



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

2014
FIRST QUARTERLY REPORT

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CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This report is now available in printed form in English and in Chinese, and on the website of the Company.

If (i) registered shareholders who have received or chosen to receive a printed copy of this report wish to receive the same in the other language to that chosen by the registered shareholders; or (ii) registered shareholders who have received or chosen to receive this report by electronic means wish to receive a printed copy, or who for any reason have difficulty in receiving or gaining access to this report on the Company’s website, they may obtain the same free of charge by sending a request to (a) in the case of registered shareholders, the Company’s share registrar and transfer office, Tricor Investor Services Limited, at 22/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong.

For registered shareholders who wish to change their choice of language or means of receipt of the Company’s future corporate communications free of charge, they could at any time notify the Company’s share registrar and transfer office by post (at the address mentioned above).

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Highlights

- The Company reported a profit attributable to the equity holders of the Company of RMB16,985,000 for the three months ended 31 March 2014, an increase of RMB5,728,000 when compared with the corresponding period of the previous financial year.
- The Group's revenue was approximately RMB96,701,000 for the three months ended 31 March 2014, an improvement of RMB46,499,000 when compared with the corresponding period of the previous financial year.
- Gross profit margin for the three months ended 31 March 2014 was approximately 35.4%, which translates into gross profit of approximately RMB34,253,000, an increase of RMB13,912,000.
- Earnings per share for the three months ended 31 March 2014 was RMB1.0 cents and increase of RMB0.3 cents compared to RMB0.7 cents for the corresponding period of the previous financial year.
- The Board does not recommend the payment of any interim dividend for the period.
- The backlog amount for the deployment projects of optical fibers as at 31 March 2014 amounted to approximately RMB164,618,000.
- The estimated amount for the tender succeeded but the Group has not entered into any contract for the deployment projects of optical fibers as at the date of this report amounted to approximately RMB520,000,000.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Jiang Changqing (姜長青) (Chairman)
Guo Aru (郭阿茹)
Li Qingli (李慶利)

Independent Non-Executive Directors

Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)
Li Xiaohui (李曉慧)

Company Secretary

Pang Chun Kit (彭俊傑) (ACCA, HKICPA)

Compliance Officer

Li Qingli (李慶利)

Audit Committee

Li Xiaohui (李曉慧) (Chairlady)
Meng Fanlin (孟繁林)
Wang Haiyu (王海玉)

Nomination Committee

Meng Fanlin (孟繁林) (Chairman)
Li Xiaohui (李曉慧)
Wang Haiyu (王海玉)

Remuneration Committee

Wang Haiyu (王海玉) (Chairman)
Meng Fanlin (孟繁林)
Li Xiaohui (李曉慧)

Company's Website

www.chinauton.com

Authorised Representatives

Jiang Changqing
Pang Chun Kit

Auditor

Deloitte Touche Tohmatsu

Legal Adviser

Li & Partners

Compliance Adviser

Guotai Junan Capital Limited

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Principal Place of Business in Hong Kong

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Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
1 Garden Road,
Hong Kong

China Construction Bank
Shijiazhuang Guangan Dajie Branch
No. 26, Guangan Dajie, Shijiazhuang
Hebei Province
China

Industrial and Commercial Bank of China
Beijing Beitaipingzhuang Branch
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China

Principal Share Registrar and Transfer Office

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
22nd Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

8232

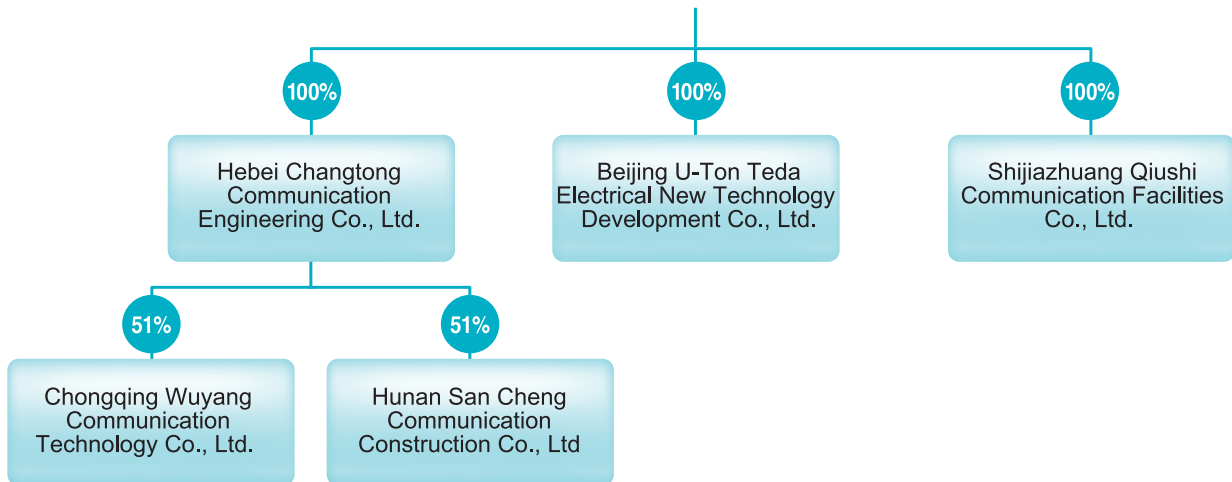
GROUP STRUCTURE OF MAJOR OPERATING SUBSIDIARIES



中国优通控股
China UT Holding

China U-Ton Holdings Limited
中國優通控股有限公司

(Stock Code: 8232.HK)



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company reported its unaudited reports for the three months ended 31 March 2014 with a profit attributable to the equity holders of the Company of approximately RMB16,985,000, representing an increase of 50.9% over the corresponding period of the previous financial year. Our gross profit increased by approximately RMB13,912,000 to RMB34,253,000. The Group's turnover for the three months ended 31 March 2014 increased by 92.6% to approximately RMB96,701,000 which reflects the Group's ability in riding successfully on the favourable trend established in the previous financial year, seizing business opportunities in the optical fibers and equipment integration services market in China as well as improving the Group's core revenues and operating profitability.

BUSINESS REVIEW

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

Our competitive strengths include (1) micro-ducts and mini-cable system integration methods enable us to provide flexible solutions to our clients (2) various patents and rights to use sewer system in various cities/districts to enhance our business development in telecommunication to PRC.

Deployment projects of optical fibers

During the three-month period ended 31 March 2014, the Group achieved steady growth of business. The growth of revenue and gross profit was mainly contributed by the satisfactory performance of construction contract revenue, especially from more construction projects located in Hebei Province, and new projects from Hunan Province and Chongqing. As projects located in Hunan Province and Chongqing used traditional deployment methods and the projects during the three-month ended 31 March 2014 were less complex, the gross profit margin decreased accordingly.

The backlog amounts of projects in progress and projects to be commenced regarding deployment projects of optical fibers as at 31 March 2014 amounted to approximately RMB109,946,000 and RMB54,672,000, respectively.

As at the date of this report, the Group succeeded in the tender for certain deployment projects of optical fibers but has not entered into any contract with an estimated contract amount of approximately RMB520,000,000. Among the estimated contract sum, approximately RMB100,000,000 is related to projects by using micro-ducts and mini-cable system integration methods which strengthened our confidence to develop our business.

In addition, there was new contract of maintenance services in respect of optical fiber methods in Shangdong Province is another important step of the Group. Revenue recognised from each contract amounted to approximately RMB5,250,000.

Low voltage equipment integration services

During the three-month period ended 31 March 2014, there was an increase in revenue mainly arising from the increase of construction service of low voltage equipment integration during the period.

FUTURE PLANS AND PROSPECTS

The PRC's "Broadband China" (寬頻中國) strategy, 4G policies will continue to create good opportunities for the Group's business development. The general expansion of coverage of 3G networks and government's striving to grant 4G licenses have also been planned by PRC Government. It is believed that telecommunication operators will continue to invest in construction and upgrade of information and mobile telecommunication networks in the future. As optical fiber cables are the backbone of connecting mobile telecommunication base stations, and broadband/telecommunication networks, deployment services of optical fibers are always required by telecommunication operators no matter for their base station construction, network construction or later stage maintenance. Accordingly, the Group believes that the rapid development of telecommunication and information technology will continue to bring forth considerable development opportunities to us and the Group will grow further under such favourable business environment.

The Group will pay attention to other potential telecommunication business opportunity. More efforts will be made to strengthen internal control and management, strictly control production cost and operating expenses, so as to increase the overall profitability of the Group and maximize the returns for shareholders.

FINANCIAL REVIEW

	Three months ended 31 March 2014 (in RMB'000)	Three months ended 31 March 2013 (in RMB'000)	% Increase
Revenue	96,701	50,202	92.6
Gross Profit	34,253	20,341	68.4
Profit for the period attributable to the equity holders of the Company	16,985	11,257	50.9

Revenue

The Group's turnover for the three months ended 31 March of 2014 was approximately RMB96,701,000, representing an increase of approximately 92.6% over the corresponding period of the previous financial year. The increase in the Group's turnover was mainly due to increase of construction contract revenue.

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

	Three months ended 31 March			
	2014		2013	
	RMB'000	%	RMB'000	%
Deployment services of optical fibers				
construction contract revenue				
– Traditional deployment methods	69,083	71.4	27,866	55.5
– Micro-ducts and mini-cables system integration methods	15,324	15.9	19,535	38.9
Sub-total	84,407	87.3	47,401	94.4
Others				
– Services income	7,766	8.0	1,317	2.7
– Sales of goods	79	0.1	546	1.1
– Rental income	16	0.0	16	0.0
Sub-total	92,268	95.4	49,280	98.2
Low-voltage equipment integration services	4,433	4.6	922	1.8
Total	96,701	100.0	50,202	100.0

Deployment of optical fibers

Construction contract revenue

The construction contract revenue, being the income generated from our provision of the deployment services of optical fibers, was approximately RMB84,407,000 and RMB47,401,000, representing approximately 87.3% and 94.4% of the total revenue of the Group for the three months ended 31 March 2014 and 2013, respectively. The increase in construction revenue for the three months ended 31 March 2014 as compared to the same period in 2013 was mainly due to the increase in the revenue derived from the provision of more deployment services of optical fibers in Hebei Province, new projects in Chongqing and Hunan Province as a report of geographical expansion of our business.

Services income

The services income, representing the income generated from our provision of the maintenance services in respect of optical fiber networks to the telecommunication operators in the PRC irrespective of whether or not the deployment works thereof are carried out by us, was approximately RMB7,766,000 and RMB1,317,000, representing approximately 8.0% and 2.7% of the total revenue of our Group for the three months ended 31 March 2014 and 2013, respectively. Our maintenance services mainly cover regular inspection of the deployed cables, repair and re-connection of optical fibers and testing of the signal transmission. The increase in services income for the three months ended 31 March 2014 as compared to the same period in 2013 which was mainly due to a new contract relating to Shangdong Province contributing approximately RMB5,250,000 during the three months ended 31 March 2014.

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 RMB79,000 and RMB546,000, representing approximately 0.1% and 1.1% of the total revenue of the Group for the three months ended 31 March 2014 and 2013, respectively.

The decrease in sales of goods for the three months ended 31 March 2014 as compared to the same period in 2013 was mainly due to the decrease in the sales of the ancillary products in relation to our deployment projects of optical fibers.

Rental income

The rental income, representing the income generated from the sub-lease of the underground area to our clients for their deployment of telecommunication networks therein, was approximately RMB16,000 and RMB16,000 for the three months ended 31 March 2014 and 2013, respectively. There was no change in rental income for the three months ended 31 March 2014 as compared to the same period in 2013 as there was no change in underground area leased out to our clients.

Low-voltage equipment integration services

The income from low-voltage equipment integration services, representing the income generated from the provision of integration services for low-voltage equipments and accessories to our clients which include financial institutions, governmental departments, public facilities, road and transportation companies, and state-owned and private companies was approximately RMB4,433,000, representing approximately 4.6% of our total revenue for the three months ended 31 March 2014. There are increase in income from low-voltage equipment integration services which was mainly due to average price of service contracts were higher than that of previous year. In addition, more sales of goods of low-voltage equipments further increased the income during the three months ended 31 March 2014.

Gross profit

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

	Three months ended 31 March	
	2014 RMB'000	2013 RMB'000
Gross profit by services		
Construction contract revenue		
– Traditional deployment methods	23,502	8,121
– Micro-ducts and mini-cables system integration methods	7,077	10,969
Sub-total	30,579	19,090
Services income	2,538	620
Sales of goods	38	273
Rental income	9	9
Low-voltage equipment integration services	1,089	349
	34,253	20,341

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

	Three months ended	
	31 March	
	2014	2013
	%	%
Gross profit margin by services		
Construction contract revenue		
– Traditional deployment methods	34.0	29.1
– Micro-ducts and mini-cables system integration methods	46.2	56.2
Sub-total of construction contract revenue	36.2	40.3
Services income	32.7	47.1
Sales of goods	48.1	50.0
Rental income	56.3	56.3
Low-voltage equipment integration services	24.6	37.9
Total gross profit margin	<u>35.4</u>	<u>40.5</u>

There was a decrease in overall gross profit margin for the three months ended 31 March 2014 when compared with the corresponding period and the gross profit margin decreased by 5.1%.

The decrease in our gross profit margin from approximately 40.5% for the three months ended 31 March 2013 to approximately 35.4% for the three months ended 31 March 2014 was primarily due to the decrease in gross profit margin of construction contract revenue in relation to deployment of optical fibers from approximately 40.3% in three months ended 31 March 2013 to approximately 36.2% in three months ended 31 March 2014 and the gross profit of which accounted for approximately 89.3% and 93.8% of total gross profit in three months ended 31 March 2014 and three months ended 31 March 2013, respectively. In general, the gross profit margin of construction contract varies with difficulties and complexities of each project.

The gross profit margin of construction contracts of deployment services of optical fibers using traditional deployment methods increase from approximately 29.1% in three months ended 31 March 2013 to approximately 34.0% in three months ended 31 March 2014. It was mainly due to there were few projects had not reached the stage to recognise profit element in the corresponding period of last year.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods decreased from approximately 56.2% in three months ended 31 March 2013 to approximately 46.2% in three months ended 31 March 2014. The decrease was primarily attributable to the fact that in last corresponding year, there were more complex projects generating relatively higher gross profit margin, in particular the projects in Hebei Province.

The gross profit margin of services income decreased from approximately 47.1% in three months ended 31 March 2013 to approximately 32.7% in three months ended 31 March 2014. Such decrease was mainly attributable to the increase in average cost of maintenance services during the period.

The gross profit margin of sales of goods decreased from approximately 50.0% in three months ended 31 March 2013 to approximately 48.1% in three months ended 31 March 2014. Such decrease was mainly attributable to the sales of ancillary products to our clients at relatively lower unit selling price during the period.

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

The gross profit margin of low voltage equipment integration services decreased from approximately 37.9% in three months ended 31 March 2013 to approximately 24.6% in three months ended 31 March 2014. Such decrease was mainly attributable to the higher cost of sales/services during the period.

Other income

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

Other gains and losses

Other gains and losses mainly included net foreign exchange loss and fair value adjustment on initial recognition of other borrowings.

Marketing and distribution expenses and administrative expenses

The Group's marketing and distribution expenses and administrative expenses for the three months ended 31 March 2014 were approximately RMB13,643,000, representing an increase of approximately RMB7,067,000 from approximately RMB6,576,000 for the corresponding period of the previous year. The increase was mainly because of expansion of geographical business of the Group, such as Hunan Province, Chongqing.

Finance cost

Finance cost included interest charged from bank and other borrowings. The finance cost increased was mainly due to the average principal of bank and other borrowings was higher in three months ended 31 March 2014.

Profit attributable to equity holders of the Company

The Group recorded net profit attributable to equity holders of the Company of approximately RMB16,985,000 for the three months ended 31 March 2014 compared to approximately RMB11,257,000 for the corresponding period in 2013, representing an increase of approximately 50.9%. The increase of profit attributable to equity holders was mainly due to the fact that the effect of the increase in gross profit of approximately RMB13,912,000 outweighed the effect on, increase in marketing and distribution expenses and administration expenses of an aggregate amount of approximately RMB7,067,000.

Other matters

During the three months period ended 31 March 2013, owing to clerical errors, the Group recognized profit of RMB5,500,000 for three completed construction projects of deployment services of optical fibers in Hebei Province, the PRC when the criteria for recognition of profits could not be fulfilled at the time of recognition and at 31 March 2013. The criteria for recognition of profits of these projects could not be fulfilled at 30 June 2013 as well. Accordingly, the Group derecognized the corresponding profit retrospectively at 31 March 2013. The directors of the Company believe the retrospective adjustment would not have material impact on the Group's financial position.

Trade and bill receivables

There was an increase in trade and bills receivables as at 31 March 2014 of approximately RMB6,855,000 as compared to 31 December 2013 which was mainly due to the net effect of the settlement from customers and new trade receivables provided during the three months ended 31 March 2014. The Group has reviewed the customers base, their credibility and historical repayment records periodically, to evaluate the recoverability trade and bill receivables.

Amount due from customers for contract works

There was an increase in the amount due from customers for contract works as at 31 March 2014 of approximately RMB45,124,000 as compared to 31 December 2013 which was mainly due to net effect of the settlement from customers and increase in revenue arising from the three months ended 31 March 2014 (such revenue generated had not been certified by the customers or the underlying construction had not been completed as at 31 March 2014). Since most of the revenue for three months ended 31 March 2014 was mainly arising from the construction revenue from projects in progress as at 31 March 2014 and revenue generated had not been certified by customers, the amount due from customers for contract works increased accordingly.

Bank and other borrowings

The Group had bank and other borrowings as at 31 March 2014 amounted to RMB40,000,000 and RMB49,837,000 respectively. The bank and other borrowings were mainly used to finance the business of construction contracts, such as payment of cost of construction teams. No financial instruments were used for hedging purposes.

Liquidity and financial resources

As at 31 March 2014, the Group had net current assets of approximately RMB367,871,000 (31 December 2013: RMB343,682,000) which comprised cash and cash equivalents amounted to approximately RMB91,577,000 as at 31 March 2014 (31 December 2013: RMB161,709,000). As at 31 March 2014, the Group had non-current liabilities and current liabilities amounted to approximately RMB14,288,000 and RMB250,874,000 (31 December 2013: RMB13,694,000 and RMB279,222,000), consisting mainly of payables and, bank and other borrowings arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 2.8 as at 31 March 2014 (31 December 2013: 2.2).

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

Gearing ratio

The gearing ratio of the Group, calculated as total debt including bank and other borrowings and bonds over shareholders' fund, was approximately 22.8% as at 31 March 2014 (31 December 2013: approximately 22.7%).

Treasury policies

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

Foreign exchange exposure

For the three months ended 31 March 2014, we had partial bank balances, other payables and bond which are denominated in foreign currencies and consequently we have foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the report date. During the three months ended 31 March 2014, 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. The Company issued 15,120,000 new shares pursuant to exercise of share options during the three months period ended 31 March 2014. The capital of the Company mainly comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2014, the Group had no capital commitments (31 December 2013: RMB621,000).

Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2014 (2013: Nil).

Information on employees

As at 31 March 2014, the Group had 494 employees (31 December 2013: 427), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB6,304,000 for the three months ended 31 March 2014 as compared to approximately RMB5,138,000 for the three months ended 31 March 2013. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses will be paid with reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local PRC authorities as well as share options.

Significant investments held

Except for investment in subsidiaries, during the three months ended 31 March 2014, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Company's prospectus dated 6 June 2012 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the three months ended 31 March 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges on assets

As at 31 March 2014, the Group had pledged bank deposit and trade receivables with carrying amount of RMB16,000,000 and RMB35,277,000 to secure the bank and other borrowings (31 December 2013: RMB28,000,000 and RMB5,400,000).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2014 (31 December 2013: Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Revenue	3	96,701	50,202
Cost of sales/services		(62,448)	(29,861)
Gross profit		34,253	20,341
Other income		205	648
Other gains and losses	4	958	616
Marketing and distribution expenses		(4,095)	(1,435)
Administrative expenses		(9,548)	(5,141)
Research and development expenses		(542)	(653)
Finance costs	5	(2,784)	(1,542)
Profit before taxation	6	18,447	12,834
Income tax expense	7	(2,124)	(1,577)
Profit and total comprehensive income for the period		16,323	11,257
Profit and total comprehensive (expense) income for the period attributable to:			
Equity holders of the Company		16,985	11,257
Non-controlling interests		(662)	—
		16,323	11,257
		RMB	RMB
Earnings per share	9		
Basic (cents)		1.0	0.7
Diluted (cents)		1.0	0.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	10	22,102	21,870
Goodwill		34,080	34,080
Intangible assets		132	86
Trade receivables		13,928	13,928
Deferred tax assets		60	68
Deposits paid for acquisition of property, plant and equipment		1,385	—
		71,687	70,032
Current assets			
Inventories		3,912	3,377
Trade and bill receivables	11	162,456	155,601
Other receivables, deposits and prepayments		31,590	17,731
Amounts due from customers for contract work	12	299,590	254,466
Restricted bank deposits		29,620	30,020
Bank balances and cash		91,577	161,709
		618,745	622,904
Current liabilities			
Trade and other payables	13	142,467	173,913
Amounts due to related parties	16(b)	37	4,164
Bank and other borrowings	14	89,837	83,398
Provision		251	222
Income tax payables		18,282	17,525
		250,874	279,222

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Net current assets		367,871	343,682
Total assets less current liabilities		439,558	413,714
Non-current liabilities			
Bond		7,303	7,240
Deferred tax liabilities		6,985	6,454
		14,288	13,694
Net assets		425,270	400,020
Capital and reserves			
Issued equity	15	138,181	136,982
Reserves		276,416	251,703
Equity attributable to equity holders of the Company		414,597	388,685
Non controlling interests		10,673	11,335
Total equity		425,270	400,020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	Attributable to equity holders of the Company							
	Issued equity RMB'000	Capital reserves RMB'000	Share option reserves RMB'000	Statutory surplus reserves RMB'000	Accumulated profits RMB'000	Total equity RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
For the three months ended 31 March 2014 (unaudited)								
Balance at 1 January 2014	136,982	28,142	2,596	36,441	184,524	388,685	11,335	400,020
Issue of shares from exercise of share option	1,199	10,324	(2,596)	—	—	8,927	—	8,927
Profit and total comprehensive income for the period	—	—	—	—	16,985	16,985	(662)	16,323
At 31 March 2014	<u>138,181</u>	<u>38,466</u>	<u>—</u>	<u>36,441</u>	<u>201,509</u>	<u>414,597</u>	<u>10,673</u>	<u>425,270</u>
For the three months ended 31 March 2013 (unaudited)								
Balance at 1 January 2013	136,982	28,142	1,394	26,460	109,271	302,249	—	302,249
Profit and total comprehensive income for the period	—	—	—	—	11,257	11,257	—	11,257
Balance at 31 March 2013	<u>136,982</u>	<u>28,142</u>	<u>1,394</u>	<u>26,460</u>	<u>120,528</u>	<u>313,506</u>	<u>—</u>	<u>313,506</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2014

	Three months ended 31 March	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Net cash (used in) operating activities	(76,565)	(36,482)
Net cash (used in) generated from investing activities	(2,048)	(12,027)
Net cash generated from financing activities	8,481	8,982
Net (decrease) in cash and cash equivalents	(70,132)	(39,527)
Cash and cash equivalents at 1 January	161,709	130,300
Cash and cash equivalents at 31 March, represented by bank balances and cash	91,577	90,773

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the three months ended 31 March 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

3. SEGMENT INFORMATION

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

Revenue from major products and services

	Three months ended 31 March	
	2014 RMB’000 (unaudited)	2013 RMB’000 (unaudited)
Deployment services of optical fibers		
– sales of goods	79	546
– provision of services	84,407	47,401
Low-voltage equipment integration services		
– sales of goods	2,531	460
– provision of services	1,902	462
Pipeline maintenance service	7,766	1,317
Rental income	16	16
	96,701	50,202

Geographical disclosures

The Group operates in the PRC. All the Group’s revenue for the period ended 31 March 2014 and 2013 are resourced from the PRC and all of the non-current assets of the Group are located in the PRC.

4. OTHER GAINS AND LOSSES

Other gains (losses) comprise:
Net foreign exchange (loss) gain
Fair value adjustment on initial recognition of other borrowings

Three months ended 31 March

2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
178	(164)
780	780
<u>958</u>	<u>616</u>

5. FINANCE COSTS

Other borrowings
Bank borrowings wholly repayable within five years
Bond

Three months ended 31 March

2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
2,082	775
583	767
119	—
<u>2,784</u>	<u>1,542</u>

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

Depreciation of property, plant and equipment
Amortisation of intangible assets

Three months ended 31 March

2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
1,008	563
8	2
<u>1,016</u>	<u>565</u>

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Current tax:		
PRC enterprise income tax	<u>1,601</u>	<u>1,132</u>
Deferred tax:		
Current year	(8)	(12)
Withholding tax	<u>531</u>	<u>457</u>
	<u>523</u>	<u>445</u>
	<u>2,124</u>	<u>1,577</u>

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

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

8. DIVIDENDS

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

The directors of the Company do not recommend the payment of an interim dividend for the three months ended 31 March 2014.

9. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Earnings Profit for the period attributable to equity holders of the Company	<u>16,985</u>	<u>11,257</u>

	Three months ended 31 March	
	2014 '000	2013 '000
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,680,672</u>	<u>1,680,000</u>
Effect of dilutive potential ordinary shares arising from shares options	<u>—</u>	<u>640</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,680,672</u>	<u>1,680,640</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2014, the Group acquired property, plant and equipment amounting to approximately RMB1,242,000 (three months ended 31 March 2013: RMB2,316,000).

11. TRADE AND BILL RECEIVABLES

	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Trade receivables – current portion	163,581	157,270
Less: Allowance for impairment of receivables	(1,958)	(1,958)
	161,623	155,312
Bill receivable	833	289
	162,456	155,601
Trade receivables - non-current portion	13,928	13,928
	176,384	169,529

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

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

	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Within 90 days	60,590	106,547
91 to 180 days	50,054	6,584
181 to 365 days	13,797	17,959
1 to 2 years	30,517	19,697
2 to 3 years	4,543	1,859
Total trade and bill receivables	159,501	152,646
Trade receivable repayable by installments	16,883	16,883
Total trade receivables	176,384	169,529

As at 31 March 2014, retentions held by customers for contract works included in trade receivables amounted to approximately RMB8,096,000 (31 December 2013: RMB6,488,000).

12. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

Amounts due from customers for contract work represents contracts in progress at the end of the reporting period. There was an increase in the amounts due from customers for contract work as of 31 March 2014 comparing to 31 December 2013 because most projects commenced in the current period are not completed or the projects are not certified by the customers.

13. TRADE AND OTHER PAYABLES

	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Trade payables	111,363	135,363
Bill payables	—	1,620
Other payables	31,104	36,930
	<u>142,467</u>	<u>173,913</u>

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

	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Within 90 days	75,088	117,817
91 to 180 days	24,977	3,917
181 to 365 days	4,214	7,419
1 to 2 years	5,952	5,328
2 to 3 years	1,100	882
Over 3 years	32	—
	<u>111,363</u>	<u>135,363</u>

14. BANK AND OTHER BORROWINGS

	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Secured bank borrowings	40,000	24,300
Other borrowings – interest free	21,837	41,098
Other borrowings – interest bearing	28,000	18,000
	<u>89,837</u>	<u>83,398</u>

At 31 March 2014, bank borrowings of RMB24,000,000 (31 December 2013: RMB4,000,000) and RMB16,000,000 (31 December 2013: RMB18,300,000) are carried at floating rates, secured by a charge over certain of the Group's trade receivables and bank deposits with carrying amounts of RMB35,277,000 (31 December 2013: 5,400,000) and RMB16,000,000 (31 December 2013: RMB28,000,000) respectively, at 31 December 2013.

As at 31 December 2013, there was a bank borrowing of RMB2,000,000 carried at floating rate and secured by Ms. Guo's personnel properties. The relevant bank borrowing was repaid during the three months period ended 31 March 2014.

All the secured bank borrowings are repayable within one year from the end of the reporting period. The effective interest rates are from 6.0% to 7.8% (31 December 2013: 6.0% to 7.8%) per annum.

All bank borrowings are denominated in RMB.

As at 31 March 2014, the Group had advances from independent third parties, with principal amounts of RMB23,000,000 (31 December 2013: RMB43,000,000) 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 6.00% (31 December 2013: 6%) amounting to RMB780,000 (31 March 2013: RMB2,580,000) was credited as income.

As at 31 March 2014, the other borrowing of RMB28,000,000 (31 December 2013: RMB18,000,000) represents the advances received from independent third parties which carried a fixed interest from 7.8% to 12% (31 March 2013: 7.8% to 9.6%) per annum. These borrowings are secured by personal guarantee of Mr. Jiang and are repayable one year from the date of drawdown. The other borrowings are denominated in RMB.

15. ISSUED EQUITY

The issued equity as at 31 December 2013 and 31 March 2014 represents the share capital of the Company and the details are set out as follows:

	Number of shares	Share capital	
		HK'000	RMB'000
Authorised			
4,000 million ordinary shares of HK\$0.10 each at 31 March 2013	4,000,000,000	400,000	326,088
Issued and fully paid			
On incorporation	1	—	—
Issue of shares to initial shareholders	99	—	—
Issue of shares for the Group reorganisation	900	—	—
Issue of shares pursuant to the capitalisation issue (Note (a))	1,259,999,000	126,000	102,783
Issue of shares pursuant to the placing (Note (b))	420,000,000	42,000	34,199
At 31 December 2012 and 1 January 2013	1,680,000,000	168,000	136,982
Shares issued upon exercise of Share options (Note (c))	15,120,000	1,512	1,199
At 31 March 2014	<u>1,695,120,000</u>	<u>169,512</u>	<u>138,181</u>

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

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

Note (c) On 28 March 2014, 15,120,000 new shares of HK\$0.10 each were issued for cash upon exercise of share options.

16. RELATED PARTY BALANCES AND TRANSACTIONS

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

Name of related party	Relationship
Mr. Jiang Changqing ("Mr. Jiang")	Shareholder and director of the Company
Mr. Li Qingli ("Mr. Li")	Shareholder and director of the Company

- (b) At 31 March 2014 and 31 December 2013, the Group has amounts payable to the following related parties and the details are set out below:

Name of related party	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Non-trade nature		
Mr. Jiang	—	4,127
Mr. Li	37	37
	<u>37</u>	<u>4,164</u>

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

- (c) The remuneration paid and payable to the key management of the Company who are also the directors of the Company for the current period amounted to RMB295,000 (three months ended 31 March 2013: RMB231,000).

17. CAPITAL COMMITMENTS

	31 March 2014 RMB'000 (unaudited)	31 December 2013 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	—	621
	<u>—</u>	<u>621</u>

OTHER INFORMATION

COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

Comparison of Future Plans with the Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the period ended 31 March 2014. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

Business plan as set out in the Prospectus	Actual business progress up to 31 March 2014
1. Further strengthening our deployment services of optical fibers in the PRC	
(i) Investment in equipment	The Group has purchased various equipments, spare parts of equipments and motor vehicles for construction projects.
(ii) Market expansion	The Group has built sixteen experimental sections in various provinces. In addition, the Group has established two representative offices in Chongqing and Tianjin.
(iii) Securing strategic assets/rights	The Group has signed one co-operation memorandum with a governmental department and the Group is communicating with various relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group has completed two acquisitions (51% interest in each of Chongqing Wuyang and Hunan San Cheng).
(v) Human resources	The Group has employed additional technical staff and provided relevant training to new and existing staff.
(vi) Research and development	The Group has continued to conduct research and development on technology related to micro-ducts and mini-cables system integration methods, especially apply in sewer system.
2. Expanding our business of low-voltage equipment integration services in the PRC	
(i) Sales and marketing	The Group has employed additional staff to strengthen sales and marketing network. In addition, the Group is conducting research on appropriate sales and marketing activities to promote reputation.

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

Use of Proceeds

The net proceeds from the Placing were approximately HK\$108.7 million (equivalent to approximately RMB88.7 million). The net proceeds from the Listing Date to 31 March 2014 had been applied as follows:

	Use of proceeds from the Listing Date to period ending 30 June 2014 as shown in the Prospectus HK\$ (million)	Actual use of proceeds from the Listing Date to 31 March 2014 HK\$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	26.18	5.48
(ii) Market expansion	15.50	6.42
(iii) Securing strategic assets/rights	23.42	—
(iv) Acquisition	12.20	12.20
(v) Human resources	2.60	2.60
(vi) Research and development	3.10	3.10
Sub-total	83.00	29.8
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	2.40	1.08
3. Repayment of bank and other borrowings	14.30	14.30
4. General working capital (Note)	8.40	8.40
Total	108.10	53.58

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

The future plans and prospects as stated in the Prospectus were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus. As of the date of this report, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus.

SHARE OPTION SCHEMES

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

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

Movements of the options, which have been granted under the 2012 Share Option Scheme, during the three months ended 31 March 2014, are set out below:

Name or category of participant	Date of grant	Option exercisable and vesting period	Exercise price HK\$	Closing price as at date of grant	Number of options				
					Oustanding as at 01/01/2014	Granted during the period	Exercised during the period	Forfeited during the period	Oustanding as at 31/12/2014
Employee	14/8/2012	15/8/2012 to 14/8/2022	0.65	0.65	6,720,000	—	6,720,000	—	—
Employee	23/6/2013	4/6/2013 to 3/6/2018	0.82	0.82	8,400,000	—	8,400,000	—	—
Total	N/A	N/A	N/A	N/A	<u>15,120,000</u>	<u>—</u>	<u>15,120,000</u>	<u>—</u>	<u>—</u>

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

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

The Company's shares were listed on GEM of the Stock Exchange on 12 June 2012. As at 31 March 2014, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Company

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Jiang Changqing (Note 2 and note 3)	Our Company	Interest of a controlled corporation	1,062,980,000 Shares (L)	62.71%
	Our Company	Family	10,195,000 Shares (L)	0.60%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Ms. Guo Aru (Note 3)	Our Company	Family	1,062,980,000 Shares (L)	62.71%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.60%
	Bright Warm Limited	Family	1 share (L)	100%
Mr. Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	151,000,000 Shares (L)	8.91%
	Ordillia Group Limited	Beneficial owner	1,000 Shares (L)	100%

Notes:

1. The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.
2. The 1,062,980,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of our Company and an executive Director.
3. Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo Aru is deemed to be interested in the 1,062,980,000 Shares owned by Mr. Jiang Changqing in the Company and 1 share owned by Mr. Jiang Changqing in Bright Warm Limited by virtue of the SFO. Moreover, Ms. Guo Aru held 10,195,000 Shares directly. Mr. Jiang Changqing is deemed to be interested in the 10,195,000 Shares held by Ms. Guo Aru.
4. The Shares are held by Ordillia Group Limited, the entire issued capital of which is beneficially owned by Mr. Li Qingli, an executive Director.

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2014, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Name of Group member	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	1,062,980,000 Shares (L)	62.71%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	151,000,000 Shares (L)	8.91%
Ms. Ren Yanping (Note 4)	Our Company	Family	151,000,000 Shares (L)	8.91%

Notes:

1. The letter “L” denotes the person’s long position in the shares of our Company or the relevant Group member.
2. Bright Warm Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of our Company and an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 1,062,980,000 Shares owned by Bright Warm Limited by virtue of the SFO.
3. Ordillia Group Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Li Qingli, an executive Director. Therefore, Mr. Li Qingli is also deemed to be interested in the 151,000,000 Shares owned by Ordillia Group Limited by virtue of the SFO.
4. Ms. Ren Yanping is the spouse of Mr. Li Qingli. Therefore, Ms. Ren Yanping is deemed to be interested in the 151,000,000 Shares owned by Mr. Li Qingli by virtue of the SFO.

Save as disclosed above, as at 31 March 2014, the Directors were not aware of any other persons/ entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2014.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Guotai Junan Capital Limited (“Guotai Junan”), the compliance adviser of the Company, neither Guotai Junan nor its directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 March 2014, except as disclosed in the Prospectus.

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

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 31 March 2014 which may, directly or indirectly, compete with the Group’s business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the Listing Date up to and including 31 March 2014.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules from the Listing Date up to and including 31 March 2014, except code provisions A.2.1 as more particularly described below.

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee internal control procedures of the Company. The audit committee comprises three independent non-executive Directors, namely Ms. Li Xiaohui (chairlady of the audit committee), Mr. Meng Fanlin and Mr. Wang Haiyu.

The unaudited condensed consolidated reports of the Group for the three months ended 31 March 2014 have not been audited by the Company's auditors, but have been reviewed by the audit committee in accordance with Rule 5.30 of the GEM Listing Rules and who is of the opinion that the financial statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 14 May 2014

As at the date of this report, 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.