinct locations in ten different districts or cities in the PRC. In addition, one of the wholly owned subsidiaries of the Group was awarded the Grade A Enterprise Qualification Certificate of Integrated Telecommunication and Information

Network Systems by the Ministry of Industry and Information Technology of the PRC ("MIIT") on 20 June 2012 which allowed the Group to undertake all types of telecommunication and information network construction projects. Representing the solid competitive advantages in the areas of technologies, resources, quality reputation and professional certification of the Group, we believe that the aforesaid accreditation will support the expansion of our business to various regions of the PRC in the coming years.

Prospects

The PRC's "Broadband China" (寬頻中國) strategy aims to increase the number of fixed line broadband access users to over 250 million by the end of the "Twelfth Five-year Plan". The MIIT also implemented a mandatory policy that obligates each household in all new buildings to have optical fiber broadband access. Both policies have consistently reflected the strong expansion of the optical fiber and broadband network across the nation as scheduled, and confirmed the enormous demand for optical fiber deployment business in the foreseeable future. In addition, the demand for mobile internet services in the PRC has been increasing due to the popularity of smart terminals. Operators are required not only to increase the numbers of base stations for 3G network/capacity expansion to enhance network performance, but also to commence 4G network development plans to seize market shares. The Board believes that our capability to provide efficient, cost effective, convenient construction and maintenance services to telecommunication operators through deployment of the micro-ducts and mini-cables system integration technology will allure great opportunities in the telecommunication market, and together with our pragmatic and proactive marketing strategies and sales plan, we are set to further expand the coverage of our services and market shares.

In order to capture the fast developing opportunities of the broadband network in the PRC, the Group has already increased its sales efforts to penetrate further into the northern China region, such as Hebei Province, Beijing and Shenyang, and was targeted to expand to Tianjin, Chongqing, Sichuan Province, Guangdong Province and Yunnan Province. Through various forms of cooperation with local enterprises on the provision of optical fiber deployment services and technology transfer, it is expected we could enter the market within the shortest period of time and secure a market share. The Group understands the exclusive usage rights of public sewer systems are limited resources. The management has started to communicate with governments of various provinces and municipalities to accumulate the usage to strengthen the Group's competitive advantages and lay a foundation for regional expansion in the next few years. Moreover, the Group will continue to engage in research and development and innovations, and to pursue excellence in quality, for a better positioning in the industry. 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.

Appreciation

Finally, the Board would like to express sincere thanks to our customers, business partners, suppliers and shareholders for their persistent support to the Group, and our appreciation for the efforts and endeavors made by our management and staffs during the past year to achieve remarkable results for the Group.

Jiang Changqing
Chairman and Executive Director

Hong Kong, 25 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 12 June 2012, which further strengthened our position as a leading high-tech deployment services provider of optical fibers in China, and built the platform for funding and laid the foundation for future development. In 2012, demand for optical fiber deployment grew rapidly in light of the "Broadband China" strategy as well as favorable policies such as the "nationwide upgrade from copper wire coaxial cable to fiber optic network" and the "fiber-to-the-home". According to the data released by the MIIT, the number of newly increased fiber-to-the-home households was more than 49 million in 2012, representing a significant increase by 9% from 45 million in 2011. As at 31 December 2012, fiber-to-the-home covered more than 94 million households in China. Leveraged on our leading micro-duct and mini-cable deployment technology, strong research and development capabilities and exclusive patents, the Group successfully seized market opportunities and created lucrative results.

Revenue

During the year ended 31 December 2012 ("the Period"), the Group's revenue significantly increased by 52.3% over the same period last year to approximately RMB246,368,000 (2011: RMB161,734,000). The Group is principally engaged in the provision of optical fiber deployment services and low-voltage equipment integration services. During the Period, these two businesses accounted for 70.9% and 29.1% of our overall revenue, respectively. In 2012, our deployement services of optical fibers achieved a breakthrough in growth again, with service areas further expanded outside Hebei province, driving the substantial increase in revenue from this business segment by 44.1% to RMB174,706,000 (2011: RMB121,220,000). The low-voltage equipment integration service grew greatly, with revenue increased by 76.9% to RMB71,662,000 from RMB40,514,000 in 2011.

	2011 RMB'000	**2012** **RMB'000**	**% Increase**
Deployment services of optical fibers	121,220	**174,706**	44.1
Low-voltage equipment integration services	40,514	**71,662**	76.9
Total	161,734	**246,368**	52.3

Gross profit and gross profit margin

The overall gross profit increased by 45.6% to RMB109,289,000 from RMB75,042,000 in 2011. The gross profit margin slightly decreased by 2.0% over the same period last year to 44.4%. During the Period, the Group actively promoted the application of micro-duct and mini-cable deployment technology to enable their wide recognition by telecommunication operators. As the Group had a number of technology patents in this deployment method and the exclusive rights in using the sewer systems, our strength rendered the group a favourable position, gave us an overall pricing advantage and fuelled the growth of the Group's gross profit. However, in 2012, the gross profit margin decreased slightly by 2.0% from 46.4% to 44.4% as the revenue from low-voltage equipment integration services increased greatly by 76.9% and whose gross profit margin was comparatively lower than that of deployment services of optical fibers. In addition, gross profit margin of deployment service of optical fibers dropped slightly too.

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

	2011 RMB'000	**2012** **RMB'000**	**% Increase** **(decrease)**
Deployment services of optical fibers	60,892	**85,542**	40.5
Low-voltage equipment integration services	14,150	**23,746**	67.8
Total	75,042	**109,289**	45.6

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

	2011 %	**2012** **%**	**% Increase** **(decrease)**
Deployment services of optical fibers	50.2%	**49.0%**	(1.2)
Low-voltage equipment integration services	34.9%	**33.1%**	(1.8)
Total	46.4%	**44.4%**	(2.0)

Deployment services of optical fiber

The Group completed 52 projects during the year ended 31 December 2012 and had 15 projects in progress of micro-ducts and mini-cables system integration projects as at 31 December 2012, with construction contract revenue increasing by 83.1% over the same period last year to RMB103,790,000 (2011: RMB56,686,000), accounting for 62.8% of this business. As the Group focused on the development of micro-ducts and mini-cables system integration projects with higher gross profit and advantages, the percentage of revenue from traditional deployment business further shrank. Further, the Group completed 103 projects during the year ended 31 December 2012 and had 72 projects in progress of traditional deployment projects as at 31 December 2012, with revenue increasing by 9.8% over the same period of last year to RMB61,420,000 (2011: RMB55,952,000), accounting for 37.2% of this business.

Turnover

	2011 RMB'000	**2012** **RMB'000**	**% Increase** **(decrease)**
Deployment services of optical fibers - **Construction contract revenue**			
- Traditional deployment methods	55,952	**61,420**	9.8
- Micro-ducts and mini-cables system integration methods	56,686	**103,790**	83.1
Sub-total	112,638	**165,210**	46.7
Others			
- Services income	5,918	**8,441**	42.6
- Sales of goods	2,599	**990**	(61.9)
- Rental income	65	**65**	—
Sub-total	8,582	**9,496**	10.7
Total	121,220	**174,706**	44.1

Gross profit & Gross profit margin

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

	2011 RMB'000	**2012** **RMB'000**	**% Increase** **(decrease)**
Gross profit by services			
Construction contract revenue			
- Traditional deployment methods	24,753	**24,803**	0.2
- Micro-ducts and mini-cables system integration methods	31,970	**55,081**	72.3
Sub-total	56,723	**80,882**	42.6
Services income	3,266	**4,160**	27.4
Sales of goods	868	**466**	(46.3)
Rental income	35	**35**	—
	60,892	**85,542**	40.5

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

	2011 %	**2012** **%**
Gross profit margin by services		
Construction contract revenue		
- Traditional deployment methods	44.2	**40.4**
- Micro-ducts and mini-cables system integration methods	56.4	**53.1**
Sub-total of construction contract revenue	50.4	**49.0**
Services income	55.2	**49.3**
Sales of goods	33.4	**47.1**
Rental income	53.8	**53.8**
Total	50.2	**49.0**

Major customer and service network

Based in Hebei Province, the Group principally provides one-stop optical fiber deployment solutions for telecommunication operators in China. Our major customers include China Mobile Communications Corporation ("China Mobile"), a major telecommunication operator in China, and other regional telecommunication operators. During the Period, sales to China Mobile accounted for 50.3% of the Group's total revenue (2011: 66.0%). 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 as 31 December 2012, the Group's service network covered Beijing and 10 provinces in China, including Hebei, Shandong, Shaanxi, Hunan, Jiangxi, Liaoning, Anhui, Henan, Sichuan and Inner Mongolia.

Contract progress

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

	As at 31 December 2012			
	Number of projects	Total contractual amount RMB'000	Recognized revenue RMB'000	Backlog revenue RMB'000
Micro-ducts and mini-cables				
System integration method	**17**	**65,120**	**38,145**	**26,975**
(i) Projects in progress	**15**	**47,017**	**38,145**	**8,872**
(ii) Projects to be commenced	**2**	**18,103**	**—**	**18,103**
Traditional deployment method	**89**	**111,981**	**30,577**	**81,404**
(i) Projects in progress	**72**	**63,964**	**30,577**	**33,387**
(ii) Projects to be commenced	**17**	**48,017**	**—**	**48,017**
Total	**106**	**177,101**	**68,722**	**108,379**

The backlog revenue is mainly sourced from projects located in Zhangjiakou, Tangshan and Shijiazhuang of Hebei Province.

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 24 appearance design, utility and invention patents. Among these 24 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

To further broaden the revenue base, the Group acquired Shijiazhuang Qiushi Communication Facilities Co., Ltd. (石家莊求實通信設備有限公司) in 2011 to provide low-voltage equipment integration service. This business mainly provides intelligent management and monitoring solutions, such as Enterprise Resources Planning System, intelligent office and intelligent building management systems as well as road safety monitoring system for industrial commerce and public institutions. In the fourth quarter of 2012, driven by a governmental related project and a highway monitoring system project located in Hebei Province with the total contract value amounted to approximately RMB53,000,000, the low-voltage equipment integration service grew greatly with revenue increasing by 76.9% to RMB71,662,000 from RMB40,514,000 in 2011.

Progress of contracts

Depending on the complexity of projects, installation period for low-voltage equipment integration projects typically ranges from 1 month to half a year. As at 31 December 2012, most of the projects were completed and there was no significant amount of backlog revenue.

Prospects and plans

As a country with the most number of Internet users in the world, China has a network speed which is still consolidated at a low level. To keep pace with the development of new generation communication, the MIIT put forward the development strategy of "Broadband China" in 2011, with the goal that by the expiration of the "12th Five-Year" plan, national fixed broadband access users will exceed 250 million, and China's urban and rural households will obtain broadband access capacity of 20 MB and 4 MB, respectively. Undoubtedly, we expect that this will greatly promote the growth of optical fibers network and the demand for deployment service. To speed up implementation of the policy of "fiber-to-the-home", at the end of 2012, the MIIT further issued two national standards, namely, "Code for design of Fiber-to-the-home Communication Facility Engineering in Residential Areas and Residential Buildings" (《住宅區和住宅建築內光纖到戶通信設施工程設計規範》) and "Code for Construction and Acceptance Inspection of Fiber-to-the-home Communication Facility Engineering in Residential Areas and Residential Buildings" (《住宅區和住宅建築內光纖到戶通信設施工程施工及驗收規範》), which provided that from 1 April 2013, similar to water, electricity and gas, the optical fibers network should be directly connected to every household in new buildings. On the other hand, the development of mobile communication network cannot be overlooked as well. With popularity of smart mobile terminals, data flows substantially increased. Current mobile communication network based on mainstream 2G technology in China is overloaded, and the upgrade of networks is imperative. Major telecommunication operators either invested in the network upgrade from 2G to 3G or built more base stations for existing 3G networks in order to expand the capacity and solve the flow pressure. China Mobile has first announced a development plan for 4G network, targeting to build a total of 200,000 4G base stations during 2013 to speed up the upgrade of wireless networks. Furthermore, China Mobile is planned to invest approximately RMB40 billion in 4G/LTE mobile network construction. Optical fibers and optical fiber cables are important backbones connecting the constructions of base stations to broadband/communication networks. Therefore, telecommunication operators will demand deployment services of optical fibers in terms of base station construction, network construction and post-maintenance. We believe that this will bring about huge opportunities for the Group's business.

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

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. In June 2012, one of the wholly owned subsidiaries of the Group received Grade I in Enterprise Qualification Certificate in Communication Information Network System Integration (通信信息網絡系統集成企業資質證書甲級資質) granted by the MIIT, which meant that we are recognized by the market and the government departments for our technologies, resources, quality, credibility and professionalism, and met the qualifications for launching various communication information network projects, hence further strengthening our competitive advantage in developing the national market. 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.

Financial Review

	2011 RMB'000	**2012** **RMB'000**	**%** **Increase** **(decrease)**
Turnover	161,734	**246,368**	**52.3**
Cost of Sales	86,692	**137,079**	**58.1**
Gross Profit	75,042	**109,289**	**45.6**
Gross Profit margin	46.4%	**44.4%**	**(2.0)**
Net Profit	56,838	**65,708**	**15.6**
Net Profit margin	35.1%	**26.7%**	**(8.4)**
Basic earnings per share (cents)	4.5	**4.4**	**(2.2)**
Profit for the year attributable to equity holders	55,381	**65,708**	**18.6**
Adjusted net profit (Note 1)	55,027	**76,582**	**39.2**
Adjusted net profit margin	34.0%	**31.1%**	**(2.9)**
Basic adjusted earnings per share (cents)	4.5	**5.1**	**13.3**
Return on equity (Note 2)	50.7%	**21.7%**	**(29.0)**
Adjusted return on equity (Note 3)	49.1%	**25.3%**	**(23.8)**

Note 1: Adjusted net profit being net profit excluding listing expenses, whole amount of non-recurrent other gains and losses and non-cash equity-settled share-based expenditure (share option expenditure).

Note 2: Being dividing net profit for the year by the total equity.

Note 3: Being dividing adjusted net profit for the year by total equity.

Turnover

The Group's turnover for the year of 2012 was approximately RMB246,368,000, representing an increase of approximately 52.3% 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 and service revenue of low-voltage equipment integration services.

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 RMB165,210,000 and RMB112,638,000, representing approximately 67.1% and 69.6% of the total revenue of the Group for the year ended 31 December 2012 and 2011, respectively. The increase in construction revenue for the year ended 31 December 2012 as compared to the same period in 2011 was mainly due to the increase in the revenue derived from the provision of deployment services of optical fibers in Beijing, Shenyang of Liaoning Province, and Hengshui, Chengde and Zhangjiakou of Hebei Province, and new revenue from Sichuan as a result of geographical expansion of our business. In the fourth quarter of year 2012, the Group provided more deployment services of optical fibers in Garze Tibetan Autonomous Prefecture of Sichuan, Shenyang of Liaoning and Zhangjiakou of Hebei where approximately RMB38,000,000 construction revenue was generated from these three regions.

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 RMB8,441,000 and RMB5,918,000, for the year ended 31 December 2012 and 2011 respectively. There was a new service income from Jinan of Shandong Province amounted to RMB2,500,000. 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 RMB990,000 and RMB2,599,000 for the year ended 31 December 2012 and 2011 respectively.

The decrease in sales of goods for the year ended 31 December 2012 as compared to the same period in 2011 was mainly due to the decrease in the sales of the ancillary products in relation to our deployment projects of optical fibers.

Rental income

The rental income, representing the income generated from the sub-lease of the underground area to our clients for their deployment of telecommunication networks therein, both amounted to approximately RMB65,000 for the year ended 31 December 2012 and 2011 respectively. There was no change in rental income for the year ended 31 December 2012 as compared to the same period in 2011 as there was no change in underground area leased out to our clients.

Low-voltage equipment integration services

The income from low-voltage equipment integration services, representing the income generated from the provision of integration services for low-voltage equipments and accessories to our clients which includes financial institutions, governmental departments, public facilities, road and transportation companies, and state-owned and private companies was approximately RMB71,662,000, representing approximately 29.1% of our total revenue for the year ended 31 December 2012. In the fourth quarter of the year ended 31 December 2012, the Group has completed a governmental related project and a highway monitoring system project with contact sum totally amounted to RMB53,000,000, thus the revenue increased accordingly.

Cost of sales

The Group's cost of sales for the year of 2012 was approximately RMB137,079,000, representing an increase of approximately 58.1% over the corresponding period of the previous year. The increase in the Group's cost of sales was due to increase of construction revenue of deployment services of optical fiber and low-voltage equipment integration services. The following tables summarized the details of cost of sales:

	2011		**2012**	
	RMB'000	%	**RMB'000**	**%**
Labour costs	48,758	56.2	**65,881**	**48.1**
Material costs	32,821	37.9	**54,692**	**39.9**
Others	5,113	5.9	**16,506**	**12.0**
	86,692	100.0	**137,079**	**100.0**

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2012 was approximately RMB109,289,000, representing an increase of approximately 45.6% over the corresponding period of the previous year. Gross profit margin decreased by approximately 2.0% to 44.4% from 46.4% , due to great increase in service income from low-voltage equipment integration services of which the gross profit margin is comparatively lower and slight decrease in gross profit margin of construction contracts of deployment services of optical fibers.

The gross profit margin of construction contracts of deployment services of optical fibers using traditional deployment methods decreased from 44.2% in the year ended 31 December 2011 to 40.4% in the year ended 31 December 2012. There were new projects in Sichuan of which gross profit margin was 40% and gross profit margin of projects in Shijiazhuang of Hebei decrease as those projects were less complex than that of previous years.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods decreased from 56.4% in the year ended 31 December 2011 to 53.1% in the year ended 31 December 2012. 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 2012, these projects were comparatively less complex.

The gross profit margin of services income decrease from 55.2% in the year ended 31 December 2011 to 49.3% in the year ended 31 December 2012. 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 increase from 33.4% in the year ended 31 December 2011 to 47.1% in the year ended 31 December 2012. Such increase was mainly attributable to the sales of ancillary products to our clients at relatively higher unit selling price during the period.

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

The gross profit margin of low voltage equipment integration services decreased slightly from 34.9% in year ended 31 December 2011 to 33.1% in the year ended 31 December 2012. Such decrease was mainly attributable to the higher cost of sales/services during the year.

Other income

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

Other gains and losses

Other gains and losses mainly included net foreign exchange gain or loss, gain on discharge of long outstanding payables, recovery of other receivables, fair value adjustment on initial recognition of other borrowings and gain on discharge of obligations under convertible loans. For the year ended 31 December 2011, there was a gain on discharge of obligations under convertible loans which amounted to approximately RMB6,352,000 and recovery of other receivables amounted to approximately RMB2,735,000 but there were no such gain in the year ended 31 December 2012. Thus, the total amount of other gains for the current period decreased substantially as compared to the previous corresponding period.

Listing Expenses

Listing expenses represent expenses incurred for the purpose of placing of the Company's shares listed on GEM of the Stock Exchange on 12 June 2012.

Marketing and distribution expenses and administrative expenses

The Group's marketing and distribution expenses and administrative expenses for the year ended 31 December 2012 were approximately RMB23,041,000, representing an increase of approximately 64.4% from approximately RMB14,016,000 for the corresponding period of the previous year. The increase was mainly because of expansion of business of the Group. In addition, there was a non-cash equity-settled share-based expenditure (share option expenditure) amounted to RMB1,394,000 included in administrative expenses.

Finance cost

Finance cost included interest charged from bank and other borrowings. The finance cost increased mainly due to the fact that average principal sum of other borrowings was higher in the year ended 31 December 2012.

Income tax expenses

The income tax expenses increased greatly by RMB5,234,000 to RMB9,425,000 for the year ended 31 December 2012, which was increased by 124.9% when compared with that of year 2011. It was mainly due to the taxable profit of PRC subsidiaries increased greatly for the year ended 31 December 2012.

Net Profit

For the year ended 31 December 2012, the Group recorded a net profit attributable to equity holders of the Company of approximately RMB65,708,000 as compared to approximately RMB55,381,000 for the corresponding period of the previous year.

The net profit excluding Listing expenses, whole amount of non-recurrent other gains and losses, and non-cash equity-settled share-based expenditure (share option expenditure) amounted to RMB76,582,000 as compared to approximately RMB55,027,000 for the corresponding period of previous year, representing an increase of 39.2%.

Basic earnings per share and return on equity were decreased resulting from effect of increase of weighted average number of shares and share capital as the Company's shares were listed on the GEM of the Hong Kong Stock Exchange on 12 June 2012.

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 2012 of approximately RMB39,095,000 as compared to 31 December 2011 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 2012. In addition, there was an increase in amount due form customers for contract works as at 31 December 2012 of approximately RMB76,265,000 as compared to 31 December 2011 which was mainly due to net effect of the settlement from customers and revenue arising from the year ended 31 December 2012. Such revenue generated had not been certified by the customers or underlying construction had not been completed as at 31 December 2012. Since approximately half of the revenue for year ended 31 December 2012 was arising from fourth quarter of year 2012 and the amount was approximately 70% higher than that over the corresponding period of year 2011, both trade and bill receivables and amount due from customers for contract works increased greatly accordingly. As at 28 February 2013, the customers settled trade receivable and amount due from customers for contract works amounted to RMB10,458,000 and RMB21,623,000 respectively, and in the sum of RMB32,081,000.

Liquidity and financial resources

As at 31 December 2012, the Group had current assets of approximately RMB246,381,000 (31 December 2011: RMB75,642,000) which comprised cash and cash equivalents in RMB130,300,000 as at 31 December 2012 (31 December 2011: RMB43,800,000). As at 31 December 2012, the Group had non-current liabilities amounted to approximately RMB4,113,000 (31 December 2011: RMB2,197,000), and its current liabilities amounted to approximately RMB147,168,000 (31 December 2011: RMB108,809,000), 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 2.7 as at 31 December 2012 (31 December 2011: 1.7).

The Group had bank and other borrowings as at 31 December 2012 were RMB26,184,000 and RMB33,519,000 respectively and in the sum of RMB59,703,000. 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. 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) over shareholders' fund, was approximately 19.8% as at 31 December 2012 (2011: approximately 5.2%).

Treasury policies

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

Foreign exchange exposure

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 2012, 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 2012, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 12 June 2012. There has been no change in the capital structure of the Company since 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 2012 (2011: Nil).

Capital commitments

As at 31 December 2012, the Group had capital commitments amounted to RMB1,600,000 (2011: RMB83,000).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2012 (2011: Nil).

Information on employees

As at 31 December 2012, the Group had 248 employees (2011: 193), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB17,751,000, as compared to approximately RMB11,319,000 for the year ended 31 December 2011. The emoluments of the Directors for the year ended 31 December 2012 and 2011 amounted to RMB851,000 and RMB416,000 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.

Principal terms of the Share Option Scheme are disclosed in the section headed "Share Option Scheme" on pages 55 to 57 of this results announcement.

Significant investments held

Except for investments in subsidiaries, during the year ended 31 December 2012, 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 in the Company's Prospectus, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Company's Prospectus.

Charges of assets

As at 31 December 2012, the Group had pledged bank deposit amounted to approximately RMB20,271,000 (2011: Nil) and trade receivables amounted to RMB16,137,000 (2011: RMB6,195,000) to facilitate the bank borrowings.

Contingent liabilities

Save as disclosed herein, the Group had no contingent liabilities as at 31 December 2012 (2011: Nil).

Capital expenditure

The Group planned to spend capital expenditure for the year ending 31 December 2013, 2014 and 2015 amounted to RMB45 million, RMB4 million and RMB25 million respectively. The following table summarized the details:

Year	Investment in equipment (RMB million)	Securing strategic assets or rights (RMB million)	Acquisition (RMB million)	Total (RMB million)	Sources of fund
2013	17	18	10	45	IPO proceed
2014	4	—	—	4	IPO proceed
2015	5	10	10	25	Internal working capital or bank available facilities
Total	26	28	20	74	

AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 December	
		2012	2011
		RMB'000	RMB'000
Revenue	4	**246,368**	161,734
Cost of sales/services		**(137,079)**	(86,692)
Gross profit		**109,289**	75,042
Other income	6	**622**	134
Other gains and losses	7	**931**	10,879
Marketing and distribution expenses		**(6,262)**	(3,245)
Administrative expenses		**16,779**	(10,771)
Listing expenses		**(10,411)**	(9,068)
Finance costs	8	**(2,257)**	(1,942)
Profit before taxation	9	**75,133**	61,029
Income tax expense	10	**(9,425)**	(4,191)
Profit and total comprehensive income for the year		**65,708**	56,838
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		**65,708**	55,381
Non-controlling interests		**—**	1,457
		65,708	56,838
		RMB	RMB
Earnings per share	12		
Basic (cents)		**4.4**	4.5
Diluted (cents)		**4.4**	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	At 31 December 2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**12,157**	6,451
Goodwill	13	**30,099**	30,099
Intangible assets		**93**	11
Trade receivables	14	**16,492**	—
Deferred tax assets		**106**	2,092
Deposits paid for acquisition of property, plant and equipment		**1,034**	71
		59,981	38,724
Current assets			
Inventories		**3,128**	2,846
Trade and bill receivables	14	**88,919**	66,316
Other receivables, deposits and prepayments		**10,912**	2,682
Amounts due from customers for contract work	15	**139,745**	63,480
Restricted bank deposits	16	**20,545**	5,327
Bank balances and cash	16	**130,300**	43,800
		393,549	184,451
Current liabilities			
Trade and other payables	17	**75,449**	61,269
Amounts due to related parties	23(b)	**1,900**	39,084
Bank and other borrowings	18	**59,703**	5,888
Provision		**112**	60
Income tax payables		**10,004**	2,508
		147,168	108,809
Net current assets		**246,381**	75,642
Total assets less current liabilities		**306,362**	114,366
Non-current liabilities			
Deferred tax liabilities		**4,113**	2,197
Net assets		**302,249**	112,169

	Notes	At 31 December 2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital/issued equity	19	**136,982**	—
Reserves		**165,267**	112,169
Equity attributable to equity holders of the Company		**302,249**	112,169
Non-controlling interests		**—**	—
Total equity		**302,249**	112,169

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to the holders of the Company							
	Issued equity RMB'000 (Note 19)	Capital reserves RMB'000	Share options reserves RMB'000 (Note 20)	Statutory surplus reserves RMB'000 (Note (f))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011	20,000	(624)	—	3,069	11,573	34,018	1,244	35,262
Profit and total comprehensive income for the year	—	—	—	—	55,381	55,381	1,457	56,838
Acquisition of entity under common control (Note (a))	(10,000)	6,909	—	—	—	(3,091)	3,091	—
Distribution to equity participants (Note (a))	—	(10,000)	—	—	—	(10,000)	—	(10,000)
Acquisition of business (Note (b))	—	28,684	—	—	—	28,684	3,183	31,867
Acquisition of additional interest in a subsidiary (Note (c))	—	7,177	—	—	—	7,177	(8,975)	(1,798)
Arising from share swap for equity interest (Note (d))	(10,000)	10,000	—	—	—	—	—	—
Appropriations	—	—	—	6,278	(6,278)	—	—	—
Balance at 31 December 2011	—	42,146	—	9,347	60,676	112,169	—	112,169
Profit and total comprehensive income for the year	—	—	—	—	65,708	65,708	—	65,708
Capital contribution by equity participants (Note (e))	—	15,000	—	—	—	15,000	—	15,000
Issue of shares pursuant to the placing	34,199	82,077	—	—	—	116,276	—	116,276
Transaction costs attributable to issue of shares	—	(8,298)	—	—	—	(8,298)	—	(8,298)
Issue of shares to initial shareholders pursuant to the capitalisation issue	102,783	(102,783)	—	—	—	—	—	—
Recognition of equity-settled share-based payments (Note 20)	—	—	1,394	—	—	1,394	—	1,394
Appropriations	—	—	—	17,113	(17,113)	—	—	—
Balance at 31 December 2012	136,982	28,142	1,394	26,460	109,271	302,249	—	302,249

Notes:

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

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

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

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

(e) On 4 June 2012, the outstanding amounts due to Mr. Jiang and Ms. Guo Aru ("Ms. Guo"), the director of the Company, of approximately RMB20,000,000 were waived by such related parties and recognised as capital contribution from shareholders after netting off the tax impact of RMB5,000,000.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Operating activities		
Profit before taxation	**75,133**	61,029
Adjustments for:		
Provision of warranty costs	**52**	35
Provision of employee injury	**10**	450
Recovery of other receivables	**—**	(2,735)
Depreciation of property, plant and equipment	**1,499**	1,005
Amortisation of intangible assets	**12**	1,534
Loss (gain) on disposal of property, plant and equipment	**592**	(6)
Gain on discharge of obligations under convertible loans	**—**	(6,352)
Fair value adjustment on initial recognition of other borrowings	**(1,826)**	(1,282)
Gain on sales of scrap material	**(23)**	—
Recognition of equity-settled share-based payments	**1,394**	—
Impairment loss on trade receivables	**—**	207
Gain on discharge of long outstanding payables	**—**	(486)
Interest income	**(622)**	(134)
Finance costs	**2,257**	1,942
Operating cash flows before movements in working capital	**78,478**	55,207
Movements in working capital:		
(Increase) decrease in inventories	**(259)**	6,672
Increase in trade and bill receivables	**(39,095)**	(46,238)
(Increase) decrease in other receivables, deposits and prepayment	**(8,230)**	4,773
Increase in amounts due from customers for contract work	**(76,265)**	(46,624)
Increase in trade and other payables	**17,819**	36,089
Cash (used in) generated from operations	**(27,552)**	9,879
Income tax paid	**(3,027)**	(1,784)
Cash (used in) generated from operations	**(30,579)**	8,095

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Investing activities		
Interest received	**622**	134
Payment for property, plant and equipment	**(7,824)**	(1,902)
Payment of intangible assets	**(94)**	(14)
Deposits paid for acquisition of property, plant and equipment	**(1,010)**	(71)
Proceeds from disposal of property, plant and equipment	**74**	73
Net cash inflow on acquisition of subsidiaries	**—**	984
Advances to related parties	**—**	(3,927)
Advances to independent third party	**(3,649)**	—
Repayments from related parties	**—**	9,993
Placement of restricted bank deposits	**(20,270)**	(5,327)
Withdrawal of restricted bank deposits	**5,052**	601
Net cash (used in) from investing activities	**(27,099)**	544
Financing activities		
Interest paid	**(913)**	(660)
Issue of shares	**116,276**	—
Transaction costs for issue of shares	**(8,298)**	—
Capital injection by equity participants	**—**	37
Proceeds from new bank loans and other borrowings raised	**118,975**	35,433
Repayments of bank loans and other borrowings	**(64,678)**	(47,872)
Repayments to related parties	**(25,984)**	(10,932)
Advances from related parties	**8,800**	31,933
Distribution to equity participants	**—**	(20,000)
Net cash generated from (used in) financing activities	**144,178**	(12,061)
Net increase (decrease) in cash and cash equivalents	**86,500**	(3,422)
Cash and cash equivalents at the beginning of the year	**43,800**	47,222
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**130,300**	43,800

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 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.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

In the current year, the Group has applied a number of amendments to standards that are mandatorily effective for the Group's financial year ended 31 December 2012.

The application of the amendments to standards 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 consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised in 2011)	Employee Benefits[1]
IAS 27 (Revised in 2011)	Separate Financial Statements[1]
IAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2014

The directors of the Company ("Directors") anticipate that the application of the 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.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Sales of goods	**14,454**	14,410
Construction contract revenue	**223,408**	141,341
Services income	**8,441**	5,918
Rental income	**65**	65
	246,368	161,734

The above rental income was generated from certain using right of sewer sub-rent to telecommunication operators in the PRC. In accordance with those sub-rent agreements, the rental income was recognised based on the actual distance of sewer used by the telecommunication operators.

5. SEGMENT INFORMATION

Mr. Jiang is the controlling party and 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	
	2012	2011
	RMB'000	RMB'000
Deployment services of optical fibers		
– sales of goods	**990**	2,599
– provision of services	**165,210**	112,638
Low-voltage equipment integration services		
– sales of goods	**13,464**	11,811
– provision of services	**58,198**	28,703
Pipeline maintenance service	**8,441**	5,918
Rental income	**65**	65
	246,368	161,734

5. SEGMENT INFORMATION *(Continued)*

Information about geographical area

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

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
The PRC	**246,368**	161,720
Overseas	**—**	14
	246,368	161,734

Information about major customers

The Group's customer base is diversified and revenue from the only one customer of the corresponding year contributed over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Customer A	**123,999**	106,811

6. OTHER INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Bank interest income	**622**	134

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Other gains (losses) comprise:		
Impairment loss on trade receivables	**—**	(207)
Provision of employee injury	**(10)**	(450)
Net foreign exchange (loss) gain	**(316)**	675
(Loss)gain on disposal of property, plant and equipment	**(592)**	6
Gain on discharge of long outstanding payables	**—**	486
Recovery of other receivables (Note (a))	**—**	2,735
Fair value adjustment on initial recognition of other borrowings	**1,826**	1,282
Gain on sales of scrap material	**23**	—
Gain on discharge of obligations under convertible loans (Note (b))	**—**	6,352
	931	10,879

Note:

(a) This amount mainly represents the subsequent collection of other receivables by Hebei Deer which were fully written-off before the re-organisation in preparation for Listing.

(b) In June 2011, Partnerfield has entered into agreements with the lenders to settle the entire outstanding balances of other borrowings which represented amounts payable by Partnerfield for settlement of convertible loans matured in the year ended 31 December 2008 of HK$15,044,000 (approximately RMB12,522,000). Pursuant to the agreements, the Group agreed to pay HK$7,420,000 (approximately RMB6,170,000) to the lenders to discharge all obligations of Partnerfield under the convertible loans resulted in a gain of HK$7,624,000 (approximately RMB6,352,000).

8. FINANCE COSTS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Imputed interest expenses on other borrowings	**1,344**	1,282
Interest on other borrowings	**234**	252
Interest on bank borrowings wholly repayable within five years	**679**	408
	2,257	1,942

9. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,499**	1,005
Amortisation of intangible assets (Note (a))	**12**	1,534
Operating lease rentals in respect of offices	**1,292**	1,446
Cost of inventories recognised as expense	**54,692**	32,821
Research expenses	**627**	1,051
Provision of warranty costs	**52**	35
Staff costs:		
Directors' emoluments	**851**	416
Other staff costs	**16,900**	10,903
Total staff costs (Note (b))	**17,751**	11,319

9. PROFIT BEFORE TAXATION *(Continued)*

Notes:

(a) The amortisation of intangible assets was further analysed as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Amortisation included in:		
Cost of sales/services	**—**	1,528
Administrative expenses	**12**	6
	12	1,534

(b) The total staff costs include retirement benefit cost of RMB1,829,000 for the year ended 31 December 2012 (2011: RMB1,015,000).

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax	**5,523**	3,129
Underprovision in prior year	**—**	2
	5,523	3,131
Deferred tax		
Current year	**1,986**	(306)
Withholding tax	**1,916**	1,366
	3,902	1,060
	9,425	4,191

10. INCOME TAX EXPENSE *(Continued)*

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

(a) Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 14 September 2011, the company's subsidiary, 北京優通泰達電氣新技術發展有限公司Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. ("Beijing U-Ton") had been designated as a High and New Technology Enterprise and its PRC enterprise income tax rate is 15% for three years since the year of 2011.

(b) Pursuant to a certificate issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得徵收辦法(試行)), Hebei Changtong's taxable income was computed based on 8% of its total revenue.

(c) Pursuant to the PRC enterprise income tax assessment form issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得徵收辦法(試行)), taxable income of Shijiazhuang Qiushi 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.

The tax charge for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit before taxation	**75,133**	61,029
PRC enterprise income tax at applicable tax rate of 25%	**18,784**	15,257
Tax effect on:		
Expenses not deductible for tax purposes	**4,805**	3,092
Income not subject to tax	**(588)**	(2,842)
Concessionary rates granted to a PRC subsidiary	**(1,515)**	(56)
Taxable income estimated on total revenue	**(14,998)**	(12,628)
Tax loss not recognised	**1,021**	—
Under provision in prior year	**—**	2
Withholding tax on undistributed profit of PRC entities	**1,916**	1,366
Tax charge for the year	**9,425**	4,191

11. DIVIDENDS

No dividends have been paid or declared by the Company during both years.

12. 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	
	2012	2011
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**65,708**	55,381

	Year ended 31 December	
	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,494,098**	1,227,836
Effect of dilutive potential ordinary shares arising from issue of share options by the Company	**311**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,494,409**	N/A

The calculation of basic earnings per share for both years are based on 1,260,000,000 shares in issue after taking into account that the Group reorganisation, except for the acquisition of Shijiazhuang Qiushi, and capitalisation issue as disclosed in Note 19.

No diluted earnings per share is presented for the year ended 31 December 2011 as there were no potential ordinary shares outstanding during that period.

13. GOODWILL

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost and carrying amounts		
Balance at beginning of year	**30,099**	—
Addition recognised from business combination occurred during the year	**—**	30,099
Balance at end of year	**30,099**	30,099

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill has been allocated to the following cash generating unit ("CGU").

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Low-voltage equipment integration services located in Shijiazhuang, the PRC	**30,099**	30,099

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling price and direct costs. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the Group prepares cash flow projection covering a 5-year period. The calculation uses cashflow projections based on financial budgets approved by management covering a 5-year period and discount rate of 19% (At 31 December 2011: 19%). The cash flows beyond the 5-year period are extrapolated by assuming a growth rate of 3% in revenue in the CGU (At 31 December 2011: 3%).

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the CGU.

14. TRADE AND BILL RECEIVABLES

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables-current portion	**89,101**	62,527
Less: Allowance for impairment of receivables	**(182)**	(207)
	88,919	62,320
Bill receivable	**—**	3,996
	88,919	66,316
Trade receivables-non-current portion	**16,492**	—
	105,411	66,316

Included in the Group's trade receivables is a balance with amount of RMB26,303,000, has been recognised at initial recognition, which is repayable by installments over a period of 10 years which is non-interest bearing. A fair value adjustment at an effective interest rate of 8.4% amounting to RMB6,692,000.

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Receivable:		
Within one year	**3,119**	—
Two to five years	**13,252**	—
Over five years	**3,240**	
	19,611	—
Less: current portion	**(3,119)**	—
	16,492	—

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

14. TRADE AND BILL RECEIVABLES *(Continued)*

The following is an aged analysis of trade and bill receivables by invoice/completion certificate date at the end of the reporting period:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**97,329**	58,699
91 to 180 days	**784**	2,051
181 to 365 days	**2,913**	3,138
1 to 2 years	**4,292**	2,186
2 to 3 years	**93**	242
Total trade and bill receivables	**105,411**	66,316

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB78,875,000 (31 December 2011: RMB63,978,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**73,403**	57,202
91 to 180 days	**637**	2,008
181 to 365 days	**2,195**	3,077
1 to 2 years	**2,640**	1,549
2 to 3 years	**—**	142
	78,875	63,978

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables at the end of each reporting period.

In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of reporting period and assesses portfolio of receivable on a collective basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Directors believe that no further provision is required in excess of the provision for impairment of receivables.

14. TRADE AND BILL RECEIVABLES *(Continued)*

Movements of allowance for impairment of receivables are set out as follow:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Balance at beginning of year	**207**	—
Additions recognised during the year	**—**	207
Amounts written off during the year as uncollectible	**(25)**	—
Balance at end of year	**182**	207

At 31 December 2012, retentions held by customers for contract works included in trade receivables amounted to RMB6,925,000 (31 December 2011: RMB2,338,000).

15. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profit or loss	**139,745**	63,480
Less: progress billings	**—**	—
	139,745	63,480
Analysed for reporting purpose as:		
Amounts due from contract customers	**139,745**	63,480

16. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted bank deposits were mainly used to secure the Group's bill facilities and bank borrowings, and these bank deposits will be released upon the settlement of relevant bill facilities and bank borrowings.

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Bill facilities	**—**	5,053
Bank borrowings	**20,271**	—
Others	**274**	274
	20,545	5,327

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

Restricted bank deposits and bank balances carry prevailing market interest rate of 1.26% per annum as at 31 December 2012 (31 December 2011: 0.5% per annum).

At the end of each reporting period, included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities to which they relate.

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Bank balances and cash denominated in:		
USD	**96**	96
HKD	**39,836**	632
EUR	**161**	322
	40,093	1,050

17. TRADE AND OTHER PAYABLES

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables	**54,323**	37,257
Bill payables	**—**	5,052
Other payables	**4,993**	8,949
Other tax payables	**7,728**	4,216
Accrued payroll	**8,405**	5,795
	75,449	61,269

The Group has financial risk management policies in place to ensure that payables are within the credit timeframe.

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Within 90 days	**37,453**	25,791
91 to 180 days	**6,357**	5,561
181 to 365 days	**6,829**	10,402
1 to 2 years	**3,684**	483
2 to 3 years	**—**	47
Over 3 years	**—**	25
	54,323	42,309

18. BANK AND OTHER BORROWINGS

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Secured bank borrowings	**26,184**	4,956
Other borrowings - interest free	**18,519**	—
Other borrowings - interest bearing	**15,000**	932
	59,703	5,888

18. BANK AND OTHER BORROWINGS *(Continued)*

At 31 December 2012, bank borrowings of RMB12,884,000 (31 December 2011: RMB4,956,000) and RMB8,300,000 (31 December 2011: nil) are carried at floating rates, secured by a charge over certain of the Group's trade receivables and bank deposits with carrying amounts of RMB16,137,000 (31 December 2011: RMB6,195,000) and RMB20,271,000 (31 December 2011: nil) respectively, at 31 December 2012.

In addition, there is a bank borrowing of RMB5,000,000 carried at floating rate and secured by Ms. Guo's personnel properties as at 31 December 2012.

All the secured bank borrowings are repayable within one year from the end of the reporting period. The effective interest rates on the borrowings are as follows:

	At 31 December	
	2012	2011
	%	%
Floating-rate borrowings (Note)	**6.60**	7.26

Note: The floating rates are from 100% to 120% (31 December 2011: 115%) of the People's Bank of China's benchmark interest rate for loans.

All bank borrowings are denominated in the functional currencies of the relevant group entities.

During the year, the Group received advances from independent third parties, with principal amounts of RMB33,097,000 (2011: RMB20,320,000) in aggregate. These balances were unsecured, interest-free and were repayable one year from the date of drawdown. Fair value adjustment at an effective interest rate of 5.43% (31 December 2011: 6.31%) amounting to RMB1,826,000 (2011: RMB1,282,000) was credited as income. The movements of these borrowings are further analysed as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Other borrowing - principal	**33,097**	20,320
Less: Fair value adjustment	**(1,826)**	(1,282)
Add: imputed interest	**1,344**	1,282
Less: Repayment	**(14,096)**	(20,320)
	18,519	—

18. BANK AND OTHER BORROWINGS *(Continued)*

As at 31 December 2012, the other borrowing with interest bearing of RMB15,000,000 (31 December 2011: RMB932,000) represents the advances received from independent third parties which carried a fixed interest from 9.6% to 12% (31 December 2011: 10%) per annum. These borrowings are secured by personal guarantee of Mr. Jiang and are repayable within one year from the date of drawdown. The other borrowings are denominated in RMB.

19. SHARE CAPITAL/ISSUED EQUITY

The issued equity as at 31 December 2012 represents the share capital of the Company set out as follows:

	Number of shares	Share capital
	'000	RMB'000
Authorised		
Ordinary shares of HK$0.10 each		
on incorporation and at 31 December 2011	1,000	81
Addition (Note (a))	3,999,000	325,919
At 31 December 2012	4,000,000	326,000
Issued and fully paid		
On incorporation	1	—
Issue of shares to initial shareholders	99	—
Issue of shares for the Group Reorganisation	900	—
At 1 January 2012	1,000	—
Issue of shares pursuant		
to the capitalization issue (Note (b))	1,259,999	102,783
Issue of shares pursuant to the placing (Note (c))	420,000	34,199
At 31 December 2012	1,680,000	136,982

Notes:

(a) On 27 May 2012, by resolution of the shareholders of the Company, the authorised share capital of the Company was increased from HK$100,000 to HK$400,000,000 divided into 4,000,000,000 Shares by the creation of additional 3,999,000,000 Shares of HK$0.10 each.

19. SHARE CAPITAL/ISSUED EQUITY *(Continued)*

(b) Pursuant to the shareholders' written resolutions dated 27 May 2012, 1,259,999,000 shares were issued and allotted to the shareholders by way of capitalisation of the sum of HK$125,999,900 standing to the credit of the share premium account of the Company, such shares ranking pari passu in all respect with the then existing issued shares of the Company.

(c) On 11 June 2012, 420,000,000 new shares of HK$0.10 each were issued for cash at a price of HK$0.34 per share. The new shares issued rank pari passu in all respect with the existing shares in issue.

20. SHARE-BASED PAYMENT TRANSACTIONS

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 27 May 2012 for the primary purpose of providing incentives to directors and eligible employees. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

On 14 August 2012, the Group granted share options to an eligible participant (the "Grantee") to subscribe for a total of 6,720,000 ordinary shares of HK$0.65 per share under the Share Option Scheme, subject to acceptance of the Grantee. Such options vested on the grant date.

The following table discloses details of the Group's share options held by the eligible participant and movements in such holdings under the Share Option Scheme during the year.

				Number of Options ('000)			
	Date of grant	Exercise period	Exercise price	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Outstanding at 31 December 2012
			HKD				
Share option	14.8.2012	15.8.2012 to 14.8.2022	0.65	—	6,720	—	6,720
Exercise at end of the year							6,720
Weighted average exercise price				—	0.65	—	0.65

20. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The closing price of the Group's share immediately before 14 August 2012, the date of grant, was HK$0.65 per share.

Exercise price of the share options granted is HK$0.65 per share, which represents the highest of (i) the closing price of HK$0.65 per share as stated in the daily quotation sheet of the Hong Kong Stock Exchange on 14 August 2012, being the date of grant; (ii) the average closing price of HK$0.626 per share as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the share.

The following assumptions were used to calculate the fair value of share options:

Share Price (HK$)	0.65
Option Strike Price (HK$)	0.65
Assumed Time to Maturity	5 years
Risk-free Interest Rate	0.26%
Annualised Volatility	49%
Expected Dividend Yield	1.15%

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimation. Changes in variables and assumptions may result in changes in the fair value of the options.

Annualised volatility was estimated based on the average of historical volatilities of the comparable companies, since there are no historical data for the Company.

The Company recognised the total expense of HK$1,705,000 (equivalent to RMB1,394,000) for the year ended 31 December 2012 in relation to share options granted by the Company.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 6,720,000 (31 December 2011: nil), representing 0.4% (31 December 2011: nil) of the shares of the Company in issue at that date.

21. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also participates in a defined contribution scheme, Mandatory Provident Fund Scheme (the "MPF Scheme"), established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of independent trustees.

The retirement benefit cost charged to the consolidated statements of comprehensive income represents contributions payable to the funds by the Group at rate specified in the rules of the schemes. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The maximum monthly amount of contribution is limited to HK$1,250 (2011: HK$1,000) per employee.

22. OPERATING LEASE COMMITMENT

The Group as a lessee

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases in respect of leased properties are as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Within one year	**1,154**	1,265
In the second to fifth year inclusive	**45**	1,027
	1,199	2,292

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated for a lease term ranging from one to five years and rentals are fixed at the date of signing of lease agreements.

The operating lease payments disclosed above do not include amounts which are related to the using right of sewer. The Group has entered into several agreements for exclusive sewer using rights with local governments in certain target cities. In accordance with those lease agreements, the rentals were charged based on the actual distance of sewer used by the Group.

The Group as a lessor

The Group has entered into certain agreements to sub-rent the sewer using rights to telecommunication operators in the target cities. In accordance with those sub-rent agreements, the rental income was recognised based on the actual distance of sewer used by the telecommunication operators.

23. RELATED PARTY BALANCES AND TRANSACTIONS

(a) For the current year, the following parties are identified as related party to the Group and the respective relationships are set out below:

Name of related party	Relationship
河北德源管業製造有限公司 ("Hebei Deyuan")	Controlled by Mr. Jiang
河北乾源通信設備有限公司 ("Hebei Qianyuan")	Controlled by Mr. Jiang and Ms. Guo
河北瑞輝新型節能玻璃製品有限公司 ("Hebei Ruihui")	Controlled by Mr. Du Yanhua*
河北鑫華羊絨有限公司 ("Hebei Xinhua")	Controlled by Mr. Du Yanhua*
Mr. Jiang	Shareholder and director of the Company
Ms. Guo	The spouse of Mr. Jiang
Mr. Li	Shareholder and director of the Company
Ms. Ren Yanping	The spouse of Mr. Li
Ordillia Group Limited ("Ordillia")	Controlled by Mr. Li

* Mr. Du Yanhua was a member of Group's key management personnel in 2011 and he left the Group in 2012.

(b) At the end of the year of 2012, the Group has amounts payable to the following related parties and the details are set out below:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Non-trade nature:		
Hebei Ruihui	**—**	1,800
Ms. Guo	**—**	4,130
Mr. Jiang	**—**	16,347
Mr. Li	**1,900**	8,115
Ms. Ren Yanping	**—**	2,603
Ordillia	**—**	5,889
Hebei Xinhua	**—**	200
	1,900	39,084

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

23. RELATED PARTY BALANCES AND TRANSACTIONS *(Continued)*

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

Name of related party	Nature of transactions	Year ended 31 December	
		2012	2011
		RMB'000	RMB'000
Ms. Guo	Rental expense	**—**	30
Hebei Qianyuan	Rental expense	**—**	360
Hebei Deyuan	Rental expense	**—**	35

(d) The remuneration paid and payable to the key management of the Company who are also the Directors for the year.

24. CAPITAL COMMITMENTS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,600**	83

25. CONTINGENT LIABILITIES

A subsidiary has been named as a defendant in the Shijiazhuang Changan District People's Court and the Hebei Shijiazhuang Intermediate People's Court action in respect of an alleged compensation for injuries. The potential claim amount shall be subject to the actual damages, including medical and rehabilitation expenses, transportation, etc., reasonably incurred by the applicant and the maximum amount of the claim against the Group will be determined by the court.

According to the paper of civil mediation issue by Shijiazhuang Yuhua District People's Court on 17 September 2012, the subsidiary paid RMB460,000 for economic damage to the applicant in October 2012, and an additional amount of RMB10,000 in respect of the claim was recognised in 2012.

OTHER INFORMATION

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

Comparison of Future Plans with the Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the period ended 31 December 2012 (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 2012 as set out in the Prospectus	Actual business progress up to 31 December 2012
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 and the sum were settled by internal fund.
(ii) Market expansion	The Group has built two experimental sections and the sum were settled by internal fund. In addition, the Group is looking for a suitable location to establish one representative office.
(iii) Securing strategic assets/rights	The Group has started to communicate with relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group has commenced research.
(v) Human resources	The Group has employed additional technical staffs and provided relevant training to new and existing staffs and the sum were settled by internal fund.
(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 and the sum were settled by internal fund.
2. Expanding our business of low-voltage equipment integration services in the PRC	
(i) Sales and marketing	The Group has employed additional staffs to strengthen sales and marketing network and the sum were settled by internal fund. In addition, the Group is conducting research on appropriate sales and marketing activities to promote reputation.

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

Use of Proceeds

The net proceeds from the placing of the Company's shares were approximately HK$108.7 million (equivalent to approximately RMB88.7 million). The net proceeds from the Listing Date to 31 December 2012 had been applied as follows:

	Use of proceeds from the Listing Date to period ended 31 December 2012 as shown in the Prospectus HK$ (million)	Actual use of proceeds from the Listing Date to 31 December 2012 HK$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	9.52	—
(ii) Market expansion	5.31	—
(iii) Securing strategic assets/rights	6.10	—
(iv) Acquisition	12.20	—
(v) Human resources	1.00	—
(vi) Research and development	1.30	—
Sub-total	35.43	—
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	1.20	—
3. Repayment of bank and other borrowings	14.30	11.6
4. General working capital (Note)	8.4	7.6
Total	59.33	19.2

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.

As disclosed in Comparison of Future plans with Actual Business Progress, except Repayment of bank and other borrowings and general working capital, all such business activities were paid by internal fund. The planned use of proceed expected would be used in year 2013. In order to minimise the exchange rate risk, the Group translated Principal amount of HK$50 million to RMB currency from September 2012 and the fund is deposited in a commercial bank in Hong Kong.

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 2012.

Pursuant to the agreement dated 7 June 2012 entered into between Guotai Junan Capital Limited and the Company, Guotai Junan Capital Limited is entitled to 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 2012 are disclosed in Note 23 to the result announcement. The related party transactions set out in Note 23 to the result announcement 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 6,720,000 shares were granted under the Share Option Scheme. The exercise price per share for each option so granted is HK$0.65. No options were exercised, cancelled or lapsed during the year. As at 31 December 2012, the number of shares comprised in the outstanding options was 6,720,000.

Details of the movement of the Share Options during the year ended 31 December 2012 were as follows:

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

Additional particulars of the Share Option Scheme are set out in note 20 to the result announcement.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2012 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 2012, 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)	Our Company	Interest of a controlled corporation	1,008,000,000 Shares (L)	60%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Guo Aru (Note 3)	Our Company	Family	1,008,000,000 Shares (L)	60%
	Bright Warm Limited	Family	1 share (L)	100%
Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	252,000,000 Shares (L)	15%
	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 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 1,008,000,000 Shares owned by Jiang Changqing in the Company and 1 share owned by Jiang Changqing in Bright Warm Limited by virtue of the SFO.

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

5. Ren Yanping is the spouse of Li Qingli. Therefore, Ren Yanping is deemed to be interested in the 252,000,000 Shares owned by Li Qingli by virtue of the SFO.

Save as disclosed above, as at 31 December 2012, 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 2012, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	**Name of Group member**	**Capacity/nature of interest**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	1,008,000,000 Shares (L)	60%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	252,000,000 Shares (L)	15%
Ren Yanping (Note 4)	Our Company	Family	252,000,000 Shares (L)	15%

Notes:

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

2. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang, one of the controlling shareholders of our Company and an executive Director. Therefore, Jiang Changqing is also deemed to be interested in the 1,008,000,000 Shares owned by Bright Warm by virtue of the SFO.

3. Ordillia Group Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Li Qingli, one of the substantial shareholders of our Company and an executive Director. Therefore, Li Qingli is also deemed to be interested in the 252,000,000 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 252,000,000 Shares owned by Li Qingli by virtue of the SFO.

Save as disclosed above, as at 31 December 2012, the Directors were not aware of any other persons/ entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Competition and Conflict of Interests

During the year, save as disclosed in the Prospectus, 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, save as disclosed in the Prospectus, neither did the Company nor any of its subsidiaries redeem, purchase or sell any of its listed securities.

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.

Code on Corporate Governance Practices

From the Listing Date and up to 31 December 2012, 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 A.1.8 and A.2.1 as more particularly described below.

Code provision A.1.8 provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. From the Listing date and up to 31 December 2012, the Company and the Directors have taken sufficient measures to avoid any mistakes of a director and to minimize the risk of claim against the directors and therefore no insurance cover has been arranged. In January 2013, the Board had arranged insurance cover in respect of legal action against the directors and senior management.

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 annual general meeting to be held on 24 May 2013, the register of members will be closed from 22 May 2013 to 24 May 2013, 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 21 May 2013.

Annual General Meeting

The annual general meeting will be held on 24 May 2013, 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 report, 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 2012.

The Audit Committee had reviewed the final results for the year ended 31 December 2012 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, 25 March 2013

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

This announcement will remain on the GEM website at www.hkgem.com 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.