2014 年度報告
ANNUAL REPORT

星辰通信国际控股有限公司

Centron Telecom International Holding Limited

(incorporated in the Cayman Islands with limited liability)

（於開曼群島註冊成立之有限公司）

(Stock Code: 1155)

（股份代號：1155）

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dai Guoliang *(Chairman and Chief Executive Officer)*
Guo Zeli
Dai Guoyu
Yi Zhangtao (resigned on 31 March 2014)
Ng Wai-kee
Yang Weimin (appointment with effect from 31 March 2014)

Independent non-executive Directors

Lin Yuanfang
Li Hongbin
Hung Ee Tek

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 1606, 16th Floor,
Tai Tung Building
8 Fleming Road, Wanchai
Hong Kong

COMPANY SECRETARY

Ng Wai-kee (resigned on 20 October 2014)
Lee Cheuk Wang (appointment with effect from 20 October 2014)

AUTHORIZED REPRESENTATIVES

Dai Guoliang
Ng Wai-kee

MEMBERS OF AUDIT COMMITTEE

Hung Ee Tek *(Chairman)*
Lin Yuanfang
Li Hongbin

MEMBERS OF REMUNERATION COMMITTEE

Lin Yuanfang *(Chairman)*
Yi Zhangtao (resigned on 31 March 2014)
Hung Ee Tek
Li Hongbin
Yang Weimin (appointment with effect from 31 March 2014)

MEMBERS OF NOMINATION COMMITTEE

Dai Guoliang *(Chairman)*
Lin Yuanfang
Li Hongbin

LEGAL ADVISERS

As to Hong Kong Law
Locke Lord

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
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.centron.com.hk

Dear Esteemed Shareholders,

On behalf of Centron Telecom International Holding Limited (the "Company"), I hereby report to you the operation and development of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Year"). In 2014, the Group recorded a revenue of RMB1,571.5 million, representing an increase of 7.5% as compared with the revenue recorded for the corresponding period in 2013. We have basically achieved certain extent of growth in our existing business and sales scale. With regard to profit for the Year, the Group returned to a net profit of RMB38.1 million, representing an increase of approximately 452.2% as compared with the net profit recorded for the corresponding period in last year.

In recent years, many suppliers in the network coverage and optimization industry were tapped in low water for a certain period as affected by the change in market trend and market demand. However, the Ministry of Industry and Information Technology ("MIIT") issued the TDDLTE licenses at the end of 2013, and approved the TDDLTE/FDDLTE hybrid network experimental network in mid-2014. In the great construction of the 4G network in past year, the upgrade of existing sites to 4G and the construction of new sites covering multiple networks did drive certain market demand. Network coverage and optimization industry became gradually recovered. The Group capitalized on this opportunity and used its best endeavours to seek orders, and proactively participated in the integration projects and construction services regarding 4G network coverage and optimization at various cities and regions throughout China. This thus maintained the market scale and market advantage of the Group as the leading solution provider of network coverage and optimization in China.

On the other hand, so far as the development of mobile communication in China to date is concerned, there have been significant changes in various aspects such as industry policy, technology reform, product mix and investment approach. We also noted and deeply felt the impact brought from the 4G network coverage and optimization and "replacing business tax with the value-added tax" ("VAT reform") in the year 2014 to the whole industry and to the operation of the Group. In the coming future, we also have to face "Internet +" and the industry structure reform bring by the China Communications Facilities Service Corporation Limited ("State Tower Company"). However, we are fully aware of the fact that as the reform never stop and these reforms are bringing opportunities. Faced with the new market environment and structure, we consider that the leading products of the Group, such as multi-mode digital signal distribution system, TDDLTE-FDDLTE-compatible, multi-mode and multi-frequency in-building signal distribution solutions as well as outdoor coverage and optimization solutions satisfy the market demand and the direction of such strategies are targeting right. Our experiences accumulated from network coverage and optimization, and the massive negotiation powers of in-building network construction in past years are the core competitiveness of the Group. With the construction of the core 4G network reached a certain scale, we expect that in future there will be more and more network intensive coverage sites and network optimization sites begin on construction. Hence we remain cautiously optimistic to the future as a whole.

CHAIRMAN'S STATEMENT

When remaining a cautious manner in operating, we also pursue for new opportunities in the market. The digital private network communications is a new direction of development derived from our experiences in public network communications in the past year and many years of research and development. Since the digital interphones business of the Group became duly commercialized, the product lines were further enriched and the sales scale continued to expand. The operation and development as a whole had been steady.

With respect to the digital private network communications, we placed a lot of emphasis on the suspension of the analog interphone frequency band in 2016 changing from analog to digital communications. There will be a lot of opportunities bringing to the market and the profit margin will be more flexible relative to the network coverage and optimization business. During the recent years, we increased our investment in the research and development of digital private network communications, so as to ensure the advantageous position of the Group's products and solutions in the market. In terms of sales, we expanded into the fields of shipping services, forest fire protection and logistics and obtained new customers. We participated in the mainstream procurement and tender of domestic digital private network communications, and began to explore cooperation with the Radio Regulatory Committee at various provinces and cities. In future, we will maintain the level of investment for the research and development of digital private network communications, whilst further strengthening the communication, coordination and cooperation with the Radio Regulatory Committee at various places, and will also actively participate in various major private communications network trial projects. We believe that the digital interphones business will gradually become another stable source of sales income for the Group.

Prospects

Looking ahead, although the structure of industry continues to change, competition in the industry remains intense, the Group believes it will face more opportunities than challenges in the future. With the change of times, the operation and growth model of the Group would have to be transformed for the purpose to adapt to the development needs of the market. In the new year, being confronted with the 4G craze in the mobile communication industry and the inevitable trend of the analogue-digital transition for private network communication, the Group will make progress while maintaining stability, make stable transformation and exploration and innovation as its target. By firmly grasping the golden opportunity of 4G and the analogue-digital transition for the digital private network, the Group will constantly adjust and optimize its business structure and product mix, consolidate its traditional advantageous position, develop the market in an intensive and meticulous manner and endeavor to explore different kinds of potential market opportunities. Besides, the Group will strive to control costs and meticulously select projects so as to increase the overall operating efficiency and profitability. In the new year, based on the Group's current business and operation strategic direction and under the growth drivers such as 4G, user experience, network optimization, all-in-one network construction and reform, analogue-to-digital transition, public security and industry digitalization. The Group will treasure limited opportunities to strive to create an unlimited future. By way of making progress while maintaining stability, working in a down-to-earth manner, constantly increasing the overall competitiveness of the Group, the Group will achieve the healthy development of its results and create value to reward our shareholders and the society.

APPRECIATION

On behalf of the board of directors of the Company, I would like to take this opportunity to extend our sincere gratitude to the shareholders, clients and suppliers for their long term confidence and 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the year ended 31 December 2014, the Group realised revenue of RMB1,571.5 million, representing an increase of RMB109.0 million or 7.5% as compared with RMB1,462.5 million in last year.

By customers

During the year, revenue from China Mobile Communications Corporation and its subsidiaries (collectively "China Mobile Group"); China United Network Communications Group Company Limited and its subsidiaries (collectively "China Unicom Group"); China Telecom Communications Corporation and its subsidiaries (collectively "China Telecom Group"); and other customers were as follows:

	Year ended 31 December			
	2014		2013	
	RMB (in million)	%	RMB (in million)	%
By customers				
China Mobile Group	627.5	39.9	613.8	42.0
China Unicom Group	445.1	28.3	465.2	31.8
China Telecom Group	327.6	20.8	268.6	18.4
	1,400.2		1,347.6	
Others	171.3	11.0	114.9	7.8
	1,571.5	100.0	1,462.5	100.0
By business category				
Mobile Communications Network Coverage & Optimization ("Network Coverage & Optimization")	1,467.9	93.4	1,403.6	96.0
Digital interphones	88.3	5.6	45.7	3.1
Digital Terrestrial Television Broadcasting ("DTTB")	15.3	1.0	13.2	0.9
	1,571.5	100.0	1,462.5	100.0

During the year, revenue from Network Coverage & Optimization was approximately RMB1,467.9 million, representing approximately 93.4% of the Group's total revenue.

During the year, revenue from digital interphones was approximately RMB88.3 million, representing approximately 5.6% of the Group's total revenue.

During the year, revenue from DTTB was approximately RMB15.3 million, representing approximately 1.0% of the Group's total revenue.

Network Coverage & Optimization

In 2014, Network Coverage & Optimization business remained the largest source of revenue for the Group and contributed revenue of approximately RMB1,467.9 million, representing approximately 93.4% of the total revenue of the Group. Its revenue represents an increase of approximately 4.6% as compared to the same period of last year.

With the issue of the TDDLTE licenses by the Ministry of Industry and Information Technology ("MIIT") at the end of 2013, and the approval of TDDLTE / FDDLTE hybrid network experimental network in mid-2014, China has officially ushered 4G boom. After a year of investment and construction, as of the end of 2014, the TDDLTE network in China had reached a more substantial scale. Although the entire telecommunications industry has been subject to the policy impact of "replacing business tax with the value-added tax" ("VAT reform") since the second half of 2014, and the establishment of the China Communications Facilities Service Corporation Limited ("State Tower Company") in 2014 that will bring the expected change to the industry, the Group's revenue from Network Coverage & Optimization business was relatively increased.

Driven by the boom in the construction of 4G network, orders for the Group's multi-mode digital signal distribution system, high performance Radio Frequency ("RF") devices, multi-mode and multi-frequency in-building signal distribution solutions apparently reflected such boom during the year. At the same time, the Group also actively involved in the integration projects and engineering and construction services of 4G network coverage and optimization in various cities and regions across the country. This lays a relatively stable foundation for the sophisticated coverage of 4G network and its continuous optimization.

Digital Interphones

In 2014, the Group recorded revenue from the digital interphones of RMB88.3 million, representing approximately 5.6% of the Group's total revenue. Its revenue represents an increase of approximately 93.2% as compared to the same period of last year.

During the second half of 2013, series of products and solutions, including terminals, systems and accessories that were designed and manufactured specially for commercial private network and industrial private network, were launched by the Group and commercialized smoothly. Certain amount of profits was also realized. In the year 2014, the Group continued to enrich and improve its product line. A series of new products of digital trunking system suitable for commercial private network and digital private network users were launched, including high, medium and low-end handsets, digital repeaters, dispatch centers and base station, etc. At the same time, we also conducted upgrade and improvement to the core network of the digital private network, and its matching hardware and software. The Group also continued to vigorously promote its digital interphone products and solutions, and participated in the national mainstream digital private network communication procurement and tender, which resulting in the development of more customers and the receipt of more orders from the fields of shipping services, forest fire protection, logistics and traffic police system. In 2014, the types of products and sales channels of the Group continued to expand with income significantly increase as compared with last year.

2. Gross profit

During the year, the Group realised gross profit of RMB373.8 million, representing an increase of RMB15.7 million or 4.4% over RMB358.1 million in last year.

During the year, gross profit margin was approximately 23.8%, decreased 0.7% from 24.5% in last year.

3. Research and development expenditure

During the year, research and development expenditure of the Group was approximately RMB135.8 million, representing an increase of approximately RMB69.9 million or 106.1% over RMB65.9 million in last year. This expenditure was included in the general and administrative expenses.

In 2014, the Group mainly increased the research and development ("R&D") investments in the hardware and software development of digital private network communications, and the Group also maintained the R&D input level of the public network communications as past years simultaneously.

4. Selling and distribution expenses

During the year, selling and distribution expenses were approximately RMB70.6 million, representing 4.5% of the revenue of the year. There was a decrease of 8.8% over RMB 77.4 million, which represented 5.3% of the revenue of last year. The percentage of selling and distribution expenses to revenue is decreased by 15.1 percent points as compared to last year.

The decrease was mainly attributable to the decrease of entertainment and travelling expenses.

5. General and administrative expenses

During the year, administrative expenses were approximately RMB215.3 million, representing a decrease of RMB3.3 million or 1.5% over RMB218.6 million in last year.

The decrease was mainly attributable to the writing-back of impairments of trade receivables, prepayments and other receivables of the current year as compared with the impairment of trade receivables of last year, and the increase of research and development expenditure.

6. Finance costs

During the year, finance costs were approximately RMB26.8 million, representing an increase of approximately 41.1% of RMB19.0 million in last year.

During the year, the Group was financed by interest-bearing bank loans of total outstanding amount of RMB574.3 million (31 December 2013: RMB358.1 million) as at 31 December 2014, of which RMB499.3 million were secured bank borrowings and RMB75.0 million were unsecured bank borrowings. Except for the bank loans of RMB110.0 million which bore a fixed interest rate, all the bank loans bore a floating interest rate.

The increase in finance costs was mainly attributable to the Group had entered into a new facility agreement to refinance the existing bank borrowings and finance the capital expenditure and the general corporate requirements of the Group during the year, and the increase in short term borrowing in Hong Kong and China.

The management is prudent to manage the credit risk and monitors closely the latest development of financial market in order to control and minimise finance costs. The management plans and arranges the most appropriate financing tools for the purpose of capital investment, R&D investment and working capital of the Group.

7. Taxation

During the year, the income tax expense of the Group was RMB25.5 million, representing a decrease of approximately 41.2% from RMB43.4 million in last year. The decrease was mainly due to the decrease in chargable income of subsidiaries that were subject to the tax rate higher than the preferential tax rate.

As a High-New Technology Enterprise, Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary, was entitled to the preferential tax rate of 15% for the year ended 31 December 2014. Whilst the earnings generated from other subsidiaries established in Mainland China were subject to relevant income tax rate of 25%. In addition, the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, by making an assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future, were RMB2.0 million (2013: RMB2.6 million).

8. Net profit

During the year, net profit was RMB38.1 million, which increased by approximately 452.2% from RMB6.9 million in last year. The net profit margin accounted for 2.4% of the total revenue, representing an increase of 1.9% as compared with 0.5% for last year.

The increase in net profit during the year was mainly attributable to (1) the effectiveness of the Group's cost control measures; and (2) the significant growth in digital interphones business of the Group, which only generated revenue until the second half of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

NETWORK COVERAGE & OPTIMIZATION

With the issue of the TDDLTE licenses by MIIT at the end of 2013, and the approval of TDDLTE / FDDLTE hybrid network experimental network in mid-2014, the number of 4G base stations across the country had reached a considerable scale, after a year of construction and investment by three major operators in China. Substantially all of the cities and regions in China are now covered by TDDLTE network. Various key cities across the country are also accessible to FDDLTE trial network. In 2014, the demand of network coverage and optimization obviously released (which is in the mid-to-end period of the network building). The ancillary products and projects of network coverage and optimization driven by the construction of 4G network resulted in an increase in the share of the Group's revenue. The Group considers that with the development in the construction of 4G network, the demand of the ancillary network coverage and optimization will continue to reflect on the coming future.

On the other hand, so far as the development of mobile communication in China to date is concerned, there have been significant changes in various aspects such as industry policy, technology reform, product mix and investment approach. In particular, changes such as the emergence of the OTT business in recent years, wireless internet becoming popular, the launch of the State Tower Company, and the VAT reform have caused the whole communication industry to constantly transform from being extensive to intensive and from growth driven by increment to growth driven by innovation and new technology. The impacts of these reforms are now reflected in the industry as a whole from upstream to downstream. However, the Group believes that, at the same time when the market emerges reform and introduces new competition situation, it will also bring more opportunities and these opportunities will create continuous development momentum for the whole communication industry in the pipeline.

At the beginning of 2015, MIIT officially issued FDDLTE licence. At present, the 4G network is regarded as fully unleashed. With the more and more 4G base stations becoming accessible, the number of 4G users gradually increased and the data traffic volume increased massively. Operators are increasingly demanding on the users' experience and quality of network coverage. There are operators that expressly stated that the next step is to focus on network coverage and optimization, upgrading their "good" coverage to an "excellent" network. There are also operators who said that they would invest heavily in the core network construction of FDDLTE, as well as the ancillary indoor coverage system during 2015. Faced with these unprecedented opportunities as well as the changes and challenges in the market, the Group remains cautiously optimistic. In future, the Group will continue to promote its multi-mode digital signal distribution system, TDDLTE-FDDLTE-compatible, multi-mode and multi-frequency in-building signal distribution solutions as well as outdoor coverage and optimization solutions. The Group will also actively try a variety of business transformation and restructuring, and use its best endeavours to achieve the Group's advantages in network optimization and indoor coverage with maximum utilization of the massive negotiation powers of in-building network construction accumulated more than decade. This will expand the scale of sales and the level of earnings at the time of ensuring the competitiveness in the industry.

DIGITAL INTERPHONES

With the development of digital communication technology, the craze of changing from analog communications to digital communications of private network is spreading all over the world. MIIT already published the article [2009] No. 666, which formulated a comprehensive plan on the switch from analog to digital mode. The document has its special mandatory authority that intercom suppliers will not be issued with analog radio production license since 2011 (the original production license was effective for 5 years). Only digital radio equipment can obtain legally licensed production. The using permit of analog frequency band of private network users will no longer be renewed after the original frequency band lease expires. The radio commission at different place of the country will only accept digital radio frequency application. From this point of view, the Group believes that the switch of analog to digital in private network communication is irreversible.

It is now only steps away from the suspension of the analog interphone frequency band in early 2016 according to the schedule of changing from analog communications to digital communications of private network in China. Meanwhile, with the announcement of relevant policies concerning industry informatization, the demand of constructing digital cities and smart cities, as well as the increasing importance of national security, antiterrorism, disaster rescue and relief, and emergency communications in recent years indicate the significance and necessity of digital private networks, and the irreplaceability relative to public network communications.

In 2015, base on the current basis of the business, the Group will continue to devote its efforts in develop new industrial customers from civil defense, army reserve, and emergency communications of radio regulatory commission in China. At the same time, the Group will also strengthen its communication, coordination and cooperation with radio regulatory commission in different provinces and cities, and actively participate in various important trial projects of digital private network communications. The Group believes that these new market channels and customer resources can lay a solid foundation for the growth of its digital interphones business.

CONCLUSION

Changes and reforms bring about opportunities. In future, depending on the Group's strategic planning and research and development capabilities and the numerous resources and advantages accumulated over long period of time, together with the working spirit of progressing practically and steadily in dedication and unremitting self-improvement, the Group will strive to establish a foothold in, and benefit from, the general market landscape of Chinese 4G public network and digital private network communications in order to reward investors and shareholders through gradual recovery and continuous growth in profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had cash and cash equivalents of RMB201.0 million (2013: RMB134.7 million), most of which were denominated in US dollars, Hong Kong dollars and Renminbi.

As at 31 December 2014, the Group had pledged deposits of RMB73.9 million (2013: RMB14.2 million).

As at 31 December 2014, the Group had restricted bank deposits of RMB2.1 million (2013: Nil).

As at 31 December 2014, the Group had interest-bearing bank borrowings payables within one year of RMB210.6 million (2013: RMB228.4 million).

As at 31 December 2014, the Group had RMB363.6 million interest-bearing bank borrowings payables more than one year (2013: RMB129.7 million)

Average trade receivable turnover period was 377 days (2013: 354 days).

The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months. A longer credit term of twelve months may be extended to customers with a long-term business relationship and a good payment history. The Group does not hold any collateral or other credit enhancements over these balances. The balances are non-interest-bearing and include retention money which is generally receivable after final verification of products by customers, performed within four to seven months after signing the sale and purchase contracts, or upon completion of the warranty period of one to two years granted to customers.

Average inventory turnover period was 139 days (2013: 127 days). Overall, the Group maintained a current ratio of 3.98 as at 31 December 2014 (2013: 3.69).

As at 31 December 2014, the gearing ratio (as defined as total interest-bearing bank borrowings divided by total equity) was 36.1% (2013: 22.9%).

TREASURY POLICIES

During the year ended 31 December 2014, the majority of the Group's transactions were denominated in Renminbi. There has not been any significant foreign exchange exposure. In addition, for the interest rates applicable to the Group, the management did not encounter any material rise in the lending rates in PRC during the year ended 31 December 2014. Accordingly, the Group did not enter into hedging instruments on foreign exchange and interest rate. However, the management closely monitors the Group's exposure to any potential foreign exchange and interest rate risks and will enter into appropriate financial instruments for hedging purpose when necessary.

CAPITAL EXPENDITURE

As at 31 December 2014, the Group incurred capital expenditure of approximately RMB22.9 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 31 December 2014, certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

(i) corporate guarantee of RMB35,000,000 (2013: RMB75,000,000) from Fujian Centron, a wholly-owned subsidiary;

(ii) corporate guarantee of US$60,000,000 (2013: US$50,000,000) jointly from Nice Group Resources Limited ("Nice Group"), Centron Telecom System (Asia) Limited and Centron Telecom Hong Kong Limited, wholly-owned subsidiaries;

(iii) share mortgage over the entire issued share capital of Nice Group;

(iv) pledge of Nice Group's equity interest in Fujian Centron;

(v) assignment of an amount due from Fujian Centron of RMB328,687,000 (2013: RMB219,504,000) as at 31 December 2014 to Nice Group;

(vi) pledge deposits of RMB46,500,000 (2013: Nil); and

(vii) pledge of the Group's certain trade receivables of RMB5,350,000 as at 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had approximately 1,500 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees.

Remuneration band (RMB)	Number of individuals
0-100,000	1,460
100,001-150,000	21
Over 150,001	19

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2014.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment as at 31 December 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31 December 2014, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

CHAIRMAN AND EXECUTIVE DIRECTOR

Dai Guoliang, aged 53, the Chairman and an executive director of the Company. He is also the director of 5 subsidiaries of the Company. Mr. Dai founded 福建先創電子有限公司 (Centron Communications Technologies Fujian Co., Ltd.) ("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 a director of Oriental City Profits Ltd., a shareholder of the Company. Mr. Dai is an experienced engineer and has almost 20 years of experience in management, research, production and sales within the telecommunications industry. Mr. Dai has completed the EMBA program in Hua Qiao University. Mr. Dai Guoliang is the brother of Mr. Dai Guoyu.

EXECUTIVE DIRECTORS

Guo Zeli, aged 60, the vice chairman and an executive director of the Company. He is also the director of 2 subsidiaries of the Company. Mr. Guo is involved from time to time with the strategic development and market planning of the Company and Fujian Centron. Mr. Guo is in charge of general management of 星辰先創通信系統(廈門)有限公司, a wholly-owned subsidiary of the Company. Mr. Guo has nearly 30 years of management experience. Mr. Guo joined the Group 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 senior Economist and Senior Professor of International Business since 1993. He has been a part-time professor at the business management department of Xiamen University since 2000.

Dai Guoyu, aged 50, an executive director of the Company. He is also the director of 2 subsidiaries of the Company. Mr. Dai is mainly responsible for the investment and financing affairs, strategy making and implementation of the Company. Mr. Dai joined Fujian Centron on May 2, 1994. Mr. Dai is a director of Oriental City Profits Ltd., a shareholder of the Company. Mr. Dai has almost 20 years of sales and management experience within the telecommunications industry and therefore has accumulated extensive customer network. Mr. Dai obtained the title of engineer in 2006 and has completed the EMBA program in Hua Qiao University. Mr. Dai Guoyu is the brother of Mr. Dai Guoliang.

DIRECTORS AND SENIOR MANAGEMENT

Ng Wai-kee, aged 55, an executive director, and the chief financial officer of the Company. Mr. Ng joined the Group on October 1, 2006. Mr. Ng has around 27 years of experience in accounting and auditing. Mr. Ng previously worked as company secretary of Global Bio-chem Technology Group Company Limited (a company listed on the Stock Exchange, Stock Code: 809) and Datasys Technology Holdings Limited (a company previously listed on the Stock Exchange, Stock Code: 8057). Mr. Ng now serves as a non-executive director of CDW Holding Limited (a company listed on the Singapore Stock Exchange, Stock Code: D38) and is currently the company secretary of Grand T G Gold Holdings Limited (a company listed on the Stock Exchange, Stock Code: 8299). Mr. Ng graduated from Hong Kong Shue Yan College in July 1985 with a diploma in accounting. Mr. Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Yang Weimin, aged 46, an executive director of the Company. He is also a director of 2 subsidiaries of the Company. Mr. Yang joined the Group on February 1, 2005. Mr. Yang has over 10 years of experience in electronic technologies development as well as the state affairs and public relations. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hung Ee Tek, aged 52, an independent non-executive director. Mr. Hung was appointed to the board of directors of the Company on December 31, 2009. Mr. Hung has more than 20 years of experience in finance, accounting and auditing. He had worked in local and international accounting firms, and had been finance manager and company secretary and financial controller of listed companies in Hong Kong. Mr. Hung holds a master's degree in arts (China Studies) from The Hong Kong University of Science & Technology and a master's degree in arts, majoring in international accounting, from The City University of Hong Kong.

Lin Yuanfang, aged 74, an independent non-executive director. Mr. Lin was appointed to the board of directors of the Company on April 1, 2007. Mr. Lin was previously an independent non-executive director of Xiamen Overseas Chinese Electronic Co., Limited (廈門華僑電子股份有限公司). 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 49, 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 Xidian University (西安電子科技大學).

SENIOR MANAGEMENT PROFILE

Liu Qiongbin, aged 49, is the financial officer of Centron Communications Technologies Fujian Co., Ltd. (福建先創電子有限公司), a subsidiary of the Group, currently responsible for the financial management of Centron Communications Technologies Fujian Co., Ltd. Mr. Liu has 27 years of experience in finance and management. Mr. Liu graduated from Anhui University of Finance and Economics, obtained the China qualification of accountant in 1998 and a Master of Business Administration (MBA) degree in 2007 from the Open University of Hong Kong.

Cheng Lvbang, aged 41, currently general manager of the research and development center and chief engineer of the Company, mainly responsible for the research and development and product management of the Company. Mr. Cheng graduated from Beijing University of Posts and Telecommunications and received a PhD in signal and information processing. Mr. Cheng joined the Company since July 2011 and has over 14 years of working experience in research and development of mobile communication products and management. He had worked for DT Mobile Technologies Co., Ltd. and served as head of the physical research center of the terminal department, the deputy manager of terminal product lines and director of LTE products. He was also a core technician and main person-in-charge for the research and development and formulation of TD-SCDMA standards, as well as the development of TD-SCDMA terminal and base station products. Since 2007, Mr. Cheng has been participated in the research and development of China's major projects, "R&D of LTE TDD Key Technologies and Research Prototype of Base Station Equipment (LTE TDD 關鍵技術及基站設備科研樣機研發)" and other key projects such as "Development of Pre-commercial Equipment for TD-LTE Base Station (TD LTE 基站預商用設備開發)" and "R&D of TD LTE Commercial Base Station (TD-LTE 面向商用基站研發)". During the course of research and development, Mr. Cheng had applied for over 10 utility patents in respect of TD-SCDMA and TD-LTE, among which, "Multi-user Code Activation Detection and Device for Wireless Communication System(無線通信系統中多用戶碼道必激活檢測的方法和裝置)" was awarded the Second National Outstanding Patented Engineering Technology.

DIRECTORS AND SENIOR MANAGEMENT

Dai Guohuang, aged 43, is currently responsible for the daily marketing work of the Group, including sales and marketing of the specific network business. Mr. Dai is the brother of Mr. Dai Guoliang, the Chairman of the Board. He has successively held positions such as head of the marketing department, manager of the Beijing branch and manager of the Tianjin branch of Fujian Centron. He has served as the general manager of 福建東電能源有限公司 and the general manager of Linktop Technologies, with a wealth of management and sales experience in the communications industry.

Qiu Xiaping, aged 46, general manager of the manufacturing centre of Fujian Centron, is responsible for production and procurement of Fujian Centron. Mr. Qiu joined the Fujian Centron in 2008. He had worked in Xiamen Overseas Chinese Electronic Co, Ltd. as production manager of television factory, manager of inventory department, product development officer and general manager of production centre. Mr. Qiu is a senior business administrator and has more than 17 years of experience in research, development, production and management in electronic sector. Mr. Qiu graduated from Fuzhou University and Xiamen University and majored in social work and business management respectively.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensure high standard of corporate governance with a view to enhancing management efficiency of the Group as well as preserve the interest of its shareholders. The directors of the Company (the "Directors") confirm, to the best of their knowledge, except for the requirements that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual (code provision A.2.1), the Group has complied with the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 December 2014 (the "Financial Year") and up to the date of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code"). 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 throughout the Financial Year.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises five executive Directors and three independent non-executive Directors. The biographical details of all Directors are set out on pages 15 to 18 of this annual report. The composition of the Board is well balanced with Directors having sound knowledge and skill on different areas of the Group's business. Details of composition of the Board and the respective area of responsibilities of the Directors 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, who will provide independent views and share their knowledge and experience with other members of the Board.

FUNCTIONS OF THE BOARD

The Board is responsible for (i) the formulation of operational and strategic directions of the Group; (ii) monitoring the financial performance of the Group; (iii) overseeing the performance of management of the Company (the "Management"); and (iv) ensure that the business and operation of the Group are managed by properly authorized and competent management. The Management is responsible for the day-to-day operation of the Group under the leadership of the Board.

Moreover, the Board as a whole is responsible for performing the corporate governance duties set out in the Corporate Governance Code. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the Corporate Governance Code, and make appropriate changes if considered necessary. During the Financial Year, the Board has performed the corporate governance duties set out in the Corporate Governance Code.

TRAINING FOR DIRECTORS

The Directors are committed to complying with Code Provision A.6.5 of the Corporate Governance Code on Directors' training. All Directors have participated in continuous professional development by attending seminars and/or studying materials relevant to Director's duties and responsibility and provided a record of training they received for the Financial Year to the Company.

MEETINGS OF THE BOARD

During the Financial year, the Board held 5 Board meetings. 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 the Directors are entitled to have full access to the 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 attendance table on page 23 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Corporate Governance Code, the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Dai Guoliang has held the position of the Chairman and the Chief Executive Officer of the Company since Mr. Dai Guoyu resigned as Chief Executive Officer with effect from 23 April 2010 as Mr. Dai Guoliang is well acquainted with the business and operation of the Group. The Board has been in process of identifying a suitable candidate to take the office of Chief Executive Officer.

RELATIONSHIP OF THE BOARD MEMBERS

None of the Directors has any financial, business, family or other material or relevant relationships with other members of the Board except that Mr. Dai Guoliang and Mr. 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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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.

Each of the independent non-executive Directors was appointed for a specific term of three years.

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 consisted of four members, namely Mr. Lin Yuanfang, Mr. Li Hongbin, Mr. Hung Ee Tek and Mr. Yang Weimin. Mr. Lin Yuanfang, Mr. Li Hongbin and Mr. Hung Ee Tek are independent non-executive Directors. Mr. Yi Zhangtao had resigned as a member of the Remuneration Committee on 31 March 2014. Mr. Lin Yuanfang has been appointed as the chairman of the Remuneration Committee with effect from 26 March 2012. During the Financial Year, two meetings of the Remuneration Committee were held and the attendance of each member is set out in the attendance table on page 23 of this annual report.

The primary functions of the Remuneration Committee include making recommendations on the Company's policy and structure for all Directors' and senior management's remuneration and determining, with delegated responsibility, the specific remuneration package of all executive Directors and senior management and making recommendations to the Board on the remuneration of non-executive Directors.

During the Financial Year, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

For the Financial Year, the annual remuneration of the members of the senior management who are not Directors are within the following bands:

Remuneration band (RMB)	**Number of individuals**
0 – 550,000	4

Details of the remuneration of each Director for the Financial Year are set out in note 8 to the financial statements contained in this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consisted of the three independent non-executive Directors, namely Mr. Hung Ee Tek, Mr. Lin Yuanfang and Mr. Li Hongbin. The chairman of the Audit Committee is Mr. Hung Ee Tek. During the Financial Year, two meetings of the Audit Committee were held and the attendance of each member is set out in the attendance table on page 23 of this annual report.

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

During the Financial Year, the Audit Committee has, amongst other things, reviewed half-yearly and annual results of the Company and reviewed internal control matters of the Company.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has primary duties of reviewing the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and qualification in order to ensure the fairness and transparency of all nominations. The Nomination Committee consisted of three members, namely, Mr. Dai Guoliang, the Group's chairman and two independent non-executive Directors, namely, Mr. Lin Yuanfang and Mr. Li Hongbin. Mr. Dai Guoliang is the chairman of the Nomination Committee.

One meetings of the Nomination Committee was held during the Financial Year and the attendance of each member is set out in the attendance table on page 23 of this annual report.

During the Financial Year, the Nomination Committee has, amongst other things, determined the policy for the nomination of directors and adopted the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year.

Details of the appointment and resignation during the Financial Year are set out in the section of "Report of the Directors" of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration of the Company's auditors, Ernst & Young, for the Financial Year is set out below:`

	Fee paid/payable Approximately RMB' million
Services rendered	
Audit fee for 2014 annual audit	2.3
Non-audit service	0.4
Total	2.7

Attendance Table (Attendance out of numbers of meetings)

Name of Director	Position	Annual General meeting	Board meeting	Meeting of the Remuneration Committee	Meeting of the Audit Committee	Meeting of the Nomination Committee
Executive Directors						
Mr. Dai Guoliang	Chairman and CEO	1/1	5/5	N/A	N/A	1/1
Mr. Guo Zeli	Vice Chairman	0/1	5/5	N/A	N/A	N/A
Mr. Dai Guoyu		0/1	5/5	N/A	N/A	N/A
Mr. Yi Zhangtao (Note 1)		0/1	1/1	1/1	N/A	N/A
Mr. Ng Wai-kee		1/1	5/5	N/A	N/A	N/A
Mr. Yang Weimin (Note 2)		0/1	4/4	1/1	N/A	N/A
Independent non-executive Directors						
Mr. Hung Ee Tek		1/1	5/5	2/2	2/2	N/A
Mr. Lin Yuanfang		0/1	5/5	2/2	2/2	1/1
Mr. Li Hongbin		0/1	4/5	2/2	2/2	1/1

Note:

1 Mr. Yi Zhangtao has resigned as an executive Director on 31 March 2014.

2. Mr. Yang Weimin was appointed as an executive Director with effect from 31 March 2014.

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 results announcements to shareholders. In preparing the financial statements for the Financial Year, 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.

COMPANY SECRETARY

The position of Company Secretary is held by Mr. Lee Cheuk Wang. In compliance with Rule 3.29 of the Listing Rules, Mr. Lee confirmed that, during the Financial Year, he has taken no less than 15 hours of relevant professional training.

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 releases and also the Company's website at http://www.centron.com.hk. 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 at least 20 clear business days in advance of the Company's annual general meeting and 10 clear business days in advance of the Company's all others general meetings where the shareholders will have an opportunity to communicate directly with the Board.

SHAREHOLDERS' RIGHTS

Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to Article 58 of the articles of association of the Company, shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. In the event that the Board fails to proceed to convene such meeting within twenty-one days of the deposit of the requisition, the shareholder(s) of the Company who deposit such requisition may do so in the same manner, and all reasonable expenses incurred by such shareholder(s) of the Company as result of the failure of the Board shall be reimbursed to such shareholder(s) of the Company.

The said written requisition shall be deposited at the principal place of business of the Company in Hong Kong.

Procedures for Shareholders to Put Enquiries to the Board

Shareholders of the Company should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. In respect of other enquiries, the shareholders of the Company may put forward enquiries to the Board through the Company's principal place of business in Hong Kong which will direct the enquiries to the Board for handling.

INTERNAL CONTROL

The Board has established an on-going process for identifying, evaluating and managing the potential 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 conducted a review of the effectiveness of the Group's internal control systems for the Financial Year and is of the view that the system of internal controls in place for the Financial Year and up to the date of this annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There was no change in the Company's memorandum of association and the articles of association during the Financial Year.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 16 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 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 102.

The Directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and prepared on the basis as set out herein, is set out below. This summary does not form a part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**1,571,548**	1,462,555	1,478,743	1,599,522	1,533,863
PROFIT BEFORE TAX	**63,513**	50,239	103,044	234,644	221,151
Income tax expense	**(25,451)**	(43,369)	(42,874)	(56,662)	(38,811)
PROFIT FOR THE YEAR	**38,062**	6,870	60,170	177,982	182,340
Attributable to:					
Ordinary equity holders of the Company	**40,488**	7,107	59,530	175,458	180,651
Non-controlling interests	**(2,426)**	(237)	640	2,524	1,689
	38,062	6,870	60,170	177,982	182,340

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**2,562,956**	2,264,080	2,173,104	2,144,101	2,010,429
Total liabilities	**(972,158)**	(701,531)	(619,403)	(622,062)	(646,451)
Non-controlling interests	**(2,962)**	(10,491)	(10,728)	(10,088)	(7,564)
	1,587,836	1,552,058	1,542,973	1,511,951	1,356,414

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options during the year are set out in notes 25 and 26 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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, 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 RMB421,029,000. The amount of RMB421,029,000 includes the Company's share premium account and capital reserve of RMB657,944,000 in aggregate as at 31 December 2014, 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 92% of the total sales for the year and sales to the largest customer included therein accounted for 40%. Purchases from the Group's five largest suppliers accounted for 13% of the Group's total purchases for the year and purchases to the largest supplier accounted for 3%.

None of the Directors 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 during the year and up to the date of this report of the Directors were:

Executive Directors:

Mr. Dai Guoliang
Mr. Dai Guoyu
Mr. Guo Zeli
Mr. Ng Wai-kee
Mr. Yang Weimin (appointed on 31 March 2014)
Mr. Yi Zhangtao (resigned on 31 March 2014)

Independent non-executive Directors:

Mr. Lin Yuanfang
Mr. Li Hongbin
Mr. Hung Ee Tek

In accordance with article 87(1) of the Company's articles of association, Messrs. Lin Yuanfang, Li Hongbin and Hung Ee Tek 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 periods of three years.

The Company has received annual confirmations of independence from Messrs. Lin Yuanfang, Li Hongbin and Hung Ee Tek pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 and the senior management of the Group are set out on pages 15 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors (except Mr. Guo Zeli and Mr. Ng Wai-kee) has entered into a service agreement with the Company for a term of three years which commenced on 6 July 2013. Mr. Guo Zeli has entered into an appointment letter with the Company for a term of three years which commenced on 20 March 2013. Mr. Ng Wai-kee has entered into an appointment letter with the Company. Mr. Ng is not appointed for a specific term but he is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the articles of association of the Company. Each of the independent non-executive Directors (except Mr. Hung Ee Tek) has been appointed for a term of three years which commenced on 1 April 2013. Mr. Hung Ee Tek has entered into an appointment letter with the Company for a term of three years which commenced on 31 December 2012. Under the said service agreements and the said appointment letters, 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 POLICIES 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 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions of the Directors and the chief executive in the shares 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 Companies (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	169,092,668	21.70

Short 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	24,081,308	3.09

Note:

1. Oriental City Profits Ltd. ("Oriental City") held (i) 169,092,668 shares of the Company in long position, representing 21.70% of the entire issued share capital of the Company, and (ii) 24,081,308 shares of the Company in short position, representing 3.09% of the entire issued share capital of the Company as at 31 December 2014. As at 31 December 2014, the share capital of Oriental City was beneficially owned as to 87.53% by Mr. Dai Guoliang and as to 12.47% by Mr. Dai Guoyu. As mentioned above, Mr. Dai Guoliang's beneficial interest in Oriental City amounted to 87.53%. Accordingly, pursuant to the SFO, Mr. Dai Guoliang was deemed to be interested in the shares held by Oriental City as he was entitled to control one-third or more of the voting power at the general meetings of Oriental City.

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)	323	87.53
Mr. Dai Guoyu	Oriental City	Beneficial owner	(note 2)	46	12.47

Notes:

1. Oriental City held (i) 169,092,668 shares of the Company in long position, representing 21.70% of the entire issued share capital of the Company, and (ii) 24,081,308 shares of the Company in short position, representing 3.09% of the entire issued share capital of the Company as at 31 December 2014. The share capital of Oriental City was beneficially owned as to 87.53% by Mr. Dai Guoliang and as to approximately 12.47% by Mr. Dai Guoyu.

2. Mr. Dai Guoyu was beneficially interested in approximately 12.47% of the issued share capital of Oriental City.

Save as disclosed above, as at 31 December 2014, none of the Directors or the chief executive of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the year 2014 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 spouses 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 has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Share Option Scheme are disclosed in note 26 to the financial statements.

During the financial year ended 31 December 2014, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme.

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 spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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	169,092,668 (long position)	21.70
			24,081,308 (short position)	3.09
Mr. Dai Guoliang	(1)	Through a controlled corporation	169,092,668 (long position)	21.70
			24,081,308 (short position)	3.09
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	105,000,000	13.48
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	105,000,000	13.48
Molatis Limited	(3)	Directly beneficially owned	47,250,000	6.06
Mr. Sussman Selwyn Donald	(3)	Through a controlled corporation	47,250,000	6.06
Mr. Sussman Selwyn Donald	(3)	Directly beneficially owned	8,766,000	1.13

Notes:

(1) Oriental City held (i) 169,092,668 shares of the Company in long position, representing 21.70% of the entire issued share capital of the Company, and (ii) 24,081,308 shares of the Company in short position, representing 3.09% of the entire issued share capital of the Company as at 31 December 2014. The share capital of Oriental City was beneficially owned as to 87.53% by Mr. Dai Guoliang and as to approximately 12.47% by Mr. Dai Guoyu.

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

(3) The ordinary shares, in an aggregate number of 56,016,000, were beneficially held by Mr. Sussman Selwyn Donald, of which 47,250,000 shares were held through Molatis Limited.

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DISCLOSURES PURSUANT TO RULES 13.21 AND 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Pursuant to a facility agreement dated 20 November 2014 made between the Company, Bank of China (Hong Kong) Limited and CITIC Bank International Limited relating to US dollars and Hong Kong dollars dual currency term loan facilities up to US$60,000,000, it shall be an event of default if: (i) Mr. Dai Guoliang is not or cease to be chairman of the Company; (ii) Mr. Dai Guoliang or Mr. Dai Guoyu is not or cease to be executive director of the Company; (iii) Mr. Dai Guoliang and Mr. Dai Guoyu collectively do not or cease to maintain control over the management and business of the Group; (iv) Mr. Dai Guoliang does not or ceases to own, directly or indirectly, at least 20% of the beneficial shareholding carrying at least 20% of the voting rights in the Company, free from any mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (the "Security"); (v) Mr. Dai Guoliang does not or ceases to be the single largest controlling shareholder of the Company; or (vi) Mr. Dai Guoliang and Mr. Dai Guoyu, collectively, do not or cease to own, directly or indirectly, 100% of the beneficial shareholding carrying 100% of the voting rights in Oriental City free from any Security.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holdings of the shares of the Company.

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
30 March 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

To the shareholders of Centron Telecom International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Centron Telecom International Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 March 2015

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Notes	2014	2013
		RMB'000	RMB'000
Revenue	5	1,571,548	1,462,555
Cost of sales		(1,197,752)	(1,104,452)
Gross profit		373,796	358,103
Other income and gain	5	2,407	7,217
Selling and distribution expenses		(70,564)	(77,389)
General and administrative expenses		(215,347)	(218,649)
Finance costs	7	(26,779)	(19,043)
PROFIT BEFORE TAX	6	63,513	50,239
Income tax expense	10	(25,451)	(43,369)
PROFIT FOR THE YEAR		38,062	6,870
Attributable to:			
Ordinary equity holders of the Company	11	40,488	7,107
Non-controlling interests		(2,426)	(237)
		38,062	6,870
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents)	12	5.20	0.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**38,062**	6,870
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to income statement in subsequent periods:			
Exchange differences on translation of foreign operations		**(4,710)**	1,978
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**33,352**	8,848
Attributable to:			
Ordinary equity holders of the Company	11	**35,778**	9,085
Non-controlling interests		**(2,426)**	(237)
		33,352	8,848

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014	2013
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**178,622**	179,617
Prepaid land lease payments	14	**9,984**	10,225
Intangible assets	15	**—**	—
Deferred tax assets	24	**3,540**	2,513
Goodwill		**—**	1,135
Total non-current assets		**192,146**	193,490
CURRENT ASSETS			
Inventories	17	**535,644**	323,407
Trade and bills receivables	18	**1,537,997**	1,549,077
Prepayments, deposits and other receivables	19	**20,183**	49,273
Restricted bank deposits	20	**2,098**	—
Pledged deposits	20	**73,873**	14,183
Cash and cash equivalents	20	**201,015**	134,650
Total current assets		**2,370,810**	2,070,590
CURRENT LIABILITIES			
Trade and bills payables	21	**289,806**	204,112
Other payables and accruals	22	**64,461**	91,616
Bank and other advances for discounted bills	31(a)	**2,860**	1,500
Interest-bearing bank borrowings	23	**210,627**	228,390
Tax payable		**28,161**	35,611
Total current liabilities		**595,915**	561,229
NET CURRENT ASSETS		**1,774,895**	1,509,361
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,967,041**	1,702,851

	Notes	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,967,041	1,702,851
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	23	363,643	129,702
Deferred tax liabilities	24	12,600	10,600
Total non-current liabilities		376,243	140,302
Net assets		1,590,798	1,562,549
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	25	74,977	74,977
Reserves	27(a)	1,512,859	1,477,081
		1,587,836	1,552,058
Non-controlling interests		2,962	10,491
Total equity		1,590,798	1,562,549

Dai Guoliang	**Ng Wai-kee**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to ordinary equity holders of the Company									
		Reserves								
	Share capital RMB'000 (note 25)	Share premium account RMB'000 (note 27(b))	Share option reserve RMB'000 (note 26)	Capital reserve RMB'000 (note 27(a))	Enterprise expansion and statutory reserve funds RMB'000 (note 27(a))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	**74,977**	**499,014**	**—**	**85,106**	**213,208**	**695,081**	**(15,328)**	**1,552,058**	**10,491**	**1,562,549**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**40,488**	**—**	**40,488**	**(2,426)**	**38,062**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**(4,710)**	**(4,710)**	**—**	**(4,710)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**40,488**	**(4,710)**	**35,778**	**(2,426)**	**33,352**
Transfer to enterprise expansion and statutory reserve funds	**—**	**—**	**—**	**—**	**13,890**	**(13,890)**	**—**	**—**	**—**	**—**
Final dividend declared to non-controlling shareholders of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,103)**	**(5,103)**
At 31 December 2014	**74,977**	**499,014***	**—***	**85,106***	**227,098***	**721,679***	**(20,038)***	**1,587,836**	**2,962**	**1,590,798**
At 1 January 2013	74,977	499,014	6,377	85,106	194,985	699,820	(17,306)	1,542,973	10,728	1,553,701
Profit for the year	—	—	—	—	—	7,107	—	7,107	(237)	6,870
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,978	1,978	—	1,978
Total comprehensive income for the year	—	—	—	—	—	7,107	1,978	9,085	(237)	8,848
Transfer to enterprise expansion and statutory reserve funds	—	—	—	—	18,223	(18,223)	—	—	—	—
Release of share option reserve upon expiry of share options	—	—	(6,377)	—	—	6,377	—	—	—	—
At 31 December 2013	74,977	499,014*	—*	85,106*	213,208*	695,081*	(15,328)*	1,552,058	10,491	1,562,549

* These reserve accounts comprise the consolidated reserves of RMB1,512,859,000 (2013: RMB1,477,081,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**63,513**	50,239
Adjustments for:			
Interest income	5	**(890)**	(2,580)
Interest expense	7	**22,514**	15,223
Amortisation of bank charges on syndicated loans	7	**4,265**	3,820
Depreciation	6	**23,833**	24,102
Amortisation of prepaid land lease payments	6	**241**	241
Loss/(gain) on disposal of items of property, plant and equipment	6	**28**	(142)
Impairment of goodwill	6	**1,135**	—
Impairment/(write-back of impairment) of inventories, net	6	**(6,555)**	24,623
Write-off of inventories	6	**—**	4,189
Impairment/(write-back of impairment) of trade receivables, net	6	**(3,608)**	46,049
Impairment/(write-back of impairment) of prepayments and other receivables, net	6	**(332)**	5,522
		104,144	171,286
Decrease/(increase) in inventories		**(205,682)**	23,193
Decrease/(increase) in trade and bills receivables		**14,688**	(424,836)
Decrease/(increase) in prepayments, deposits and other receivables		**29,422**	(27,801)
Increase in trade and bills payables		**85,694**	50,340
Increase/(decrease) in other payables and accruals		**(32,258)**	10,350
Exchange realignment		**(5,271)**	2,096
Cash used in operations		**(9,263)**	(195,372)
Interest received		**890**	2,580
PRC profits tax paid		**(31,928)**	(28,587)
Net cash flows used in operating activities		**(40,301)**	(221,379)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Net cash flows used in operating activities		**(40,301)**	(221,379)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(22,866)**	(9,403)
Proceeds from disposal of items of property, plant and equipment		**—**	160
Increase in restricted bank deposits		**(2,098)**	—
Decrease/(increase) in pledged deposits		**(59,690)**	1,520
Decrease in available-for-sale investment		**—**	12,500
Net cash flows from/(used in) investing activities		**(84,654)**	4,777
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**849,110**	67,950
Repayment of bank loans		**(642,227)**	(62,100)
Increase in bank and other advances for discounted bills		**1,360**	1,500
Interest paid		**(22,514)**	(15,223)
Exchange realignment		**5,030**	(4,814)
Net cash flows from/(used in) financing activities		**190,759**	(12,687)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**65,804**	(229,289)
Cash and cash equivalents at the beginning of year		**134,650**	364,057
Effect of foreign exchange rate changes, net		**561**	(118)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**201,015**	134,650
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**276,986**	148,833
Less: Restricted bank deposits for certain installation contracts	20	**(2,098)**	—
Less: Deposits pledged for bills payable facilities	20	**(27,373)**	(14,183)
Less: Deposits pledged for bank loans	20	**(46,500)**	—
		201,015	134,650

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**470,618**	220,558
CURRENT ASSETS			
Prepayments	19	**37**	35
Due from subsidiaries	16	**319,891**	458,927
Cash and cash equivalents	20	**34,396**	957
Total current assets		**354,324**	459,919
CURRENT LIABILITIES			
Other payables and accruals	22	**3,201**	4,288
Due to a subsidiary	16	**780**	920
Interest-bearing bank borrowings	23	**100,627**	173,040
Total current liabilities		**104,608**	178,248
NET CURRENT ASSETS		**249,716**	281,671
TOTAL ASSETS LESS CURRENT LIABILITIES		**720,334**	502,229
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	23	**363,643**	129,702
Net assets		**356,691**	372,527
EQUITY			
Share capital	25	**74,977**	74,977
Reserves	27(b)	**281,714**	297,550
Total equity		**356,691**	372,527

Dai Guoliang
Director

Ng Wai-kee
Director

1. CORPORATE INFORMATION

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.

The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1606, 16th Floor, Tai Tung Building, 8 Fleming Road, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 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 PREPARATION

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 ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (the "RMB") and all amounts are rounded to the nearest thousand except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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 the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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 an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment 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 asset 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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	5 - 10 years
Leasehold improvements	Over the shorter of lease terms and 10 years
Motor vehicles	3 - 5 years
Furniture, fixtures, office equipment and others	3 - 5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

Patents and licences

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

Technical know-how

Purchased technical know-how is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its estimated useful life of three years.

Computer software

Purchased computer software is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its estimated useful life of three years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is 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 through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, bank and other advances from discounted bills and interest-bearing bank borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 statement of cash flows, 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 end of the reporting period 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 the income statement.

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 relating to items recognised outside the income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

- when the deferred tax liability arises from the initial recognition of goodwill or 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, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences 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 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

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 over 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 is established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognised at their fair values 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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. 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.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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 subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their 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.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

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. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for its 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. Since the Company does not conduct any substantive operations of its own and conducts its primary business operations through its subsidiaries in the PRC, the Company adopts RMB as the presentation currency of the Group. 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the income statement is also recognised in other comprehensive income or the income statement, respectively).

The functional currencies of certain subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of the Company and these entities are translated into the presentation currency of the Company at exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Withholding taxes arising from the distributions of dividends

In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

Estimation uncertainty

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 year ended 31 December 2014, the Group's product warranty cost amounted to RMB11,097,000 (2013: RMB11,161,000), which represented 0.7% (2013: 0.8%) of the Group's total revenue for the year. The Group considered the effect was not significant and provision for product warranties was not recognised for the reporting period.

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 an 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 JUDGEMENT AND 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 values of the receivables and impairment or its reversal in the period in which such estimate has been changed.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

4. OPERATING 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, the sale of digital television network coverage equipment and the provision of related engineering services, and the manufacture and sale of digital interphones. Almost 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 reportable operating segment.

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

For the year ended 31 December 2014, revenue from sales to three of the Group's customers amounting to RMB627,482,000, RMB445,113,000 and RMB327,578,000 individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2013, revenue from sales to three of the Group's customers amounting to RMB613,783,000, RMB465,247,000 and RMB268,583,000 individually accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

	2014 RMB'000	2013 RMB'000
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	1,467,862	1,403,629
Sale of digital television network coverage equipment and the provision of related engineering services	15,392	13,206
Manufacture and sale of digital interphones	88,294	45,720
	1,571,548	1,462,555
Other income and gain		
Bank interest income	890	2,580
Foreign exchange differences, net	599	2,473
Gain on disposal of items of property, plant and equipment	—	142
Others	918	2,022
	2,407	7,217

6. PROFIT BEFORE TAX

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

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold and services provided[1]		1,197,752	1,104,452
Depreciation	13	23,833	24,102
Amortisation of prepaid land lease payments	14	241	241
Minimum lease payments under operating leases in respect of land and buildings		2,309	2,839
Loss/(gain) on disposal of items of property, plant and equipment		28	(142)
Employee benefit expense (including directors' remuneration - note 8):			
Wages and salaries		100,548	110,142
Fees		670	663
Staff welfare expenses		8,029	10,532
Pension scheme contributions (defined contribution schemes)[3]		110	65
		109,357	121,402
Auditors' remuneration		2,762	2,449
Research and development expenditure[4]		135,823	65,863
Product warranty cost[5]		11,097	11,161
Impairment/(write-back of impairment) of inventories, net		(6,555)	24,623
Write-off of inventories		—	4,189
Impairment of goodwill[2]		1,135	—
Impairment/(write-back of impairment) of trade receivables, net[2]	18	(3,608)	46,049
Impairment/(write-back of impairment) of prepayments and other receivables, net[2]	19	(332)	5,522
Foreign exchange differences, net		(599)	(2,473)

1 The cost of inventories sold and services provided for the year includes RMB38,430,000 (2013: RMB80,389,000) relating to employee benefit expense, depreciation of manufacturing facilities, impairment of and write-off of inventories, which are also included in the total amounts disclosed above for each of these types of expenses.

2 The impairment/write-back of impairment of prepayments and other receivables, net, impairment of goodwill and impairment/write-back of impairment of trade receivables, net, for the year are included in "General and administrative expenses" on the face of the consolidated income statement.

6. PROFIT BEFORE TAX (continued)

3 As at 31 December 2014, the Group had no (2013: Nil) forfeited contributions available to reduce its contributions to the pension schemes in future years.

4 The research and development expenditure for the year includes RMB22,833,000 (2013: RMB23,949,000) relating to operating lease rentals of land and buildings, depreciation of a research and development centre and employee benefit expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

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

7. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	**22,514**	15,223
Amortisation of bank charges on syndicated loans	**4,265**	3,820
	26,779	19,043

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014	2013
	RMB'000	RMB'000
Fees:		
Executive directors	**319**	315
Independent non-executive directors	**351**	348
	670	663
Other emoluments:		
Salaries and benefits in kind	**3,542**	3,417
Pension scheme contributions	**42**	11
	3,584	3,428
	4,254	4,091

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2014 RMB'000	2013 RMB'000
Mr. Lin Yuanfang	96	95
Mr. Li Hongbin	96	95
Mr. Hung Ee Tek	159	158
	351	348

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors

	Fees RMB'000	Salaries and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014				
Executive directors:				
Mr. Dai Guoliang*	64	1,044	14	1,122
Mr. Dai Guoyu	64	756	14	834
Mr. Yi Zhangtao**	16	98	—	114
Mr. Guo Zeli	64	513	—	577
Mr. Ng Wai-Kee	64	892	14	970
Mr. Yang Weimin**	47	239	—	286
	319	3,542	42	3,903

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees RMB'000	Salaries and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013				
Executive directors:				
Mr. Dai Guoliang*	63	1,066	—	1,129
Mr. Dai Guoyu	63	778	—	841
Mr. Yi Zhangtao	63	392	—	455
Mr. Guo Zeli	63	531	—	594
Mr. Ng Wai-Kee***	63	650	11	724
	315	3,417	11	3,743

* Mr. Dai Guoliang is also the chief executive officer of the Company.

** Mr. Yi Zhangtao resigned as an executive director of the Company and Mr. Yang Weimin is appointed as an executive director of the Company on 31 March 2014.

*** Mr. Ng Wai-Kee is appointed as an executive director of the Company on 1 April 2013.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

There was no performance related bonus paid or payable to any director during the year (2013: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2013: five) directors, details of whose remuneration are set out in note 8 above. 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 (2013: Nil).

10. INCOME 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 (2013: Nil). Taxes on profits assessable in the Mainland China have been calculated at the prevailing tax rates.

Group:	**2014**	2013
	RMB'000	RMB'000
Current tax - Mainland China		
Charge for the year	**24,478**	41,069
Deferred (note 24)	**973**	2,300
Total tax charge for the year	**25,451**	43,369

Pursuant to the income tax law of the PRC being effective on 1 January 2008, the PRC income tax rate is unified at 25% for all enterprises. During the years ended 31 December 2014 and 2013, Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron") was entitled to PRC corporate income tax rate for High-New Technology Enterprise of 15% (the "Tax Concession").

10. INCOME TAX (continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at 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 - 2014

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(10,710)	74,223	63,513
Tax expense/(credit) at the statutory tax rate	(1,767)	18,556	16,789
Lower tax rate due to the Tax Concession	—	(2,328)	(2,328)
Income not subject to tax	(1,291)	(5,469)	(6,760)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	—	2,000	2,000
Expenses not deductible for tax	3,619	9,204	12,823
Tax losses not recognised	625	2,186	2,811
Others	—	116	116
Tax charge at the Group's effective rate	1,186	24,265	25,451

Group - 2013

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(26,427)	76,666	50,239
Tax expense/(credit) at the statutory tax rate	(4,360)	19,167	14,807
Lower tax rate due to the Tax Concession	—	(7,111)	(7,111)
Income not subject to tax	(1,386)	—	(1,386)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	—	2,600	2,600
Expenses not deductible for tax	4,522	25,531	30,053
Tax losses not recognised	—	3,425	3,425
Others	11	970	981
Tax charge/(credit) at the Group's effective rate	(1,213)	44,582	43,369

11. 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 2014 includes a loss of RMB20,762,000 (2013: RMB21,749,000) which has been dealt with in the financial statements of the Company (note 27(b)).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB40,488,000 (2013: RMB7,107,000) and the weighted average number of ordinary shares of 779,134,831 (2013: 779,134,831) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group has no potentially dilutive ordinary shares in issue during the year ended 31 December 2014.

No adjustment had been made to the basic earnings per share amount presented for the year ended 31 December 2013 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year was higher than the average market price of the Company's ordinary shares for the year and accordingly, there was no dilutive effect on the basic earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures, office equipment and others RMB'000	Total RMB'000
31 December 2014						
Cost:						
At 1 January 2014	117,935	136,432	34,864	6,807	24,860	320,898
Additions	—	22,167	—	—	699	22,866
Disposals	—	—	—	—	(384)	(384)
Exchange realignment	—	—	—	5	4	9
At 31 December 2014	117,935	158,599	34,864	6,812	25,179	343,389
Accumulated depreciation:						
At 1 January 2014	32,979	63,769	17,270	6,306	20,957	141,281
Charge for the year	5,739	13,426	3,364	133	1,171	23,833
Disposals	—	—	—	—	(356)	(356)
Exchange realignment	—	—	—	5	4	9
At 31 December 2014	38,718	77,195	20,634	6,444	21,776	164,767
Net book value:						
At 31 December 2014	79,217	81,404	14,230	368	3,403	178,622

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures, office equipment and others RMB'000	Total RMB'000
31 December 2013						
Cost:						
At 1 January 2013	117,935	127,381	34,864	7,898	24,912	312,990
Additions	—	9,051	—	—	352	9,403
Disposals	—	—	—	(1,077)	(398)	(1,475)
Exchange realignment	—	—	—	(14)	(6)	(20)
At 31 December 2013	117,935	136,432	34,864	6,807	24,860	320,898
Accumulated depreciation:						
At 1 January 2013	27,239	51,117	13,906	7,105	19,289	118,656
Charge for the year	5,740	12,652	3,364	292	2,054	24,102
Disposals	—	—	—	(1,077)	(380)	(1,457)
Exchange realignment	—	—	—	(14)	(6)	(20)
At 31 December 2013	32,979	63,769	17,270	6,306	20,957	141,281
Net book value:						
At 31 December 2013	84,956	72,663	17,594	501	3,903	179,617

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

	2014 RMB'000	2013 RMB'000
Medium-term leases:		
Outside Hong Kong	79,217	84,956

14. PREPAID LAND LEASE PAYMENTS

Group

	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	10,466	10,707
Amortised during the year	(241)	(241)
Carrying amount at 31 December	10,225	10,466
Current portion included in prepayments, deposits and other receivables	(241)	(241)
Non-current portion	9,984	10,225

The Group's prepaid land lease payments relate to land in Mainland China and are held under medium-term leases.

15. INTANGIBLE ASSETS

Group

	Patents and licences RMB'000	Technical know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2014				
Cost:				
At 1 January 2014	**3,530**	**46,198**	**20,400**	**70,128**
Write-off	**(3,530)**	**(46,198)**	**(20,400)**	**(70,128)**
At 31 December 2014	**—**	**—**	**—**	**—**
Accumulated amortisation:				
At 1 January 2014	**3,530**	**46,198**	**20,400**	**70,128**
Write-off	**(3,530)**	**(46,198)**	**(20,400)**	**(70,128)**
At 31 December 2014	**—**	**—**	**—**	**—**
Net carrying amount:				
At 31 December 2014	**—**	**—**	**—**	**—**
31 December 2013				
Cost:				
At 1 January 2013 and 31 December 2013	3,530	46,198	20,400	70,128
Accumulated amortisation:				
At 1 January 2013 and 31 December 2013	3,530	46,198	20,400	70,128
Net carrying amount:				
At 31 December 2013	—	—	—	—

16. INVESTMENTS IN SUBSIDIARIES

Company

	2014	2013
	RMB'000	RMB'000
Unlisted investments, at cost	223,547	220,558
Amounts due from a subsidiary	247,071	—
	470,618	220,558

The amounts with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amounts due from a subsidiary amounting to RMB 247,071,000 (2013: Nil) which bear interests at rates ranging from 0.5% to 4.5% per annum and are not expected to be repayable within the next 12 months.

An impairment of RMB116,341,000 (2013: RMB114,786,000) was recognised for the current portion of the amounts due from certain subsidiaries, with a total gross carrying amount of RMB683,303,000 (2013: RMB573,713,000). The impairment provision had taken into account the net assets values and operating performance of these subsidiaries.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Group	Principal activities
Directly held:				
Nice Group Resources Limited ("Nice Group")*	British Virgin Islands (the "BVI")/ Hong Kong	US$1,000	100	Investment holding
Indirectly held:				
Fujian Centron*	PRC/Mainland China	RMB358,000,000 (note (i))	100	Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held: (continued)				
Centron Telecom System (Asia) Limited ("Centron Asia")	Hong Kong	HK$1	100	Sale of wireless telecommunications coverage system equipment and provision of related engineering services
星辰先創通信系統(廈門)有限公司 ("Centron Xiamen")*	PRC/Mainland China	HK$100,000,000 (note (ii))	100	Manufacture and development of digital television network coverage equipment, wireless telecommunications coverage system equipment and provision of related engineering services
福建先創通信有限公司 ("Fujian Telecommunications")*	PRC/Mainland China	RMB50,000,000 (note (iii))	100	Sale of wireless telecommunications coverage system equipment and provision of related engineering services
深圳澤惠通通信技術有限公司 ("ZHT")*	PRC/Mainland China	RMB12,890,600 (note (iv))	66.985	Research, development, manufacture and sale of wireless telecommunications coverage system equipment

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held: (continued)				
Centron Telecom Hong Kong Limited ("Centron HK")	Hong Kong	HK$10,000	100	Dormant
福建先創系統集成有限公司 ("系統集成")*	PRC/Mainland China	RMB20,000,000 (note (v))	100	Sale of digital interphones

* The statutory financial statements of these subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

(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.

(ii) Centron Xiamen was registered as a wholly-foreign-owned enterprise under the PRC law.

(iii) Fujian Telecommunications is a limited liability company established in the PRC which was owned by Mr. Dai Guoliang, Mr. Dai Guoyu and Mr. Yi Zhangtao (collectively, the ''Vendors''). Mr. Dai Guoliang and Mr. Dai Guoyu are also directors of the Company. Mr. Yi Zhangtao was a director of the Company, who resigned as a director of the Company on 31 March 2014. Pursuant to the execution of certain contractual agreements, the entire equity interest in Fujian Telecommunications was transferred from the Vendors to two PRC individuals (the ''PRC Shareholders'') for a consideration of RMB15,000,000 during the year ended 31 December 2009. The consideration of RMB15,000,000 was determined by reference to the net asset value of Fujian Telecommunications at the completion date, which also approximated its fair value as of that date. The consideration was settled by Fujian Centron, a wholly-owned subsidiary of the Group, by assuming the liability (the ''Liability'') of the same amount due from the PRC Shareholders to Fujian Telecommunications. During the year ended 31 December 2010, the registered capital of Fujian Telecommunications was increased from RMB15,000,000 to RMB50,000,000, which was fully paid up as at 31 December 2010. The additional capital contribution of RMB35,000,000 (the ''Capital Contribution'') was injected by the PRC Shareholders, who entered into a loan agreement with Fujian Centron to borrow the same amount. In connection with taking up the Liability and funding of the Capital Contribution, the Group, through a series of contractual arrangements, established a 100% control of Fujian Telecommunications by way of controlling its voting rights, appointing or removing the members of its board of directors and governing its financial and operating policies so as to obtain benefits from its activities. Fujian Telecommunications is therefore considered a wholly-owned subsidiary of the Group.

(iv) ZHT was registered as a limited liability company under the PRC law.

(v) 系統集成 was registered as a limited liability company under the PRC law.

17. INVENTORIES

	Group 2014 RMB'000	2013 RMB'000
Raw materials	258,378	136,693
Work in progress	67,190	53,796
Finished goods	210,076	132,918
	535,644	323,407

18. TRADE AND BILLS RECEIVABLES

	Group 2014 RMB'000	2013 RMB'000
Trade and bills receivables	1,616,603	1,631,291
Impairment	(78,606)	(82,214)
	1,537,997	1,549,077

The Group's trade receivables mainly relate to a few groups of recognised and creditworthy customers. The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months (2013: nine months). A longer credit term of twelve months may be extended to customers with a long-term business relationship and a good payment history. The Group does not hold any collateral or other credit enhancements over these balances. The balances are non-interest-bearing and include retention money which is generally receivable after final verification of products by customers, performed within four to seven months after signing the sale and purchase contracts, or upon completion of the warranty period of one to two years granted to customers.

18. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	470,208	464,875
3 to 6 months	490,805	421,345
6 to 12 months	504,865	540,517
Over 1 year	72,119	122,340
	1,537,997	1,549,077

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	82,214	36,249
Written-off during the year	—	(84)
Impairment losses recognised/(written-back), net (note 6)	(3,608)	46,049
	78,606	82,214

At 31 December 2014, the Group has an aggregate impairment provision of trade receivables of RMB78,606,000 (2013: RMB82,214,000), of which individual impairment provision and collective impairment provision amounted to RMB73,055,000 (2013: RMB80,349,000) and RMB5,551,000 (2013: RMB1,865,000), respectively.

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of RMB73,055,000 (2013: RMB80,349,000), with a carrying amount before provision of RMB73,055,000 (2013: RMB80,349,000). The individually impaired trade receivables relate to customers that have been overdue for a long time.

18. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	1,239,868	1,231,607
Less than 1 month past due	127,789	114,642
1 to 3 months past due	96,165	87,300
More than 3 months past due	74,175	115,528
	1,537,997	1,549,077

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

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.

As at 31 December 2013, the Group has pledged trade receivables of approximately RMB5,350,000 to secure certain bank loans granted to the Group (note 23).

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments and other receivables	**15,535**	45,639	**37**	35
Deposits paid	**343**	343	**—**	—
Value added tax receivables	**4,305**	3,291	**—**	—
	20,183	49,273	**37**	35

Net of prepayments and other receivables as at 31 December 2014 is an impairment provision of RMB8,439,000 (2013: RMB9,373,000).

The movements in provision for impairment of prepayments and other receivables are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**9,373**	3,851
Written-off during the year	**(602)**	—
Impairment recognised/(written-back), net (note 6)	**(332)**	5,522
	8,439	9,373

Included in the above impairment provision for prepayments and other receivables is a provision for individually impaired prepayments and other receivables of RMB8,439,000 (2013: RMB9,373,000), with a carrying amount before provision of RMB8,439,000 (2013: RMB9,373,000). The individually impaired prepayments and other receivables relate to prepayments and other receivables that are not expected to be recovered.

20. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND PLEDGED DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**276,986**	148,833	**34,396**	957
Time deposits with original maturity of less than three months when acquired	**—**	—	**—**	—
	276,986	148,833	**34,396**	957
Less: Restricted bank deposits for certain installation contracts	**(2,098)**	—	**—**	—
Less: Deposits pledged for bills payable facilities	**(27,373)**	(14,183)	**—**	—
Less: Deposits pledged for bank loans	**(46,500)**	—	**—**	—
Cash and cash equivalents	**201,015**	134,650	**34,396**	957

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB159,069,000 (2013: RMB127,340,000). 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 three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances, restricted bank deposits and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 3 months	225,909	151,663
3 to 6 months	57,210	43,928
6 to 12 months	1,265	1,384
Over 1 year	5,422	7,137
	289,806	204,112

The trade payables are non-interest-bearing and are normally settled in two to three months' terms.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	26,928	20,742	3	2
Value added tax payables	6,449	3,007	—	—
Accruals	24,341	25,495	3,198	4,286
Deposits received from customers	1,640	42,372	—	—
Dividend payable to non-controlling shareholders of a subsidiary	5,103	—	—	—
	64,461	91,616	3,201	4,288

All these balances are non-interest-bearing and other payables have an average term of four months.

23. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank loans - secured	135,627	178,390	100,627	173,040
Bank loans - unsecured	75,000	50,000	—	—
	210,627	228,390	100,627	173,040
Non-current				
Bank loans - secured	363,643	129,702	363,643	129,702
	574,270	358,092	464,270	302,742
Analysed into:				
Bank loans repayable				
Within one year	210,627	228,390	100,627	173,040
In the second year	151,229	129,702	151,229	129,702
In the third to fifth years, inclusive	212,414	—	212,414	—
	574,270	358,092	464,270	302,742

(a) Except for secured bank loans of RMB281,864,000 (2013: RMB302,742,000) and RMB182,406,000 (2013: Nil) which are denominated in United States dollars ("US$") and HK$, respectively, all borrowings are in RMB.

(b) The bank loans denominated in RMB bore interest at a range from 5.6% to 7.5% (2013: 6.6% to 6.9%) per annum.

(c) The bank loans denominated in US$ bore interest at LIBOR plus a range from 1.9% to 3.7% (2013: LIBOR plus 3.45%) per annum. The bank loans denominated in HK$ bore interest at HIBOR plus 3.7% per annum.

23. INTEREST-BEARING BANK BORROWINGS (continued)

(d) Certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

(i) corporate guarantee of RMB35,000,000 (2013: RMB75,000,000) from Fujian Centron;

(ii) corporate guarantee of US$60,000,000 (2013: US$50,000,000) jointly from Nice Group, Centron Asia and Centron HK;

(iii) share mortgage over the entire issued share capital of Nice Group;

(iv) pledge of Nice Group's equity interest in Fujian Centron;

(v) assignment of an amount due from Fujian Centron of RMB328,687,000 (2013: RMB219,504,000) as at 31 December 2014 to Nice Group;

(vi) pledged deposits of RMB46,500,000 (2013: Nil); and

(vii) pledge of the Group's certain trade receivables of RMB5,350,000 as at 31 December 2013.

(e) During the year ended 31 December 2013, the Group was technically in breach of a covenant under a loan agreement with certain banks, as the ratio of the consolidated profits before interest, taxes, depreciation and amortisation to the consolidated finance charges (the "Financial Ratio") was less than the required ratio by these banks. Subsequent to the technical breach, the Group has successfully obtained a written consent from these banks, to waive the rights entitling them to declare the relevant outstanding loan balance immediately due and payable due to the breach of the loan covenant on the Financial Ratio. Accordingly, there was no impact on the classification of these loans as at 31 December 2013.

24. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Group

Deferred tax assets

	Unrealised profit of inventories RMB'000
2014	
At 1 January 2014	**2,513**
Deferred tax credited to the income statement during the year (note 10)	**1,027**
At 31 December 2014	**3,540**
2013	
At 1 January 2013	2,213
Deferred tax credited to the income statement during the year (note 10)	300
At 31 December 2013	2,513

Deferred tax liabilities

	Withholding tax RMB'000
2014	
At 1 January 2014	**(10,600)**
Deferred tax charged to the income statement during the year (note 10)	**(2,000)**
At 31 December 2014	**(12,600)**

24. DEFERRED TAX (continued)

The movements in deferred tax assets and deferred tax liabilities during the year are as follows: (continued)

Group (continued)

Deferred tax liabilities (continued)

	Withholding tax RMB'000
2013	
At 1 January 2013	(8,000)
Deferred tax charged to the income statement during the year (note 10)	(2,600)
At 31 December 2013	(10,600)

The Group has tax losses arising in Hong Kong of RMB42,518,000 (2013: RMB42,518,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB48,559,000 (2013: RMB47,478,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and/or the future income stream to recoup such losses is unpredictable.

Pursuant to the PRC Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 10%. In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

25. SHARE CAPITAL

	2014		2013	
	HK$'000	RMB'000	HK$'000	RMB'000
Authorised:				
1,000,000,000 (2013: 1,000,000,000) ordinary shares of HK$0.1 (2013: HK$0.1) each	100,000	97,337	100,000	97,337
Issued and fully paid:				
779,134,831 (2013: 779,134,831) ordinary shares of HK$0.1 (2013: HK$0.1) each	77,913	74,977	77,913	74,977

26. 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 of Hong Kong Limited ("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.

Upon the subscription of the Share Options, the grantee can exercise the option within the period of not less than one year and not exceeding 10 years from the date of grant. 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 quotation sheets for the five business days immediately preceding the date of grant; and

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

26. SHARE OPTION SCHEME (continued)

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not, in the absence of shareholders' 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 shareholders' 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 shareholders' 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.

The movements of outstanding share options under the Scheme during the year ended 31 December 2013 were as follows:

	Number of options '000	Exercise price HK$ per share
At 1 January 2013	13,200	3.55
Expired during the year	(13,200)	3.55
At 31 December 2013	—	

No share options were exercised during the year ended 31 December 2013.

The exercise period for the 13,200,000 share options was from 14 June 2010 to 13 June 2013. All of the 13,200,000 share options expired in 2013 and the corresponding share option reserve of RMB6,377,000 was transferred to the retained profits upon the expiry of the share options.

No share options were granted during the years ended 31 December 2014 and 2013.

27. 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 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 existing shareholders of Nice Group and (ii) the nominal value of the convertible bonds issued by Cathay Mobile Communications Limited (a substantial shareholder of the Company) which was transferred as equity in Nice Group when the repayment obligation of the convertible bonds was terminated on 9 March 2007, 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, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their 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 subsidiaries. The amounts of transfers are subject to the approval of the board of directors of the subsidiaries.

27. RESERVES (continued)

(b) Company

	Share premium account RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	499,014	158,930	(136,278)	6,377	(85,995)	442,048
Loss for the year	—	—	—	—	(136,535)	(136,535)
Exchange realignment	—	—	(7,963)	—	—	(7,963)
Total comprehensive expense for the year	—	—	(7,963)	—	(136,535)	(144,498)
Release of share option reserve upon lapse of share options	—	—	—	(6,377)	6,377	—
At 31 December 2013 and at 1 January 2014	499,014	158,930	(144,241)	—	(216,153)	297,550
Loss for the year	—	—	—	—	(20,762)	(20,762)
Exchange realignment	—	—	4,926	—	—	4,926
Total comprehensive expense for the year	—	—	4,926	—	(20,762)	(15,836)
At 31 December 2014	499,014	158,930	(139,315)	—	(236,915)	281,714

The loss of RMB136,535,000 for the year ended 31 December 2013 included an impairment on amounts due from subsidiaries of RMB114,786,000.

28. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises, warehouses and staff quarters under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	RMB'000	RMB'000
Within one year	1,660	2,031
In the second to fifth years, inclusive	2,021	3,657
	3,681	5,688

The Company had no operating lease commitments at 31 December 2014 (2013: Nil).

29. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year.

Compensation of key management personnel of the Group:

	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	3,542	3,417
Post-employment benefits	42	11
	3,584	3,428

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

The directors are of the opinion that the above transaction was conducted in the ordinary course of business of the Group.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

Loans and receivables

	Group	
	2014	2013
	RMB'000	RMB'000
Trade and bills receivables	1,537,997	1,549,077
Financial assets included in prepayments, deposits and other receivables	2,149	2,130
Restricted bank deposits	2,098	—
Pledged deposits	73,873	14,183
Cash and cash equivalents	201,015	134,650
	1,817,132	1,700,040

Financial liabilities

Financial liabilities at amortised cost

	Group	
	2014	2013
	RMB'000	RMB'000
Trade and bills payables	289,806	204,112
Financial liabilities included in other payables and accruals	31,532	20,862
Bank and other advances for discounted bills	2,860	1,500
Interest-bearing bank borrowings	574,270	358,092
	898,468	584,566

30. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

Loans and receivables

	Company 2014 RMB'000	2013 RMB'000
Due from subsidiaries	566,962	458,927
Cash and cash equivalents	34,396	957
	601,358	459,884

Financial liabilities

Financial liabilities at amortised cost

	Company 2014 RMB'000	2013 RMB'000
Financial liabilities included in other payables and accruals	3,014	4,037
Due to a subsidiary	780	920
Interest-bearing bank borrowings	464,270	302,742
	468,064	307,699

31. TRANSFERRED FINANCIAL ASSETS

(a) Transferred financial assets that are not derecognised in their entirety

The following table provides a summary of financial assets that have been transferred in such a way that part of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	Notes	Bills receivables 2014 RMB'000	2013 RMB'000
Carrying amount of assets that continued to be recognised:			
Discounting of bills receivables	(i)	**2,860**	1,500
Bills endorsement	(ii)	**52,528**	34,091
		55,388	35,591
Carrying amount of associated liabilities:			
Discounting of bills receivables	(i)	**2,860**	1,500
Bills endorsement	(ii)	**52,528**	34,091
		55,388	35,591

Notes:

(i) Discounting of bills receivables

At 31 December 2014, the Group discounted certain bills receivables (the "Discounted Bills") with a total carrying amount of RMB2,860,000 to certain companies in the PRC (2013: RMB1,500,000 to certain local banks in the PRC) for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the respective bank and other advances. Subsequent to the discounting, the Group did not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other advances recognised due to the Discounted Bills was RMB2,860,000 (2013: RMB1,500,000) as at 31 December 2014.

(ii) Bills endorsement

At 31 December 2014, the Group endorsed certain bills receivables accepted by certain local banks in the PRC (the "Endorsed Bills") with a total carrying amount of RMB52,528,000 (2013: RMB34,091,000) to certain of its suppliers in order to settle the trade payables due to those suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB52,528,000 (2013: RMB34,091,000) as at 31 December 2014.

31. TRANSFERRED FINANCIAL ASSETS (continued)

(b) Transferred financial assets that are derecognised in their entirety

Discounting of bills receivables

At 31 December 2014, the Group discounted certain bills receivables (the "Derecognised Discounted Bills") with a total carrying amount of RMB700,000 (2013: RMB3,000,000) to certain reputable banks in the PRC. All Derecognised Discounted Bills have maturity periods from three to six months. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Discounted Bills is not significant.

During the year, the Group has not recognised any gain or loss (2013: Nil) on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting of bills receivables has been made evenly throughout the year.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise time deposits, cash and bank balances and interest-bearing bank borrowings. 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 and bills receivables, trade and bills payables, other receivables and financial liabilities included in other payables and accruals, 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's exposure to the risk of changes in interest rates relates primarily to certain of the Group's bank loans with floating interest rates. The management considers there is no significant interest rate risk for the Group. The Group currently does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group mainly operates in Mainland China with most of its transactions settled in RMB. The Group's assets and liabilities, and transactions arising from its operations are mainly denominated in RMB. The Group's exposure arises from a substantial portion of the Group's interest-bearing bank and other borrowings denominated in US$ and HK$.

Management closely monitors foreign exchange exposure in transactions denominated in US$ and HK$ and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax.

	Group	
	Increase/ (decrease) in foreign currency rate (%)	Increase/ (decrease) in profit before tax RMB'000
2014		
If RMB weakens against US$/HK$	**(5)**	**(23,213)**
If RMB strengthens against US$/HK$	**5**	**23,213**
2013		
If RMB weakens against US$	(5)	(15,137)
If RMB strengthens against US$	5	15,137

Credit risk

The Group trades only with recognised and creditworthy customers. In addition, trade and bills 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, time deposits and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 the use of bank and other borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2014			
Trade and bills payables	289,806	—	289,806
Financial liabilities included in other payables and accruals	31,532	—	31,532
Bank and other advances for discounted bills	2,860	—	2,860
Interest-bearing bank borrowings	231,304	389,945	621,249
	555,502	389,945	945,447
2013			
Trade and bills payables	204,112	—	204,112
Financial liabilities included in other payables and accruals	20,862	—	20,862
Bank and other advances for discounted bills	1,500	—	1,500
Interest-bearing bank borrowings	241,538	133,392	374,930
	468,012	133,392	601,404

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2014			
Financial liabilities included in other payables and accruals	3,014	—	3,014
Due to a subsidiary	780	—	780
Interest-bearing bank borrowings	116,656	389,945	506,601
	120,450	389,945	510,395
2013			
Financial liabilities included in other payables and accruals	4,037	—	4,037
Due to a subsidiary	920	—	920
Interest-bearing bank borrowings	183,402	133,392	316,794
	188,359	133,392	321,751

Capital management

The primary objectives of the Group's capital management are 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 shareholders' 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 payments to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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

The Group's gearing ratios as at the end of the reporting periods were as follows:

	2014 RMB'000	2013 RMB'000
Trade and bills payables	289,806	204,112
Other payables and accruals	64,461	91,616
Bank and other advances for discounted bills	2,860	1,500
Interest-bearing bank borrowings	574,270	358,092
Total debt	931,397	655,320
Equity attributable to ordinary equity holders of the Company	1,587,836	1,552,058
Total capital plus total debt	2,519,233	2,207,378
Gearing ratio	37.0%	29.7%

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

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