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

2016
Interim Report

CONTENTS

HIGHLIGHTS

- The Group reported a profit attributable to the equity holders of the Company of RMB40,182,000 for the six months ended 30 June 2016(2015: RMB35,055,000), representing an increase of RMB5,127,000, or 14.6% when compared with the corresponding period of the previous financial year.

- The Group's revenue was approximately RMB200,130,000 for the six months ended 30 June 2016 (2015: RMB 260,089,000), representing a decrease of RMB59,959,000 or approximately 23.1% when compared with the corresponding period of the previous financial year.

- Gross profit margin for the six months ended 30 June 2016 was approximately 27.7% (2015: 31.8%), which translates into gross profit of RMB55,371,000 (2015: RMB82,789,000),representing a decrease of RMB27,418,000 when compared with the corresponding period of the previous financial year.

- Earnings per share for the six months ended 30 June 2016 was RMB2.2 cents, representing an increase of RMB0.2 cents as compared to RMB2.0 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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**200,130**	260,089
Cost of sales/services	**(144,759)**	(177,300)
Gross profit	**55,371**	82,789
Other income	**410**	1,747
Other gains and losses	**34,821**	900
Marketing and distribution expenses	**(7,290)**	(7,063)
Administrative expenses	**(26,683)**	(29,417)
Research and development expenses	**(2,216)**	(1,159)
Finance cost	**(12,239)**	(7,183)
Share of profit of an associate	**—**	2,348
Profit before taxation	**42,174**	42,962
Income tax expense	**(4,389)**	(8,238)
Profit and other comprehensive income for the year	**37,785**	34,724
Non-controlling interests	**2,397**	331
Profit for the period attributable to the equity holders of the Company	**40,182**	35,055

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

Chan Oi Chong (陳愛莊) (ICS, HKICS)

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
Li Qingli

Auditor

Deloitte Touche Tohmatsu

Legal Adviser to the Company (Hong Kong Law)

Li & Partners

Registered Office

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Cayman Islands

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
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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
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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22th Floor, Hopwell Centre
183 Queen's Road East
Wanchai
Hong Kong

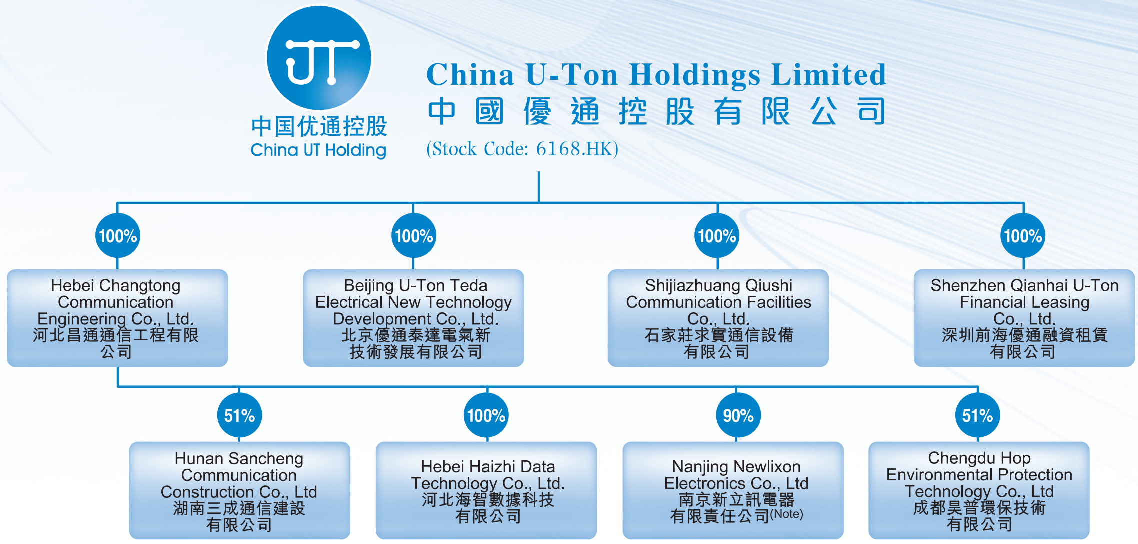
Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

6168

GROUP STRUCTURE OF MAJOR OPERATING SUBSIDIARIES



Note: During the period, the Group completed the disposal of 90% equity interest in Nanjing Newlixon and Nanjing Newlixon ceased to be a subsidiary of the Company since then.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group reported its unaudited results for the six months ended 30 June 2016 with a profit attributable to the equity holders of the Company of RMB40,182,000, representing an increase of approximately 14.6% over the corresponding period of the previous financial year. Our gross profit decreased by RMB27,418,000 to RMB55,371,000. The Group's turnover for the six months ended 30 June 2016 decreased by approximately 23.1% to RMB200,130,000 which was mainly due to significant decrease in revenue derived from applications and other services due to disposal of Nanjing Newlixon Electronics Co. Ltd (南京新立訊電器有限責任公司, "Nanjing Newlixon"). As some construction contracts had not reached the stage to recognise its contract revenue but costs incurred were recorded, the gross profit margin decreased accordingly. In addition, due to expansion of our optical fibers business, the increase in related finance cost also contributed to the decrease in the profit attributable to the equity holders of the Company.

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, and (3) expanding overseas market under the business model of "operators of operators" to diversify our business at a lower cost with lower risks and improve the cash flow of the Group.

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 services of optical fibers

During the six months ended 30 June 2016, the Group achieved steady growth of deployment services of optical fibers. The growth was primarily the result of the net effect of the increase of revenue in Hebei Province, Liaoning Province, Henan Province, Shangdong Province and Yunnan Province and the decrease of revenue in Chongqing Province due to the disposal of Chongqing Wuyang Communication Technology Co. Ltd (重慶五洋通信技術有限公司) in the second half of 2015 and decrease of revenue in Guizhou Province due to the disposal of Nanjing Newlixon in the current period. As projects during the six months ended 30 June 2016 were less complex, the gross profit margin decreased accordingly. In addition, some of the large construction projects were still at early stage as at 30 June 2016 so that criteria for recognition of revenue could not be fulfilled at the time of recognition at 30 June 2016 which in turn would have a negative impact on gross profit margin.

Low-voltage equipment integration services

During the six months ended 30 June 2016, the decrease in revenue was mainly because some of the large construction projects were at early stage as at 30 June 2016 so that criteria for recognition of revenue could not be fulfilled at that time.

Applications and other services

The decrease in revenue was mainly due to disposal of Nanjing Newlixon in current period, which contributed to a majority of revenue from applications and services before its disposal.

DISPOSAL OF NANJING NEWLIXON

During the period, the Group completed a disposal of an aggregate 90% equity interest of Nanjing Newlixon at the aggregate consideration of RMB52,700,000. The Group recorded a gain before taxation on the disposal of approximately RMB37,700,000. The disposal provides the Group with good opportunity to realise its investment in Nanjing Newlixon at a price higher than its original investment cost of RMB15,000,000 and allows the Group to reallocate resources to expand its core business.

Future Plans and Prospects

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

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

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

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

FINANCIAL REVIEW

	Six months ended 30 June		
	2016	2015	Increase
	RMB'000	RMB'000	(Decrease) %
Revenue	**200,130**	260,089	23.1
Gross Profit	**55,371**	82,789	(33.1)
EBITDA	**57,513**	53,259	8.0
EBITDA margin %	**28.7%**	20.5%	8.2 percent point
Net profit	**37,785**	34,724	8.8
Profit for the period attributable to the equity holders of the Company	**40,182**	35,055	14.6
Net profit margin	**18.9%**	13.4%	5.5 percent point
Basic earnings per share (cents)	**2.2**	2.0	0.2

	As at 30 June 2016	As at 31 December 2015
Current ratio	**2.2**	2.2
Gearing ratio	**72.0%**	56.8%

Revenue

The Group's turnover for the six months ended 30 June 2016 was approximately RMB200,130,000, representing a decrease of approximately 23.1% over the corresponding period of the previous financial year.

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

	Six months ended 30 June		
	2016	2015	Increase (Decrease)
	RMB'000	RMB'000	%
Deployment services of optical fibers			
Construction contract revenue			
– Traditional deployment methods	**115,382**	108,363	6.5
– Micro-ducts and mini-cables system integration methods	**24,906**	30,719	(18.9)
Sub-total	**140,288**	139,082	0.9
Low-voltage equipment integration services	**42,822**	61,446	(30.3)
Applications and other services	**10,730**	50,414	(78.7)
Others			
– Services income	**4,304**	8,884	(51.6)
– Sales of goods	**1,986**	263	655.1
Sub-total	**6,290**	9,147	(31.2)
Total	**200,130**	260,089	(23.1)

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 RMB140,288,000 and RMB139,082,000, representing approximately 70.1% and 53.5% of the total revenue of the Group for the six months ended 30 June 2016 and 2015, respectively. The Group achieved steady growth of deployment services of optical fibers due to growth in Heibei Province and Liaoning Province and successful development of new market in Henan Province, Shangdong Province and Yunnan Province.

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

	Six months ended 30 June			
	2016		2015	
	(RMB'000)	**%**	(RMB'000)	%
Hebei Province	**115,943**	**82.6**	98,576	70.9
Sichuan Province	**5,054**	**3.6**	5,713	4.1
Liaoning Province	**3,926**	**2.8**	1,521	1.1
Guizhou Province	**3,118**	**2.2**	11,668	8.4
Shandong Province	**1,798**	**1.3**	—	—
Henan Province	**1,636**	**1.2**	—	—
Yunnan Province	**1,628**	**1.2**	—	—
Hunan Province	**1,276**	**0.9**	1,503	1.0
Chongqing	**—**	**—**	12,966	9.3
Others	**5,909**	**4.2**	7,135	5.2
Total construction contract revenue	**140,288**	**100.0**	139,082	100.0

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 enterprises and private companies, was approximately RMB42,822,000, representing approximately 21.4% of our total revenue for the six months ended 30 June 2016. The decrease in revenue was mainly because some of the large construction projects were at early stage as at 30 June 2016 so that criteria for recognition of revenue could not be fulfilled at the time.

Applications and other services

The decrease in the revenue from applications and other services was mainly due to disposal of Nanjing Newlixon.

Others

The Group's other revenue including services income, sales of goods and rental income amounted to approximately RMB6,290,000, representing 3.1% of our total revenue for the six months ended 30 June 2016. Other revenue decreased as compared to the same period in 2015, mainly due to the decrease in services income as a result of the disposal of Nanjing Newlixon.

Cost of Sales

The Group's cost of sales for the period ended 30 June 2016 was approximately RMB144,759,000, representing a decrease of approximately 18.4% over the corresponding period of the previous year. The decrease in the Group's cost of sales was due to decrease of business of low-voltage equipment intepration 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			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Gross profit by services				
Construction contract revenue				
– Traditional deployment methods	**26,228**	**47.4**	29,344	35.4
– Micro-ducts and mini-cables system integration methods	**8,600**	**15.5**	19,346	23.4
Sub-total	**34,828**	**62.9**	48,690	58.8
Low-voltage equipment integration services	**14,566**	**26.3**	15,316	18.5
Applications and other services	**3,720**	**6.7**	16,217	19.6
Others				
– Services income	**1,157**	**2.1**	2,506	3.0
– Sales of goods	**1,100**	**2.0**	60	0.1
	55,371	**100.0**	82,789	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		
	2016	2015	Increase/ (Decrease)
	%	%	percent point
Gross profit margin by services			
Construction contract revenue			
– Traditional deployment methods	**22.7**	27.1	(4.4)
– Micro-ducts and mini-cables system integration methods	**34.5**	63.0	(28.5)
Overall	**24.8**	35.0	(10.2)
Low-voltage equipment integration services	**34.0**	24.9	9.1
Applications and other services	**34.7**	32.2	2.5
Others			
– Services income	**26.9**	28.2	(1.3)
– Sales of goods	**55.4**	22.8	32.6
Total gross profit margin	**27.7**	31.8	(4.1)

There was a decrease in overall gross profit margin for the six months ended 30 June 2016 when compared with the corresponding period of the previous financial year.

The decrease in our gross profit margin from approximately 31.8% for the six months ended 30 June 2015 to approximately 27.7% for the six months ended 30 June 2016 was primarily due to increase of amount of gross profit portion of construction contracts of deployment services of optical fibers which had lower gross profit margin than low-voltage equipment integration services and telecommunication related applications.

The gross profit margin of construction contracts of deployment services of optical fibers using traditional deployment methods decreased from approximately 27.1% for the six months ended 30 June 2015 to approximately 22.7% for the six months ended 30 June 2016. It was mainly due to business in Sichuan Province and Guizhou Province 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 decreased from approximately 63.0% for the six months ended 30 June 2015 to approximately 34.5% for the six months ended 30 June 2016. The decrease was primarily attributable to the fact that in current period, there were less complex projects generating relatively lower gross profit margin.

The gross profit margin of low voltage equipment integration services increased from approximately 24.9% for the six months ended 30 June 2015 to approximately 34.0% for the six months ended 30 June 2016. Such increase was mainly attributable to the lower cost of sales/services during the period.

The gross profit margin of application and other services was approximately 34.7% for the six months ended 30 June 2016 and its gross profit margin varies according to the complexities of each service.

The gross profit margin of services income decreased from approximately 28.2% for the six months ended 30 June 2015 to approximately 26.9% for the six months ended 30 June 2016. Such decrease was mainly attributable to the decrease in average service charge of maintenance services during the period.

The gross profit margin of sales of goods increased from approximately 22.8% for the six months ended 30 June 2015 to approximately 55.4% for the six months ended 30 June 2016. Such increase was mainly attributable to the sales of ancillary products to our clients at relatively higher unit selling price during the period.

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 2016, the Group's service network includes Hebei Province, Sichuan Province, Liaoning Province, Guizhou Province, Shandong Province, Henan Province, Yunnan Province, Hunan Province and etc, 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, and gain on disposal of a subsidiary. The increase was primarily due to the net effect of gain of RMB37,700,000 from disposal of Nanjing Newlixon being partially offset by foreign exchange loss of RMB2,879,000.

Marketing and distribution expenses and administrative expenses

The Group's marketing and distribution expenses and administrative expenses for the six months ended 30 June 2016 were approximately RMB33,973,000, representing a decrease of approximately RMB2,507,000 from approximately RMB36,480,000 for the corresponding period of the previous year. The decrease was mainly attributable to the Group's effort in strengthening control over administrative expenses.

Finance cost

Finance cost included interests charged by banks and from other borrowings, and bonds. The finance cost increased mainly due to the average principal amount of bank and other borrowings and corporate bonds was higher for the six months ended 30 June 2016 as compared to the corresponding period in 2015.

Profit attributable to equity holders of the Company

The Group recorded net profit attributable to equity holders of the Company of approximately RMB40,182,000 for the six months ended 30 June 2016 as compared with approximately RMB35,055,000 for the corresponding period in 2015, representing an increase of approximately 14.6%. The increase in profit attributable to equity holders was mainly due to the combined effects of the increase in other gains and losses by RMB33,921,000 and the decrease in income tax expense by RMB3,849,000 which outweight the effect of the decrease in gross profit by RMB 27,418,000 and increase of finance costs by RMB5,056,000.

Trade and bill receivables

There was an increase in trade and bills receivables as at 30 June 2016 of approximately RMB18,671,000 as compared to 31 December 2015 which was mainly due to the net effect of new trade receivables provided by the Group and the settlement from customers during the six months ended 30 June 2016.

Amount due from customers for contract works

There was an increase in the amount due from customers for contract works as at 30 June 2016 of approximately RMB58,257,000 as compared to 31 December 2015 which was mainly due to the increase in revenue arising from the six months ended 30 June 2016 (such revenue generated had not been certified by the customers or the underlying construction had not been completed as at 30 June 2016) being partially offset by settlement from customers. Since most of the revenue for the six months ended 30 June 2016 mainly arose from the construction revenue from projects in progress as at 30 June 2016 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 2016 of approximately RMB186,871,000 and RMB30,000,000 respectively. No financial instruments were used for hedging purposes. The Group's bank loans were denominated in Hong Kong dollars and Renminbi, among which RMB 24,791,000 of bank loans are carried at floating rates, and the remaining bank and other borrowings of RMB192,080,000 are carried at fixed rates.

Convertible bond embedded derivative

On 7 June 2016, the Company issued convertible bond with a principal amount of HK$50,000,000 and a maturity period of 2 years. Interest at the rate of 8% per annum is repayable semi-annually. The convertible bond is guaranteed by Mr. Jiang Changqing, the chairman of the Company. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the convertible bond instrument: (i) Mr. Jiang ceases to be the chairman of the Board; (ii) Mr. Jiang, in his personal capacity or through any entity controlled by him, ceases to, in aggregate own and Control more than 50% of the shares of the Company, which was further amended to 40% as agreed with Investor on 15 June 2016; and (iii) all or any substantial part of the assets of the Mr. Jiang is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government.The bonds are convertible at the option of the bondholders into ordinary shares in the conversion period beginning on the first anniversary of the Issue Date and ending on Maturity Date. The bondholders will have the right, but not the obligation, to convert all or any part of the outstanding principal amount of the convertible bond with the initial conversion price of HK$1.00 per conversion share, subject to any adjustment from time to time. For details, please refer to the Company's announcements dated 16 May 2016 and 7 June 2016.

Liquidity and financial resources

As at 30 June 2016, the Group had current assets of approximately RMB1,337,527,000 (31 December 2015: RMB1,148,348,000) which comprised cash and cash equivalents of approximately RMB50,888,000 (31 December 2015: RMB63,595,000). As at 30 June 2016, the Group had non-current liabilities and current liabilities of approximately RMB257,092,000 and RMB607,633,000 (31 December 2015: RMB142,099,000 and RMB511,478,000), respectively, consisting mainly of trade and other payables and, bank and other borrowings arising from 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 2016 (31 December 2015: 2.2).

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

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' equity, was approximately 72.0% as at 30 June 2016 (31 December 2015: approximately 56.8%).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the 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 2016, 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 2016, 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 2016. 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 2016, the Group had no material capital commitments (31 December 2015: RMB17,000).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

Information on employees

As at 30 June 2016, the Group had 497 employees (31 December 2015: 656), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB10,107,000 for the six months ended 30 June 2016 as compared to approximately RMB13,413,000 for the six months ended 30 June 2015. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

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

Significant investments held

Except for available-for-sale investments and investment in subsidiaries, during the six months ended 30 June 2016, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

As at the date of this announcement, the Group did not have any plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Disposal of Nanjing Newlixon

During the period, the Group completed the disposal of Nanjing Newlixon and recorded a gain before taxation on the disposal of approximately RMB37,700,000. For details, please refer to the announcement of the Company dated 31 March 2016.

Acquisition of Sino Partner

In order to explore and make strategic investments in other new business opportunities, the Group acquired 5.65% of equity interest of Sino Partner Global Limited ("**Sino Partner**") at a consideration of HK$96,000,000 in the form of the issue of 80,000,000 new ordinary shares of the Company. The acquisition is completed on 24 June 2016, upon fulfilment of all the conditions precedent set out in the Sale and Purchase Agreement ("SPA"). The payment of the consideration shares is payable within ten business days after the Completion and the consideration shares were issued on 6 July 2016. The Sino Partner principally engaged in the design, development, manufacturing and sales of high performance supercars in the PRC, Europe and other overseas countries. For details, please refer to the announcement of the Company dated 16 June 2016.

Charges on assets

As at 30 June 2016, the Group had pledged bank deposit with carrying amount of RMB168,683,000 to secure the bank and other borrowings (31 December 2015: RMB136,885,000).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	3	**200,130**	260,089
Cost of sales/services		**(144,759)**	(177,300)
Gross profit		**55,371**	82,789
Other income		**410**	1,747
Other gains and losses	4	**34,821**	900
Marketing and distribution expenses		**(7,290)**	(7,063)
Administrative expenses		**(26,683)**	(29,417)
Research and development expenses		**(2,216)**	(1,159)
Finance cost	5	**(12,239)**	(7,183)
Share of profit of an associate		**—**	2,348
Profit before taxation	6	**42,174**	42,962
Income tax expense	7	**(4,389)**	(8,238)
Profit and other comprehensive income for the year		**37,785**	34,724
Profit and total comprehensive income for the period attribtable to:			
Equity holders of the Company		**40,182**	35,055
Non-controlling interests		**(2,397)**	(331)
		37,785	34,724
		RMB (unaudited)	RMB (unaudited)
Earnings per share	9		
Basic (cents)		**2.2**	2.0
Diluted (cents)		**2.2**	2.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	10	**26,317**	27,808
Goodwill	11	**37,536**	37,536
Intangible assets		**6,696**	6,692
Available-for-sale financial assets	12	**113,988**	12,488
Deferred tax assets		**531**	531
Trade Receivable	13	**7,279**	7,279
		192,347	92,334
Current assets			
Inventories		**7,799**	7,019
Trade and bill receivables	13	**215,510**	196,839
Other receivables, deposits and prepayments		**258,781**	100,820
Amount due from an associate		**—**	6,581
Amounts due from customers for contract work		**635,866**	577,609
Available-for-sale financial assets		**—**	20,000
Restricted bank deposits		**168,683**	136,885
Bank balances and cash		**50,888**	63,595
		1,337,527	1,109,348
Assets held for sale		**—**	39,000
		1,337,527	1,148,348

Approved and authorised for issue by the board of directors on 30 August 2016.

Jiang Changqing
Chairman

Li Qingli
Executive Director

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Current Liabilities			
Trade and other payables	14	**357,095**	278,613
Amount due to related parties	16	**—**	1,500
Bank and other borrowings		**216,871**	186,041
Provision		**578**	515
Income tax payable		**26,618**	27,338
Corporate bonds	15	**6,471**	6,471
		607,633	500,478
Liabilities associated with assets held for sale		**—**	11,000
		607,633	511,478
Net current assets		**729,894**	636,870
Total assets less current liabilities		**922,241**	729,204
Non-current Liabilities			
Convertible bond embedded derivative		**42,734**	—
Corporate bonds	15	**212,978**	140,884
Deferred tax liabilities		**1,380**	1,215
		257,092	142,099
Net assets		**665,149**	587,105
Capital and reserves			
Issued equity		**147,349**	143,139
Reserves		**514,976**	438,745
Equity attributable to shareholders of the company		**662,325**	581,884
Non-controlling shareholders		**2,824**	5,221
Total equity		**665,149**	587,105

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Issued equity RMB'000	Capital reserves RMB'000 (Note (a))	Share option reserves RMB'000	Statutory surplus reserves RMB'000 (Note (b))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
For the six months ended 30 June 2016 (unaudited)								
Balance at 1 January 2016	**143,139**	**110,321**	**–**	**56,359**	**272,065**	**581,884**	**5,221**	**587,105**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**40,182**	**40,182**	**(2,397)**	**37,785**
Issue of shares from Placing and subscription	**4,210**	**36,049**	**–**	**–**	**–**	**40,259**	**–**	**40,259**
Balance at 30 June 2016 (unaudited)	**147,349**	**146,370**	**–**	**56,359**	**312,247**	**662,325**	**2,824**	**665,149**
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
Acquisition of subsidiaries	–	–	–	–	–	–	2,231	2,231
Balance at 30 June 2015 (unaudited)	143,139	110,321	–	53,081	277,634	584,175	14,653	598,828

Notes:

(a) The capital reserves includes the share premium of the Company and the contribution from the equity owners prior to the listing of the Company's shares in 2012 after the financial impact for the group restructuring in connection with the listing of the Company's shares in 2012.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(99,579)**	(138,792)
Net cash used in investing activities	**(97,545)**	(69,155)
Net cash generated from financing activities	**184,417**	110,969
Net decrease in cash and cash equivalents	**(12,707)**	(96,978)
Cash and cash equivalents at 1 January	**63,595**	167,578
Cash and cash equivalents at 30 June, represented by bank balances and cash	**50,888**	70,600

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 2016 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 2015 except as described below.

The following amendments to HKFRSs and annual improvement are first effective for the Group's current accounting period:

Amendment to IFRS/HKFRS 11, "Joint Arrangements"
Amendment to IAS/HKAS 16, "Property, Plant and Equipment"
Amendment to IAS/HKAS 38, "Intangible Assets"
Amendment to IFRS/HKFRS 10, "Consolidated Financial Statements"
Amendment to IAS/HKAS 27, "Separate Financial Statements"
Annual Improvement to IFRSs/HKFRSs 2012-2014 cycle

The adoption of the above amended standards did not have any significant impact on the Group's unaudited condensed consolidated interim financial information. In addition, the IASB and HKICPA also published a number of new standards and amendments to standards which are not yet effective for the current accounting period and have not been early adopted by the Group. Management is assessing the impact of such new standards and amendments to standards and will adopt the relevant standards and amendments to standards in the subsequent periods as required.

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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	**23,279**	39,342
Construction contract revenue	**172,547**	211,863
Services income	**4,304**	8,884
	200,130	260,089

Revenue from major products and services

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Deployment services of optical fibers		
– sales of goods	**1,986**	263
– provision of services	**140,288**	139,082
Low-voltage equipment integration services		
– sales of goods	**21,294**	39,079
– provision of services	**21,528**	22,367
Applications and other services		
– provision of services	**10,730**	50,414
Pipeline maintenance service	**4,304**	8,884
	200,130	260,089

Geographical disclosures

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

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other gains comprise:		
Net foreign exchange gain/(loss)	**(2,879)**	900
Gain on disposal of a subsidiary	**37,700**	—
	34,821	900

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Finance costs comprise interest expenses on:		
Other borrowings	**2,347**	2,249
Bank borrowings wholly repayable within five years	**3,219**	2,012
Corporate bonds	**6,673**	2,922
	12,239	7,183

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**3,067**	3,097
Amortisation of intangible assets	**33**	17

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax	**4,224**	7,231
Deferred tax:		
Current year	**165**	31
Withholding tax	**—**	976
	165	1,007
	4,389	8,238

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.

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

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend (2015: Nil).

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:

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to equity holders of the Company, used in the basic earnings per share calculation	**40,182**	35,055
Interest on convertible bonds	**364**	—
Profit attributable to equity holders of the Company before interest on convertible bonds, used in the diluted earnings per share calculation	**40,546**	35,055

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,799,287**	**1,757,620**
Effect of dilutive potential ordinary shares arising from convertible bond	**8,333**	**—**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,807,620**	**1,757,620**

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment amounting to approximately RMB1,576,000 (six months ended 30 June 2015: RMB3,486,000).

11. GOODWILL

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Low-voltage equipment integration services located in:		
Hebei, the PRC	**30,099**	30,099
Deployment services of optical fibers located in:		
Hunan, the PRC	**327**	327
Hebei, the PRC	**2,343**	2,343
Applications and other services		
Sichuan, the PRC	**4,767**	4,767
	37,536	37,536

12. AVAILABLE -FOR-SALE FINANCIAL ASSETS

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Unlisted equity investment, at cost less impairment		
Investment in:		
Hebei Huaxun	**12,488**	12,488
Sino Partner	**96,000**	—
Tian Bao	**5,500**	—
	113,988	12,488

13. TRADE AND BILL RECEIVABLES

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Trade receivables – current portion	**221,810**	202,939
Less: Allowance for impairment of receivables	**(6,300)**	(6,300)
	215,510	196,639
Bill receivable	**—**	200
	215,510	196,839
Trade receivables – non-current portion	**7,279**	7,279
	222,789	204,118

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 2016 are as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Receivable:		
Within one year	**3,450**	3,450
In two to five years	**5,683**	5,683
Over five years	**1,596**	1,596
	10,729	10,729
Less: amount receivable within one year	**(3,450)**	(3,450)
Amount receivable after one year	**7,279**	7,279

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Within 90 days	**88,016**	109,956
91 to 180 days	**5,873**	25,812
181 to 365 days	**80,589**	20,175
1 to 2 years	**23,706**	23,231
2 to 3 years	**8,810**	10,020
Over 3 years	**5,066**	4,195
	212,060	193,389
Trade receivable repayable by installments	**10,729**	10,729
Total trade receivables	**222,789**	204,118

14. TRADE AND OTHER PAYABLES

Included in the balance is trade payable amounting to RMB194,357,000 (31 December 2015: RMB178,716,000).

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Within 90 days	**75,218**	119,746
91 to 180 days	**14,525**	15,910
181 to 365 days	**64,816**	32,044
1 to 2 years	**29,280**	10,107
2 to 3 years	**9,609**	616
Over 3 years	**909**	293
	194,357	178,716

15. CORPORATE BONDS

During the period, the Company issued 10 batches of unsecured corporate bonds amounting to HK$36 million (equivalent to approximately RMB30.77 million) in aggregate to various independent third parties. On 7 June 2017, the Company issued a guaranteed Note in principal amount of HK$50,000,000 due 2018, which is guaranteed by Mr. Jiang Changqing, the chairman of the Company.

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Amount repayable within one year	**6,471**	6,471
Amount repayable after one year	**212,978**	140,884
	219,449	147,355

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. Li Qingli	Beneficial Shareholder and director of the Company
Mr. Jiang Changqing	Beneficial Shareholder and director of the Company
Ms. Guo Aru	Beneficial Shareholder and director of the Company
Hebei Qiushi Olin Furniture Sales Co., Ltd. (Qiushi Olin)	Owned by Mr. Li Qingli

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000
Non-trade nature:		
Ms. Guo Aru	—	500
Qiushi Olin	—	1,000
	—	1,500

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

17. CAPITAL COMMITMENTS

	30 June 2016 RMB'000 (unaudited)	31 December 2015 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	—	17

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 2016. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the content requires otherwise.

Business plan as set out in the Prospectus	Actual business progress up to 30 June 2016
1. Further strengthening our deployment services of optical fibers in the PRC	
(i) Investment in equipment	The Group has purchased various equipment, spare parts of equipment and motor vehicles for construction projects.
(ii) Market expansion	The Group has built sixteen experimental sections and purchased motor vehicles for marketing purposes. In addition, the Group has established three representative office in Chongqing, Tianjin and Shenzhen.
(iii) Securing strategic assets/rights	The Group has signed one co-operation memorandum with a government department and the Group is communicating with various relevant governmental departments in various cities of the PRC.
(iv) Acquisition	The Group completed four acquisitions which are located in Hunan Province, Sichuan 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 announcement, the Directors had no intention to make any changes to the business plan.

Use of Proceeds

The net proceeds from the Placing on 12 June 2012 (the "**Listing Date**") were approximately HK$108.7 million (equivalent to approximately RMB88.7 million). The net proceeds from the Listing Date to 30 June 2016 had been applied as follows:

	Planned use of proceeds from the Listing Date to period ended 30 June 2016 as shown in the Prospectus HK$ (million)	Actual use of proceeds from the Listing Date to 30 June 2016 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 announcement, the Directors are not aware of any material change to the planned use of the proceeds from the plan as stated in such announcement.

On 29 September 2014, subscription of 62,500,000 new shares was completed and net proceeds were approximately HK$96.75 million (equivalent to approximately RMB76.70 million). On 11 February 2016, subscription of 50,000,000 new shares was completed and net proceeds were approximately HK$47.6 million (equivalent to approximately RMB 40.26 million). The net proceeds from the completion date of the aforesaid subscriptions to 30 June 2016 had been applied as follows:

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

SHARE OPTION SCHEME

The Company's existing Share Option Scheme was approved for adoption pursuant to the written resolutions of all of 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 interim 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 2016 and there is no outstanding option to subscribe for shares of the Company as of 30 June 2016.

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

As at 30 June 2016, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 10 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	927,750,000 Shares (L)	51.32%
	Our Company	Family	10,195,000 Shares (L)	0.56%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Ms. Guo Aru (Note 3)	Our Company	Family	927,750,000 Shares (L)	51.32%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.56%
	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)	8.69%
	Our Company	Beneficial owner	6,640,000 Shares (L)	0.37%
	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 927,750,000 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 927,750,000 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 2016, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 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 30 June 2016, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	**Name of Group member**	**Capacity/ nature of interest**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	927,750,000 Shares (L)	51.32%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	157,065,000 Shares (L)	8.69%
Ms. Ren Yanping (Note 4)	Our Company	Family	163,705,000 Shares (L)	9.06%
Mr. Zheng Jinqiao	Our Company	Interest of controlled corporations	125,000,000 Shares (L)	6.92%

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 927,750,000 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 2016, the Directors were not aware of any other persons/ entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 6 July 2016, the Company issued 80,000,000 new shares as the consideration price of the acquisition of Sino Partner, which represent approximately 4.24% of the issued share capital of the Company after the completion of the issuance at the price of HK$1.2 per share. For details, please refer to the announcement of the Company dated 16 June 2016.

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 June 2016 which may, directly or indirectly, compete with the Group’s business.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in 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 2016 up to and including 30 June 2016. 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

The Directors confirmed that, 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 of the Group for the six months ended 30 June 2016 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, 30 August 2016