星辰通信国际控股有限公司
Centron Telecom International Holding Limited

(於開曼群島註冊成立的有限公司) (incorporated in the Cayman Islands with limited liability)

(股份代號 Stock Code: 1155)

2007 年度報告
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dai Guoliang *(Chairman)*
Dai Guoyu
Yi Zhangtao

Non-executive Directors

Guo Zeli
Paul Steven Wolansky
Leung Ping-chung, Hermann

Independent non-executive Directors

Miu Hon-kit
Lin Yuanfang
Li Hongbin

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2001, 20/F,
Grandtech Centre
8 On Ping Street, Shatin
New Territories
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ng Wai Kee FHKICPA, FCCA

AUTHORIZED REPRESENTATIVES

Dai Guoliang
Ng Wai Kee FHKICPA, FCCA

MEMBERS OF AUDIT COMMITTEE

Miu Hon-kit *(Chairman)*
Guo Zeli
Leung Ping-chung, Hermann
Lin Yuanfang
Li Hongbin

MEMBERS OF REMUNERATION COMMITTEE

Leung Ping-chung, Hermann *(Chairman)*
Yi Zhangtao
Miu Hon-kit
Lin Yuanfang
Li Hongbin

COMPLIANCE ADVISERS

J. P. Morgan Securities (Asia Pacific) Limited

LEGAL ADVISERS

As to Hong Kong Law
Kirkpatrick & Lockhart Preston Gates Ellis

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKER

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F,
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.centron.com.cn

CHAIRMAN'S STATEMENT

I am pleased to inform the shareholders that the sales revenue of Centron Telecom International Holding Limited ("Company") and its subsidiaries (together the "Group") for the year amounted to RMB843 million, representing an increase of 52% compared to 2006.

The Board of Directors of the Company (the "Board of Directors") recommended a distribution of final dividend of HK$0.08 per share for the year ended 31 December 2007. The total amount of final dividend distribution will be HK$56 million (equivalent to RMB50.4 million).

Together with the special dividend of RMB88 million paid in July 2007, the total dividend distribution to shareholders amounted to RMB138.4 million for the year ended 31 December 2007.

In 2007, the Group expanded its production capacity and improved efficiency, product quality and market competitive strength. The Group was also selected as one of the "Chinese Enterprises with the Best Potential in 2008" by Forbes.

2G BUSINESS

Major clients of the Group remained as China Mobile and China Unicom in 2007. We have been providing quality products and services to the "Village-Connected Program". The Group also participated in the radio frequency equipment projects for the Olympic stadiums in China.

Price adjustment in the 2G market drove out a number of small competitors from the market. We expected the procurement orders of the telecom operators will increase as a result of the restructuring of the telecom operators. The Group is well positioned to receive large orders from the telecom operators who are imposing more stringent requirements on the scale, service standard, regional support and funding of the providers. The Group believes that its market share will increase as a result of the accelerating market consolidation. The Group is keeping its competitive strengths by providing quality products and efficient services to the telecom operators.

3G BUSINESS

The Group is well prepared for the launch of 3G service. Our product lines are compatible to all 3G standards including TD-SCDMA, WCDMA and CDMA2000.

DIGITAL TERRESTRIAL TELEVISION BROADCASTING ("DTTB")

The Group is engaged in DTTB, which is the network coverage for the digital television broadcasting transmission system. By 2010 all rural areas in China shall have television signal coverage. By 2015 China will cease the analog television signal transmission and launch digital television broadcasting throughout the country. Our DTTB solution has been installed in digital television networks of over 10 major cities including Beijing, Tianjin, Qingdao, Nanjing, Kunming and Changsha. This new business is a good development opportunity to the Group. The Group has started the R&D of DTTB solution two years ago and we expect DTTB to generate positive contribution to the Group's business.

CHAIRMAN'S STATEMENT

OVERSEAS MARKET BUSINESS

We have been pursuing overseas markets for the last two years and have signed various letters of intent with overseas telecom operators in Southeast Asia, South Africa, Middle East, South America and Australia.

PRODUCTION CAPACITY

We moved our production lines to our new headquarters and production site in Xunmei Industrial Park, Quanzhou in May 2007. This new facility, which consists of two phases, occupies a site of approximately 41,743.5 square meters, with a gross floor area of approximately 77,878.99 square meters. Construction of the first phase at the Xunmei site was completed in May 2007. The second phase will be completed by 2008 and our production capacity will be doubled.

RESEARCH AND DEVELOPMENT

In 2007, the Group focused on the development of new generation RF technology and other new products including mobile digital TV wireless coverage products, wireless network functionality enhancement and RF product manufacturing process improvement.

I am confident in our business development and endeavor to achieve better results to optimize the return to shareholders. I believe that the extensive experience of the management team will keep the Group's leading position in the industry for achieving further outstanding performance.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend our sincere gratitude to the shareholders, clients and suppliers for their long term support of the Group. I also express our gratitude to the management team and all staff for their dedication and contribution in the past year.

Dai Guoliang
Chairman

BUSINESS AND FINANCIAL REVIEW AND SALES REVENUE

The Group recorded a sales revenue of RMB843,368,000 for the year ended 31 December 2007 (2006: RMB553,390,000, representing an increase of 52% from last year. The increase in revenue in the year was mainly attributable to:

1. The Company strengthened the development of 2G market in the eastern region of China The Company captured a significant market share in the mobile telecommunication network coverage projects for the Olympic stadiums in China.

2. The Company gained a substantial business volume from the Village-Connected Program in the central-western region of China. This reinforces our market leader position in this region.

3. The Company has achieved sales in the overseas markets. This has provided a solid foundation for our export business of 2008.

4. The Company has already completed the development and production of major products for mobile telecommunication 3G system. We have actively participated in the construction of 3G experimental network. The Company's business volume and profits will grow upon the full launching of 3G network construction in 2008.

GROSS PROFIT

The centralization of the procurement process of the telecom operators has resulted in a slight reduction of the gross profit margin. In 2007, our gross profit margin was 33.4% as compared to 37.3% in 2006.

RESEARCH AND DEVELOPMENT EXPENDITURE

The research and development expenditure of the Company for the year amounted to RMB8.89 million. Our total investment in research and development was over RMB30 million, representing a significant increase from last year. In 2007, the Company has developed over 50 new items with a few under patent application. These new products will effectively support the Company's market development in 2008. In addition, we successfully developed the digital television network coverage products, that will be another growth area to the Company in 2008.

SELLING EXPENSES

The selling expenses for the year amounted to RMB30,035,000, representing 3.6% of the sales revenue for the year as compared to 3.7% of the previous year.

MANAGEMENT EXPENSES

The management expenses for the year amounted to RMB54,161,000, which represented an increase from the last year. This was partly due to the one-time listing expenses and the increase in research and development expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE EXPENSES

The finance expenses for the year amounted to RMB1.56 million, representing 0.2% of the sales revenue as compared to 0.4% of the last year. The decrease was due to the use of part of the fund raised in the Company's listing in July 2007 for repaying all the bank loans.

NET PROFIT

The net profit attributable to shareholders during the year amounted to RMB220,437,000, representing an increase of 64% from last year. The net profit margin for the year was 26.1% as compared to 24.2% of the last year. The growth in net profit margin and net profit amount was mainly attributable to the increase in sales revenue and the economies of scale.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had net current assets of RMB879,961,000 (2006: RMB260,485,000), including current assets totaled RMB971,931,000 (2006: RMB347,755,000) and current liabilities totaled 91,970,000 (2006: RMB87,270,000). The current ratio (current assets divided by current liabilities) increased to 10.6 times as at 31 December 2007 from 4.0 times as at 31 December 2006.

As at 31 December 2007, the Group had no unsecured bank borrowings repayable within one year (2006: RMB 20,000,000), secured bank borrowings and bank borrowings payable after one year (2006: RMB15,000,000).

As at 31 December 2007, the gearing ratio (as defined as total borrowings (except for account payables in the ordinary course of business) divided by total equity) was 0% as compared with a gearing ratio of 11.9 % on 31 December 2006.

As at 31 December 2007, cash and bank balances amounted to RMB454,320,000 (2006: RMB117,795,000). During the year, the Group recorded net cash inflow of approximately RMB554 million from the initial public offering of the Company's shares ("Initial Public Offering").

The Board of Directors is of the opinion that the Group has a solid and stable financial position and adequate resources to support the necessary operating funds and foreseeable capital expenditure.

TREASURY POLICY AND EXCHANGE RISK

The Group centralizes the allocation of funds for business needs and continues to review and monitor its exchange risk. That policy will also enable the Group to control its financial operation more effectively and reduce the average cost of funding.

Since the Group's sales and purchases were mainly carried out in RMB, the Group does not expect any material exchange risks and it has not employed any financial instrument to hedge the exchange risk.

CAPITAL EXPENDITURE

The Group's investments for the year ended 31 December 2007 for the construction of property for the plant, purchase and installation of machinery and equipment for the plant and other tangible assets amounted to RMB52.8 million as compared to RMB20.5 million of the previous year. All these capital expenditures were funded from the proceeds of the Initial Public Offering, the internal resources and bank borrowings.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2007, the Group's future capital commitment entered into but not yet provided for was approximately RMB44.85 million, and will be paid out of the proceeds from the Initial Public Offering and the Group's cashflow from operation. The Group did not have any material contingent liabilities.

USES OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Group's Initial Public Offering was approximately RMB554 million.

The planned uses of the proceeds are as follows:

Uses as disclosed in the prospectus	Already used RMB46.6 million
Construction of Phase II of new facilities in Xunmei Industrial Park	RMB10.9 million
Long term research and development expenditure	RMB5.0 million
Purchase of production and testing equipment, related software and staff remuneration and training	RMB9.3 million
Setting up overseas sales and marketing channel	RMB21.0 million
Expansion of domestic sales and marketing channels	RMB0.4 million

The balance of the proceeds is deposited into licensed financial institutions in Hong Kong and Mainland China as short term deposits and investment funds.

PROSPECT

There is a continuing rapid growth of network coverage product including 2G, 3G and wireless digital television transmission system network coverage. The Group is keeping on its competitive strengths in financial resources, production capacity, market and technology to grasp the ample business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors hold a positive view on the Company's business for 2008:

1. *The existing telecommunication business is continuing to grow*

    A. Ongoing restructuring of the mobile telecommunication operators in China will result in increasing purchase of network equipments, network improvement and service enhancement for maintaining their own competitiveness. In 2007, the Company succeeded in developing the more developed regions in the eastern China and laying a good foundation for further business expansion.

    B. The mobile telecommunication operators in China will continue to speed up the construction of the Village-Connected Program. The Company has a long established foundation in the China's central-western region which would benefit from the accelerating construction of the Village-Connected Program.

    C. In 2007, the Company has completed the preliminary work of the export products and recorded certain sales revenue. The Company's Export Department has already signed export agreements with certain overseas telecom departments. We expect that export sales will increase in 2008.

2. *Profit Growth from New business*

    A. In 2007, the Company has completed the research and development and market preparation of wireless digital television transmission system network coverage products. The 2008 Beijing Olympics and the launching of digital television in China shall bring in drastic demand for the wireless digital television transmission system network coverage products. As of the date of this report, the Company already obtained the business of wireless digital television transmission system network coverage project in the major cities of Zhejiang Province via open tender. In addition, the Company's digital television transmission system network coverage product was under experiment in various provinces and cities such as Beijing, Jiangxi, Hunan, Yunan, Heilongjiang, Hebei and Shandong. We expect to receive purchase orders soon and which will become a new income source for 2008.

    B. China has started 3G network trial run. We expect that the 3G operation shall be launched by the telecom operators in 2008. The Company has already completed a lot of research and development and experimental use of 3G products. We expect to benefit from the 3G network construction.

CONCLUSION

Development of telecommunication and TV broadcasting industries provides new opportunities to the Group. In the coming years, the 2G products will keep a steady growth. The 3G telecommunication and wireless digital television transmission system network coverage products and new solution products will have robust development.

The Group always devotes to the development of new products and solutions to meet the customer needs. We endeavor to implement cost saving measures. The Board of Directors has confidence that the Group will continue the growth and provide good return to all the shareholders.

CHAIRMAN AND EXECUTIVE DIRECTOR

Dai Guoliang, aged 46, the chairman and an executive Director. Mr. Dai founded 福建先創電子有限公司 (Xiauchuang Electron Co., Ltd. Fujian) "Fujian Centron", a wholly-owned subsidiary of the Company on December 18, 1989 and has been in charge of general management of the Company. Mr. Dai is an engineer and has almost 20 years of experience in research, production and sales within the telecommunications industry. Mr. Dai has completed the EMBA program at Huaqiao University.

Executive directors

Dai Guoyu, aged 43, the chief executive officer and an executive Director. Mr. Dai is responsible for sales and marketing, development and implementation of the strategies of the Company. Mr. Dai joined Fujian Centron on May 2, 1994. Mr. Dai has almost 20 years of sales and management experience within the telecommunications industry. Mr. Dai obtained the title of engineer in 2006 and has completed the EMBA program at Huaqiao University. Mr. Dai is the brother of Mr. Dai Guoliang.

Yi Zhangtao, aged 43, an executive Director. Mr. Yi is responsible for overseas sales and supervision of technology development. Mr. Yi has almost 20 years of research and production experience within the telecommunications industry. Mr. Yi joined the Group on August 4, 1992. Prior to joining the Group, Mr. Yi was employed by Wuhan Zhongyuan Electronics Group Co. Ltd from 1986 to 1989. Mr. Yi graduated from Xi'an Electronic Technology University and obtained the title of engineer in April 2006.

Non-executive Directors

Guo Zeli, aged 53, the vice chairman and a non-executive Director. Mr. Guo is involved from time to time with the strategic development and market planning of the Company and Fujian Centron. Mr. Guo has over 20 years of management experience. Mr. Guo was appointed to the board of directors of Fujian Centron on July 25, 2004. Prior to 2006, Mr. Guo served as the vice general manager of Xiamen Economic Trading Company Limited (廈門經濟特區貿易有限公司) and as the chairman of Xiamen Overseas Chinese Electronic Company Limited (廈門華僑電子股份有限公司). Mr. Guo obtained a Master's degree in Business Administration from Xiamen University in January 1998. He has been a part-time professor at the business management department of Xiamen University since 2004.

DIRECTORS AND SENIOR MANAGEMENT

Paul Steven Wolansky, aged 52, a non-executive Director. He is the Chairman of New China Capital Management, LLC, the fund manager for Cathay Capital Holdings, L.P. and Cathay Capital Holdings II, L.P., and a director of Cathay Investment Fund Ltd. Mr. Wolansky is also a non-executive director of China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司), a Hong Kong listed company; a non-executive director of Longtop Financial Technologies Limited, a New York Stock Exchange listed company; and a non-executive director of CNInsure, Inc., a NASDAQ listed company. Mr. Wolansky was a non-executive director of Warderly International Holdings Limited (滙多利國際控股有限公司) and China Resources Land Ltd., both Hong Kong Listed companies, until May 2007 and May 2006 respectively; a non-executive director of Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a PRC listed company, and China Yuchai International, a New York Stock Exchange listed company. Mr. Wolansky received a Bachelor of Arts degree from Amherst College in 1978, a JD degree from The Harvard Law School in 1981, and is admitted to practice law as a member of the bar of the State of New York.

Leung Ping-chung, Hermann, aged 52, a non-executive Director. He graduated from the Chinese University of Hong Kong (香港中文大學) with a bachelor's degree in social sciences in 1979. He graduated from the Chinese University of Hong Kong with a master's degree in 1982. He is an executive director of New China Capital Management (HK) Ltd. Mr. Leung is also a non-executive director of Vinda International Holdings Limited (維達國際控股有限公司) and a non-executive director of China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司), both Hong Kong listed companies. He is a non-executive director of Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a PRC listed company, which shares are listed on the Shenzhen Stock Exchange. He was an alternate non-executive director of Warderly International Holdings Limited (滙多利國際控股有限公司), a Hong Kong listed company, until May 2007.

Independent Non-executive Directors

Miu Hon-kit, aged 40, an independent non-executive Director. Mr. Miu was appointed to the board of directors of the Company on April 1, 2007. Mr. Miu is a qualified accountant with over 16 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investment. Mr Miu is the Executive Director and Senior Vice President of Daiwa Securities SMBC Hong Kong Limited ("Daiwa") responsible for its principal investment activities in North Asia. Prior to joining Daiwa, Mr Miu worked for Asian Direct Capital Management from 2000 to 2007, Rothschild Asset Management from 1996 to 1999 and KPMG from 1990 to 1996. Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also admitted to the membership of The Institute of Chartered Accountants in England and Wales. Mr. Miu received a Bachelor of Arts in Accountancy with Honours from City University of Hong Kong and a Master's degree in Business Administration from Imperial College London.

Lin Yuanfang, aged 67, an independent non-executive Director. Mr. Lin was appointed to the board of directors of the Company on April 1, 2007. Mr. Lin has been an independent non-executive director of Xiamen Overseas Chinese Electronic Co., Limited (廈門華僑電子股份有限公司) since May 2004. Mr. Lin has been the vice chairman of China Electronic Imaging Industry Association (中國電子視像行業協會) since November 2001. Mr. Lin was the vice department head of the Economic System Reform and Operation Department of the PRC Ministry of Information Industry ("MII") from 1998 to 2000. Prior to that and from 1980, Mr Lin held various official positions in the MII, and the Ministry of Electronic Industry (電子工業部). Mr. Lin graduated from Fudan University in 1964 majoring in physics

Li Hongbin, aged 42, an independent non-executive Director. Mr. Li was appointed to the board of directors of the Company on April 1, 2007. Mr. Li has been a professor in information technologies at Peking University in 2004. Prior to that, Mr. Li was employed by Xi'an Electronic Technology University (西安電子科技大學) from 1989 to 2002. From 2002 to 2005, Mr. Li was a member of the expert panel for a national advanced technologies research and development project (Project 863). Mr. Li obtained a Master's degree in January 1989 from Xi'an Electronic Technology University (西安電子科技大學).

Senior Management Profile

Ng Wai-kee, aged 48, chief financial officer, qualified accountant and company secretary of the Company. Mr. Ng joined the Group on October 1, 2006. Mr. Ng has over 20 years of experience in accounting and auditing. Mr. Ng previously worked as company secretary of Global Bio-chem Technology Group Company Limited, Datasys Technology Holdings Limited, both are companies listed on the Stock Exchange and served as a non executive director of CDW Holding Limited. Mr. Ng graduated from Hong Kong Shue Yan College in July 1985 with a diploma in accounting. Mr. Ng has been a qualified accountant since 1986 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Luo Huiping, aged 48, Fujian Centron's vice chief executive officer and a general manager of the Group's administration center. Mr. Luo joined the Group on June 7, 2005. Prior to joining the Group, Mr. Luo worked in the banking sector. Mr. Luo graduated from China Communist Party School, majoring in party administration and management in December 1998 and received a bachelor degree in statistics from Xiamen University in September 2003.

DIRECTORS AND SENIOR MANAGEMENT

Liu Qinghuang, aged 44, chief financial officer of Fujian Centron. Mr. Liu joined the Group on March 2007 and has experience in the fields of accounting and financial management. Prior to joining the Group, Mr. Liu served as general manager of Quanzhou City XinCheng Investment Management Consultancy Company Limited (泉州市信誠投資管理顧問有限公司) and as chief financial officer of HuaHeng Packing (Hong Kong) Group (華恒包裝(香港)集團) and as general manager of XinChengDa (Wuhan) Optical & Electrical Technology Limited (信誠達(武漢)光電科技有限公司). Mr Liu graduated from Xiaman University, majoring in accounting and obtained the title of accountant.

Huang Yinhui, aged 48, general manager of the Group's mobile telecommunication sales and operation center. Mr. Huang joined the Group on August 19, 2002 and is responsible for the strategic development and implementation of domestic marketing and sales of the Company. Mr. Huang has nearly 15 years of experience in sales and management. Mr. Huang is undertaking an EMBA program at Huaqiao University and is a part-time professor of the College of Information & Electrical Engineering at Shandong University of Science and Technology.

Yang Weimin, aged 39, general manager of the Group's production center. Mr. Yang also supervises the Group's technologies processing work. Mr. Yang joined the Group on February 1, 2005. Mr. Yang has over 10 years of experience in electronic technologies development and production control. Prior to joining the Group, Mr. Yang was employed by Fujian Film Machinery Factory and was the chief engineer of Zhejiang Xinda Machinery Company Limited. Mr. Yang received a bachelor's degree in engineering, majoring in physics in magnetic fields and devices, from University of Electronic Science and Technology of China in July 1991. Mr. Yang is qualified as an engineer.

Chen Hong, aged 30, is the secretary to the board of directors of Fujian Centron. Mr. Chen joined the Group on June 12, 2006. Mr. Chen was the International Trade Supervisor of Xiamen Doingcom Chemical Company Limited, which is a PRC subsidiary of Eco Green Fine Chemicals Group Limited, a company listed on the Stock Exchange. Mr. Chen obtained a Master's degree in management, majoring in accountancy, from Xiamen University in June 2006.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensure high standards of corporate governance in the interest of its shareholders. The Directors confirm, to the best of their knowledge, the Group has complied with the Code on Corporate Governance Practice (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules since the listing of the Company's shares on the Main Board of the Stock Exchange on 5 July 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code since the listing of the Company on 5 July 2007.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises three executive Directors, three non-executive Director and three independent non-executive Directors. The biographical details of all Directors are set out on pages 9 to 11 of this annual report. The composition of the Board is well balanced with Directors having sound knowledge and skill on different areas of the Company's business. Details of composition and their respective area of responsibilities are set out in the table on page 2 of this annual report.

The Company has received, from each independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent. The independent non-executive Directors will provide independent views and share their knowledge and experience with the other members of the Board.

FUNCTIONS OF THE BOARD

The Board is responsible for (i) the formulation of operational and strategic direction of the Group; (ii) monitoring the financial performance of the Group; (iii) overseeing the performance of management; and (iv) ensure that the business and operation of the Group are managed by properly authorized and competent management.

MEETINGS OF THE BOARD

Since the listing of the Company, the Board held one Board meeting in 2007. At least 7 days notice of regular Board meetings was given to all Directors and they can include matters for discussion in the agenda as they think fit. Minutes of every Board meeting are kept by the secretary of the Company at the registered office and Board members are also entitled to have full access to the Board minutes and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities. Details of individual attendance of Directors are set out in the table on page 16 of this annual report.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power between the Board and the management of the Company, the role of the chairman of the Board and the chief executive officer are segregated and are not exercised by the same individual. Dai Guoliang is the Chairman of the Board (the "Chairman") who is responsible for the effectiveness of operation of the Board and Dai Guoyu is the Chief Executive Officer (the "CEO") who is responsible for the management of the Group's business in all aspects effectively and the implementation of the strategies approved by the Board.

RELATIONSHIP OF THE BOARD MEMBERS

None of the Directors has any financial, business, family or other material or relevant relationships among members of the Board except that Dai Guoliang and Dai Guoyu are brothers.

DIRECTORS' INTEREST IN CONTRACT

Before each Board meeting, the Directors have to declare their interests in the subject matter to be considered in the relevant Board meeting. Any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant Board meeting nor vote for the Board resolutions. The independent non-executive Directors who and whose associates have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate.

NON-EXECUTIVE DIRECTORS

The non-executive Directors, Guo Zeli, Leung Ping-chung Hermann and Paul Steven Wolansky have each entered into an appointment letter with the Company for a term of three years commencing from 20 March 2007 and are subject to re-election at forthcoming annual general meetings in accordance with the Articles of Association of the Company and the relevant letter of appointment.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance of the Corporate Governance Code. The remuneration committee consists of five members, namely Mr. Yi Zhangtao, Mr. Leung Ping-chung, Hermann, Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin. Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin are independent non-executive Directors. The chairman of the remuneration committee is Mr. Leung Ping-chung, Hermann. The Remuneration Committee meeting shall be held at least once a year to determine the remuneration policy for Directors and senior management. During the year, one Remuneration Committee meeting was held and the attendance of each member is set out in the attendance table on page 16 of this annual report.

The primary functions of the remuneration committee include evaluating the performance of, and making recommendations on the remuneration packages of, the Directors and senior management, evaluating and making recommendations on employee benefit arrangements, determining the award of bonuses and considering the grant of options under the Share Option Scheme.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 5 July 2007 and renewal is subject to notification by either party giving to the other not less than six months' notice prior to the termination of the service contract.

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of three years commencing from 20 March 2007.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each appointment letter is for a term of three year commencing from 1 April 2007. In accordance with the Company's Articles of Association, all Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 3 June 2007 with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee has the main duties of providing an independent review of the effectiveness of the Group's financial reporting process, internal control and risk management systems. The audit committee consists of the five non-executive Directors, namely Mr. Leung Ping-chung, Hermann, Mr. Guo Zeli, Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin. Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin are independent non-executive Directors. The chairman of the Audit Committee is Mr. Miu Hon-kit. During the year, one Audit Committee meeting were held and the attendance of each Director is set out in the attendance table on page 16 of this annual report.

The principle responsibilities of the Audit Committee include (i) reviewing the financial information of the Company; (ii) overseeing the Company's financial reporting system and internal control procedure; and (iii) assisting the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, to comply other duties as set out in the Corporate Governance Code.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the Company's auditor, Ernst & Young, for the year ended 31 December 2007 is set out below:

	Fee paid/payable Approximately RMB million
Services rendered	
Audit fee for 2007 annual audit	1.4
Non-audit service	0.3
Total	1.7

Attendance Table		Attendance out of numbers of meetings		
Name of Director	Position	Board	Remuneration Committee	Audit Committee
Executive Directors				
Mr. Dai Guoliang	Chairman	1/1		
Mr. Dai Guoyu	CEO	1/1		
Mr. Yi Zhangtao		1/1	1/1	
Non-executive Directors				
Mr. Paul Steven Wolansky		1/1		
Mr. Leung Ping-chung, Hermann		1/1	1/1	1/1
Mr. Guo Zeli	Vice Chairman	1/1		1/1
Independent non-executive Directors				
Mr. Miu Hon-kit		1/1	1/1	1/1
Mr. Lin Yuanfang		1/1	1/1	1/1
Mr. Li Hongbin		1/1	1/1	1/1

ACCOUNTABILITY OF THE BOARD

The Directors acknowledge that it is their responsibilities for preparing the financial statements of the Group, so as to give a true and fair view of the financial position, results and cash flow of the Group and presenting the interim and annual reports and announcements to shareholders. In preparing the financial statements for the year ended 31 December 2007, the Directors have adopted suitable accounting policies and applied them consistently, made judgements and estimations that are prudent and reasonable and have prepared the financial statements on a going concern basis.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to provide its shareholders accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, announcements, press release and also the company website at http://www.centron.com.cn. The Board will maintain regular communication with institutional investors to address their enquiries on the Group's strategies, operations management and plans.

All the shareholders of the Company are to be given a formal notice 21 days in advance of the Company's annual general meeting where the shareholders will have an opportunity to communicate directly with the Board of the Company.

INTERNAL CONTROL

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of the issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2007.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 March 2007 under the Companies Law, Chapter 22 (Law 3 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 3 June 2007 (the "Group Reorganisation"). Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus") and in note 17 to the financial statements, respectively.

The Company's shares have been listed on the Stock Exchange since 5 July 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 30 to 88.

A special dividend of RMB88 million was declared by the Company on 3 June 2007 to the shareholders of the Company whose names appeared on its register of members on the record date of 3 June 2007.

The directors recommend the payment of a final dividend of HK8 cents (equivalent to approximately RMB7.19 cents) per ordinary share in respect of the year to shareholders on the register of members on 27 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the Group's consolidated balance sheet and as an allocation of capital reserve within the equity section of the Company's balance sheet.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). These proceeds were applied during the year ended 31 December 2007 in accordance with the proposed applications set out in the Prospectus, as follows:

– approximately RMB10.9 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, the People's Republic of China (the "PRC");

– approximately RMB9.3 million was used for the purchase of manufacturing and testing equipment;

– approximately RMB5.0 million was used for the long-term research and development;

– approximately RMB0.4 million was used for the expansion of domestic sales and marketing channels; and

– approximately RMB21.0 million was used for the establishment of overseas sales and marketing channels.

The remaining net proceeds of approximately RMB507.4 million are placed as term deposits and investment funds with licensed financial institutions in Hong Kong and Mainland China.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, prepared on the basis as set out herein, is set out below.

RESULTS

	Year ended 31 December			
	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**843,368**	553,390	253,845	159,238
PROFIT BEFORE TAX	**220,437**	171,132	91,035	59,295
Tax	**–**	(37,205)	(33,193)	(22,114)
PROFIT FOR THE YEAR	**220,437**	133,927	57,842	37,181
Attributable to:				
Ordinary equity holders of the Company	**220,437**	133,927	57,842	37,181

ASSETS AND LIABILITIES

	As at 31 December			
	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**1,066,634**	395,753	170,001	103,885
TOTAL LIABILITIES	**(91,970)**	(102,270)	(80,550)	(35,776)
	974,664	293,483	89,451	68,109

The summary of the consolidated results of the Group for each of the three years ended 31 December 2004, 2005, and 2006 and of the assets and liabilities as at 31 December 2004, 2005, and 2006 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2.1 to the financial statements. The consolidated results of the Group for the year ended 31 December 2007 and the consolidated assets and liabilities of the Group as at 31 December 2007 are extracted from the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 29, 30 and 28 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The listing of the Company's shares commenced on 5 July 2007. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 5 July 2007 to 31 December 2007.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB774,870,000. The amount of RMB774,870,000 includes the Company's share premium account and capital reserve of RMB766,982,000 in aggregate at 31 December 2007, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately RMB975,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 96.8% of the total sales for the year and sales to the largest customer accounted for 42.4%. Purchases from the Group's five largest suppliers accounted for 23% of the Group's total purchases for the year and purchases to the largest supplier included therein accounted for 8%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Dai Guoliang	(appointed on 5 July 2007)
Mr. Dai Guoyu	(appointed on 5 July 2007)
Mr. Yi Zhangtao	(appointed on 5 July 2007)

Non-executive directors:

Mr. Guo Zeli	(appointed on 20 March 2007)
Mr. Paul Steven Wolansky	(appointed on 20 March 2007)
Mr. Leung Ping-chung, Hermann	(appointed on 20 March 2007)
Mr. Miu Hon-kit*	(appointed on 1 April 2007)
Mr. Lin Yuanfang*	(appointed on 1 April 2007)
Mr. Li Hongbin*	(appointed on 1 April 2007)

* Independent non-executive directors

In accordance with article 87(1) of the Company's articles of association, Messrs. Yi Zhangtao, Leung Ping-chung, Hermann and Miu Hon-kit will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors and independent non-executive directors are appointed for a period of three years.

The Company has received annual confirmations of independence from Messrs. Miu Hon-kit, Lin Yuanfang and Li Hongbin pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule") and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for a term of three years commencing on 5 July 2007. Each of the non-executive directors has been appointed for a term of three years commencing on 20 March 2007. Each of the independent non-executive directors has been appointed for a term of three years commencing on 1 April 2007. Under the service contracts, after each complete year of service, the remuneration payable to each of the executive directors is subject to the discretion of the Company's board of directors.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The directors' remuneration is subject to shareholders' approval at general meetings with reference to the recommendation of the Group's remuneration committee. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses, housing benefits and share option benefits.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related party transactions disclosures in note 36 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	**Capacity and nature of interests**	**Number of shares**	**Percentage of the Company's issued share capital**
Mr. Dai Guoliang	1	Through controlled corporation	239,400,000	34.20

Note:

1. Oriental City Profits Ltd. ("Oriental City") held a 34.20% interest in the issued share capital of the Company following completion of the global offering exercise and the exercise of an over-allotment option. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui, and Xu Shiyang. (All the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.) As mentioned above, Mr. Dai Guoliang's beneficial interest in Oriental City amounts to 61.64%. Accordingly, pursuant to the SFO, Mr. Dai Guoliang is deemed to be interested in the 239,400,000 shares held by Oriental City as he is entitled to control one-third or more of the voting power at the general meetings of Oriental City.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in ordinary shares of an associated corporation:

Name of director	Name of associated corporation	Capacity and nature of interests	Relationship with the Company	Number of shares held	Approximate percentage of the associated corporation's issued share capital
Mr. Dai Guoliang	Oriental City	Beneficial and registered owner	(note 1)	524	100.00
Mr. Dai Guoyu	Oriental City	Beneficial owner	(note 2)	92	17.56
Mr. Yi Zhangtao	Oriental City	Beneficial owner	(note 3)	32	6.10

Notes:

1. Oriental City held a 34.20% interest in the issued share capital of the Company following the completion of a global offering exercise and the exercise of an over-allotment option. The share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui, and Xu Shiyang. (All the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.)

2. Mr. Dai Guoyu was beneficially interested in 17.56% of the issued share capital of Oriental City by virtue of a declaration of trust (which is a bare trust) made by Mr. Dai Guoliang on 27 March 2007.

3. Mr. Yi Zhangtao was beneficially interested in 6.10% of the issued share capital of Oriental City by virtue of a declaration of trust (which is a bare trust) made by Mr. Dai Guoliang on 27 March 2007.

Save as disclosed above, as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the board of directors passed on 3 June 2007.

No share options have been granted under the Share Option Scheme since its adoption and up to 31 December 2007. Details of the Share Option Scheme are set out in note 30 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Oriental City	(1)	Directly beneficially owned	239,400,000	34.20
Mr. Dai Guoliang	(1)	Through a controlled corporation	239,400,000	34.20
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	105,000,000	15.00
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	105,000,000	15.00
Molatis Limited	(3)	Directly beneficially owned	47,250,000	6.75
Mr. Sussman Selwyn Donald	(3)	Through a controlled corporation	47,250,000	6.75

Notes:

(1) The ordinary shares are held by Oriental City, which is beneficially owned by Mr. Dai Guoliang.

(2) The ordinary shares are held by Cathay Mobile Communications Limited, a direct wholly-owned subsidiary of Cathay Capital Holdings, L.P.

(3) The ordinary shares are held by Molatis Limited, which is beneficially owned by Mr. Sussman Selwyn Donald.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES (continued)

Save as disclosed above, as at 31 December 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dai Guoliang
Chairman

Hong Kong
21 April 2008

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

To the shareholders of Centron Telecom International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Centron Telecom International Holding Limited set out on pages 30 to 88, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the shareholders of Centron Telecom International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Revenue	5	**843,368**	553,390
Cost of sales		**(561,174)**	(346,967)
Gross profit		**282,194**	206,423
Other income and gains	5	**23,999**	4,458
Selling and distribution costs		**(30,035)**	(20,287)
General and administrative expenses		**(54,161)**	(17,318)
Finance costs	7	**(1,560)**	(2,144)
PROFIT BEFORE TAX	6	**220,437**	171,132
Tax	10	**–**	(37,205)
PROFIT FOR THE YEAR		**220,437**	133,927
Dividends	11		
Special		**88,000**	–
Proposed final		**50,350**	–
		138,350	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**RMB36.09 cents**	RMB25.51 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**80,881**	32,121
Prepaid land lease payments	15	**11,671**	–
Deposit paid for purchase of property, plant and equipment		**1,182**	2,942
Deposit paid for purchase of land use rights	15	**–**	11,271
Intangible assets	16	**969**	1,664
Total non-current assets		**94,703**	47,998
CURRENT ASSETS			
Inventories	18	**100,566**	74,029
Trade receivables	19	**290,991**	145,088
Prepayments, deposits and other receivables		**5,166**	4,173
Available-for-sale investments	20	**25,000**	–
Financial assets at fair value through profit or loss	21	**73,999**	–
Pledged deposits	22	**21,889**	6,670
Cash and bank balances	23	**454,320**	117,795
Total current assets		**971,931**	347,755
CURRENT LIABILITIES			
Trade and bills payables	25	**73,109**	34,576
Other payables and accruals	26	**18,861**	32,480
Interest-bearing bank borrowings	27	**–**	20,000
Due to a director	24	**–**	214
Total current liabilities		**91,970**	87,270
NET CURRENT ASSETS		**879,961**	260,485
TOTAL ASSETS LESS CURRENT LIABILITIES		**974,664**	308,483

continued/…

CONSOLIDATED BALANCE SHEET (continued)

31 December 2007

	Notes	**2007 RMB'000**	2006 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*27*	**–**	15,000
Total non-current liabilities		**–**	15,000
Net assets		**974,664**	293,483
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	*29*	**68,136**	–
Reserves	*31(a)*	**856,178**	293,483
Proposed final dividend	*11*	**50,350**	–
Total equity		**974,664**	293,483

Dai Guoliang
Director

Dai Guoyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to ordinary equity holders of the Company									
	Issued capital RMB'000 *(note 29)*	Share premium account RMB'000 *(note 31(b))*	Equity component of convertible bonds RMB'000 *(note 28)*	Capital reserve RMB'000 *(note 31(a))*	Contributed surplus RMB'000	Enterprise expansion and statutory reserve funds RMB'000 *(note 31(a))*	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2007	–	–	18,300	–	66,806	27,547	180,830	–	–	293,483
Exchange realignment	–	–	–	–	–	–	–	(13,292)	–	(13,292)
Total income and expense recognised directly in equity	–	–	–	–	–	–	–	(13,292)	–	(13,292)
Profit for the year	–	–	–	–	–	–	220,437	–	–	220,437
Total income and expense for the year	–	–	–	–	–	–	220,437	(13,292)	–	207,145
Issue of shares for cash consideration	17,034	587,671	–	–	–	–	–	–	–	604,705
Share issue expenses	–	(42,669)	–	–	–	–	–	–	–	(42,669)
Capitalisation issue	51,102	(51,102)	–	–	–	–	–	–	–	–
Transfer to contributed surplus upon termination of convertible bonds *(note 28)*	–	–	(18,300)	–	18,300	–	–	–	–	–
Transfer to capital reserve upon completion of Group Reorganisation *(note 1)*	–	–	–	85,106	(85,106)	–	–	–	–	–
Transfer to enterprise expansion and statutory reserve funds	–	–	–	–	–	32,260	(32,260)	–	–	–
Special dividend paid (note 11)	–	–	–	–	–	–	(88,000)	–	–	(88,000)
Proposed final 2007 dividend (note 11)	–	–	–	–	–	–	(50,350)	–	50,350	–
At 31 December 2007	68,136	493,900*	–	85,106*	–	59,807*	230,657*	(13,292)*	50,350	974,664

* These reserve accounts comprise the consolidated reserves of RMB856,178,000 (2006: RMB293,483,000) in the consolidated balance sheet of the Group as at 31 December 2007.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2007

	Attributable to ordinary equity holders of the Company					
	Issued capital RMB'000	Equity component of convertible bonds RMB'000 *(note 28)*	Contributed surplus RMB'000	Enterprise expansion and statutory reserve funds RMB'000 *(note 31(a))*	Retained profits RMB'000	Total equity RMB'000
At 1 January 2006	–	–	15,001	7,500	66,950	89,451
Profit for the year	–	–	–	–	133,927	133,927
Total income and expense for the year	–	–	–	–	133,927	133,927
Issue of shares by Nice Group Resources Limited	–	–	73,205	–	–	73,205
Issue of convertible bonds *(note 28)*	–	18,300	–	–	–	18,300
Distribution to the original existing shareholders *(note 32(i))*	–	–	(21,400)	–	–	(21,400)
Transfer to enterprise expansion and statutory reserve funds	–	–	–	20,047	(20,047)	–
At 31 December 2006	–	18,300*	66,806*	27,547*	180,830*	293,483

* These reserves accounts comprise the consolidated reserves of RMB293,483,000 in the consolidated balance sheet of the Group as at 31 December 2006.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**220,437**	171,132
Adjustments for:			
Interest income	5	**(18,262)**	(644)
Gain on disposal of an item of property, plant and equipment	5	**–**	(122)
Finance costs	7	**1,560**	2,144
Depreciation	6	**4,057**	2,364
Amortisation of prepaid land lease payments	6	**141**	–
Amortisation of intangible assets	6	**705**	704
Dividend income from:			
– Available-for-sale investments	5	**(673)**	–
– Financial assets at fair value through profit or loss	5	**(1,203)**	–
		206,762	175,578
Increase in inventories		**(26,537)**	(20,875)
Increase in trade receivables		**(145,903)**	(97,616)
Increase in prepayments, deposits and other receivables		**(993)**	(3,830)
Increase in trade and bills payables		**38,533**	14,131
Increase/(decrease) in other payables and accruals		**(13,619)**	26,037
Increase/(decrease) in an amount due to a director		**(214)**	140
Exchange realignment		**(10,488)**	–
Cash generated from operations		**47,541**	93,565
Interest income		**18,262**	644
Interest paid		**(1,560)**	(2,144)
Overseas tax paid		**–**	(50,793)
Net cash inflow from operating activities		**64,243**	41,272

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Net cash inflow from operating activities		**64,243**	41,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*14, 32(ii)*	**(49,875)**	(20,512)
Deposit paid for purchase of property, plant and equipment		**(1,182)**	(2,942)
Deposit paid for purchase of land use rights		**–**	(5,527)
Proceeds from disposal of an item of property, plant and equipment		**–**	2,525
Additions to prepaid land lease payments	*15, 32(ii)*	**(782)**	–
Addition to intangible assets	*16*	**(10)**	–
Increase in pledged deposits		**(15,219)**	(4,115)
Purchases of available-for-sale investments	*20*	**(25,000)**	–
Purchases of financial assets at fair value through profit or loss	*21*	**(73,999)**	–
Net cash outflow from investing activities		**(166,067)**	(30,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net		**562,036**	73,205
Proceeds from issue of convertible bonds		**–**	18,300
Distribution to the original existing shareholders	*32(i)*	**–**	(21,400)
Special dividend paid	*11*	**(88,000)**	–
Repayments of bank loans		**(64,000)**	(5,000)
New bank loans		**29,000**	–
Net cash inflow from financing activities		**439,036**	65,105
NET INCREASE IN CASH AND CASH EQUIVALENTS		**337,212**	75,806
Cash and cash equivalents at beginning of year		**117,795**	41,989
Effects of foreign exchange rates, net		**(687)**	–
Cash and cash equivalents at end of year		**454,320**	117,795
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**294,967**	117,795
Non-pledged time deposits with original maturity of less than three months when acquired	*23*	**159,353**	–
		454,320	117,795

BALANCE SHEET

31 December 2007

	Notes	2007 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	17	273,082
CURRENT ASSETS		
Other receivables and prepayments		307
Due from subsidiaries	17	449,793
Financial assets at fair value through profit or loss	21	73,999
Cash and bank balances	23	28,152
Total current assets		552,251
CURRENT LIABILITIES		
Other payables	26	4,432
NET CURRENT ASSETS		547,819
Net assets		820,901
EQUITY		
Issued capital	29	68,136
Reserves	31(b)	702,415
Proposed final dividend	11	50,350
Total equity		820,901

Dai Guoliang
Director

Dai Guoyu
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reogranisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 3 June 2007 (the "Group Reorganisation"). Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in Appendix VI to the prospectus of the Company dated 21 June 2007 (the "Prospectus") and in note 17 to the financial statements, respectively.

The Company's shares have been listed on the Stock Exchange since 5 July 2007.

The registered office of the Company is located at Unit 2001, 20/F Grantech Centre, 8 On Ping Street, Shatin, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements have been prepared on a combined basis by applying the principles of merger accounting as the Group Reorganisation involved companies under common control and the Group is regarded and accounted for as a continuing group. On this basis, the Company has been treated as the holding company of its subsidiaries (collectively referred to as the "Group") for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the years ended 31 December 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation, whichever is shorter. The comparative consolidated balance sheet as at 31 December 2006 has been prepared as if the existing Group had been in place at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi (the "RMB") and all amounts are rounded to the nearest thousand except where otherwise indicated.

2.1 BASIS OF PRESENTATION AND PREPARATION (continued)

Comparative amounts have not been presented for the Company's balance sheet and the notes thereto because the Company was not in existence on 31 December 2006.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 38 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued any equity instruments to acquire any goods or services, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendment	*Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions* [3]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [4]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 January 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures and the adoption of HKAS 23 (Revised) may result in a change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	Over the shorter of lease terms and 20 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Patents and licences

Purchased patents and licences are stated at cost, less any impairment losses, and are amortised on the straight-line basis over its estimated useful life of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Financial assets

Financial assets in the scope of HKAS 39 *Financial Instruments*: *Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assess whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Product warranty costs are recognised as expenses in the income statement in the period in which they are incurred.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods and rendering of services associated with goods sold, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends proposed by the directors are classified as a separate allocation of retained profits or an appropriate distributable reserve within the equity section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the People's Republic of China (the "PRC") government. The PRC government undertakes to assume the benefit obligations of all existing and retained employees under these plans. Contribution to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

Foreign currencies

These financial statements are presented in RMB which is also the Company's presentation currency. The functional currency of the Company is Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currency of other subsidiaries are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Group at exchange rates ruling at the balance sheet date and, their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bonds; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The Group makes estimates and assumptions concerning the future that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future and other key sources of estimation uncertainly at the balance sheet date, that have a significant risk or causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation uncertainty

Useful lives and impairment assessment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will increase the depreciation charge where the actual useful lives are less than previously estimated. It will also write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations require the use of judgement and estimates.

Provision for product warranties

The Group generally provides one to two years' warranties to its customers on certain of its products, under which faulty products are repaired and replaced. The amount of the warranty provisions is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. During the years ended 31 December 2007 and 2006, the provision for product warranties was not recognised as the effect was estimated by the Group to be insignificant.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the required write-down amount involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of the inventories and the write-down charge/write-back amount in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment allowances for trade and other receivables

Impairment allowances for trade and other receivables are based on the assessment of the recoverability of trade and other receivables. The identification of impairment allowances requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the receivables and impairment or its reversal in the period in which such estimate has been changed.

4. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single business segment.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis in business or geographical segment is presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered during the year, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2007 RMB'000	2006 RMB'000
Revenue		
Manufacture and sale of wireless telecommunication coverage system equipment and the provision of related engineering services	843,368	553,390
Other income and gains		
Bank interest income	18,262	644
Dividend income from available-for-sale investments	673	–
Dividend income from financial assets at fair value through profit or loss	1,203	–
Subsidy income from the PRC government	3,681	3,444
Gain on disposal of an item of property, plant and equipment	–	122
Exchange gains, net	180	210
Others	–	38
	23,999	4,458

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2007 RMB'000	2006 RMB'000
Cost of inventories sold*		**561,174**	346,967
Depreciation	14	**4,057**	2,364
Amortisation of prepaid land lease payments	15	**141**	–
Amortisation of intangible assets**	16	**705**	704
Minimum lease payments under operating leases in respect of land and buildings		**718**	656
Employee benefits expenses (including directors' remuneration – note 8):			
Wages and salaries		**32,249**	19,557
Staff welfare expenses		**5,053**	3,340
Pension scheme contributions (defined contribution schemes)***		**21**	–
		37,323	22,897
Auditors' remuneration		**1,400**	100
Research and development expenditure****		**8,886**	1,391
Product warranty cost*****		**2,805**	1,512
Gain on disposal of an item of property, plant and equipment		**–**	(122)
Bank interest income		**(18,262)**	(644)
Exchange gains, net		**(180)**	(210)

* The cost of inventories sold for the year includes RMB15,518,000 (2006: RMB11,153,000), relating to direct employee benefits expenses, depreciation of manufacturing activities and operating lease rentals of land and buildings, which are also included in the total amounts disclosed above for each of these types of expenses.

** The amortisation of intangible assets for the year is included in "General and administrative expenses" on the face of the consolidated income statement.

*** As at 31 December 2007 (2006: Nil), the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

**** The research and development expenditure for the year includes RMB2,666,000 (2006: RMB1,371,000) relating to operating lease rentals of land and buildings, depreciation of research and development centre and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

***** The product warranty cost for the year is included in "Selling and distribution costs" on the face of the consolidated income statement.

7. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest on bank loans wholly payable within five years	**1,560**	2,144

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2007 RMB'000	2006 RMB'000
Fees:		
– Executive directors	**174**	–
– Non-executive directors	**174**	–
– Independent non-executive directors	**308**	–
	656	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,557**	596
	2,213	596

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 RMB'000	2006 RMB'000
Mr. Miu Hon-kit	132	–
Mr. Lin Yuanfang	88	–
Mr. Li Hongbin	88	–
	308	–

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2007				
Executive directors:				
Mr. Dai Guoliang	58	944	–	1,002
Mr. Dai Guoyu	58	311	–	369
Mr. Yi Zhangtao	58	302	–	360
	174	1,557	–	1,731
Non-executive directors:				
Mr. Guo Zeli	58	–	–	58
Mr. Paul Steven Wolansky	58	–	–	58
Mr. Leung Ping-chung Hermann	58	–	–	58
	174	–	–	174
	348	1,557	–	1,905

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2006				
Executive directors:				
Mr. Dai Guoliang	–	268	–	268
Mr. Dai Guoyu	–	164	–	164
Mr. Yi Zhangtao	–	164	–	164
	–	596	–	596
Non-executive directors:				
Mr. Guo Zeli	–	–	–	–
Mr. Paul Steven Wolansky	–	–	–	–
Mr. Leung Ping-chung Hermann	–	–	–	–
	–	–	–	–
	–	596	–	596

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: two) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,071**	969
Pension scheme contributions	**6**	–
	1,077	969

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
Nil to RMB1,000,000	**2**	2
RMB1,000,001 to RMB1,500,000	**–**	–
RMB1,500,001 to RMB2,000,000	**–**	–
	2	2

During the year, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	2007 RMB'000	2006 RMB'000
Current tax – PRC		
Charge for the year	–	37,205

Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary of the Group operating in Mainland China, was exempted from the PRC corporate income tax for the two years commencing from its first profit-making year from 2006 and thereafter is entitled to a 50% reduction in the PRC corporate income tax for the three years from 1 January 2008 to 31 December 2010 (the "Existing Tax Holiday"). However, as the approval for the tax exemption was only issued by the relevant tax authority on 7 November 2006, Fujian Centron was not entitled to the refund of the PRC corporate income tax which has been fully paid for the first three quarters of the year ended 31 December 2006.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries operate to the tax expense at the effective tax rates is as follows:

Group – 2007

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	5,388	215,049	220,437
Tax at the statutory tax rate	943	70,966	71,909
Lower tax rate due to the Existing Tax Holiday	–	(70,966)	(70,966)
Expenses not deductible for tax	(943)	–	(943)
Tax charge at the Group's effective rate	–	–	–

10. TAX (continued)

Group – 2006

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	279	170,853	171,132
Tax at the statutory tax rate	49	56,425	56,474
Lower tax rate for specific provinces or local authority	–	(22,158)	(22,158)
Expenses not deductible for tax	(49)	2,938	2,889
Tax charge at the Group's effective rate	–	37,205	37,205

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the notice on the Implementation Rules for Grandfather Policy under the New Corporate Income Tax Law issued by the State Council of the PRC on 26 December 2007, effective from 1 January 2008, the Existing Tax Holiday enjoyed by Fujian Centron will not change. Upon expiry of the Existing Tax Holiday, Fujian Centron will be subject to the applicable tax rate of 25%.

11. DIVIDENDS

	2007 RMB'000	2006 RMB'000
Special dividend	**88,000**	–
Proposed final dividend – HK8 cents (approximately RMB7.19 cents) (2006: Nil) per ordinary share	**50,350**	–
	138,350	–

On 3 June 2007, the Company declared a special dividend of RMB88 million to its shareholders whose names appeared on its register of members on the record date of 3 June 2007. The special dividend has been paid before the listing of the Company's shares on the Main Board of the Stock Exchange on 5 July 2007.

11. DIVIDENDS (continued)

The rates of special dividend and the number of shares ranking for the special dividend are not presented as the directors of the Company consider that such information is not meaningful for the purpose of these financial statements.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB220,437,000 (2006: RMB133,927,000) and the weighted average of 610,822,000 (2006: 525,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share amount for the year ended 31 December 2006 includes the pro forma issued share capital of the Company of 525,000,000 shares, comprising:

(i) the 1 share of the Company allotted and issued at nil paid on 6 March 2007 (notes 29(c));

(ii) the 999 shares issued as consideration for the acquisition of Nice Group Resources Limited ("Nice Group") on 3 June 2007 (note 29(d)(ii)); and

(iii) the capitalisation issue of 524,999,000 shares (note 29(d)(iii)).

The weighted average number of shares of 610,822,000 used to calculate the basic earnings per share amount for the year ended 31 December 2007 includes the weighted average of 85,822,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 5 July 2007 and the aforementioned 525,000,000 shares.

Since no share options were issued during the years ended 31 December 2007 and 2006, there was no potential dilutive ordinary share in existence, and, accordingly, no diluted earnings per share amount has been presented for these years.

13. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2007 includes a profit of RMB7,888,000 (2006: Nil) which has been dealt with in the financial statements of the Company (note 31(b)).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2007	–	14,951	3,202	2,181	20,058	40,392
Additions	65	5,199	1,358	2,848	43,347	52,817
Transfers	43,726	–	–	2,888	(46,614)	–
At 31 December 2007	43,791	20,150	4,560	7,917	16,791	93,209
Accumulated depreciation:						
At 1 January 2007	–	5,148	2,150	973	–	8,271
Charge for the year	1,040	1,663	425	929	–	4,057
At 31 December 2007	1,040	6,811	2,575	1,902	–	12,328
Net book value:						
At 31 December 2007	42,751	13,339	1,985	6,015	16,791	80,881
At 31 December 2006	–	9,803	1,052	1,208	20,058	32,121

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2006	5,132	14,941	2,974	1,805	160	25,012
Additions	–	10	228	376	19,898	20,512
Disposal	(5,132)	–	–	–	–	(5,132)
At 31 December 2006	–	14,951	3,202	2,181	20,058	40,392
Accumulated depreciation:						
At 1 January 2006	2,607	3,728	1,672	629	–	8,636
Charge for the year	122	1,420	478	344	–	2,364
Disposal	(2,729)	–	–	–	–	(2,729)
At 31 December 2006	–	5,148	2,150	973	–	8,271
Net book value:						
At 31 December 2006	–	9,803	1,052	1,208	20,058	32,121
At 31 December 2005	2,525	11,213	1,302	1,176	160	16,376

The Group's buildings were held under the following lease terms:

	2007 RMB'000	2006 RMB'000
Medium-term leases		
Outside Hong Kong	42,751	–

On 31 May 2006, the Group entered into a sale and purchase agreement with Dai Guoliang, a director of the Company, for the disposal of a building for a consideration of approximately RMB2,525,000. As at 31 December 2007, the Group has yet to complete the registration process to transfer the registered owner of the building with the relevant PRC authority. The consideration of approximately RMB2,525,000 was settled by Dai Guoliang in September 2006.

At 31 December 2007, the Group's property, plant and equipment were not pledged to secure general banking facilities granted to the Group (2006: Nil).

15. PREPAID LAND LEASE PAYMENTS

Group

	2007 RMB'000	2006 RMB'000
Carrying amount at 1 January	–	–
Additions	12,053	–
Amortised during the year	(141)	–
Carrying amount at 31 December	11,912	–
Current portion included in prepayments, deposits and other receivables	(241)	–
Non-current portion	11,671	–

The Group's prepaid land lease payments comprise land in Mainland China under medium-term leases. During the year, the Group acquired the land use rights for the construction of Xumei Industrial Park in Quanzhou, the PRC, and the deposit paid for the land use rights of RMB11,271,000 as at 31 December 2006 was then transferred to prepaid land lease payments.

16. INTANGIBLE ASSETS

Group

	Patents and licences	
	2007 RMB'000	2006 RMB'000
Cost:		
At 1 January	3,520	3,520
Addition	10	–
At 31 December	3,530	3,520
Accumulated amortisation:		
At 1 January	1,856	1,152
Amortised during the year	705	704
At 31 December	2,561	1,856
Net carrying amount:		
At 31 December	969	1,664

17. INVESTMENTS IN SUBSIDIARIES

Company

	2007 RMB'000
Unlisted investments, at cost	273,082

The carrying amounts of the investments in subsidiaries as at 31 December 2007 were arrived at after the special dividend of RMB88,000,000 (note 11) which was accounted for as a return of investment by the Company. The amounts due from subsidiaries of RMB449,793,000 are unsecured, interest-free and have no fixed terms of repayments. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Nice Group*	British Virgin Islands (the "BVI")/Hong Kong	USD1,000	100	Investment holding
Fujian Centron*	PRC/Mainland China	RMB309,930,810 (note (i))	100	Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services
Centron Telecom System (Asia) Limited	Hong Kong	HK$1	100	Has not yet commenced business

* Not audited by Ernst and Young Hong Kong or other member firm of the Ernst & Young global network.

Except for Nice Group, all other subsidiaries are indirectly held by the Company.

Note:

(i) Fujian Centron was established as a collectively-owned enterprise in the PRC in 1989 and was converted into a limited liability company on 23 March 2001. Fujian Centron became a wholly-owned foreign enterprise with an operating period of 50 years commencing on 11 January 2006. Its registered capital was increased from RMB75,000,000 to RMB350,000,000 during the year and of which RMB309,930,810 was paid up as at 31 December 2007. A capital commitment of RMB40,069,190 is disclosed in note 35 to the financial statements.

18. INVENTORIES

	Group	
	2007	2006
	RMB'000	RMB'000
Raw materials	**45,113**	18,864
Work in progress	**6,346**	4,884
Finished goods	**49,107**	50,281
	100,566	74,029

19. TRADE RECEIVABLES

	Group	
	2007	2006
	RMB'000	RMB'000
Trade receivables	**290,991**	145,088
Impairment	**–**	–
	290,991	145,088

The Group's trading terms with its customers are mainly on credit. The credit period is generally for three months. A longer credit term of six months may be extended to customers with a long-term business relationship and a good payment history. The balances are non-interest-bearing and include retention money which is generally receivable after final verification of products by customers, performed within three months after signing the sale and purchase contract, or upon completion of the warranty period of one to two years granted to customers.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	31 December	
	2007	2006
	RMB'000	RMB'000
Within 90 days	**215,860**	139,814
91 to 180 days	**65,065**	2,520
181 to 360 days	**9,724**	2,688
Over 360 days	**342**	66
	290,991	145,088

19. TRADE RECEIVABLES (continued)

The carrying amounts of the Group's trade receivables approximate to their fair values. There was no impairment allowance of trade receivables as at 31 December 2007 (2006: Nil).

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Neither past due nor impaired	**290,941**	144,970
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	22
More than 3 months past due	**50**	96
	290,991	145,088

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of defaults.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	RMB'000	RMB'000
Unlisted investments, at fair value	**25,000**	–

The fair values of the unlisted investments were determined with reference to the quoted closing prices available from the respective financial institutions.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Money market fund outside Hong Kong, at fair value	**73,999**	–	**73,999**

The above investments at 31 December 2007 were classified as held for trading.

22. PLEDGED DEPOSITS

The pledged deposits of the Group were used to secure the bills payable facilities granted by banks.

23. CASH AND BANK BALANCES

		Group		Company
	Note	**2007**	2006	**2007**
		RMB'000	RMB'000	**RMB'000**
Cash and bank balances		**294,967**	117,795	**4,705**
Time deposits		**181,242**	6,670	**23,447**
		476,209	124,465	**28,152**
Less: Pledged time deposits:				
Pledged for bills payable facilities	*22*	**(21,889)**	(6,670)	**–**
Cash and cash equivalents		**454,320**	117,795	**28,152**

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to RMB287,039,000 (2006: RMB107,126,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances, the pledged deposits and time deposits approximate to their fair values.

24. DUE TO A DIRECTOR

The amount was unsecured, interest-free and was repayable on demand. The directors of the Company considered that the carrying value of the amount due to a director approximated to its fair value because of the short maturity.

25. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	2007	2006
	RMB'000	RMB'000
Within 90 days	**71,921**	34,508
91 to 180 days	**190**	41
181 to 360 days	**956**	–
Over 360 days	**42**	27
	73,109	34,576

The trade payables are non-interest-bearing and are normally settled on 60 to 90-day terms. The carrying amounts of trade and bills payables approximate to their fair values.

26. OTHER PAYABLES AND ACCRUALS

	Group		**Company**
	2007	2006	**2007**
	RMB'000	RMB'000	**RMB'000**
Other payables	**4,924**	1,795	**4,432**
Value added tax payables	**4,043**	25,062	**–**
Accruals	**9,894**	5,623	**–**
	18,861	32,480	**4,432**

Other payables and value added tax payables are non-interest-bearing and have an average term of three months. The carrying amounts of other payables, value added tax payables and accruals approximate to their fair values.

27. INTEREST-BEARING BANK LOANS, SECURED

Group

	2007			2006		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	–	–	–	6.732	2007	20,000
Non-current						
Bank loans – secured	–	–	–	5.76 – 6.3	2008	15,000
			–			35,000

	2007	2006
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	–	20,000
In the second to fifth years, inclusive	–	15,000
	–	35,000

At 31 December 2006, the carrying amounts of the Group's current borrowings approximate to their fair values. The non-current portion of bank loans does not bear interest at fixed rate, so the underlying fair values are not materially different from their carrying values.

The bank loans as at 31 December 2006 were secured by:

(i) a corporate guarantee of RMB5,000,000 from Tianyuan Communications Equipment Co., Ltd. (泉州天源通訊設備技術有限公司) ("Tianyuan"), in which Chen Shuru, the spouse of Dai Guoliang, is the shareholder;

(ii) a corporate guarantee of RMB30,000,000 from an independent third party, namely Fujian Lixing Electronics Company Limited (福建利興電子有限公司) ("Fujian Li Xing"); and

(iii) personal guarantees totalling RMB20,000,000 from Dai Guoliang and Chen Shuru.

The secured bank loans have been fully repaid during the year and all the related personal and corporate guarantees had been released.

28. CONVERTIBLE BONDS

	2007 RMB'000	2006 RMB'000
Nominal value of convertible bonds issued	–	18,300

On 6 April 2006 and 17 May 2006, Nice Group entered into a subscription and shareholders agreement and an instrument of convertible bonds (collectively the "Subscription and Shareholders Agreements") relating to the shares of Nice Group with Cathay Mobile Communications Limited ("Cathay Mobile") and the original existing shareholders of Nice Group (the "Original Shareholders"). Under the terms of the Subscription and Shareholders Agreements, Cathay Mobile agreed to subscribe for and Nice Group agreed to issue and allot (i) 30% of the issued share capital of Nice Group immediately upon completion of subscription and subject to adjustment; and (ii) RMB18,300,000 redeemable convertible bonds. Cathay Mobile agreed to pay RMB73,200,000 and RMB18,300,000, respectively, for the issued share capital and redeemable convertible bonds.

At 31 December 2006, the criteria by which Cathay Mobile could no longer exercise a redemption or conversion of the convertible bonds as stated in the Subscription and Shareholders Agreements constituting the convertible bonds had been fulfilled by Nice Group, and accordingly, the redemption/conversion rights attached to the convertible bonds lapsed. As a reaffirmation, on 9 March 2007, Nice Group, Cathay Mobile and the Original Shareholders entered into a formal termination agreement to the effect that the repayment obligation of the convertible bonds by Nice Group was mutually agreed to be fully discharged.

29. SHARE CAPITAL

	2007 HK$'000	2007 RMB'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	100,000	97,337
Issued and fully paid:		
700,000,000 ordinary shares of HK$0.1 each	70,000	68,136

29. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 6 March 2007 (date of incorporation) to 31 December 2007:

	Notes	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:				
Upon incorporation	*(a)*	3,800,000	380	370
Increase in authorised share capital	*(b)*	996,200,000	99,620	96,967
At 31 December 2007		1,000,000,000	100,000	97,337
Issued:				
Allotted and issued at nil paid	*(c)*	1	–	–
On acquisition of Nice Group:				
Allotted and issued at nil paid	*(d)(i)*	999	–	–
Nil paid shares credited as fully paid	*(d)(ii)*	–	–	–
Capitalisation issue credited as fully paid				
Conditional on the share premium account of the Company, being credited as a result of the issue of the new shares to the public	*(d)(iii)*	524,999,000	–	–
Pro forma share capital at 31 December 2006		525,000,000	–	–
Capitalisation of the share premium account as set out above		–	52,500	51,102
New issue of shares	*(e)*	175,000,000	17,500	17,034
At 31 December 2007		700,000,000	70,000	68,136

Notes:

(a) Upon incorporation of the Company, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 shares of HK$0.1 each.

(b) On 3 June 2007, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 996,200,000 shares of HK$0.1 each to rank pari passu in all respects with the shares then in issue.

29. SHARE CAPITAL (continued)

Notes (continued):

(c) On 6 March 2007, 1 share of HK$0.1 each was allotted and issue at nil paid by the Company. The share was subsequently credited as fully paid as described in (d)(ii) below.

(d) Pursuant to the resolutions passed on 3 June 2007 and the Group Reorganisation:

(i) 999 shares of HK$0.1 each was allotted and issued at nil paid by the Company. The shares were subsequently credited as fully paid as described in (d)(ii) below;

(ii) 1 share and 999 shares of HK$0.1 each allotted and issued at nil paid by the Company on 6 March 2007 and 3 June 2007 as set out in (c) and (d)(i), above respectively, were credited as fully paid at par; and

(iii) 524,999,000 new shares of HK$0.1 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of HK$52,499,900 from the share premium account, to the then existing shareholders of the Company, whose names appeared on the register of the Company on 3 June 2007, in proportion to their respective shareholdings. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (e) below.

(e) In connection with the Company's initial public offering, 175,000,000 shares of HK$0.1 each were issued at a price of HK$3.55 per share for a total cash consideration, before expenses, of HK$621,250,000. Dealings in these shares on the Stock Exchange commenced on 5 July 2007.

30. SHARE OPTION SCHEME

The Company adopted a share option scheme on 3 June 2007 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Scheme include (i) any employee (whether full-time or part-time, including directors) of the Company, its subsidiaries or invested entity; (ii) any directors or proposed directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any advisor (professional or otherwise), consultant, individual or entity who, in the opinion of the directors of the Company, has contributed or will contribute to the growth and development of the Group and the listing of the shares of the Company on the Stock Exchange; and (iv) any company wholly owned by one or more eligible participants as referred to in (i) to (iii) above.

The Scheme became effective on 3 June 2007, and unless otherwise cancelled or amended, will remain in force for 10 years from that day (the "Scheme Period"). The board of directors may from time to time during the Scheme Period offer to grant to eligible participants a right to subscribe for shares of the Company (the "Share Options"). The offer of grant of share options may be accepted not later than 21 days from the date of offer.

30. SHARE OPTION SCHEME (continued)

Upon the subscription of the Share Option, the grantee can exercise the option within the period of not less than 1 year and not exceeding 10 years from the date of grant ("Exercise Period"). The exercise price shall be determined as the highest of the following:

(i) the closing price of each share on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date of grant;

(ii) the average closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of the share (HK$0.1).

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not, in the absence of shareholder's approval, in aggregate exceed 70,000,000, being 10% in nominal amount of the aggregate of shares in issue on 5 July 2007 the date of the Company's listing on the Main Board of the Stock Exchange.

The Company may renew the maximum number of options limit at any time subject to the prior shareholder's approval but in any event, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme, must not exceed 10% of the shares in issue as at the date of the shareholder's approval of the renewed limit. In addition, any options granted in a 12-month period shall not exceed 1% of the shares in issue for the time being.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There were no outstanding share options as at 31 December 2007, as the Company has not granted any share options to any eligible participants since 3 June 2007.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's contributed surplus originally represented the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor. The amounts of the Group's contributed surplus and capital reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 33 to 34 of the financial statements. During the year, the remaining balance of the Group's contributed surplus of RMB85,106,000 was transferred to the Group's capital reserve upon the completion of the Group Reorganisation.

31. RESERVES (continued)

(a) Group (continued)

The capital reserve of the Group represents the difference between the aggregate of (i) the nominal value of the shares of the subsidiaries acquired after deducting the distribution to the Original Shareholders of RMB21,400,000 (note 28) and (ii) the nominal value of the convertible bonds of RMB18,300,000 issued by Cathay Mobile which was transferred as equity in Nice Group when the repayment obligation of the convertible bonds was terminated on 9 March 2007 (note 28), over the nominal value of the Company's shares issued pursuant to the Group Reorganisation.

In accordance with the relevant regulations applicable in the PRC, a subsidiary of the Company established in the PRC is required to transfer certain percentage of its profit after tax, if any, to the enterprise expansion and statutory reserve funds which are non-distributable, before profit distributions to shareholders. These transfers continue until the amount of the reserve funds equals 50% of the registered capital of the subsidiary. The amounts of transfers are subject to the approval of the board of directors of the subsidiary.

(b) Company

	Notes	**Share premium account**	**Capital reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Total**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Upon incorporation		–	–	–	–	–
Profit for period		–	–	–	7,888	7,888
Total income and expenses for the period		–	–	–	7,888	7,888
Exchange realignment		–	–	(22,105)	–	(22,105)
Arising on the Group Reorganisation		–	361,082	–	–	361,082
Issue of shares for cash consideration	*29(e)*	587,671	–	–	–	587,671
Share issue expenses		(42,669)	–	–	–	(42,669)
Capitalisation issue	*29(d)(iii)*	(51,102)	–	–	–	(51,102)
Special dividend paid	*11*	–	(88,000)	–	–	(88,000)
Proposed final 2007 dividend	*11*	–	(50,350)	–	–	(50,350)
At 31 December 2007		493,900	222,732	(22,105)	7,888	702,415

The capital reserve of the Company represents the difference between the cost of investments in subsidiaries pursuant to the Group Reorganisation, over the nominal value of the then existing 1,000 shares of HK$0.1 each of the Company credited as fully paid at par (note 29(d)(ii)).

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(i) For the purpose of the financial statements, as part of Group Reorganisation, Fujian Centron was treated as part of the Group as at 1 January 2006. The paid-up capital of Fujian Centron of RMB15,000,000, which was already paid up by the Original Shareholders, was presented as a contributed surplus in the consolidated statements of changes in equity as at 1 January 2006. Upon the acquisition of Fujian Centron by the Company in November 2006 as part of the Group Reorganisation, the consideration of RMB21,400,000 paid by the Company to the Original Shareholders was therefore treated as a distribution to them in the consolidated cash flow statement for the year ended 31 December 2006.

(ii) The deposit paid for the purchase of property, plant and equipment of RMB2,942,000 as at 31 December 2006 was applied to partly satisfy the consideration for the purchases of items of property, plant and equipment in the current year.

The deposit paid for the purchase of land use rights of RMB11,271,000 as at 31 December 2006 was applied to partly satisfy the consideration for the purchase of land use rights in the current year.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for were as follows:

	Group	
	2007	2006
	RMB'000	RMB'000
Corporate guarantee given to Fujian Li Xing, an independent third party, in connection with the banking facilities granted to this independent third party under the cross guarantee arrangement between Fujian Centron and Fujian Li Xing	**–**	8,000

The above corporate guarantee provided to Fujian Li Xing was released on 9 May 2007.

The Company had no contingent liabilities at 31 December 2007.

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and a warehouse under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007 RMB'000	2006 RMB'000
Within one year	**1,187**	518
In the second to fifth years, inclusive	**427**	–
	1,614	518

The Company had no operating lease commitments at 31 December 2007.

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments at the balance sheet date.

	2007 RMB'000	2006 RMB'000
Contracted commitment in respect of unpaid capital of Fujian Centron	**40,069**	2,208
Contracted commitment in respect of the construction of certain new factory buildings and the underlying land use rights	**4,781**	12,188
	44,850	14,396

The Company had no commitments at 31 December 2007.

36. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2007** **RMB'000**	2006 RMB'000
Discontinued transactions			
Rental expense for a factory premise paid to Dai Guoliang, a director of the Company	*(a)*	**63**	126
Disposal of a factory building to Dai Guoliang	*(b)*	**–**	2,525
Personal guarantees from Dai Guoliang and Chen Shuru, the spouse of Dai Guoliang, for banking facilities granted	*(c)*	**–**	20,000
Corporate guarantee from Tianyuan, in which Chen Shuru is a shareholder	*(d)*	**–**	5,000
Continuing transaction			
Rental expense paid to Chen Shuru	*(e)*	**242**	242

Notes:

(a) The rental expense was determined with reference to the then prevailing market conditions. Pursuant to the termination agreement entered into between the Group and Dai Guoliang on 1 November 2006, the leasing of the factory premise was ceased on 31 March 2007.

(b) The factory building was sold to Dai Guoliang, at a consideration of approximately RMB2,525,000, which is equivalent to the net asset value of the building at the date of disposal.

(c) Dai Guoliang and Chen Shuru have guaranteed certain bank loans made to the Group up to RMB20,000,000 as at 31 December 2006 as further detailed in note 27 to the financial statements. These guarantees have been discontinued before the listing of the Company's shares on the Stock Exchange on 5 July 2007.

(d) Tianyuan has guaranteed certain bank loans made to the Group up to RMB5,000,000 as at 31 December 2006 as further detailed in note 27 to the financial statements. The guarantee has been discontinued before the listing of the Company's shares on the Stock Exchange on 5 July 2007.

(e) The rental expenses were determined with reference to the prevailing market conditions.

36. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel of the Group:

	2007 RMB'000	2006 RMB'000
Short-term employee benefits	**1,905**	596
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**1,905**	596

Further details of directors' emoluments are included in note 8 to the financial statements.

The directors are of the opinion that all the above transactions were conducted in the ordinary course of business of the Group.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007
Financial assets

	Group			
	Financial assets at fair value through profit or loss-held for trading RMB'000	**Available-for-sale financial assets RMB'000**	**Loans and receivables RMB'000**	**Total RMB'000**
Trade receivables	**–**	**–**	**290,991**	**290,991**
Financial assets included in prepayments, deposits and other receivables	**–**	**–**	**633**	**633**
Available-for-sale investments	**–**	**25,000**	**–**	**25,000**
Financial assets at fair value through profit or loss	**73,999**	**–**	**–**	**73,999**
Pledged deposits	**–**	**–**	**21,889**	**21,889**
Cash and bank balances	**–**	**–**	**454,320**	**454,320**
	73,999	**25,000**	**767,833**	**866,832**

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows : (continued)

Financial liabilities

	Group
	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**73,109**
Financial liabilities included in other payables and accruals	**10,318**
	83,427

2006
Financial assets

	Group
	Loans and receivables RMB'000
Trade receivables	145,088
Pledged deposits	6,670
Cash and bank balances	117,795
	269,553

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	34,576
Financial liabilities included in other payables and accruals	26,224
Interest-bearing bank borrowings	35,000
Due to a director	214
	96,014

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows : (continued)

2007
Financial assets

	Company		
	Financial assets at fair value through profit or loss-held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	–	307	307
Due from subsidiaries	–	449,793	449,793
Financial assets at fair value through profit or loss	73,999	–	73,999
Cash and bank balances	–	28,152	28,152
	73,999	478,252	552,251

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables	4,432

No comparative information is available for the Company as it was incorporated on 6 March 2007.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, time deposits and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group does not have any significant exposure to risk of changes in market interest rates as the Group's debt obligations were all repaid before the Company's listing on the Stock Exchange and no new loans were obtained in the year.

Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. The Group's assets and liabilities, and transactions arising from its operations are mainly denominated in RMB. The Group has not used any forward contract or currency borrowing to hedge its exposure as foreign currency risk is considered minimal.

Credit risk

The Group trades only with recognised and creditworthy customers. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise other receivables, available-for-sale investments, financial assets at fair value through profit or loss, time deposits and cash and bank balances, arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank borrowings and other borrowings to meet its working capital requirements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

			2007		
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	42,278	22,443	8,388	–	73,109
Financial liabilities included in other payables and accruals	6,227	4,091	–	–	10,318
	48,505	26,534	8,388	–	83,427

			2006		
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade and bills payables	18,332	11,715	4,529	–	34,576
Financial liabilities included in other payables and accruals	26,224	–	–	–	26,224
Interest-bearing bank borrowings	–	5,000	15,000	15,000	35,000
Due to a director	214	–	–	–	214
	44,770	16,715	19,529	15,000	96,014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows: (continued)

Company

	2007 On demand RMB'000
Financial liabilities included in other payables	4,432

No comparative information is available for the Company as it was incorporated on 6 March 2007.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital using a gearing ratio, which is total debt divided by the total capital plus total debt. Total debt includes interest-bearing bank borrowings, trade and bills payable, other payables and accruals and an amount due to a director. Capital includes equity attributable to ordinary equity holders of the Company.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's gearing ratios as at the balance sheet date were as follows:

	2007	2006
	RMB'000	RMB'000
Interest-bearing bank borrowings	**–**	35,000
Trade and bills payables	**73,109**	34,576
Other payables and accruals	**18,861**	32,480
Due to a director	**–**	214
Total debt	**91,970**	102,270
Equity attributable to ordinary equity holders of the Company	**974,664**	293,483
Total capital plus total debt	**1,066,634**	395,753
Gearing ratio	**8.6%**	25.8%

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been shown separately in respect of items disclosed for the first time in 2007.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2008.

2007年度報告
ANNUAL REPORT