THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China U-Ton Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and to the Independent Shareholders

MESSIS 大有融資

A letter from the Board is set out on pages 4 to 12 of this circular, including its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder is set out on pages 15 to 29 of this circular.

A notice convening the EGM of China U-Ton Holdings Limited to be held at Executive Meeting Room, 16/F., Main Building, Hilton Shenzhen Shekou Nanhai, No. 1177 Wanghai Road, Nanshan District, Shenzhen Guangdong, China on 10 May 2018 (Thursday) at 10:00 a.m. is set out on pages 34 to 35 of this circular and a form of proxy for use at the extraordinary general meeting is enclosed herewith.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclose form of proxy in accordance with the instructions printed thereon to China U-Ton Holdings Limited's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof, should you so wish.

24 April 2018

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Notice of EGM EGM-1

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"associates"	has the meaning ascribed to it in the Listing Rules
"Balance of the Qiushi Restructuring Consideration"	RMB20,000,000 out of the Qiushi Restructuring Consideration
"Board"	The board of Directors
"Business Day(s)"	any day (excluding Saturday, Sunday or public holiday) on which normal commercial banks in Hong Kong are open for ordinary banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	China U-Ton Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited
"Completion"	completion of the Proposed Disposal in accordance with the terms and conditions of the Disposal Agreement and Supplemental Agreement
"Completion Date"	the date on which the Completion takes place
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration payable by the Purchaser for the Proposed Disposal pursuant to the terms of the Disposal Agreement and the Supplemental Agreement
"Director(s)"	the director(s) of the Company
"Disposal Agreement"	the share sale and purchase agreement dated 26 November 2017 entered into between the Company and the Purchaser relating to the Proposed Disposal
"EGM"	the extraordinary general meeting of the Company held for considering the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	the lawful currency of Hong Kong

"HSBC Loan"	the term loan facility of up to RMB50,000,000 granted by The Hongkong and Shanghai Banking Corporation Limited to Qiushi and guaranteed by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Financial Adviser"	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder
"Independent Board Committee"	an independent committee of the Board, comprising all of the independent non-executive Directors, who have no material interest in the Proposed Disposal, namely, Mr. Meng Fanlin, Mr. Wang Haiyu and Ms. Li Xiaohui
"Independent Shareholders"	Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM
"Independent Shareholders' Approval"	the Independent Shareholders' approval on the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder at the EGM
"Latest Practicable Date"	19 April 2018, being the latest practicable date for the purpose of ascertaining certain information included in this circular
"Listing Rules"	The Rules Governing the Listing of Securities
"Long Stop Date"	30 September 2018 or such other date as the Company and the Purchaser may agree in writing
"Mr. Li"	Mr. Li Qingli (李慶利), the legal and beneficial owner of the Purchaser
"Outstanding Sum"	the total outstanding amount due from Qiushi to the relevant member(s) of the Group on the Long Stop Date
"PRC"	the People's Republic of China, excluding Hong Kong, The Macau Special Administrative Region of The People's Republic of China and Taiwan

"Proposed Disposal"	the proposed disposal of entire issued share capital of the Target Company beneficially owned by the Company as at the date of the Disposal Agreement and immediately prior to Completion
"Purchaser"	Ordillia Group Limited, a company incorporated in the BVI with limited liability
"Qiushi"	Shijiazhuang Qiushi Communication Facilities Co., Ltd, a company incorporated in the PRC with limited liability
"Qiushi Restructuring Consideration"	the consideration for Qiushi Restructuring (being acquisition of Qiushi by the Target Group)
"RMB"	the lawful currency of the PRC
"SFO"	Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the issued Share(s)
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the share capital of the Company
"Supplemental Agreement"	the supplemental agreement dated 19 April 2018 entered into between the Company and the Purchaser relating to the Proposed Disposal
"Target Company"	Good Pick Global Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target Company and its subsidiaries
"US$"	the lawful currency of the United States of America
"%"	per cent

* *for identification purposes only*

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)

Executive Directors:
Mr. Jiang Changqing *(Chairman)*
Ms. Guo Aru
Mr. Zhao Feng
Ms. Ji Huifang

Non-Executive Director:
Mr. Ge Lingyue

Independent non-executive Directors:
Mr. Meng Fanlin
Mr. Wang Haiyu
Ms. Li Xiaohui

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

Principal place of business in Hong Kong:
Room 2404,
24/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

24 April 2018

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL OF SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2017 in connection with the Disposal Agreement, the loan agreement, the share charge, the personal guarantee and the transaction contemplated thereunder and the announcement of the Company dated 19 April 2018 in connection with the Supplemental Agreement.

The purpose of this circular is to give you further information regarding, among others, (1) further information on the Proposed Disposal; (2) the notice of the EGM; (3) letter from Independent Financial Adviser to both the Independent Board Committee and the Independent Shareholders; and (4) the recommendation of the Independent Board Committee to the Independent Shareholders in connection thereto.

THE DISCLOSEABLE AND CONNECTED TRANSACTION

The Disposal Agreement and Supplemental Agreement

The Company and the Purchaser entered into the Disposal Agreement and the Supplemental Agreement on 26 November 2017 and 19 April 2018 respectively, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital in the Target Company for a total consideration of not more than RMB82,000,000.

Set out below is a summary of the principal terms of the Disposal Agreement as amended by the Supplemental Agreement.

Date

26 November 2017 and 19 April 2018

Parties

(1) the Company; and

(2) the Purchaser.

Assets to be disposed of

The entire issued share capital in the Target Company.

Consideration

The net amount of the Consideration payable by the Purchaser shall be equal to RMB82,000,000 deducting the Qiushi Restructuring Consideration and any dividends paid to the shareholders of Qiushi after the date of the Disposal Agreement and prior to Completion and shall be paid by the Purchaser to the Company in cash within ten (10) Business Days after the Company obtaining the Independent Shareholders' Approval.

The Purchaser shall arrange or procure to provide the funding to the Target Group to pay the amount equivalent to the Qiushi Restructuring Consideration after deducting the amount of RMB20,000,000 to the Group within ten (10) Business Days after the Company obtaining the Independent Shareholders' Approval. The Purchaser shall arrange or procure to provide the funding to the Target Group to pay the Balance of the Qiushi Restructuring Consideration on or before 30 June 2018.

The Qiushi Restructuring Consideration amounted to RMB43.2 million and was made by reference to the net asset value of Qiushi. The Purchaser shall not be entitled to the dividends paid to the shareholders of Qiushi (being the Group), the amount of which will be determined and disclosed in due course.

The total consideration for disposal of the Target Group, including Qiushi, comprising the Consideration and the Qiushi Restructuring Consideration has been determined after arm's length negotiations between the parties with reference to the unaudited net asset value of the Target Group, including Qiushi and goodwill attributable to Qiushi as at 30 June 2017.

Conditions Precedent

Completion is subject to, among others, the following conditions having been fulfilled or waived (as the case may be) on or before the Long Stop Date:

(1) the warranties provided by the Company under the Disposal Agreement shall be true and accurate in all material respects on and as of the Completion Date;

(2) in the reasonable opinion of the Purchaser, there shall have been no material adverse change in and there shall not have occurred any events which materially and adversely affect the business operations or financial position since the date of the Disposal Agreement;

(3) all necessary consents, approvals or authorisations have been obtained from any governmental or regulatory authorities or relevant bodies, which are required for entering into or performing the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder and which have not been revoked prior to Completion;

(4) the Company and the Target Company have obtained all internal approvals which are required for the signing and performance of the Disposal Agreement and the Supplemental Agreement, including without limitation, the Independent Shareholders' Approval;

(5) the Target Group has completed acquisition of the beneficial interests in the entire issued shares of Qiushi indirectly free from all encumbrances ("**Qiushi Restructuring**") (except the payment of the Qiushi Restructuring Consideration which the Purchaser shall be responsible for providing the funding);

(6) Qiushi has repaid all the outstanding amount under the HSBC Loan and the guarantee executed by the Company in respect of the HSBC Loan has been fully discharged; and

(7) Qiushi shall repay the Outstanding Sum to the relevant member(s) of the Group.

Completion

The Completion shall take place within ten (10) Business Days after the fulfillment or waiver by the Purchaser (as the case may be) of the conditions (or any other date as may be agreed by the Purchaser and the Company). The Purchaser shall be entitled to waive all conditions precedent mentioned above except the conditions under the item (3)-(4) and item (6)-(7) above.

Possible Financial Effect of the Proposed Disposal and Use of Proceeds

Immediately after completion of the Proposed Disposal, the Target Group, including Qiushi, will cease to be subsidiaries of the Group and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

Based on the audited net asset value of the Target Group (including Qiushi) of approximately RMB48,123,000 and goodwill attributable to Qiushi of approximately RMB30,099,000 as at 31 December 2017 and the total consideration of RMB82,000,000, comprising the Consideration and the Qiushi Restructuring Consideration (assuming no dividend paid by Qiushi prior to the Completion Date), the Group currently expects to record a gain arising from the Proposed Disposal of approximately RMB3,778,000 upon completion of the Proposed Disposal. The actual amount of the gain or loss on the Proposed Disposal to be recognised by the Group will depend on their carrying value as at the Completion Date and therefore may be different from the amount mentioned above.

The Directors currently intend to apply the net proceeds from the Proposed Disposal (after deducting relevant costs and expenses in connection with the Proposed Disposal) as general working capital and/or repayment of certain debts and/or potential investments and acquisitions as and when opportunities arise. As at date of this announcement, the Company has not yet formulated any specific plans of investments or acquisitions save as previously disclosed.

Information on Parties

The Group

The Group is principally engaged in the provision of deployment services of optical fibers in the PRC.

The Purchaser

Ordillia Group Limited is a limited liability company incorporated in the BVI and is wholly-owned by Mr. Li, an executive Director of the Company as at the date of this circular. It is principally engaged in the business of investment holding.

The Target Group

The Target Company is a company incorporated in the BVI with limited liability and principally engaged in the business of investment holding. It is wholly-owned by the Company as at the date of this circular.

Qiushi is a company incorporated in the PRC with limited liability and principally engaged in installation and sale of low-voltage system equipment and related accessories. Upon completion of the Qiushi Restructuring, Qiushi will be an indirect wholly-owned subsidiary of the Target Company through a PRC and a Hong Kong intermediary holding company.

Financial Information of the Target Company

Set out below is a summary of the financial statements of Qiushi, for the two years ended 31 December 2017:

	For the year ended 31 December 2016 *(audited)* *(approximate)* *(RMB'000)*	**For the year ended 31 December 2017** *(audited)* *(approximate)* *(RMB'000)*
net loss (before taxation)	54,847	4,264
net loss (after taxation)	55,836	5,883

	As at 30 June 2017 *(unaudited)* *(approximate)* *(RMB'000)*	**As at 31 December 2017** *(audited)* *(approximate)* *(RMB'000)*
net assets	43,247	48,123
goodwill attributable to Qiushi	30,099	30,099
	73,346	78,222

Set out below is a summary of the unaudited consolidated financial statements of the Target Group, excluding Qiushi, for the year ended 31 December 2017 as the Target Group was established in the year of 2017:

	For the year ended 31 December 2017 *(unaudited)* *(approximate)* *(HK$'000)*
net loss (before taxation)	30
net loss (after taxation)	30
net assets	30

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The business environment for low-voltage equipment integration services engaged by Qiushi has been competitive in the past two years. Qiushi's business declined significantly and recorded negative operating result in the past two years and dragged down the financial performance of the Group as a whole. In view of this, the Proposed Disposal is expected to allow the Group to dispose of a loss-making business and reallocate the Company's resources to expand the businesses with higher growth potential. Upon the completion, no business of low-voltage equipment integration services will remain in the Company.

Based on the above, the Directors are of the view that the terms of the Disposal Agreement and the Supplemental Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Li, being the ultimate owner of the Purchaser, and a former executive Director in the past 12 months, did not vote on the Board resolution in respect of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder and is required to be abstained from voting on the relevant Board resolution.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but all of the applicable percentage ratios do not exceed 25%, the Proposed Disposal contemplated under the Disposal Agreement and the Supplemental Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As Mr. Li, who was an executive Director in the past 12 months, holds 100% of the equity interests in the Purchaser, the Purchaser is a connected person under Chapter 14A of the Listing Rules. Accordingly, the Proposed Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company will convene the EGM at Executive Meeting Room, 16/F., Main Building, Hilton Shenzhen Shekou Nanhai, No. 1177 Wanghai Road, Nanshan District, Shenzhen Guangdong, China on 10 May 2018 (Thursday) at 10:00 a.m. to consider and if thought fit, approve the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder. A notice of the EGM is set out on pages 34 to 35 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll and an announcement on the results of the EGM will be made by the Company thereafter. Mr. Li and his associates holding interest of approximately 0.33% in the Shares will be required to abstain from voting for the resolutions proposed at the EGM to approve the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there is no other Shareholder who has a material interest in the transactions contemplated under the Disposal Agreement and the Supplemental Agreement who is required to abstain from voting at the EGM as at the Latest Practicable Date.

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders on the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder, which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection therewith.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 13 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser set out on pages 15 to 29 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Disposal Agreement, the Supplemental Agreement and transactions contemplated thereunder; and (iii) the notice of the EGM set out on pages 34 to 35 of this circular.

Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding, among other things, the terms of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole and that the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

The Board has approved the Disposal Agreement, the Supplemental Agreement and all the transactions contemplated thereunder and Mr. Li were considered to be interested in the transactions contemplated thereunder and have abstained from voting in respect of the resolutions proposed to approve the transactions above.

Having considered the reasons set out above, the Board (including non-executive Directors and independent non-executive Directors) consider the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the other sections and appendices in this circular, which contain further information that need to be disclosed in accordance with the Listing Rules. You should consider carefully all the information set out in the circular before making a decision about the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder at the EGM or dealing in the securities of the Company.

WARNING

Shareholders and potential investors should note that the Completion is subject to the fulfillment of the conditions under the Disposal Agreement, the Supplemental Agreement and therefore may or may not occur. As the Proposed Disposal may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
China U-Ton Holdings Limited
Jiang Changqing
Chairman

* *for identification purposes only*

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

中国优通控股
China UT Holding

CHINA U-TON HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6168)

24 April 2018

To the Independent Shareholders

Dear Sir or Madam

We refer to the circular issued by the Company to its Shareholders and dated 24 April 2018 ("**Circular**") of which this letter forms part. Terms defined in this Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to consider whether the terms of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Messis Capital Limited has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms or better, and fair and reasonable as far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, notwithstanding that the Proposed Disposal is not in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Meng Fanlin	**Mr. Wang Haiyu**	**Ms. Li Xiaohui**

Independent non-executive Directors

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

MESSIS 大有融資

24 April 2018

To: The Independent Board Committee and the Independent Shareholders of
CHINA U-TON HOLDINGS LIMITED

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 24 April 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 26 November 2017, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital in the Target Company for a total consideration of not more than RMB82,000,000. On 19 April 2018, the Company and the Purchaser entered into the Supplemental Agreement relating to the Proposed Disposal.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 5% but all of the applicable percentage ratios do not exceed 25%, the Proposed Disposal contemplated under the Disposal Agreement and the Supplemental Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules. As Mr. Li, who was an executive Director in the past 12 months, holds 100% of the equity interests in the Purchaser, the Purchaser is a connected person under Chapter 14A of the Listing Rules. Accordingly, the Proposed Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Li, being the ultimate owner of the Purchaser, and a former executive Director in the past 12 months, did not vote on the Board resolution in respect of the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder and is required to be abstained from voting on the relevant Board resolution.

The Independent Board Committee (comprising all independent non-executive Directors), namely, Mr. Meng Fanlin, Mr. Wang Haiyu and Ms. Li Xiaohui, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not acted as the independent financial adviser on any other transactions for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND AND REASONS FOR THE PROPOSED DISPOSAL

1.1 Background information of the Company

The Group is principally engaged in the provision of deployment services of optical fibers in the PRC.

1.2 **Financial performance of the Group**

Set out below is a summary of the consolidated statements of profit or loss of the Group for the each of the three years ended 31 December 2017, 2016 and 2015, which are extracted from the Company's annual results announcement for the year ended 31 December 2017 (the "**2017 Result Announcement**") and the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**").

Consolidated statement of profit or loss

	For the year ended 31 December		
	2017	**2016**	**2015**
	(audited)	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*
		(Re-presented)	
		(Note)	
Continuing operations			
Revenue	171,929	245,677	475,507
Gross (loss)/profit	(41,165)	(23,739)	145,734
(Loss)/profit attributable to the equity holders of the Company from continuing operations	(173,101)	(197,367)	48,732
Discontinued operation			
Loss for the year from discontinued operation, net of tax	(5,883)	(55,836)	—
(Loss)/profit attributable to the equity holders of the Company	(178,984)	(253,203)	48,732

Set out below is a summary of the segment information of the Group for each of the three years ended 31 December 2017, 2016 and 2015, which is extracted from the 2017 Result Announcement and the 2016 Annual Report.

Segment information

	For the year ended 31 December		
	2017	**2016**	**2015**
	(audited)	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*
		(Re-presented)	
		(Note)	
Revenue from the provision of design, deployment and maintenance of optical fiber services	151,603	228,138	357,356
Revenue from the provision of design, construction and maintenance of communication networks	17,772	15,711	—
Revenue from the installation and sales of low-voltage system equipment and related accessories *(Note)*	80,958	57,004	118,110
Revenue from provision of money lending services	2,554	—	—
Rental income	—	1,828	41
Total	252,887	302,681	475,507

Note: According to the 2017 Result Announcement, revenue from the installation and sales of low-voltage system equipment and related accessories is regarded as discontinued operation. As such, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 have been re-presented to show the discontinued operation separately from the continuing operations.

According to the 2016 Annual Report, the Group's total revenue for the year ended 31 December 2016 was approximately RMB302.7 million, representing a decrease of approximately 36.3% 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. Revenue generated from the provision of design, deployment and maintenance of optical fibers services, amounted to approximately RMB228.1 million and RMB357.4 million, representing approximately 75.4% and 75.2% of the total revenue of the Group for the year ended 31 December 2016 and 2015, respectively. The decrease in revenue in this segment for the year ended 31 December 2016 as compared to 2015 was mainly because of the decrease in the revenue derived from the provision of deployment services of optical fibers in Hebei Province due to keen competition and Chongqing as a result of disposal of a subsidiary, Chongqing Wuyang Communication Technology Co., Ltd on 26 October 2015. 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 the clients, which include financial institutions, governmental departments, public facilities, road and transportation companies, and state-owned and private companies, was approximately RMB72.7 million, accounting for approximately 24.0% of total revenue of the Group for the year ended 31 December 2016. The decrease in revenue was mainly because some of the large construction projects were at early stage as at 31 December 2016 so that criteria for recognition of revenue could not be fulfilled at the time.

The Group recorded a gross loss of approximately RMB46.0 million for the year ended 31 December 2016 as compared to a gross profit of approximately RMB145.7 million for the year ended 31 December 2015. Such turnaround from gross profit to gross loss was mainly attributable to (a) the decrease in gross margin of construction contract revenue in relation to deployment of optical fibers due to (i) increased costs as a result of delay in construction progress and engineering change for a number of projects, (ii) increased competition of business in Hebei Province, (iii) some construction contracts had not reached the stage to recognise construction revenue but costs incurred were recorded and (iv) the fixed cost had remained while the revenue decreased; and (b) the decrease in gross margin of low-voltage equipment integration and other services due to less complex project undertaken in current year and increased cost for large-scale projects which has entered into final stage in 2016. In addition, the fixed cost had remained while the revenue decreased. As a result of the foregoing, the Group recorded a net loss attributable to equity holders of the Company of approximately RMB253.2 million for the year ended 31 December 2016 as compared to a profit of approximately RMB48.7 million for the year ended 31 December 2015.

According to the 2017 Result Announcement, the Group's revenue for the year ended 31 December 2017 from continuing operations was approximately RMB171.9 million, representing a decrease of approximately 30.0% over the corresponding period of the previous financial year. The decrease was mainly due to decrease of construction contract revenue of deployment services of optical fibers. Revenue generated from the provision of design, deployment and maintenance of optical fibers services amounted to approximately RMB151.6 million, representing approximately 88.2% of the total revenue of the Group from continuing operation for the year ended 31 December 2017. The decrease in revenue in this segment as compared to that in 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. Income from low-voltage equipment integration and related accessories are regarded as revenue from discontinued operation, which was approximately RMB81.0 million for the year ended 31 December 2017. The increase in revenue in this segment was mainly due to the completion of works in 2017 for unfinished contracts awarded in previous years.

The Group recorded a gross loss from continuing operations of approximately RMB41.2 million for the year ended 31 December 2017 as compared to a gross loss of approximately RMB23.7 million during the corresponding period last year. Such increase in gross loss was mainly attributable to the decrease in gross margin of construction contract revenue in relation to deployment of optical fibers due to (i) decrease in revenue in traditional deployment construction in Heibei Province due to keen competition; (ii) costs increased as a result of delay in construction progress for a number of projects and (iii) a number of projects with relatively low gross profit margins were undertaken by the Group to maintain certain market share. The low-voltage equipment installation segment also recorded a net loss of approximately RMB5.9 million for the year ended 31 December 2017 as compared to a net loss of approximately RMB55.8 million for the year ended 31 December 2016. The decrease in net loss was mainly attributable to (i) increase in revenue to approximately RMB81.0 million with reasons as mentioned above and (ii) the decrease in impairment losses on trade and bills receivables from approximately RMB21.4 million for the year ended 31 December 2016 to approximately RMB3.1 million for the year ended 31 December 2017.

As a result of the foregoing, the Group recorded a net loss attributable to equity holders of the Company of approximately RMB179.0 million for the year ended 31 December 2017 as compared to a loss of approximately RMB253.2 million corresponding period last year.

1.3 **Financial position on the Group**

Consolidated statement of financial position

	As at 31 December		
	2017	**2016**	**2015**
	(audited)	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	133,608	197,744	92,334
Current assets	1,258,975	1,229,635	1,148,348
Total assets	1,392,583	1,427,379	1,240,682
Non-current liabilities	442,803	415,750	142,099
Current liabilities	619,719	578,996	511,478
Total liabilities	1,062,522	994,746	653,577
Equity attributable to shareholders of the Company	336,026	433,721	581,884

As at 31 December 2016, the total assets of the Group amounted to RMB1,427.4 million, comprised of RMB197.7 million non-current assets and RMB1,229.6 million current assets. The increase in total assets of the Group as at 31 December 2016 as compared to that as at 31 December 2015 was mainly due to (i) the increase in property, plant and equipment to RMB47.6 million; (ii) the increase in available-for-sale financial assets to RMB86.6 million mainly due to the acquisition of 5.65% equity interest in Sino Partner Global Limited, a company engaged in design, development, manufacturing and sale of high performance supercars under the brand "Apollo", and the acquisition of 10% equity interests of Tian Bao Fortune Investment Fund (Shanghai) Co., Ltd., a fund established in government infrastructure projects carried out in Hebei Province; and (iii) the increase in prepayments for investments in financial assets to RMB16.8 million; (iv) the increase in other receivables, deposits and prepayments to RMB261.3 million; and (v) the increase in cash at bank and on hand to RMB128.1 million. The total liabilities of the Group also increased to RMB994.7 million which was mainly due to the increase in non-current liabilities as a result of (i) the increase in non-current portion of bank and other borrowings to RMB133.7 million; (ii) the increase in corporate bonds to RMB186.8 million; (iii) the increase in convertible bonds to RMB49.1 million; and (iv) the increase in guaranteed notes to approximately RMB45.1 million. As a result of the foregoing, the equity attributable to shareholders of the Company decreased to approximately RMB433.7 million.

As at 31 December 2017, the total assets of the Group amounted to RMB1,392.6 million, comprised of RMB133.6 million non-current assets and RMB1,259.0 million current assets. The decrease in total assets of the Group as at 31 December 2017 as compared to that as at 31 December 2016 was mainly due to (i) the decrease in restricted bank deposits to RMB2.3 million; (ii) the decrease in non-current trade receivables of RMB7.9 million; and (iii) the decrease in goodwill of approximately RMB32.8 million. The total liabilities of the Group increased to RMB1,062.5 million which was mainly due to the increase in current liabilities as a result of (i) the increase convertible bonds of approximately RMB41.4 million and guaranteed notes of approximately RMB25.3 million and (ii) the increase in liabilities held for sale to RMB263.5 million. As a result of the foregoing, the equity attributable to shareholders of the Company decreased to RMB336.0 million.

1.4 **Background information on the Target Group**

The Target Company is a limited liability company incorporated in the BVI and principally engaged in the business of investment holding. It is wholly-owned by the Company as at the Latest Practicable Date.

Qiushi is a limited liability company incorporated in the PRC and principally engaged in installation and sale of low-voltage system equipment and related accessories. Upon completion of the Qiushi Restructuring, Qiushi will be an indirect wholly-owned subsidiary of the Target Company through a PRC and a Hong Kong intermediary holding company.

Set out below is the key financial information of Qiushi, for the three years ended 31 December 2015, 2016 and 2017 based on unaudited financial statements:

	For the year ended 31 December		
	2017	**2016**	**2015**
	(unaudited)	*(unaudited)*	*(unaudited)*
	(approximate)	*(approximate)*	*(approximate)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	80,985	57,004	109,222
Gross (loss)/profit	8,141	(22,276)	35,197
Net (loss)/profit (after taxation)	(5,883)	(55,834)	26,254

	As at 31 December		
	2017	**2016**	**2015**
	(unaudited)	*(unaudited)*	*(unaudited)*
	(approximate)	*(approximate)*	*(approximate)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total assets	428,114	281,509	251,425
Total liabilities	379,991	228,161	141,097
Net assets	48,123	53,347	110,328
Goodwill attributable to Qiushi	30,099	30,099	30,099

Qiushi's revenue decreased significantly by approximately 47.8% from approximately RMB109.2 million for the year ended 31 December 2015 to approximately RMB57.0 million for the year ended 31 December 2016. The decrease was primarily due to the fact that large-scale projects undertaken in previous years which has entered into final stage in 2016, and a project in Shijiazhuang initiated in 2016 was still in the early stage of construction and only the experimental section started to recognise revenue. The revenue then increased to approximately RMB81.0 million for the year ended 31 December 2017 which was mainly due to the completion of works in 2017 for unfinished contracts awarded in previous years. The gross loss amounting to approximately RMB22.3 million was recorded for the year ended 31 December 2016. The decrease was mainly due to a decrease in revenue as less complex projects undertaken during the year ended 31 December 2016 and an increase in costs of sales. The increase in costs of sales was primarilyattributable to increased cost for large-scale projects which has entered into final stage in 2016. In addition, the fixed cost had remained as the Group maintained the human resource level of this business segment while the revenue decreased. As a result of the foregoing, net loss amounting to approximately RMB55.8 million was recorded, representing a decline of the business. For the year ended 31 December 2017, Qiushi recorded a gross profit of approximately RMB8.1 million which was due to (i) the increase in revenue and (ii) the decreas in cost of sales. Despite the gross profit was recorded for the year ended 31 December 2017, a net loss after taxation of approximately RMB5.9 million was recorded as compared to approximately RMB55.8 million for the year ended 31 December 2016. The decrease in net loss for the year ended 31 December 2017 was mainly due to (i) gross profit was recorded as mentioned above and (ii) the decrease in impairment losses on trade and bills receivables from approximately RMB23.6 million for the year ended 31 December 2016 to approximately RMB3.1 million for the year ended 31 December 2017.

The total assets of Qiushi increased by approximately RMB30.1 million from approximately RMB251.4 million as at 31 December 2015 to approximately RMB281.5 million as at 31 December 2016. The increase was mainly due to the increase in bank balances and cash of approximately RMB45.1 million. The total liabilities increased by approximately RMB87.1 million from approximately RMB141.1 million as at 31 December 2015 to approximately RMB228.2 million as at 31 December 2016, primarily due to the increase in bank and other borrowings of approximately RMB78 million. As a result, Qiushi recorded a decrease of approximately 51.6% in net assets from approximately RMB110.3 million to approximately RMB53.3 million. As at 31 December 2017, the total assets of Qiushi was approximately RMB428.1 million while the total liabilities of approximately RMB380.0 million, with a net assets of approximately RMB48.1 million.

1.5 Reasons for and benefits of the Proposed Disposal

As stated in the Letter from the Board, the business development for low-voltage equipment integration services engaged by Qiushi has been competitive in the past two years, hence Qiushi's business declined significantly for the year ended 31 December 2016 and recorded negative operating results for the two years ended 31 December 2017 and dragged down the financial performance of the Group as a whole. We noted from the Company's announcement dated 14 April 2016 that Qiushi and Tianbo (as defined in the announcement) entered into a memorandum of understanding pursuant to which Tianbo's project company proposes to purchase approximately RMB600.0 million equipment relating to low-voltage equipment integration services from Qiushi in the coming 3 years (the "**Contract**"). We have enquired the management of the Company regarding the latest status of the

Contract and are given to understand that Qiushi has won the tender with a contract size of approximately RMB379.9 million in July 2017. Notwithstanding the above, we have obtained a confirmation from the Company issued by the main contractor in November 2017 that the commencement of the Contract is being suspended until further notice due to insufficient fund. We have also enquired the latest business development of Qiushi, and as confirmed by the Directors, other than the aforesaid contract, Qiushi has not entered into any contract with material contract sum. Further, we have reviewed the list of projects with relevant revenue contributions of Qiushi from 2015 to 2017 and noted that the business performance of Qiushi is deteriorating in terms of number of projects as we noted that the number of projects decreased from 2015 to 2017. We have enquired with the management of the Company and noted that less complex projects which can achieve higher profit margin undertaken during these years due to keen competition. The market environment of low voltage equipment business where Qiushi operates is competitive which can be reflected by the number of market players in this industry and the decreasing tender success rate of Qiushi. We have enquired with the management of the Company and noted that in order to undertake the low-voltage equipment services projects in the PRC, relevant qualification namely electronic and intelligent engineering contractor qualification (電子與智能化工程專業承包資質) issued by Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") must be obtained. We have searched through the public services platform for regulating national construction market (http://jzsc.mohurd.gov.cn/asite/jsbpp/index) operates by the MOHURD and noted that there are 40 and 290 Hebei Province registered enterprises possess Class I qualifications and Class II qualifications, respectively. As such, there are over 300 market players in the low-voltage equipment industry in Hebei Province. As advised by the management of the Company, Qiushi also need to compete with enterprises with relevant qualifications registered in other provinces. Given the competition with over 300 Hebei Province registered market players as well as other players registered in other provinces, the tender success rate of Qiushi was decreasing. We have obtained and reviewed a list of projects tendered by Qiushi and noted that Qiushi has tendered a total of 38 projects and 40 projects in 2016 and 2017 respectively, of which it only won 12 projects and 5 projects with a tender success rate of approximately 31.6% and 12.5% in 2016 and 2017, respectively.

Based on the above independent work done including (i) reviewing the list of projects with Qiushi, (ii) reviewing and enquiring the latest status of the Contract and obtaining suspension confirmation issued by the main contractor of the Contract, and (iii) enquiring the latest business development of Qiushi; and having considered that (i) the decreasing tender success rate of Qiushi from 2016 to 2017 and (ii) the significant decline in its business for the year ended 31 December 2016 and negative operating result of Qiushi were recorded for the two years ended 31 December 2017, we concur with the Directors' view that the business development for low-voltage equipment integration services engaged by Qiushi has been competitive in the past two years and Qiushi's business growth has been unfavourable. As such, as discussed in Section '1.4 Background information on the Target Group' above, the Qiushi's business faces a significant decline for the year ended 31 December 2016 and negative operating results were recorded for the two years ended 31 December 2017 and adversely affected the financial performance of the Group as a whole. As a result, disposal of a loss-making business may allow the Group to reallocate the Company's resources to foster new potential business growth drivers and capture other business opportunities. Upon the Completion, no business of low-voltage equipment integration services will remain in the Company. Subject to the Completion taking place, as stated in the Letter from the Board, the Directors currently intends to apply the net proceeds of the Proposed Disposal as general working capital and/or repayment of certain debts and/or potential investments and acquisitions as and when opportunities arise. As stated in the 2017 Result Announcement, the Group will also continue to explore any opportunities to diversify its business with the ultimate aim of bringing greater value to the Shareholders in the long run. As at the Latest Practicable Date, the Company has not yet formulated any specific plans of investments or acquisitions as previously disclosed.

After taking into consideration that (i) Qiushi's business is on project basis and the number of projects undertaken decreased from 2015 to 2017 and the tender success rate of Qiushi also decreased in 2017; (ii) the commencement of the Contract has been suspended until further notice due to insufficient fund of the employer; (iii) the Qiushi's business faces a significant decline for the year ended 31 December 2016 and negative operating results were recorded for the two years ended 31 December 2017 which adversely affected the financial performance of the Group as a whole; (iv) disposal of a loss-making business may allow the Group to reallocate the Company's resources to foster new potential business growth drivers and capture other business opportunities; and (v) upon the Completion, no business of low-voltage equipment integration services will remain in the Company, we concur with the Directors' view that the Proposed Disposal and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

2. THE TERMS OF THE DISPOSAL AGREEMENT

2.1 Details of the Disposal Agreement and the Supplemental Agreement

Set out below is the principal terms of the Disposal Agreement as amended by the Supplemental Agreement and please refer to the Letter from the Board for details:

Date

26 November 2017 and 19 April 2018

Parties

(1) the Company; and

(2) the Purchaser.

Assets to be disposed of

The entire issued share capital in the Target Company.

Consideration

The net amount of the Consideration payable by the Purchaser shall be equal to RMB82,000,000 deducting the Qiushi Restructuring Consideration and any dividends paid to the shareholders of Qiushi after the date of the Disposal Agreement and prior to Completion and shall be paid by the Purchaser to the Company in cash within ten (10) Business Days after the Company obtaining the Independent Shareholders' Approval.

The Purchaser shall arrange or procure to provide the funding to the Target Group to pay the amount equivalent to the Qiushi Restructuring Consideration after deducting the amount of RMB20,000,000 to the Group within ten (10) Business Days after the Company obtaining the Independent Shareholders' Approval. The Purchaser shall arrange or procure to provide the funding to the Target Group to pay the Balance of the Qiushi Restructuring Consideration on or before 30 June 2018.

The Qiushi Restructuring Consideration will be made by reference to the net asset value of Qiushi, the amount of which will be determined and disclosed in due course. The Purchaser shall not be entitled to the dividends paid to the shareholders of Qiushi (being the Group), the amount of which will be determined and disclosed in due course.

2.2 **Fairness and reasonableness on the Consideration**

As stated in the Letter from the Board, the total consideration (comprising the Consideration and the consideration for Qiushi Restructuring) has been determined after arm's length negotiations between the parties with reference to the unaudited net asset value of the Target Group, including Qiushi, of approximately RMB43,247,000 and goodwill attributable to Qiushi of approximately RMB30,099,000 as at 30 June 2017.

In assessing the fairness and the reasonableness of the Consideration, we have considered the following factors:

(i) As discussed in the section '1.4 Background information on the Target Group', the Qiushi's business faces a significant decline for the year ended 31 December 2016 and negative operating result were recorded for the two years ended 31 December 2017 which adversely affected the financial performance of the Group as a whole. The competitive environment in the low-voltage equipment integration services leads to unfavorable circumstances to the business of the Target Group;

(ii) In assessing the fairness and reasonableness of the Consideration, it is a general practice to apply commonly used benchmarks for evaluating the value of companies such as comparing the consideration with the earnings of a company. However, based on the loss making financial performance of the Target Group for the two years ended 31 December

2017, we consider that such analysis is not applicable. We have also considered applying the comparable company analysis by searching companies listed on the Stock Exchange which are engaged in Qiushi's business, i.e. principally engaged in installation and sale of low-voltage system equipment and related accessories in the PRC, and derive a majority of their revenue from such segment. To the best of our knowledge and endeavour, we are unable to identify comparable company which meet the aforesaid criteria and hence we consider that the comparable analysis is not applicable. Alternatively, we have considered using the book value of the Target Group to compare with the total consideration. Given the loss marking performance of the Target Group, we consider it is fair and reasonable to determine the total consideration based on the net assets value of the Target Group. We also noted that, other than the net assets value of the Target Group, the total consideration has also made reference to the goodwill attributable to Qiushi. We have enquired with the management of the Group and noted that such goodwill of approximately RMB30.1 million was recorded when the Group acquired Qiushi in March 2011. As such, we consider that it is fair and reasonable to include the goodwill attributable to Qiushi when determining the total consideration. The total consideration for disposal of the Target Group, including Qiushi, comprising the Consideration and the Qiushi Restructuring Consideration (assuming no dividend paid by Qiushi prior to the Completion Date) amounts to RMB82,000,000, which is at premium of approximately RMB3.8 million over the audited net asset value of the Target Group (including Qiushi) of approximately RMB48.1 million and goodwill attributable to Qiushi of approximately RMB30.1 million as at 31 December 2017;

(iii) As stated in the Letter from the Board, a gain arising from the Proposed Disposal amounting to approximately RMB3.8 million is expected upon completion of the Proposed Disposal;

(iv) The potential financial effect on the Group from the Proposed Disposal as discussed below in section headed "3. Potential Financial Effect as a result of the Proposed Disposal"; and

(v) In accordance with the Disposal Agreement and as amended by the Supplemental Agreement, the Completion is subject to, among others, Qiushi has repaid all the outstanding amount under the HSBC Loan and the guarantee executed by the Company in respect of the HSBC Loan has been fully discharged and Qiushi shall repay the Outstanding Sum to the relevant members(s) of the Group on or before the Long Stop Date. As at 31 December 2017, the Outstanding Sum amounted to approximately RMB112.8 million. Together with the total consideration of RMB82 million to be received, the Group will receive addition working capital for future development into the Group's existing business and/or future expansion.

Based on our independent analysis as illustrated in the above factors, we consider that the terms of the Disposal Agreement and the Supplemental Agreement are on normal commercial terms and the bases in determining the Consideration is fair and reasonable so far as the Independent Shareholders are concerned. The Proposed Disposal is therefore in the interests of the Company and the Shareholders as a whole.

3. POTENTIAL FINANCIAL EFFECT AS A RESULT OF PROPOSED DISPOSAL

Effect on net asset value

The equity attributable to the equity holders of the Company as at 31 December 2017 was approximately RMB336.0 million. Upon completion of the Proposed Disposal, the Target Group will cease to be a subsidiary of the Company and the value of the Target Group will be derecognised from the consolidated statement of financial position of the Group. Given that the expected gain from the Proposed Disposal is approximately RMB3.8 million, it is expected that the net asset value of the Group will be increased upon the completion of the Proposed Disposal.

Effect on earnings

Given that the expected gain from the Proposed Disposal is approximately RMB3.8 million, which will have an immediate positive impact on the earnings of the Group. Moreover, the Target Group recorded net loss after taxation for the year ended 31 December 2017. Based on the recent financial performance of the Target Group, the Group's profitability is expected to be improved upon Completion should the financial results of the Target Group were derecognized from the Group's financial statement.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Completion.

Based on the aforementioned, and after taking into consideration the factors as discussed in section "1.4 Background information on the Target Group", "1.5 Reasons for and benefits of the Proposed Disposal" and "2.2 Fairness and reasonableness on the Consideration" above, we consider that although the Proposed Disposal is not in the ordinary course of business of the Group, the Proposed Disposal is in the interest of the Company and the Shareholders as a whole and the Disposal Agreement and the Supplemental Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders as concerned and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, although the Proposed Disposal is not conducted in the ordinary and usual course of the business of the Group, we consider that the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal Agreement and the Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As of the Latest Practicable Date and in accordance with the records of the Company maintained in accordance with the SFO and the Listing Rules, the interests of the Directors and their associates in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are 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 and short positions which were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors contained in the Listing Rules were as follows:

Long Position in Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Jiang Changqing (Notes 1 & 2)	Interest of controlled corporation	638,307,000	32.11%
	Interest of spouse	10,195,000	0.51%
Ms. Guo Aru (Note 2)	Interest of spouse	638,307,000	32.11%
	Beneficial owner	10,195,000	0.51%

Note:

1. The 638,307,000 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.

2. Ms. Guo Aru is the spouse of Mr. Jiang Changqing. Therefore, Ms. Guo Aru is deemed to be interested in the 638,307,000 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 therefore deemed to be interested in the 10,195,000 Shares held by Ms. Guo Aru.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and 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:

Long Position in Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Bright Warm Limited (Note 1)	Beneficial owner	638,307,000	32.11%
China Fund Limited (Note 2)	Beneficial owner	346,803,000	17.45%
Mr. Liu Xuezhong (Note 2)	Interest of controlled corporation	346,803,000	17.45%
Ms. Li Yuelan (Note 2)	Interest of spouse	346,803,000	17.45%

Notes:

1. 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, the chairman of the Board and an executive Director. Therefore, Mr. Jiang Changqing is also deemed to be interested in the 638,307,000 Shares owned by Bright Warm Limited by virtue of the SFO.

2. China Fund Limited is a company incorporated in the Cayman Island and the entire issued share capital of which is beneficially owned by Luckever Holdings Limited, a company incorporated in the Cayman Island, which in turn is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan, and Ms. Li Yuelan is the spouse of Mr. Liu Xuezhong. Therefore, Mr. Liu Xuezhong and Ms. Li Yuelan are deemed to be interested in the 346,803,000 Shares owned by China Fund Limited by virtue of the SFO.

Save as disclosed above, there is no person other than a director or chief executive of the Company, who had an interest or short position in the shares and 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.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

5. DIRECTORS' SERVICE CONTRACTS

As the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular, as at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2017, being the date of the latest published audited accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

7. EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no interest, direct or indirect, in any assets which had been, since 31 December 2017, being the date of the latest published audited accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent as to the issue of this circular with the inclusion herein of its letters and reference to their names in the form and context in which they respectively appear.

8. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company's principal place of business in Hong Kong at Room 2404, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, during normal business hours from the date of this circular up to and including the date of the EGM:

(1) the memorandum and the articles of association of the Company;

(2) the letter from the Independent Financial Adviser, the text of which is set out on pages 15 to 29 of this circular;

(3) the written consent of the Independent Financial Adviser referred to in the section headed "Expert's Qualifications and Consent" in this appendix;

(4) the Disposal Agreement;

(5) the Supplemental Agreement; and

(6) this circular.

中国优通控股
China UT Holding

CHINA U-TON HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6168)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("Meeting") of China U-Ton Holdings Limited ("Company") will be held at 10:00 a.m. on 10 May 2018 (Thursday) at Executive Meeting Room, 16/F., Main Building, Hilton Shenzhen Shekou Nanhai, No. 1177 Wanghai Road, Nanshan District, Shenzhen Guangdong, China, for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the Disposal Agreement, the Supplemental Agreement (as defined in the circular of the Company dated 24 April 2018 (the "**Circular**")) and the transactions contemplated thereunder (a copy of which has been produced to the Meeting and marked "A" and initialled by the chairman of the Meeting for the purpose of identification), be and are hereby approved, confirmed and ratified and any director of the Company be and is hereby authorised to take any steps and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the abovementioned agreements and the transactions contemplated thereunder."

Yours faithfully,
By order of the Board
China U-Ton Holdings Limited
Jiang Changqing
Chairman

Hong Kong, 24 April 2018

Principal Place of Business in Hong Kong:
Room 2404, 24/F,
Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

3. In order to be valid, the form of proxy in the prescribed form together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such an event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

6. The register of members of the Company will be closed from 7 May 2018 (Monday) to 10 May 2018 (Thursday) (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. In order to quality for entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 4 May 2018 (Friday) for registration.