Interim Report
2017

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

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HIGHLIGHTS

- China U-Ton Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") reported a loss attributable to the equity holders of the Company of RMB61,224,000 for the six months ended 30 June 2017 (2016: profit of RMB40,182,000), representing a change from profit to loss as compared with the corresponding period of the previous financial year.
- The Group's revenue was approximately RMB101,933,000 for the six months ended 30 June 2017 (2016: RMB200,130,000), representing a decrease of RMB98,197,000 as compared with the corresponding period of the previous financial year.
- Loss per share for the six months ended 30 June 2017 was RMB3.2 cents, representing a change from earnings to loss as compared with an earnings per share of RMB2.2 cents for the corresponding period of the previous financial year.
- The Board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**101,933**	200,130
Cost of sales/services	**(118,413)**	(144,759)
Gross (loss)/profit	**(16,480)**	55,371
Other income	**4,153**	410
Sales expenses	**(7,051)**	(7,290)
Administrative expenses	**(43,055)**	(26,683)
Research and development expenses	**(514)**	(2,216)
(Loss)/profit from operation	**(62,947)**	19,592
Finance costs	**(16,206)**	(15,118)
Gain on disposal of subsidiary	**5,353**	37,700
Fair value gains of equity investment through profit or loss	**11,488**	—
(Loss)/profit before taxation	**(62,312)**	42,174
Income tax	**(1,397)**	(4,389)
(Loss)/profit for the period	**(63,709)**	37,785
Non-controlling interests	**2,485**	2,397
(Loss)/profit for the period attributable to the equity holders of the Company	**(61,224)**	40,182

CORPORATE INFORMATION

Board of Directors

Executive Directors

Jiang Changqing (姜長青) (Chairman)
Guo Aru (郭阿茹)
Li Qingli (李慶利)
Zhao Feng (趙峰)
Ji Huifang (計惠芳)

Non-Executive Director

Ge Lingyue (葛淩躍)

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

KPMG

Legal Adviser to the Company (Hong Kong Law)

Li & Partners

Registered Office

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

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

Room A601,Shimeng 1925 Business Center,
Donggang Road 108,
Yuhua District, Shijiazhuang
Hebei Province
China

Principal Place of Business in Hong Kong

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

CORPORATE INFORMATION

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

Estera Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

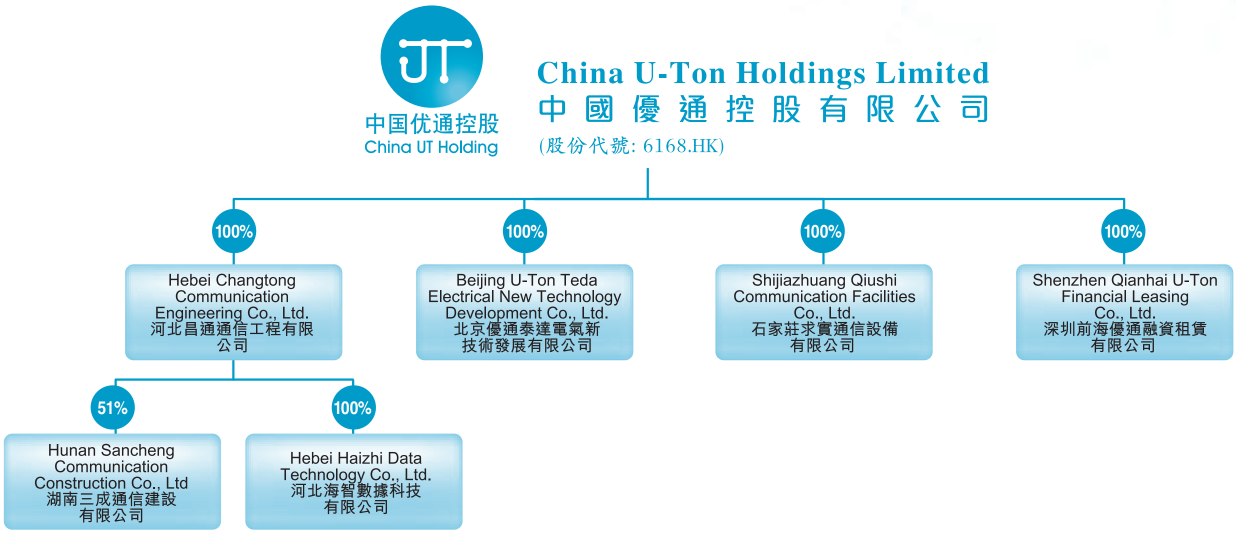
Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

6168

GROUP STRUCTURE OF MAJOR OPERATING SUBSIDIARIES



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group reported its unaudited results for the six months ended 30 June 2017 with a loss attributable to the equity holders of the Company of RMB61,224,000, representing a change from profit to loss as compared with the corresponding period of the previous financial year. Our gross profit decreased by RMB71,851,000 to loss of RMB16,480,000. The Group's revenue for the six months ended 30 June 2017 decreased by approximately 49.1% to RMB101,933,000. During the six months ended 30 June 2017, due to increased competition in the traditional optical fiber deployment business, the Group adjusted its allocation of resources by taking the initiative to reduce the amount of business undertaken and foster new potential business growth drivers since the second half of 2016. The strategy adjustment led to a significant decrease in revenue of design, deployment and maintenance services of optical fibers. The Group recorded a substantial loss attributable to the equity holders of the Company due to the following reasons: 1) fall in revenue as a result of strategy adjustment while costs increased due to delay in construction progress for a number of projects, and some construction contracts had not reached the stage to recognise contract revenue but costs incurred were recorded, leading to significant decrease in gross margin, 2) recognition of share option costs leading to a significant increase in administrative expenses.

BUSINESS REVIEW

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

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

Deployment services of optical fibers

During the six months ended 30 June 2017, decrease in revenue of deployment services of optical fibers was mainly due to significant decrease in traditional deployment construction revenue in Hebei Province due to keen competition of the market. While costs increased as a result of delay in construction progress for a number of projects, a number of projects with relatively low gross profit margins were undertaken by the Group to maintain a certain market share. The above factors led to a decrease in revenue and gross margin of the optical fiber deployment business in the six months ended 30 June 2017.

Low-voltage equipment integration services

During the six months ended 30 June 2017, decrease in revenue of low-voltage equipment integration services was mainly due to large-scale projects undertaken in previous years which were in the final stage in 2016, the underground common trench project in Zhengding New District, Shijiazhuang initiated in 2016 was still in the early stage of construction and only the experimental section started to recognise revenue. In order to ensure the smooth advancement of large-scale projects in 2017, the Group maintained the human resource level of this business segment. As a result, while revenue decreased, there was little change in fixed costs.

FUTURE PLANS AND PROSPECTS

Looking forward, the Group expects the operating environment will continue to be challenging. However, the application of wireless technology by the market and the promotion of cloud computing, big data and data centres, together with upgrades in systems and skills and application of 4G and development of 5G, have resulted in a multi-fold increase in the global demand for bandwidth in the next few years. Optical fibre broadband network construction is the forerunner of all infrastructure 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 in the PRC and overseas. In order to cope with the anticipated challenges and staying competitive, more efforts will be made to strengthen internal control and management, strictly control production cost and operating expenses.

The Group will also continue to explore any opportunities to diversify our business with the ultimate aim of bringing greater value to our shareholders in the long run. On 25 July 2017, the Group was granted money lenders licence, and on 20 July 2017, the Group signed memorandum of understanding to acquire 51% of Beijing Yourui Jiahe Electronic Technology Co., Ltd, which is principally engaged in the provision of environmentally intelligent technical products and services in the PRC (the "Proposed acquisition"). As at the date of this announcement, the Company has not entered into any binding agreement. For further details, please refer to the announcement dated 20 July 2017. If the Proposed Acquisition materialises, the Group will make further announcement as and when appropriate in accordance with the Listing Rules.

FINANCIAL REVIEW

	Six months ended 30 June		
	2017	2016	Increase
	RMB'000	RMB'000	(Decrease) %
Revenue	**101,933**	200,130	(49.1)
Gross (loss)/profit	**(16,480)**	55,371	(129.8)
EBITDA	**(42,586)**	60,392	(170.5)
EBITDA margin %	**(41.8)%**	30.2%	(72.0) percent point
Net (loss)/profit	**(63,709)**	37,785	(268.6)
(Loss)/profit for the period attributable to the equity holders of the Company	**(61,224)**	40,182	(252.4)
Net (loss)/profit margin	**(62.5)%**	18.9%	(81.4) percent point
Basic (loss)/earnings per share (cents)	**(3.2)**	2.2	(5.4)

	As at 30 June 2017	As at 31 December 2016
Current ratio	**2.9**	2.1
Gearing ratio	**145.2%**	82.5%

Revenue

The Group's turnover for the six months ended 30 June 2017 was approximately RMB101,933,000, representing a decrease of approximately 49.1% over the corresponding period of the previous financial year. The decrease in the Group's revenue was mainly due to decrease of construction contract revenue of deployment services of optical fibers and revenue of low-voltage equipment integration services.

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

	Six months ended 30 June		
	2017	2016	Increase (Decrease)
	RMB'000	RMB'000	%
Design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**39,443**	115,382	(65.8)
– Micro-ducts and mini-cables system integration methods	**28,146**	31,196	(9.8)
Sub-total	**67,589**	146,578	(53.9)
Low-voltage equipment integration and others services	**33,676**	53,552	(37.1)
Rental income	**668**	—	100.0
Total	**101,933**	200,130	(49.1)

Design, deployment and maintenance of optical fibers

Revenue generated from our provision of design, deployment and maintenance of optical fibers services, was RMB67,589,000 and RMB146,578,000, representing approximately 66.3% and 73.2% of the total revenue of the Group for the six months ended 30 June 2017 and 2016, respectively. The decrease in construction revenue for the six months ended 30 June 2017 as compared to 2016 was mainly due to the decrease in the revenue derived from the provision of deployment services of optical fibers in Hebei Province due to keen competition.

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

	Six months ended 30 June			
	2017		2016	
	(RMB'000)	**%**	(RMB'000)	%
Hebei Province	**43,895**	**65.0**	115,943	79.2
Liaoning Province	**6,171**	**9.1**	3,926	2.7
Tianjin	**4,628**	**6.8**	—	—
Yunnan Province	**4,578**	**6.8**	1,628	1.1
Shanxi Province	**3,780**	**5.6**	—	—
Shandong Province	**2,701**	**4.0**	1,798	1.2
Guizhou Province	**1,507**	**2.2**	3,118	2.1
Sichuan Province	**295**	**0.4**	5,054	3.4
Henan Province	**—**	**—**	1,636	1.1
Hunan Province	**—**	**—**	1,276	0.9
Others	**34**	**0.1**	12,199	8.3
	67,589	**100.0**	146,578	100.0

Low-voltage equipment integration and other services

The income from low-voltage equipment integration and other services, mainly representing the income generated from the provision of integration services for low-voltage equipment and accessories to our clients, which include financial institutions, governmental departments, public facilities, road and transportation companies, property developers and state-owned and private companies, was approximately RMB33,676,000 and RMB53,552,000, representing approximately 33.0% and 26.8% of our total revenue for the six months ended 30 June 2017 and 2016, respectively. The decrease in revenue was mainly because some of the large construction projects were at early stage as at 30 June 2017 so that criteria for recognition of revenue could not be fulfilled at the time.

Rental income

The Group's revenue from rental income was approximately RMB668,000, represented 0.7% of total revenue.

Cost of sales and services

The Group's cost of sales for the six months ended 30 June 2017 was approximately RMB118,413,000, representing a decrease of approximately 18.2% over the corresponding period of the previous year. The decrease in the Group's cost of sales was due to decrease in revenue.

Gross (loss)/profit

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

	Six months ended 30 June			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Gross (loss)/profit by services				
Design, deployment and maintenance of optical fibers services				
– Traditional deployment methods	**(9,954)**	**(60.4)**	26,228	47.4
– Micro-ducts and mini-cables system integration methods	**(4,396)**	**(26.7)**	10,857	19.6
Sub-total	**(14,350)**	**(87.1)**	37,085	67.0
Low-voltage equipment integration and other services	**(2,798)**	**(17.0)**	18,286	33.0
Rental income	**668**	**4.1**	—	—
	(16,480)	**100.0**	55,371	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		
	2017	2016	Increase/ (Decrease)
	%	%	percent point
Gross profit margin by services			
Design, deployment and maintenance of optical fibers services			
– Traditional deployment methods	**(25.2)**	22.7	(47.9)
– Micro-ducts and mini-cables system integration methods	**(15.6)**	34.8	(50.4)
Overall	**(21.2)**	25.3	(46.5)
Low-voltage equipment integration and other services	**(8.3)**	34.1	(42.4)
Rental income	**100.0**	—	100.0
Total gross profit margin	**(16.2)**	27.7	(43.9)

There was a decrease in overall gross profit margin for the six months ended 30 June 2017 when compared with the corresponding period of the previous financial year.

The decrease in our gross margin from profit of approximately 27.7% for the six months ended 30 June 2016 to loss of approximately 16.2% for the six months ended 30 June 2017 was primarily due to the decrease in gross margin of construction contract revenue in relation to deployment of optical fibers from profit of approximately 25.3% in six months ended 30 June 2016 to loss of approximately 21.2% in six months ended 30 June 2017 and the gross loss/profit of which accounted for loss of approximately 87.1% and profit of 67.0% of total gross loss/profit in six months ended 30 June 2017 and six months ended 30 June 2016, respectively. In general, the gross margin of construction contract varies according to the difficulties and complexities of each project.

The gross margin of construction contracts of deployment services of optical fibers decreased from profit of approximately 25.3% for the six months ended 30 June 2016 to loss of approximately 21.2% for the six months ended 30 June 2017. It was mainly due to the following reasons, a) increased costs as a result of delay in construction progress and engineering change for a number of projects, b) increased competition of business in Hebei Province, c) some construction contracts had not reached the stage to recognise construction revenue but costs incurred were recorded and d) the fixed cost had remained while the revenue decreased. Therefore, there was a negative impact on the gross margin.

The gross margin of low-voltage equipment integration and other services decreased from profit of approximately 34.1% for the six months ended 30 June 2016 to loss of approximately 8.3% for the six months ended 30 June 2017. Such decrease was mainly attributable to less complex project undertaken in current year and increased cost for large-scale projects which were in the final stage. In addition, fixed cost had remained stable while revenue decreased.

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 2017, the Group's service network includes Hebei Province, Tianjin, Yunnan Province, Shanxi Province, Shandong Province and etc, within the PRC.

Other income

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

Selling expenses and administrative expenses

The Group's selling expenses and administrative expenses for the six months ended 30 June 2017 were approximately RMB50,106,000, representing an increase of approximately RMB16,133,000 from approximately RMB33,973,000 for the corresponding period of the previous year. The increase was mainly because of recognition of share option costs during the period.

Finance cost

Finance cost mainly included interest charged from bank and other borrowings, bonds and guaranteed notes and net foreign exchange loss on debts. The increased finance cost was mainly due to the net effect of increase in the average principal of borrowings and a change from net foreign exchange loss to gain related to Hong Kong dollar debt.

Gain on disposal of subsidiary

In May 2017, the Group completed a disposal of 51% equity interest of Chengdu Hop Environmental Protection Technology Co., Ltd. ("Chengdu Hop", 成都昊普保技有限公司) for a consideration of cash of RMB4,000,000 to the non-controlling shareholder of Chengdu Hop. The Group recorded a gain before taxation on the disposal of approximately RMB5,353,000. The disposal allows the Group to free the resources allocated on loss-making business and to expand other business.

Fair value gains of equity investment through profit or loss/Equity investment through profit or loss

During the period, for purpose of long-term investment and enhance, through strategic investments, business cooperation on the construction of smart cities and buildings, the Group acquired 332,284,073 shares of Nine Express Limited, ("Nine Express", 九號運通有限公司), representing approximately 11.21% of the total issued share capital of Nine Express as at 30 June 2017. Nine Express is principally engaged in property and hotel development, rental of property, film distribution and licensing and film processing, shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0009). For details, please refer to the announcement of the Company dated 27 April 2017. The Group designated the investment upon initial recognition as at fair value through profit or loss and measured the fair value using quoted prices in active markets and recorded fair value gains of RMB 11,488,000 as at 30 June 2017.

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

The Group recorded net loss attributable to equity holders of the Company of RMB61,224,000 for the six months ended 30 June 2017 compared to net profit of RMB40,182,000 for the corresponding period in 2016, representing a decrease of approximately 252.4%. The decrease in (loss)/profit attributable to equity holders of the Company was the net effect of the following: the decrease in gross profit of approximately RMB71,851,000, the decrease in gain on disposal of subsidiary of RMB32,347,000, the increase in administrative expenses of RMB16,372,000 and the increase in fair value gains of equity investment through profit or loss of RMB 11,488,000.

Trade and bill receivables

There was a decrease in trade and bills receivables as at 30 June 2017 of approximately RMB61,910,000 as compared to 31 December 2016 which was mainly due to the net effect of the settlement from customers and new trade receivables provided by the Group during the six months ended 30 June 2017.

Other receivables, deposits and prepayments

Increase in other receivables, deposits and prepayments was mainly due to increase in loans to third parties.

Amount due from customers for contract works

There was a decrease in the amount due from customers for contract works as at 30 June 2017 of RMB11,874,000 as compared to 31 December 2016, which was mainly due to the net effect of decrease in revenue and construction revenue recognized in year 2017 but not certified by customers.

Available-for-sale financial assets

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

Bank and other borrowings

The Group had short-term and long-term bank and other borrowings as at 30 June 2017 amounted to RMB111,750,000 and RMB129,058,000 respectively. No financial instruments were used for hedging purposes. The Group's bank loans were made in Hong Kong dollars and Renminbi, of which RMB39,058,000 are carried at floating rates, and the remaining balances are carried at fixed rates. The decrease in bank and other borrowings was a result of repayment of bank loans secured by bank deposits.

Convertible bonds

On 7 June 2016, 9 February 2017 and 27 June 2017, the Company issued convertible bonds with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to HK$78,000,000) and USD4,000,000 (equivalent to HK$31,200,000), respectively. These convertible bonds are guaranteed by Mr. Jiang Changqing. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the corresponding 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 30% of the issued shares of the Company; 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. For details, please refer to Note 19 to the Notes to the Condensed Consolidated Financial Statements in this report and Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017.

During the year ended 31 December 2016 and six months ended 30 June 2017, there was no conversion of the convertible bonds issued by the Company into share by the bondholders. As at 30 June 2017, the outstanding principal amount of all convertible bonds was approximately HKD159,200,000 (31 December 2016: HKD50,000,000). Based on the conversion price of the convertible bonds of HK$1.00 per share of the Company, a maximum number of 159,200,000 shares of the Company (31 December 2016: 50,000,000 shares) would be allotted and issued upon exercise of the conversion rights attaching to the outstanding convertible bonds in full, which represent approximately 8.43% of the total number of issued shares of the Company as at 30 June 2017, and approximately 7.78% of the enlarged total number of issued shares immediately after full conversion of convertible bonds at the conversion price of HK$1.00, respectively.

Below is the shareholding structure of the Company (i) as at 30 June 2017; and (ii) immediately after full conversion of the convertible bonds at the initial conversion price of HK$1.00.

Shareholders	As at 30 June 2017		Immediately after full conversion of the Convertible Bond at the initial Conversion Price of HK$1.00	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Jiang and his associates	654,502,000 (Note)	34.67	654,502,000 (Note)	31.98
The bondholders	–	–	159,200,000	7.78
Other substantial shareholders	572,148,000	30.31	572,148,000	27.95
Public	660,970,000	35.02	660,970,000	32.29
Total	1,887,620,000	100.00	2,046,820,000	100.00

Note: These comprise (i) 10,195,000 Shares owned by his spouse, Ms. Guo Aru, as beneficial owner; (ii) 644,307,000 Shares through his interest in Bright Warm Limited which is owned beneficially as to 100% by Mr. Jiang.

During the year ended 31 December 2016 and six months ended 30 June 2017, there was no dilutive effect attributable to the convertible bonds on the loss per share. Additional information of the convertible bonds issued by the Company, including but not limited to, analysis on the financial and liquidity position of the Group and discussion on the ability to meet its redemption obligations under the convertible bonds are set out in the paragraph "Liquidity and financial resources".

Guaranteed notes

In May 2016, January 2017 and June 2017, the Company issued guaranteed notes with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to HK$78,000,000) and USD4,000,000 (equivalent to HK$31,200,000), respectively. These guaranteed notes are guaranteed by Mr. Jiang Changqing. In addition, the occurrence of any of the following events, among others, shall constitute an event of default under the corresponding note 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 30% of the issued shares of the Company; 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. For details, please refer to Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017 and Note 20 of the Notes to the Condensed Consolidated Financial Statements to this report. All guaranteed notes have a maturity period of 2 years, with interest bearing at 11% per annum and are repayable semi-annually.

Liquidity and financial resources

As at 30 June 2017, the Group had current assets of approximately RMB1,165,562,000 (31 December 2016: RMB1,229,635,000) which comprised cash and cash equivalents of approximately RMB99,013,000 (31 December 2016: RMB128,057,000). As at 30 June 2017, the Group had non-current liabilities and current liabilities of approximately RMB583,861,000 and RMB397,139,000 (31 December 2016: RMB415,750,000,and RMB578,996,000), consisting mainly of payables, corporate bonds, convertible bonds, guaranteed note, 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 2.9 as at 30 June 2017 (31 December 2016: 2.1).

The Group finances its operation primarily with the use of internal-generated cashflows, banking facilities and the proceeds from the issuance of corporate bonds, convertible bonds and guaranteed note.

Gearing ratio

The gearing ratio of the Group is calculated on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt which includes bank and other borrowings, corporated bonds, convertible bonds and guaranteed notes less cash at bank and on hand and restricted bank deposits. Capital comprises all components of equity. The gearing ratio was approximately 145.2% as at 30 June 2017 (31 December 2016: approximately 82.5%).

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 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 2017, we had partial bank balances, corporate bond, convertible bonds and guaranteed note, which are denominated in foreign currencies (HK$ or USD) other than RMB 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 2017, 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 2017. 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.

During the six months ended 30 June 2017, the Company granted 60,000,000 share options to certain eligible participants. For further details, please refer to Note 20 to the Notes to the Condensed Consolidated Financial Statements of this report and the Company's announcement dated 24 January 2017.

Capital commitments

As at 30 June 2017, the Group had no material capital commitments (31 December 2016: Nil).

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Information on employees

As at 30 June 2017, the Group had 513 employees (31 December 2016: 503), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately RMB13,440,000 for the six months ended 30 June 2017 as compared to approximately RMB10,107,000 for the six months ended 30 June 2016. 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, equity investment at fair value through profit and loss and investment in subsidiaries, during the six months ended 30 June 2017, the Group did not hold any significant investment in equity interest in any company.

Future Plans for Material Investments and Capital Assets

Except as disclosed in the Company's announcements dated 12 December 2016 and 20 July 2017, the Group did not have any other plans for material investments and capital assets. The consideration for these potential investments, if proceed, is expected to be funded by the Group's internal resources, equity financing and/or debt financing as the Directors may deem appropriate.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Acquisition of Nine Express

For acquisition details, please refer to the paragraph "Fair value gains of equity investment through profit or loss/Equity investment through profit or loss" in this section.

Disposal of Chengdu Hop

For disposal details, please refer to the paragraph "Gain on disposal of subsidiary" in this section.

Charges on assets

As at 30 June 2017, the Group had pledged bank deposit with carrying amount of RMB50,320,000 to secure the bank and other borrowings (31 December 2016: RMB170,697,000).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	3	**101,933**	200,130
Cost of sales/services		**(118,413)**	(144,759)
Gross (loss)/profit		**(16,480)**	55,371
Other income	4	**4,153**	410
Selling expenses		**(7,051)**	(7,290)
Administrative expenses		**(43,055)**	(26,683)
Research and development expenses		**(514)**	(2,216)
(Loss)/profit from operation		**(62,947)**	19,592
Finance costs	5	**(16,206)**	(15,118)
Gain on disposal of subsidiary		**5,353**	37,700
Fair value gains of equity investment through profit or loss		**11,488**	—
(Loss)/profit before taxation	6	**(62,312)**	42,174
Income tax	7	**(1,397)**	(4,389)
(Loss)/profit for the period		**(63,709)**	37,785
Attributable to:			
Equity shareholders of the Company		**(61,224)**	40,182
Non-controlling interests		**(2,485)**	(2,397)
(Loss)/profit for the period		**(63,709)**	37,785
(Loss) /earnings per share	9		
Basic (RMB cents)		**(3.2)**	2.2
Diluted (RMB cents)		**(3.2)**	2.2

Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
(Loss) /profit for the period		**(63,709)**	37,785
Other comprehensive income for the period (after tax):			
Exchange differences on translation of financial statements into presentation currency		**(2,116)**	—
Total comprehensive income for the period		**(65,825)**	37,785
Attributable to:			
Equity shareholders of the Company		**(63,340)**	40,182
Non-controlling interests		**(2,485)**	(2,397)
Total comprehensive income for the period		**(65,825)**	37,785

Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**46,476**	47,590
Goodwill	11	**32,769**	32,769
Intangible assets		**1,908**	5,074
Available-for-sale financial assets	12	**86,517**	86,598
Prepayments for investments in financial assets	12	**14,490**	16,790
Deferred tax assets		**990**	990
Trade Receivable	13	**10,594**	7,933
		193,744	197,744
Current assets			
Inventories		**16,483**	11,459
Trade and bill receivables	13	**87,724**	152,295
Other receivables, deposits and prepayment	14	**334,442**	261,308
Amounts due from customers for contract work		**493,945**	505,819
Equity investment at fair value through profit or loss		**83,635**	—
Restricted bank deposits	15	**50,320**	170,697
Bank balances and cash	16	**99,013**	128,057
		1,165,562	1,229,635
Current Liabilities			
Trade and other payables	17	**259,519**	315,776
Bank and other borrowings		**111,750**	237,275
Provision for warranties		**637**	606
Income tax payable		**21,761**	21,761
Corporate bonds	18	**3,472**	3,578
		397,139	578,996
Net current assets		**768,423**	650,639
Total assets less current liabilities		**962,167**	848,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current Liabilities			
Bank and other borrowings		**129,058**	133,726
Corporate bonds	18	**183,906**	186,847
Convertible bonds	19	**146,208**	49,139
Guaranteed notes	20	**124,248**	45,132
Deferred tax liabilities		**441**	906
		583,861	415,750
NET ASSETS		**378,306**	432,633
Capital and reserves			
Share capital		**154,242**	154,242
Reserves		**226,015**	279,479
Equity attributable to shareholders of the company		**380,257**	433,721
Non-controlling shareholders		**(1,951)**	(1,088)
TOTAL EQUITY		**378,306**	432,633

Approved and authorised for issue by the board of directors on 28 August 2017.

Jiang Changqing	**Li Qingli**
Chairman	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000 Note (a)	Exchange Reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
For the six months ended 30 June 2017 (unaudited)										
Balance at 1 January 2017	**154,242**	**193,445**	**–**	**10,142**	**56,359**	**671**	**18,862**	**433,721**	**(1,088)**	**432,633**
Loss for the period	–	–	–	–	–	–	(61,224)	(61,224)	(2,485)	(63,709)
Other comprehensive income	–	–	–	–	–	(2,116)	–	(2,116)	–	(2,116)
Total comprehensive income for the period	–	–	–	–	–	(2,116)	(61,224)	(63,340)	(2,485)	(65,825)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	1,622	1,622
Recognition of equity settled share-based payments	–	–	9,876	–	–	–	–	9,876	–	9,876
Balance at 30 June 2017 (unaudited)	**154,242**	**193,445**	**9,876**	**10,142**	**56,359**	**(1,445)**	**(42,362)**	**380,257**	**(1,951)**	**378,306**
For the six months ended 30 June 2016 (unaudited)										
Balance at 1 January 2016	143,139	100,179	–	10,142	56,359	–	272,065	581,884	5,221	587,105
Profit for the period	–	–	–	–	–	–	40,182	40,182	(2,397)	37,785
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
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	136,228	–	10,142	56,359	–	312,247	662,325	2,824	665,149

Note (a):

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 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(106,835)**	(99,579)
Net cash used in investing activities	**(71,325)**	(97,545)
Net cash generated from financing activities	**149,116**	184,417
Net decrease in cash and cash equivalents	**(29,044)**	(12,707)
Cash and cash equivalents at 1 January	**128,057**	63,595
Cash and cash equivalents at 30 June, represented by bank balances and cash	**99,013**	50,888

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 2017 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 2016.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the group. None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from the provision of design, deployment and maintenance of optical fibers services	**67,589**	146,578
Revenue from the installation and sales of low-voltage system equipment and related accessories	**33,676**	53,552
Rental income	**668**	—
	101,933	200,130

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 is set out below.

	Six months ended 30 June 2017			
	Optical fibers RMB'000	**Low-voltage system RMB'000**	**Rental RMB'000**	**Total RMB'000**
Revenue from external customers and reportable segment revenue	**67,589**	**33,676**	**668**	**101,933**
Reportable segment gross (loss)/profit	**(14,350)**	**(2,798)**	**668**	**(16,480)**

	Six months ended 30 June 2016 (unaudited)			
	Optical fibers RMB'000	Low-voltage system RMB'000	Rental RMB'000	Total RMB'000
Revenue from external customers and reportable segment revenue	146,578	53,552	—	200,130
Reportable segment gross (loss)/profit	37,085	18,286	—	55,371

Geographical disclosures

The Group mainly operates in the PRC. As at 30 June 2017 and 2016, 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 during the period ended 30 June 2017 and 2016.

4. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	**4,142**	292
Government grants	**11**	118
	4,153	410

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans and other borrowings	**5,455**	5,566
Finance charges on corporate bonds	**8,421**	6,673
Finance charges on convertible bonds	**5,577**	—
Finance charges on guaranteed notes	**5,667**	—
Total borrowing costs	**25,120**	12,239
Net foreign exchange loss	**(8,914)**	2,879
	16,206	15,118

6. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Employee costs	**13,440**	10,107
Depreciation of property, plant and equipment	**3,490**	3,067
Amortisation of intangible assets	**30**	33

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Corporate Income Tax	**1,862**	4,224
Deferred tax:		
Origination and reversal of temporary differences	**(465)**	165
	1,397	4,389

(i) The Company and the subsidiaries of the Group incorporated in the British Virgin Islands are not subject to any income tax pursuant to the rules and regulations in their respective jurisdictions of incorporation.

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ending 31 December 2017 (2016: 16.5%).

(ii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ending 31 December 2017 (2016: 25%).

(iii) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureaux to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% for the three years ending 31 December 2017 or 31 December 2018.

(iv) Pursuant to the approvals obtained from the tax authorities, certain subsidiaries of the Group established in the PRC are being taxed at fixed percentages of the respective subsidiaries' revenue for the year, ranging from 7% to 10% (2016: ranging from 7% to10%).

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend (2016: Nil).

9. (LOSS)/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	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
(Loss)/earnings attributable to equity holders of the Company, used in the basic earnings per share calculation	**(61,224)**	40,182
Interest on convertible bonds*	**—**	364
(Loss)/earnings attributable to equity holders of the Company before interest on convertible bonds, used in the diluted earnings per share calculation	**(61,224)**	40,546

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,887,620**	1,799,287
Effect of dilutive potential ordinary shares arising from*		
– convertible bonds	**—**	8,333
– issue of share options	**—**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,887,620**	1,807,620

* The Group's convertible bonds and share options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the six months ended 30 June 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment amounting to approximately RMB2,798,000 (six months ended 30 June 2016: RMB1,576,000).

11. GOODWILL

Goodwill has been allocated to the following cash generating units ("CGUs") identified according to the location of operations and major type of services as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Installation and sale of low-voltage system equipment operations located in Shijiazhuang, the PRC	**30,099**	30,099
Design, deployment and maintenance of optical fibers operations located in:		
Hebei Province, the PRC	**2,343**	2,343
Hunan Province, the PRC	**327**	327
	32,769	32,769

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS/PREPAYMENTS FOR INVESTMENTS IN FINANCIAL ASSETS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Available-for-sale financial assets included in non-current assets		
Unlisted equity securities, at cost		
Investment in Hebei Huaxun	**13,916**	13,916
Investment in Sino Partner	**64,110**	64,110
Investment in Tian Bao	**—**	10,000
Investment in an Environmental Protection High and New Technology Fund	**9,919**	—
	87,945	88,026
Less: impairment losses	**(1,428)**	(1,428)
	86,517	86,598
Prepayments for investments in financial assets	**14,490**	16,790

13. TRADE AND BILL RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade and bill receivables – current portion	**135,170**	199,741
Less: Allowance for impairment of receivables	**(47,446)**	(47,446)
	87,724	152,295
Trade receivables – non-current portion	**10,594**	7,933
	98,318	160,228

Included in the Group's trade and bill 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 2017 are as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Receivable:		
Within one year	**3,724**	3,724
In two to five years	**10,594**	7,933
Over five years	**—**	—
	14,318	11,657
Less: amount receivable within one year	**(3,724)**	(3,724)
Amount receivable after one year	**10,594**	7,933

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:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 90 days	**30,186**	53,444
91 to 180 days	**11,394**	23,784
181 to 365 days	**29,429**	20,998
Over 1 years	**27,309**	62,002
Total trade receivables	**98,318**	160,228

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	**30 June 2017 RMB'000 (unaudited)**	31 December 2016 RMB'000 (audited)
Amounts due from Nanjing Newlixon and Newlixon NCEH	(a)	**85,431**	88,833
Loans to third parties	(b)	**100,858**	53,390
Prepayments for inventories		**90,858**	64,928
Deposits for construction contracts'			
Bidding and performance		**51,705**	48,410
Others		**47,916**	48,073
		376,768	303,634
Less: allowance for doubtful debts	(c)	**(42,326)**	(42,326)
		334,442	261,308

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year.

Notes:

(a) Nanjing Newlixon Electric Appliance Co., Ltd ("Nanjing Newlixon") was acquired by the Group in May 2015 and subsequently disposed of in March 2016. The balance at 30 June 2017 comprised advances to Nanjing Newlixon and the non-controlling equity holder of Nanjing Newlixon ("Newlixon NCEH") by the Group with an aggregate principal of RMB61,731,000 and consideration receivable on the Group's disposal of Nanjing Newlixon of RMB23,700,000, in which the balances of RMB5,400,000 and RMB23,700,000 were determined to be impaired, respectively. The directors of the Company confirm that they are in negotiations with both Nanjing Newlixon and Newlixon NCEH in recovering the remaining balance.

(b) The Group granted loans to certain third parties with an aggregated principal amount of RMB100,858,000. The loans are guaranteed by other third parties, bears interest ranged from 0% to 15% per annum and are repayable on demand or on 31 December 2017.

(c) Movements of allowance for doubtful debts are set out as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Balance at 1 January	**42,326**	—
Impairment losses recognised	**—**	42,326
	42,326	42,326

15. RESTRICTED BANK DEPOSITS

Restricted bank deposits were used to secure the Group's bank borrowings. These bank deposits will be released upon the repayment of the relevant bank borrowing.

16. BANK BALANCES AND CASH

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Cash at bank and on hand	**99,013**	128,057

The Group's operations in the PRC (excluding Hong Kong) are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC (excluding Hong Kong) is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

17. TRADE AND OTHER PAYABLES

Included in the balance is trade payable amounting to RMB164,378,000 (31 December 2016: RMB212,850,000).

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 90 days	**106,516**	169,199
91 to 180 days	**20,211**	15,395
181 to 365 days	**13,395**	7,380
Over 1 years	**24,256**	20,876
	164,378	212,850

18. CORPORATE BONDS

During the period, the Group did not issue corporate bonds. During the period from 2013 to 2016, the Group has issued unsecured corporate bonds with an aggregate principal amount of HK$252,000,000 (equivalent to approximately RMB218,716,000). The bonds issued in 2 to 7.5 years from the respective dates of issuance and bear interest at 6.5% to 7% per annum payable.

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Amount repayable within one year	**3,472**	3,578
Amount repayable after one year	**183,906**	186,847
	187,378	190,425

19. CONVERTIBLE BONDS

On 7 June 2016, 9 February 2017 and 27 June 2017, the Company issued convertible bonds with a nominal value of HK$50,000,000, USD10,000,000 (equivalent to HK$78,000,000) and USD4,000,000 (equivalent to HK$31,200,000) respectively. All convertible bonds have a maturity period of 2 years, interest bearing at 8% and are repayable semi-annually. These convertible bonds are guaranteed by Mr. Jiang Changqing.

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 or such earlier date as may be agreed by the issuer and bondholders 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.

	Liability component 30 June 2017 RMB'000 (unaudited)	**Derivative component 30 June 2017 RMB'000 (unaudited)**	**Total 30 June 2017 RMB'000 (unaudited)**
At 1 January 2017	**42,716**	**6,423**	**49,139**
Net proceeds received	**89,507**	**6,664**	**96,171**
Interest charged during the period	**5,577**	**—**	**5,577**
Interest paid during the period	**(1,736)**	**—**	**(1,736)**
Exchange adjustments	**(2,655)**	**(288)**	**(2,943)**
At 30 June 2017	**133,409**	**12,799**	**146,208**

19. CONVERTIBLE BONDS *(Continued)*

Further details of the convertible bonds were disclosed in the Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017.

20. GUARANTEED NOTES

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

In January 2017, the Company issued guaranteed notes with an aggregate principal amount of USD10,000,000 (equivalent to approximately RMB68,964,000). In June 2017, the Company issued guaranteed notes with an aggregate principal amount of USD4,000,000 (equivalent to approximately RMB27,079,000). The guaranteed notes will mature in January 2019 and June 2019 respectively and bear interest at 11% per annum payable semi-annually. The guaranteed notes are guaranteed by Mr. Jiang Changqing.

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
At 1 January	**45,132**	—
Net proceed received	**96,043**	41,727
Interest charged during the period	**5,667**	3,120
Interest paid during the period	**(2,557)**	(2,439)
Principal repaid during the period	**(17,615)**	—
Exchange adjustments	**(2,422)**	2,724
At the end of the period	**124,248**	45,132

Further details of the guaranteed notes were disclosed in the Company's announcements dated 16 May 2016, 7 June 2016, 18 January 2017, 10 February 2017, 15 June 2017 and 27 June 2017.

21. SHARE-BASED PAYMENT TRANSACTIONS

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

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

			Number of Options ('000)				
	Exercise period	Exercise price HK$	Outstanding at 1 January 2017	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2017
Share option							
– Director	24 July 2017~ 23 July 2020	0.90	—	21,600	—	—	21,600
– Employee	24 July 2017~ 23 July 2020	0.90	—	38,400	—	15,000	23,400

On 24 January 2017, the Group granted share options to certain eligible participants (the "Grantee") to subscribe for a total of 60,000,000 ordinary shares of HK$0.90 per share under the Scheme, subject to acceptance of the Grantee. Such options vested on the grant date and the fair value of the options determined at the date of grant using the Binomial model was HK$11,378,000 (approximately RMB9,876,000).

The closing price of the Group's share on 24 January 2017, the date of grant, was HK$0.9 per share.

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

	Director	Employee
Underlying Stock Price	HKD0.90	HKD0.90
Strike Price	HKD0.90	HKD0.90
Contractual Option Life	3.50	3.50
Risk Free Rate	1.364%	1.364%
Dividend Yield on Stock	0.00%	0.00%
Expected Volatility of Underlying Share	39.47%	39.47%
Exercise Multiple	2.47	1.60

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

22. 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.	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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-trade nature:		
Ms. Guo Aru	**500**	575
Mr. Li Qingli	**95**	—
	595	575

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

23. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had no capital commitments (31 December 2016: Nil).

24. EVENT AFTER THE END OF THE REPORTING PERIOD

On 23 June 2017, the Company entered into placing agreement to issue 100,000,000 new shares at the price of HK$0.88 per share. The placing of new shares was completed on 21 July 2017. For details, please refer to the Company's announcements dated 23 June 2017 and 21 July 2017.

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 2017. 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 2017
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 2017 had been applied as follows:

	Planned use of proceeds from the Listing Date to period ended 30 June 2017 as shown in the Prospectus HK$ (million)	Actual use of proceeds from the Listing Date to 30 June 2017 HK$ (million)
1. Further strengthening our deployment services of optical fibers in the PRC		
(i) Investment in equipment	26.18	11.30
(ii) Market expansion	15.50	15.50
(iii) Securing strategic assets/rights	23.42	23.42
(iv) Acquisition	12.20	12.20
(v) Human resources	2.60	2.60
(vi) Research and development	3.70	3.70
Sub-total	83.60	68.72
2. Expanding our business of low-voltage equipment integration services in the PRC		
(i) Sales and marketing	2.40	2.40
3. Repayment of bank and other borrowings	14.30	14.30
4. General working capital (Note)	8.40	8.40
Total	108.70	93.82

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 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 RMB40.26 million). The net proceeds from the completion date of the aforesaid subscriptions to 30 June 2017 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

The Company has conducted the following fund raising activities during the six months ended 30 June 2017 by issuance of guaranteed notes and guaranteed convertible bonds. The net proceeds from the relevant completion date of the issuance to 30 June 2017 had been applied as follows:

Date of announcement	Fund raising activity	Intended use of proceeds	Actual use of proceeds
16 May 2016, 7 June 2016	Issue of (a) 11% guaranteed note in the principal amount of HKD50 million due 2018; (b) 8% guaranteed convertible bond in the principal amount of HKD50 million due 2018.	The net proceeds of HKD99 million will be used by the Group to fund the day-to-day operations of the business as operated by the Group.	Approximately HK$99 million of the net proceeds has been used to fund the day-to-day operations of the business as operated by the Group.
18 January 2017, 7 February 2017	Issue of (a) 11% guaranteed note in the principal amount of US$10 million due 2019; (b) 8% guaranteed convertible bond in the principal amount of US$10 million due 2019.	The net proceeds of US$20 million will be used by the Group to fund the day-to-day operations of the business as operated by the Group.	Approximately HK$77 million of the net proceeds has been used to fund the day-to-day operations of the business as operated by the Group and approximately HK$79 million is not yet utilized and is deposited at a bank account and is reserved to be used for the intended purpose as set out in the announcement of the Company dated 18 January 2017.
15 June 2017, 27 June 2017	Issue of (a) 11% guaranteed note in the principal amount of US$4 million due 2019; (b) 8% guaranteed convertible bond in the principal amount of US$4 million due 2019.	The net proceeds of approximately HK$62,350,000 will be used by the Group to fund the day-to-day operations of the business as operated by the Group and potential investments and acquisitions as and when opportunities arise.	As the transaction was completed on 27 June 2017, the net proceeds have not yet been utilized as at 30 June 2017 and is expected to be used for the intended purposes as set out in the announcement dated 15 June 2017.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "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 announcement, 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.

For further details of the movement of the options during the six months ended 30 June 2017, please refer to Note 21 to the Notes to the Condensed Consolidated Financial Statements in this report.

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 2017, 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	644,307,000 Shares (L)	34.13%
	Our Company	Family	10,195,000 Shares (L)	0.54%
	Bright Warm Limited	Beneficial owner	1 share (L)	100%
Ms. Guo Aru (Note 3)	Our Company	Family	644,307,000 Shares (L)	34.13%
	Our Company	Beneficial owner	10,195,000 Shares (L)	0.54%
	Bright Warm Limited	Family	1 share (L)	100%
Mr. Li Qingli (Note 4)	Our Company	Interest of a controlled corporation	104,065,000 Shares (L)	5.51%
	Our Company	Beneficial owner	6,640,000 Shares (L)	0.35%
	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 644,307,000 Shares are held by Bright Warm Limited, the entire issued capital of which is beneficially owned by Mr. Jiang Changqing, one of the controlling shareholders of our Company and an executive Director.

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

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

Save as disclosed above, as at 30 June 2017, 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 Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, 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 2017, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	**Name of Group member**	**Capacity/nature of interest**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Bright Warm Limited (Note 2)	Our Company	Beneficial owner	644,307,000 Shares (L)	34.13%
China Fund Limited	Our Company	Beneficial owner	366,443,000 Shares (L)	19.41%
Ordillia Group Limited (Note 3)	Our Company	Beneficial owner	104,065,000 Shares (L)	5.51%
Ms. Ren Yanping (Note 4)	Our Company	Family	110,705,000 Shares (L)	5.86%
Mr. Zheng Jinqiao (Note 5)	Our Company	Interest of controlled corporations	95,000,000 Shares (L)	5.03%

Notes:

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

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

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

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

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

Save as disclosed above, as at 30 June 2017, 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 2017.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 June 2017, the Company entered into placing agreement to issue 100,000,000 new shares at the price of Company's HK$0.88 per share. The placing of new shares was completed on 21 July 2017. For details, please refer to the announcements dated 23 June 2017 and 21 July 2017.

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 2017 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 2017 up to and including 30 June 2017. 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 that 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 2017 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.

PUBLICATION OF THE INTERIM RESULTS AND THE INTERIM REPORT

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

The Company's 2017 interim report containing all the information required under the Listing Rules will be despatched to the relevant shareholders and will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Hong Kong, 28 August 2017