



中国优通控股
China UT Holding

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6168

2015

INTERIM REPORT



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HIGHLIGHTS

- The Company reported a profit attributable to the equity holders of the Company of RMB35,055,000 for the six months ended 30 June 2015, an increase of RMB5,209,000, representing 17.5% when compared with the corresponding period of the previous financial year.
- The Group's revenue was approximately RMB260,089,000 for the six months ended 30 June 2015, an improvement of RMB57,624,000 when compared with the corresponding period of the previous financial year.
- Gross profit margin for the six months ended 30 June 2015 was approximately 31.8% (2014: 33.3%), which translates into gross profit of approximately RMB82,789,000, an increase of RMB15,381,000 when compared with the corresponding period of the previous financial year.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) for the six months ended 30 June 2015 was approximately RMB53,259,000, an increase of RMB9,239,000 when compared with the corresponding period of the previous financial year.
- Earnings per share for the six months ended 30 June 2015 was RMB2.0 cents and increase of RMB0.2 cents compared to RMB1.8 cents for the corresponding period of the previous financial year.
- The Board does not recommend the payment of any interim dividend for the period.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	260,089	202,465
Cost of sales/services	(177,300)	(135,057)
Gross profit	82,789	67,408
Other income	1,747	291
Other gains and losses	900	1,146
Marketing and distribution expenses	(7,063)	(6,786)
Administration expenses	(29,417)	(19,119)
Research and development cost	(1,159)	(1,043)
Finance costs	(7,183)	(5,157)
Share of profit of an associate	2,348	—
Profit before taxation	42,962	36,740
Income tax expense	(8,238)	(4,700)
Profit and total comprehensive income for the period	34,724	32,040
Profit for the period attributable to non-controlling interests	331	(2,194)
Profit for the period attributable to the equity holders of the Company	35,055	29,846

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 to the Company (Hong Kong Law)

Li & Partners

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Head Office, Headquarters and Principal Place of Business in the PRC

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Hebei Province
China

Principal Place of Business in Hong Kong

Room 2404
24/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

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
No. 33, North Road, Beitaipingzhuang
Beijing
China

Principal Share Registrar and Transfer Office

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Clifton House
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Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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Hong Kong

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

6168

GROUP STRUCTURE OF MAJOR OPERATING SUBSIDIARIES

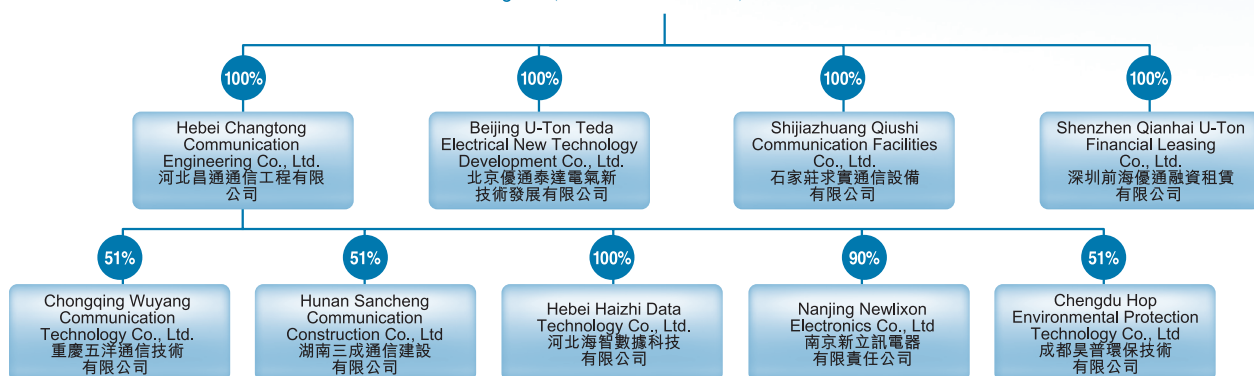


中国优通控股
China UT Holding

China U-Ton Holdings Limited

中國優通控股有限公司

(Stock Code: 6168.HK)



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company reported its unaudited reports for the six months ended 30 June 2015 with a profit attributable to the equity holders of the Company of approximately RMB35,055,000, representing an increase of 17.5% over the corresponding period of the previous financial year. Our gross profit increased by approximately RMB15,381,000 to RMB82,789,000. The Group's turnover for the six months ended 30 June 2015 increased by 28.5% to approximately RMB260,089,000 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 low-voltage equipment integration services market in the PRC as well as improving the Group's core revenue and operating profitability. In addition, new source of revenue from telecommunication applications and other services asserted the Group to achieve a better result.

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; (2) expanding our business of low-voltage equipment integration services in the PRC; and (3) developing applications and other services.

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

Deployment projects of optical fibers

During the six months ended 30 June 2015, some construction contracts had been delayed, especially from construction projects located in Hebei Province, Hunan Province and Chongqing. Construction revenue from those regions were decreased accordingly.

The revenue from micro-ducts and mini-cables system integration method and traditional method was amounted to RMB30,719,000 and RMB108,363,000 respectively. New projects by adopting micro-ducts and mini-cables system integration method were commenced during the current period which in turn increased the related revenue and gross profit.

Low voltage equipment integration services

During the six months ended 30 June 2015, the great increase in revenue was mainly arising from the increase of construction service and sales of goods of low voltage equipment integration. During the current period, there were new projects commenced which were related to various smart utilities and securities integration services of property industry in Hebei with total contracts sum amounted to approximately RMB91,850,000.

Applications and other services

As of 30 June 2015, the Group completed the acquisition of 90% of the issued share capital of a data technology and electronics company, Nanjing Newlixon Electronics Co. Ltd (“Nanjing Newlixon”) (南京新立訊電器有限責任公司) and 51% of the issued share capital of an energy technology company, Chengdu Hop Environmental Protection Technology Co. Ltd (“Chengdu Hop”) (成都昊普環保技術有限公司). Since then, the Group has extended our telecommunication business to intelligent data development, software platform development, energy-saving electronics manufacturing business which can be used in telecommunication tower, energy management platform and other environmental-friendly projects. During the current period, the Group successfully entered into a contract with a governmental education authority and obtained an intelligent education project amounting to approximately RMB120 million and expected to complete the project within the current year. The Group believes such extension of application business can enhance the Group to catch up various telecommunication business opportunities by using group’s existing geographical strengths and enhance our competitiveness in existing business.

FUTURE PLANS AND PROSPECTS

National Development and Reform Commission announced with the subject of “Strengthening innovation in key areas and assisting in maintaining a stable and healthy development of the high-tech industry and strategic emerging industry” (深入推進重點領域創新助力高技術產業和戰略性新興產業平穩健康發展) which promotes to speeding up the construction of telecommunication infra-structure, execution of strategy of “Broadband China” (寬頻中國), development of technology and verification platform, etc.

The PRC’s Broadband China strategy, 4G policies and various telecommunication applications will continue to create good opportunities for the Group’s business development. 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 the Group which will grow further under such favourable business environment.

After the completion of acquisitions of two subsidiaries, namely, Nanjing Newlixon and Chengdu Hop, with principally engaged in data technology, software platform and various energy saving services, our core technology and competitiveness have been enhanced accordingly.

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

FINANCIAL REVIEW

	Six months ended 30 June		Increase (Decrease) %
	2015 RMB'000	2014 RMB'000	
Revenue	260,089	202,465	28.5
Gross Profit	82,789	67,408	22.8
EBITDA	53,259	44,020	21.0
EBITDA margin %	20.5%	21.7%	(1.2) percent point
Net profit	34,724	32,040	8.4
Profit for the period attributable to the equity holders of the Company	35,055	29,846	17.5
Net profit margin	13.4%	15.8%	(2.4) percent point
Basic earnings per share (cents)	2.0	1.8	0.2
		As at 30 June 2015	As at 31 December 2014
Current ratio		2.2	2.2
Gearing ratio		42.3%	24.1%

Revenue

The Group's turnover for the six months ended 30 June 2015 was approximately RMB260,089,000, representing an increase of approximately 28.5% over the corresponding period of the previous financial year. The increase in the Group's turnover was mainly due to increase of revenue from low-voltage equipment integration services, telecommunication related applications and other services.

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

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Increase (Decrease) %
Deployment services of optical fibers			
Construction contract revenue			
– Traditional deployment methods	108,363	150,920	(28.2)
– Micro-ducts and mini-cables system integration methods	30,719	24,655	24.6
Sub-total	139,082	175,575	(20.8)
Others			
– Services income	8,884	17,286	(48.6)
– Sales of goods	263	81	224.7
– Rental income	—	32	(100)
Sub-total	9,147	17,399	(47.4)
Low-voltage equipment integration services	61,446	9,491	547.4
Applications and other services	50,414	—	100
Total	260,089	202,465	28.5

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 RMB139,082,000 and RMB175,575,000, representing approximately 53.5% and 86.7% of the total revenue of the Group for the six months ended 30 June 2015 and 2014, respectively. The decrease in construction revenue for the six months ended 30 June 2015 as compared to the same period in 2014 was mainly due to the decrease in the revenue derived from the provision of deployment services of optical fibers in Hebei Province, Hunan Province and Chongqing as a result of delay of projects during the current period.

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

	Six months ended 30 June			
	2015		2014	
	(RMB'000)	%	(RMB'000)	%
Hebei Province	98,576	70.9	104,590	59.6
Beijing	1,602	1.2	4,092	2.3
Liaoning Province	1,521	1.1	1,736	1.0
Sichuan Province	5,713	4.1	8,998	5.1
Guizhou Province	11,668	8.4	12,484	7.1
Chongqing	12,966	9.3	35,042	20.0
Hunan Province	1,503	1.0	6,037	3.4
Others	5,533	4.0	2,596	1.5
Total construction contract revenue	139,082	100.0	175,575	100.0

Others

The Group's revenue from others including services income, sales of goods and rental income amounted to approximately RMB9,147,000, representing 3.5% of our total revenue for the six months ended 30 June 2015. Revenue from others decreased was mainly due to the decrease in demand of maintenance service income.

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 equipment and accessories to our clients, which include financial institutions, governmental departments, public facilities, road and transportation companies, property developers and state-owned and private companies, was approximately RMB61,446,000, representing approximately 23.6% of our total revenue for the six months ended 30 June 2015.

Applications and other services

During the current period, the Group started telecommunication related applications and other services, and successfully obtained an intelligent education project located in Guizhou. Thus, the related revenue was newly recorded.

Cost of Sales

The Group's cost of sales for the period ended 30 June 2015 was approximately RMB177,300,000, representing an increase of approximately 31.3% over the corresponding period of the previous year. The increase in the Group's cost of sales was due to increase of business of low-voltage equipment integration services and applications and other services.

Gross profit

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

	Six months ended 30 June			
	2015 RMB'000	%	2014 RMB'000	%
Gross profit by services				
Construction contract revenue				
– Traditional deployment methods	29,344	35.4	50,674	75.2
– Micro-ducts and mini-cables system integration methods	19,346	23.4	9,866	14.7
Sub-total	48,690	58.8	60,540	89.9
Others				
– Services income	2,506	3.0	4,333	6.4
– Sales of goods	60	0.1	39	—
– Rental income	—	—	18	—
Low-voltage equipment integration services	15,316	18.5	2,478	3.7
Applications and other services	16,217	19.6	—	—
	82,789	100.0	67,408	100.0

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

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Increase (Decrease) percent point
Gross profit margin by services			
Construction contract revenue			
– Traditional deployment methods	27.1	33.6	(6.5)
– Micro-ducts and mini-cables system integration methods	63.0	40.0	23.0
Overall	35.0	34.5	0.5
Others			
– Services income	28.2	25.1	3.1
– Sales of goods	22.8	48.1	(25.3)
– Rental income	—	56.3	NA
Low-voltage equipment integration services	24.9	26.1	(1.2)
Applications and other services	32.2	—	NA
Total gross profit margin	31.8	33.3	(1.5)

There was a decrease in overall gross profit margin for the six months ended 30 June 2015 when compared with the corresponding period of the previous financial year.

The decrease in our gross profit margin from approximately 33.3% for the six months ended 30 June 2014 to approximately 31.8% for the six months ended 30 June 2015 was primarily due to increase of amount of gross profit portion of low-voltage equipment integration services and telecommunication related applications which had lower gross profit margin than 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 approximately 33.6% for the six months ended 30 June 2014 to approximately 27.1% for the six months ended 30 June 2015. It was mainly due to business in Hunan Province and Chongqing in which the gross profit margin was low due to intense competitions.

The gross profit margin of construction contracts of deployment services of optical fibers using micro-ducts and mini-cables system integration methods increased from approximately 40.0% for the six months ended 30 June 2014 to approximately 63.0% for the six months ended 30 June 2015. The increase was primarily attributable to the fact that in current period, 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 increased from approximately 25.1% for the six months ended 30 June 2014 to approximately 28.2% for the six months ended 30 June 2015. Such increase was mainly attributable to the increase in average service charge of maintenance services during the period.

The gross profit margin of sales of goods decreased from approximately 48.1% for the six months ended 30 June 2014 to approximately 22.8% for the six months ended 30 June 2015. Such decreased was mainly attributable to the sales of ancillary products to our clients at relatively lower unit selling price during the period.

The gross profit margin of low voltage equipment integration services decreased from approximately 26.1% for the six months ended 30 June 2014 to approximately 24.9% for the six months ended 30 June 2015. Such decrease was mainly attributable to the higher cost of sales/services during the period.

The gross profit margin of application and other services was 32.2% for the six months ended 30 June 2015 and its gross profit margin varies according to the complexities of each service.

Major customers and service network

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

As at 30 June 2015, the Group’s service network, including Beijing, Chongqing, Hebei Province, Shandong Province, Shaanxi Province, Hunan Province, Jiangxi Province, Liaoning Province, the Inner Mongolia Autonomous Region, Anhui Province, Henan Province, Sichuan Province, Guizhou Province and Yunnan Province within the PRC.

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, impairment loss recognized for trade receivables and change in carrying amount of other borrowings.

Marketing and distribution expenses and administrative expenses

The Group's marketing and distribution expenses and administrative expenses for the six months ended 30 June 2015 were approximately RMB36,480,000, representing an increase of approximately RMB10,575,000 from approximately RMB25,905,000 for the corresponding period of the previous year. The increase was mainly because of expansion of business of the Group.

Finance cost

Finance cost included interests charged by banks and from other borrowings. The finance cost increased was mainly due to the average principal amount of bank, other borrowings and corporate bonds was higher for the six months ended 30 June 2015.

Profit attributable to equity holders of the Company

The Group recorded net profit attributable to equity holders of the Company of approximately RMB35,055,000 for the six months ended 30 June 2015 compared to approximately RMB29,846,000 for the corresponding period in 2014, representing an increase of approximately 17.5%. 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 RMB15,381,000 outweighed the effects of the increase in marketing and distribution expenses and administration expenses of an aggregate amount of approximately RMB10,575,000 and increase of finance costs of approximately RMB2,026,000.

Trade and bill receivables

There was an increase in trade and bills receivables as at 30 June 2015 of approximately RMB77,932,000 as compared to 31 December 2014 which was mainly due to the net effect of the settlement from customers, new trade receivables provided by the Group during the six months ended 30 June 2015.

Amount due from customers for contract works

There was an increase in the amount due from customers for contract works as at 30 June 2015 of approximately RMB88,387,000 as compared to 31 December 2014 which was mainly due to the net effect of the settlement from customers and increase in revenue arising from the six months ended 30 June 2015 (such revenue generated had not been certified by the customers or the underlying construction had not been completed as at 30 June 2015). Since most of the revenue for six months ended 30 June 2015 was mainly arising from the construction revenue from projects in progress as at 30 June 2015 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 30 June 2015 amounted to RMB119,250,000 and RMB33,000,000 respectively. No financial instruments were used for hedging purposes. The Group's bank loans were made in Hong Kong dollars, US dollars and Renminbi, whilst approximately 21.7% (31 December 2014: 44.2%) of such bank loans bore interest at fixed lending rate.

Liquidity and financial resources

As at 30 June 2015, the Group had current assets of approximately RMB1,130,019,000 (31 December 2014: RMB927,884,000) which comprised cash and cash equivalents amounted to approximately RMB70,600,000 as at 30 June 2015 (31 December 2014: RMB167,578,000). As at 30 June 2015, the Group had non-current liabilities and current liabilities amounted to approximately RMB110,427,000 and RMB528,499,000 (31 December 2014: RMB45,066,000 and RMB412,687,000), 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 2.2 as at 30 June 2015 (31 December 2014: 2.2).

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

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' equity, was approximately 42.3% as at 30 June 2015 (31 December 2014: approximately 24.1%).

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 six months ended 30 June 2015, we had partial bank balances and other payables which are denominated in foreign currencies and consequently we have foreign exchange risk exposure from translation of amount denominated in foreign currencies as at the report date. During the six months ended 30 June 2015, 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

There has been no change in the capital structure of the Company during the six months ended 30 June 2015. The capital of the Company mainly comprises ordinary shares and capital reserves.

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

Capital commitments

As at 30 June 2015, the Group had no material capital commitments (31 December 2014: RMB842,000).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

Information on employees

As at 30 June 2015, the Group had 631 employees (31 December 2014: 556), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB13,413,000 for the six months ended 30 June 2015 as compared to approximately RMB10,980,000 for the six months ended 30 June 2014. 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 and associate, during the six months ended 30 June 2015, 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 above, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2015, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Charges on assets

As at 30 June 2015, the Group had pledged bank deposit with carrying amount of RMB109,256,000 to secure the bank and other borrowings (31 December 2014: RMB54,000,000).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	3	260,089	202,465
Cost of sales/services		(177,300)	(135,057)
Gross profit		82,789	67,408
Other income		1,747	291
Other gains and losses	4	900	1,146
Marketing and distribution expenses		(7,063)	(6,786)
Administrative expenses		(29,417)	(19,119)
Research and development cost		(1,159)	(1,043)
Finance costs	5	(7,183)	(5,157)
Share of profit of an associate		2,348	—
Profit before taxation	6	42,962	36,740
Income tax expense	7	(8,238)	(4,700)
Profit and total comprehensive income for the period		<u>34,724</u>	<u>32,040</u>
Profit and total comprehensive income for the period attributable to:			
Equity holders of the Company		35,055	29,846
Non-controlling interests		(331)	2,194
		<u>34,724</u>	<u>32,040</u>
		RMB (unaudited)	RMB (unaudited)
Earnings per share	9		
Basic (cents)		2.0	1.8
Diluted (cents)		2.0	1.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	10	27,999	27,603
Goodwill	11	49,567	36,423
Intangible assets		3,322	3,186
Investment in an associate	12	15,755	13,407
Trade receivables	13	10,729	10,729
Deferred tax assets		363	394
		107,735	91,742
Current assets			
Inventories		8,705	4,820
Trade and bills receivables	13	220,589	142,657
Other receivables, deposits and prepayments		117,347	44,734
Amount due from an associate		5,621	4,581
Amounts due from customers for contract work	14	597,901	509,514
Restricted bank deposits		109,256	54,000
Bank balances and cash		70,600	167,578
		1,130,019	927,884
Current liabilities			
Trade and other payables	15	350,172	290,008
Bank and other borrowings	16	152,250	92,280
Provision		455	375
Income tax payables		24,171	22,370
Corporate bonds	17	1,451	7,654
		528,499	412,687

	Note	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Net current assets		601,520	515,197
Total assets less current liabilities		709,255	606,939
Non-current liabilities			
Corporate bonds	17	99,658	35,273
Deferred tax liabilities		10,769	9,793
		110,427	45,066
Net assets		598,828	561,873
Capital and reserves			
Share capital		143,139	143,139
Reserves		441,036	405,981
Equity attributable to owners of the Company		584,175	549,120
Non-controlling interests		14,653	12,753
Total equity		598,828	561,873

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to equity holders of the Company							Total equity RMB'000
	Share capital RMB'000	Capital Reserve RMB'000	Share option reserves RMB'000	Statutory surplus reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
For the six months ended 30 June 2015 (unaudited)								
Balance at 1 January 2015	143,139	110,321	—	53,081	242,579	549,120	12,753	561,873
Profit and total comprehensive income for the period	—	—	—	—	35,055	35,055	(331)	34,724
Recognition of equity-settled share-based payment	—	—	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	2,231	2,231
At 30 June 2015 (unaudited)	<u>143,139</u>	<u>110,321</u>	<u>—</u>	<u>53,081</u>	<u>277,634</u>	<u>584,175</u>	<u>14,653</u>	<u>598,828</u>
For the six months ended 30 June 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	—	—	—	—	29,846	29,846	2,194	32,040
Conversion of additional capital of a subsidiary	—	—	—	(2,000)	—	(2,000)	—	(2,000)
At 30 June 2014 (unaudited)	<u>138,181</u>	<u>38,466</u>	<u>—</u>	<u>34,441</u>	<u>214,370</u>	<u>425,458</u>	<u>13,529</u>	<u>438,987</u>

Note:

- (a) In accordance with the Articles of Association of subsidiaries established in the People's Republic of China (the "PRC") now comprising the Group, these entities are required to transfer 10% of the profit after taxation determined in accordance with the generally accepted accounting principles in the PRC 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Net cash used in operating activities	<u>(138,792)</u>	<u>(103,036)</u>
Net cash used in investing activities	<u>(69,155)</u>	<u>(19,863)</u>
Net cash generated from financing activities	<u>110,969</u>	<u>34,133</u>
Net decrease in cash and cash equivalents	<u>(96,978)</u>	<u>(88,766)</u>
Cash and cash equivalents at 1 January	<u>167,578</u>	<u>161,709</u>
Cash and cash equivalents at 30 June, represented by bank balances and cash	<u><u>70,600</u></u>	<u><u>72,943</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with International Accounting Standard 34 “Interim Financial Reporting”.

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 six months ended 30 June 2015 are the same as those followed in the preparation of the Company’s and its subsidiaries’ (the “Group”) annual financial statements for the year ended 31 December 2014 except as described below.

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

3. SEGMENT INFORMATION

Mr. Jiang Changqing, 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.

An analysis of the Group’s revenue for each reporting period is as follows:

	Six months ended 30 June	
	2015	2014
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Sales of goods	39,342	3,119
Construction contract revenue	211,863	182,028
Services income	8,884	17,286
Rental income	—	32
	260,089	202,465

Revenue from major products and services

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Deployment services of optical fibers		
– sales of goods	263	81
– provision of services	139,082	175,575
Low-voltage equipment integration services		
– sales of goods	39,079	3,038
– provision of services	22,367	6,453
Applications and other services		
– provision of services	50,414	—
Pipeline maintenance service	8,884	17,286
Rental income	—	32
	260,089	202,465

Geographical disclosures

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

The Group's revenue generated from external customers located in PRC.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Other gains comprise:		
Net foreign exchange gain	900	366
Impairment loss recognised on trade receivables	—	—
Change in carrying amount of other borrowings resulting from the extension of maturity	—	780
	900	1,146

5. FINANCE COSTS

Finance costs comprise interest expenses on:

- Other borrowings
- Bank borrowings wholly repayable within five years
- Corporate bonds

Six months ended 30 June

2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
2,249	3,114
2,012	1,582
2,922	461
<u>7,183</u>	<u>5,157</u>

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

- Depreciation of property, plant and equipment
- Amortisation of intangible assets

Six months ended 30 June

2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
3,097	2,106
17	17
<u>3,114</u>	<u>2,123</u>

7. INCOME TAX EXPENSE

Current tax:

- PRC enterprise income tax

Deferred tax:

- Current year
- Withholding tax

Six months ended 30 June

2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
7,231	3,799
31	10
976	891
<u>1,007</u>	<u>901</u>
<u>8,238</u>	<u>4,700</u>

Save as 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, Beijing U-Ton Teda Electrical New Technology Development Co., Ltd. (北京優通泰達電氣新技術發展有限公司) ("Beijing U-Ton"), the Company's wholly-owned subsidiary, had been designated as High and New Technology Enterprise and its PRC enterprise income tax rate is 15% for three years since 2011. In 2014, Beijing U-Ton is re-qualified as High and New Technology Enterprise and entitled to a concessionary tax rate of 15% for the three financial years from 2014 to 2016.
- (b) Pursuant to a certificate issued by the local tax authority, in accordance with the Measures on Authorised Methods of Enterprise Income Tax ("EIT") Collection (Trial) (企業所得稅核定徵收辦法(試行)), the taxable income of Hebei Changtong Communication Engineering Co., Ltd (河北昌通通信工程有限公司) ("Hebei Changtong"), the Company's wholly-owned subsidiary, was derived based on 8% of its total revenue.
- (c) Pursuant to a certificate issued by the local tax authority, in accordance with the Measures on Authorised Methods of EIT Collection (Trial) (企業所得稅核定徵收辦法(試行)), the taxable income of Shijiazhuang Qiushi Communication Facilities Co., Ltd (石家莊求實通信設備有限公司) ("Shijiazhuang Qiushi"), the Company's wholly-owned subsidiary, was computed based on 7% of its total revenue.
- (d) Pursuant to the PRC enterprise income tax assessment form issued by the local tax authority, Chongqing Wuyang Communication Technology Co. Ltd (重慶五洋通信技術有限公司) fulfilled the requirements of China's Western Expansion program, and therefore its PRC enterprise income tax rate is 15% effective from 1 January 2012 to 31 December 2020.

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

Final dividend of HK\$1.0 cent per share (tax inclusive) for the year ended 31 December 2014 have been proposed and approved during the current interim period.

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>35,055</u>	<u>29,846</u>

	Six months ended 30 June	
	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,757,620	1,687,936
Effect of dilutive potential ordinary shares arising from issue of share options by the Company	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,757,620</u>	<u>1,687,936</u>

No diluted earnings per share are presented for the period ended 30 June 2015 as there was no potential ordinary shares outstanding during that period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment amounting to approximately RMB3,486,000 (six months ended 30 June 2014: RMB4,856,000).

11. GOODWILL

Goodwill has been allocated to the following groups of cash-generated units:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Low-voltage equipment integration services located in: Hebei, the PRC	30,099	30,099
Deployment services of optical fibers located in: Chongqing, the PRC	3,654	3,654
Hunan, the PRC	327	327
Hebei, the PRC	2,343	2,343
Applications and other services Jiangsu, the PRC	6,300	—
Sichuan, the PRC	6,844	—
	49,567	36,423

12. INVESTMENT IN AN ASSOCIATE

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Cost of investment, unlisted	12,488	12,488
Share of post-acquisition profit	3,267	919
	15,755	13,407

13. TRADE AND BILL RECEIVABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Trade receivables – current portion	225,279	147,347
Less: Allowance for impairment of receivables	(4,690)	(4,690)
	220,589	142,657
Bill receivable	—	—
	220,589	142,657
Trade receivables – non-current portion	10,729	10,729
	231,318	153,386

Included in the Group's trade receivables is a non-interest bearing trade receivable repayable by annual installments over a period of 10 years commencing from 2012. Details of this receivable outstanding at 30 June 2015 are as follows:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Receivable:		
Within one year	3,199	3,199
In two to five years	8,426	8,426
Over five years	2,303	2,303
	13,928	13,928
Less: amount receivable within one year	(3,199)	(3,199)
Amount receivable after one year	10,729	10,729

The collection period of the majority of other 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 receivables by invoice/completion certificate date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Within 90 days	78,933	62,052
91 to 180 days	60,030	2,960
181 to 365 days	30,084	26,221
1 to 2 years	29,133	41,052
2 to 3 years	14,420	6,610
Over 3 years	4,790	563
	217,390	139,458
Trade receivable repayable by installments	13,928	13,928
Total trade receivables	231,318	153,386

As at 30 June 2015, there was retention amounted to RMB10,280,000 held by customers for contract works included in trade receivables (31 December 2014: RMB7,900,000).

14. 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 is a substantial increase in the amounts due from customers for contract work as of 30 June 2015 comparing to 31 December 2014 because most projects commenced in the current interim period are not completed or the projects are not certified by customers.

15. TRADE AND OTHER PAYABLES

Included in the balance is trade payable amounting to RMB212,247,000 (31 December 2014: RMB212,467,000).

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Trade payables	212,247	212,467
Advance from customers	3,229	2,220
Amounts due to non-controlling shareholders	—	2,584
Interest payable	1,603	2,032
Payables for acquisition of subsidiaries and associate	23,488	15,888
Other payables	62,775	13,681
Other tax payables	33,918	26,289
Accrued payroll	12,912	14,847
	350,172	290,008

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Within 90 days	87,468	119,615
91 to 180 days	19,402	36,273
181 to 365 days	61,004	55,277
1 to 2 years	33,565	953
2 to 3 years	10,808	349
	<u>212,247</u>	<u>212,467</u>

16. BANK AND OTHER BORROWINGS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Secured bank borrowings	119,250	64,280
Other borrowings – interest free	—	—
Other borrowings – interest bearing	33,000	28,000
	<u>152,250</u>	<u>92,280</u>

17. CORPORATE BONDS

During the period, the Company issued 27 batches of unsecured corporate bonds amounting to HK\$90 million (equivalent to approximately RMB70.97 million) in aggregate to various independent third parties.

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
Amount repayable within one year	1,451	7,654
Amount repayable after one year	99,658	35,273
	<u>101,109</u>	<u>42,927</u>

18. 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. Li Qingli	Beneficial Shareholder and director of the Company
Mr. Jiang Changqing	Beneficial Shareholder and director of the Company

- (b) The remuneration paid and payable to the key management of the Company who are also the directors for the current interim period amounted to RMB1,361,000 (six months ended 30 June 2014: RMB772,000).

19. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements

30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000
<u>—</u>	<u>842</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 of the Company dated 6 June 2012 (the "Prospectus") with actual business progress for the period ended 30 June 2015. 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 30 June 2015
1. Further strengthening our deployment services of optical fibers in the PRC	
(i) Investment in equipment	The Group has purchased various equipment, spare parts of equipment and motor vehicles for construction projects.
(ii) Market expansion	The Group has built sixteen experimental sections and purchased motor vehicles for marketing purposes. In addition, the Group has established three representative office in Chongqing, Tianjin and Shenzhen.
(iii) Securing strategic assets/rights	The Group has signed one co-operation memorandum with a government department and the Group is communicating with various relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group completed three acquisitions which are located in Hunan Province, Chongqing and Hebei Province.
(v) Human resources	The Group has employed additional technical and management staff and provided relevant training to new and existing staff.
(vi) Research and development	The Group has continued to conduct research and development on technology related to micro-ducts and mini-cables system integration methods, especially the application in sewer system.
2. Expanding our business of low-voltage equipment integration services in the PRC	
(i) Sales and marketing	The Group has employed additional staffs to strengthen sales and marketing networks. 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 30 June 2015 had been applied as follows:

	Planned use of proceeds from the Listing Date to period ended 30 June 2015 as shown in the Prospectus HK\$ (million)	Actual use of proceeds from the Listing Date to 30 June 2015 HK\$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	26.18	6.88
(ii) Market expansion	15.50	15.50
(iii) Securing strategic assets/rights	23.42	1.40
(iv) Acquisition	12.20	12.20
(v) Human resources	2.60	2.60
(vi) Research and development	3.70	3.70
Sub-total	83.60	42.28
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	2.40	2.40
3. Repayment of bank and other borrowings	14.30	14.30
4. General working capital (Note)	8.40	8.40
Total	108.70	67.38

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

The future plans and prospects as stated in the Prospectus were derived from the Group's reasonable estimation of the future market conditions based on the information available at the time of preparing the Prospectus. According to the Company's announcement dated 24 July 2014, it disclosed the Company's intention to readjust the allocation of the unutilised use of proceeds. As of the date of this report, the Directors are not aware of any material change to the planned use of the proceeds from the plan as stated in such announcement.

FUND RAISING ACTIVITY

On 17 September 2014, Bright Warm Limited (“**Bright Warm**”), the Company and the joint placing agents entered into the placing and subscription agreement pursuant to which (i) the joint placing agents agreed to procure not less than six placees (being professional or institutional investor) on a best efforts basis for a maximum of 62,500,000 placing shares at the price of HK\$1.6 per share; and (ii) Bright Warm agreed to subscribe for the 62,500,000 subscription shares at the price of HK\$1.6 per share which is equivalent to the placing price. The number of the subscription shares is equal to the number of the placing shares, being a maximum of 62,500,000 new shares with an aggregate maximum nominal value of HK\$6,250,000. The net price to the Company of each subscription share is approximately HK\$1.55. The market price of the subscription share on 29 September 2014, being the date on which the subscription shares were issued, was HK\$1.58.

The Group is engaged in provision of deployment service of optical fibers in the PRC. The Directors have considered various ways of raising funds and consider that the placing and the subscription represent a good opportunity to raise capital for the Company while broadening the Shareholder base and strengthening the capital base of the Company. The maximum net proceeds from the subscription were approximately HK\$96.75 million. The Company used part of the net proceeds from the subscription to finance the acquisitions of the Group, including (i) 100% of the equity interest of Hebei Haizhi Data Technology Co. Ltd. (河北海智數據科技有限公司) at the consideration of RMB8,500,000; and (ii) 51% of the equity interest of Chengdu Hop and apply the remaining part of the net proceeds from the subscription as general working capital in the Group’s principal business of development service of optical fibers in the PRC.

On 29 September 2014, subscription of 62,500,000 new shares was completed and net proceeds were approximately HK\$96.75 million (equivalent to approximately RMB76.70 million). The net proceeds from the completion date of the aforesaid subscription to 30 June 2015 had been applied as follows:

	Planned use	Actual use
	HK\$	HK\$
	(million)	(million)
1. Acquisition	21.30	21.30
2. General working capital	75.45	75.45
	<u>96.75</u>	<u>96.75</u>

SHARE OPTION SCHEMES

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

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

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

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

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

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

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

- (1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option (the "Date of Grant") which must be a trading day;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and
- (3) the nominal value of the shares on the Date of Grant.

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

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 168,000,000 shares, which represents 10% of the shares in issue of the Company as at the listing date of the Company. As at the date of this report, options to subscribe for an aggregate of 152,880,000 shares of the Company can be granted.

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 Listing Rules.

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

There was no movement of the options during the six months ended 30 June 2015 and there is no outstanding option to subscribe for shares of the Company as of 30 June 2015.

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

As at 30 June 2015, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Company

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Jiang Changqing (Note 2 and note 3)	Our Company	Interest of a controlled corporation	926,750,000 Shares (L)	52.73%
	Our Company	Family	10,195,000 Shares (L)	0.58%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Ms. Guo Aru (Note 3)	Our Company	Family	926,750,000 Shares (L)	52.73%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.58%
	Bright Warm Limited	Family	1 share (L)	100%
Mr. Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	157,065,000 Shares (L)	8.94%
	Our Company	Beneficial owner	6,640,000 Shares (L)	0.38%
	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 926,750,000 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 926,750,000 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 157,065,000 Shares are held by Ordillia Group Limited, the entire issued capital of which is beneficially owned by Mr. Li Qingli, an executive Director.

Save as disclosed above, as at 30 June 2015, 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 Appendix 10 of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2015, 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	926,750,000 Shares (L)	52.73%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	157,065,000 Shares (L)	8.94%
Ms. Ren Yanping (Note 4)	Our Company	Family	163,705,000 Shares (L)	9.31%
Mr. Zheng Jinqiao	Our Company	Interest of controlled corporations	125,000,000 Shares (L)	7.11%

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 926,750,000 Shares owned by Bright Warm by virtue of the SFO.
3. Ordillia Group Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. Li Qingli, one of the substantial shareholders of our Company and an executive Director. Therefore, Mr. Li Qingli is also deemed to be interested in the 157,065,000 Shares owned by Ordillia 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 163,705,000 Shares owned by Mr. Li Qingli by virtue of the SFO.

Save as disclosed above, as at 30 June 2015, 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 six months ended 30 June 2015.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No important event took place subsequent to 30 June 2015.

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 June 2015 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 Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from 1 January 2015 up to and including 30 June 2015. The Group continues and will continue to ensure compliance with the corresponding provisions set out in Appendix 10 of the Listing Rules.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 14 to the Listing Rules except Code Provision A.2.1 as more particularly described below.

Code Provision 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 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 to 3.23 of the 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 results and the interim report of the Group for the six months ended 30 June 2015 have not been audited by the Company's auditors, but have been reviewed by the audit committee and the audit committee 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, 28 August 2015