



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的有限公司)

(Stock Code 股份代號: 1155)

2007 中期報告
Interim Report

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The board of directors (the "Board") of Centron Telecom International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		For the six months ended 30 June	
	Notes	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
REVENUE	4	347,891	196,898
Cost of sales		(231,695)	(111,368)
Gross profit		116,196	85,530
Other income and gains	4	953	3,823
Selling and distribution costs		(12,808)	(7,903)
General and administrative expenses		(12,725)	(9,497)
Finance costs	5	(1,291)	(1,037)
PROFIT BEFORE TAX	6	90,325	70,916
Tax	7	—	(26,175)
PROFIT FOR THE PERIOD		90,325	44,741
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		90,325	44,741
DIVIDEND	8	88,000	—
Earnings per share attributable to equity holders of the Company			
Basic (RMB cents)	9	17.22	8.52
Diluted (RMB cents)	9	17.22	8.52

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	65,962	32,121
Prepaid land lease payments		11,952	—
Deposit paid for purchase of property, plant and equipment		—	2,942
Deposit paid for purchase of land use rights		—	11,271
Intangible assets		1,322	1,664
Total non-current assets		79,236	47,998
CURRENT ASSETS			
Inventories		142,538	74,029
Trade receivables	11	208,689	145,088
Prepayments, deposits and other receivables		9,421	4,173
Pledged deposits		10,100	6,670
Due from a director	14	315	—
Cash and bank balances		93,614	117,795
Total current assets		464,677	347,755
CURRENT LIABILITIES			
Trade and bills payables	12	125,612	34,576
Other payables and accruals		12,794	32,480
Dividend payable		88,000	—
Interest-bearing bank borrowings		23,500	20,000
Due to a director	14	—	214
Total current liabilities		249,906	87,270
NET CURRENT ASSETS		214,771	260,485
TOTAL ASSETS LESS CURRENT LIABILITIES		294,007	308,483

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

30 June 2007

	Notes	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
NON-CURRENT LIABILITY			
Interest-bearing bank borrowings		—	15,000
Net assets		294,007	293,483
EQUITY			
Equity attributable to equity holders of the Company	13	—	—
Issued share capital		—	—
Reserves		294,007	293,483
Total equity		294,007	293,483

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company							Total reserve
	Issued capital	Capital reserve	Equity component of convertible bonds	Contributed surplus	Enterprise Expansion and statutory reserve funds	Retained profits	Exchange fluctuation reserve	
	RMB'000	RMB'000 (note (i))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2006 (audited) and 1 January 2007	—	—	18,300	66,806	27,547	180,830	—	293,483
Exchange realignment	—	—	—	—	—	—	(1,801)	(1,801)
Total income and expense recognised directly in equity	—	—	—	—	—	—	(1,801)	(1,801)
Profit for the period	—	—	—	—	—	90,325	—	90,325
Total income and expense for the period	—	—	—	—	—	90,325	—	90,325
Issue of shares pursuant to the Reorganisation (note 13(ii))	—	85,106	(18,300)	(66,806)	—	—	—	—
Special dividend	—	—	—	—	—	(88,000)	—	(88,000)
At 30 June 2007 (unaudited)	—	85,106	—	—	27,547	183,155	(1,801)	294,007

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2007

	Attributable to equity holders of the Company							Total reserve
	Issued capital	Capital reserve	Equity component of convertible bonds	Contributed surplus	Enterprise Expansion and statutory reserve funds	Retained profits	Exchange fluctuation reserve	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2005 (audited) and 1 January 2006	—	—	—	15,001	7,500	66,950	—	89,451
Issue of shares of Nice Group Resources Limited	—	—	—	73,205	—	—	—	73,205
Issue of convertible bonds	—	—	18,300	—	—	—	—	18,300
Distribution to the original existing shareholders	—	—	—	(21,400)	—	—	—	(21,400)
Profit for the period	—	—	—	—	—	44,741	—	44,741
Total income and expense for the period	—	—	—	—	—	44,741	—	44,741
At 30 June 2006 (unaudited)	—	—	18,300	66,806	7,500	111,691	—	204,297

Note:

- i. The capital reserve of the Company represents the excess of the then net assets of the subsidiaries acquired by the Company pursuant to the Reorganisation as set out in note 1 to the Condensed Interim Financial Statements, over the nominal value of the share capital of the Company issued in exchange therefor and the then existing 1,000 shares of US\$1.00 each credited as fully paid at par. Under the Companies Law of the Cayman Islands, the capital reserve may be distributable to the shareholders of the Company, 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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2007*

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	23,573	5,207
INVESTING ACTIVITIES	(36,254)	(6,102)
FINANCING ACTIVITIES	(11,500)	70,105
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(24,181)	69,210
Cash and cash equivalents at beginning of period	117,795	41,989
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	93,614	111,199
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	93,614	111,199
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2007

1. CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has established a place of business in Hong Kong at Unit 2001, 20/F Grantech Centre, 8 On Ping Street, Shatin, N. T. Hong Kong.

Pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares (the "Global Offering") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire issued capital of Nice Group Resources Limited ("Nice Group") on 3 June 2007 and thereby became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in Appendix VI to the prospectus of the Company dated 21 June 2007 (the "Prospectus").

Subsequent to the balance sheet date, the Company's shares have been listed on the Stock Exchange with effect from 5 July 2007 (the "Listing Date").

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed consolidated interim financial statements (the "Condensed Interim Financial Statements") have been prepared in accordance with the principles as set out in Accounting 5 "Merger Accounting for Common control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and as if the group structure resulting from the Reorganisation had been in existence beginning 1 January 2006.

The Condensed Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The significant accounting policies adopted in the preparation of the Condensed Interim Financial Statements are consistent with those used in the preparation of the Company's accountants' report as set out in Appendix I of the Prospectus (the "Accountants' Report"). Accordingly, the Condensed Interim Financial Statements should be read in conjunction with the Accountants' Report.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.1. Impact of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

During the six months ended 30 June 2007, the Group has applied, for the first time, the following new and revised HKFRS (which also include HKASs and Interpretations) issued by the HKICPA which are relevant to the Group and effective for the accounting periods beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The application of the above revised standards and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Condensed Interim Financial Statements.

2.2. Impact of issued but not yet effective HKFRS

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

HKFRS 8	Operating segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

2.2. Impact of issued but not yet effective HKFRS *(Continued)*

HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2007 and 1 January 2008, respectively.

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

3. SEGMENT INFORMATION

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Manufacture and sale of wireless telecommunication coverage system equipment and provision of related engineering services	347,891	196,898
Other income and gains		
Bank interest income	422	493
Subsidy income from the PRC government	531	3,292
Others	—	38
	953	3,823
	348,844	200,721

5. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on:		
Bank loans repayable within five years	1,291	1,037

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	231,695	111,368
Depreciation	1,244	1,236
Amortisation of intangible assets	352	352
	<u><u> </u></u>	<u><u> </u></u>

7. 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 period. Taxes on profits assessable in the PRC have been calculated at the rates of tax prevailing, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax – PRC		
Charge for the period	—	26,175
	<u> </u>	<u> </u>
	<u> </u>	<u>26,175</u>

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises and as approved by relevant tax authorities, Fujian Xian Chuang Electron Company Limited ("Fujian Centron"), a wholly-owned subsidiary of the Group operating in the PRC. Upon being transformed to a wholly-owned foreign investment enterprise on 11 January 2006, Fujian Centron was exempted from the PRC corporate income tax for the two years commencing from its first profit-making year from 2006 and thereafter is entitled to a 50% reduction in the PRC corporate income tax for the subsequent three years from 1 January 2008 to 31 December 2010.

7. TAX (Continued)

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. Pursuant to the New Corporate Income Tax Law, an unification of the income tax rate for domestic-invested and foreign-invested enterprises will be at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law on the Group cannot be reasonably estimated at this stage.

8. DIVIDEND

Apart from the special dividend of RMB88 million declared by the Board on 3 June 2007, the Board resolved at the Board meeting held on 21 September 2007 that no interim dividend would be paid to the shareholders.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the periods is based on the profit attributable to equity holders of the Company amounting to RMB90,325,000 (30 June 2006: RMB44,741,000) and on 525,000,000 shares in issue during the periods as if the capitalisation issue of 524,999,999 shares (note 13(b)) pursuant to the Global Offering has been effective since 1 January 2006.

There is no diluted earnings per share for the periods ended 30 June 2007 and 2006 as there were no potential ordinary shares outstanding during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
As at 1 January 2006	5,132	14,941	2,974	1,805	160	25,012
Additions	—	10	228	376	19,898	20,512
Disposal	(5,132)	—	—	—	—	(5,132)
As at 31 December 2006 and at 1 January 2007	—	14,951	3,202	2,181	20,058	40,392
Additions	—	10	—	884	31,249	32,143
Transfer from deposit paid for purchase of property, plant and equipment	—	2,942	—	—	—	2,942
Transfer	43,720	—	—	4,442	(48,162)	—
As at 30 June 2007	43,720	17,903	3,202	7,507	3,145	75,477
Accumulated depreciation:						
As at 1 January 2006	2,607	3,728	1,672	629	—	8,636
Provided during the year	122	1,420	478	344	—	2,364
Disposal	(2,729)	—	—	—	—	(2,729)
As at 31 December 2006 and 1 January 2007	—	5,148	2,150	973	—	8,271
Provided during the period	—	804	235	205	—	1,244
As at 30 June 2007	—	5,952	2,385	1,178	—	9,515
Net book value:						
As at 30 June 2007	43,720	11,951	817	6,329	3,145	65,962
As at 31 December 2006	—	9,803	1,052	1,208	20,058	32,121

The Group's building was situated outside Hong Kong and was held under medium term lease.

11. TRADE RECEIVABLES

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

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

	30 June	31 December
	2007	2006
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	192,171	139,814
91 to 180 days	7,953	2,520
181 to 360 days	6,713	2,688
Over 360 days	1,852	66
	<hr/> 208,689 <hr/>	<hr/> 145,088 <hr/>

The carrying amounts of trade receivables approximate to their fair values.

12. TRADE AND BILLS PAYABLES

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

	30 June 2007 (Unaudited) RMB'000	31 December 2006 (Audited) RMB'000
Within 90 days	125,382	34,508
91 to 180 days	129	41
181 to 360 days	84	—
Over 360 days	17	27
	<hr/> 125,612 <hr/>	<hr/> 34,576 <hr/>

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

13. SHARE CAPITAL

(a) Authorised and issued capital

	Notes	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
Upon incorporation on 6 March 2007	(i)	3,800,000	380
Increase in authorised share capital	(ii)	996,200,000	99,620
At 30 June 2007		1,000,000,000	100,000
Issued and fully paid:			
Nil-paid share issued upon incorporation and subsequently credited as fully paid pursuant to the Reorganisation	(iii)	1	—
Shares issued on 3 June 2007 and credited as fully paid pursuant to the Reorganisation	(iii)	999	—
At 30 June 2007		1,000	—

Notes:

- (i) On incorporation, the authorised share capital of the Company was HK\$380,000 divided into 3,800,000 ordinary shares of a par value of HK\$0.10 each.
- (ii) On 3 June 2007, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 shares to rank pari passu in all respects with the shares then in issue.
- (iii) 1 share and 999 shares of HK\$0.10 each were allotted and issued at nil paid on incorporation and 3 June 2007, respectively. As a result of the Reorganisation, the aforesaid 1,000 shares of HK\$0.10 each were credited as fully paid to the then shareholders of Nice Group in exchange for 1,000 ordinary shares of US\$1.00 each in Nice Group (representing the entire issued capital of Nice Group).

13. SHARE CAPITAL (Continued)

(b) Capitalisation issue

Conditional on the share premium account of the Company being credited as a result of the Global Offering, an amount of HK\$52,499,900 (then standing to the credit of the share premium account of the Company) be capitalised and applied to pay up in full at the nominal value a total of 524,999,000 shares for allotment and issue to the then shareholders of the Company at close of business on 3 June 2007.

(c) Share option

On 3 June 2007, the Company adopted a share option scheme, details of which are set out in Appendix VI of the Prospectus. Since the adoption of the share option scheme, no share option has been granted by the Company.

14. RELATED AND CONNECTED PARTY TRANSACTIONS

- (i) The Group had the following material transactions with related and connected parties during the period:

		For the six months ended	
		30 June	
	Notes	2007	2006
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Rental expense for a factory premise paid to Dai Guoliang, a director of the Company	(a)	63	126
Disposal of a factory building to Dai Guoliang	(b)	—	2,525
Personal guarantees from Dai Guoliang and Chen Shuru, the spouse of Dai Guoliang, for banking facilities	(c)	—	20,000
Corporate guarantee from a connected party, in which Chen Shuru is a shareholder	(d)	—	5,000
Rental expense for a factory premise paid to Chen Shuru	(e)	121	121
		<u><u>121</u></u>	<u><u>121</u></u>

14. RELATED AND CONNECTED PARTY TRANSACTIONS (Continued)

Notes:

- (a) The rental expense was determined with reference to the then prevailing market conditions. Pursuant to the termination agreement entered into between the Group and Dai Guoliang on 1 November 2006, the leasing of the factory premise ceased on 31 March 2007.
- (b) The factory building was sold to Dai Guoliang, at a consideration of approximately RMB2,525,000 which is equivalent to the net asset value of the property, plant and equipment at the date of disposal.
- (c) Dai Guoliang and Chen Shuru have guaranteed certain bank loans made to the Group up to RMB20,000,000, during the six months ended 30 June 2006.
- (d) A connected party has guaranteed certain bank loans made to the Group up to RMB5,000,000 during the six months ended 30 June 2006.
- (e) The rental expense was determined with reference to the prevailing market conditions.

The above transactions (a) to (d) have discontinued before the Listing Date.

(ii) Compensation of key management personnel of the Group

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	578	254
Post-employment benefits	—	—
	<hr/>	<hr/>
Total compensation paid by key management personnel	578	254
	<hr/> <hr/>	<hr/> <hr/>

(iii) Amount due from/(to) a director

The amount is unsecured, interest-free and repayable on demand. The directors consider that the carrying amount of the amount due from/(to) a director at 30 June 2007 and 31 December 2006, approximates to its fair value because of the short maturity. The directors confirmed that the amount have been fully settled before the Listing Date.

15. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

- (a) Pursuant to the resolution passed on 3 July 2007, an aggregate of 524,999,000 shares of HK\$0.10 each in the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of HK\$52,499,900 from the share premium account, to the then existing shareholders of the Company, whose names appeared in the register of the Company on 3 June 2007, in proportion to their respective shareholdings.
- (b) On 5 July 2007, the Company's shares have been listed on the Stock Exchange and net proceeds of approximately HK\$576 million (equivalent to approximately RMB560 million) was raised from the Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights and Business Review

During the six months ended 30 June 2007, the Group's turnover increased by 76.7% to RMB347.9 million as compared with the corresponding period last year. The Company's business coverage has been extended from Central-western region in 2006 to coastal areas such as Beijing, Shanghai and Guangdong. In addition, the Company's overseas business had shown tangible development.

During the six months ended 30 June 2007, profit attributable to equity holders of the Company increased by 101.9% to RMB90.3 million as compared with the corresponding period last year.

During the six months ended 30 June 2007, the ratio of selling and distribution costs to revenue and the ratio of general and administrative expenses to revenue was improved from that of 4.0% and 4.8% respectively in 2006 to the 3.7% and 3.7% respectively in 2007.

Due to the intense market competition, during the six months ended 30 June 2007, the Group recorded a lower gross profit margin as compared with the corresponding period last year.

During the six months ended 30 June 2007, the net profit margin of the Group increased from 22.7% in 2006 to 26.0% in 2007.

Outlook

The Group will continue to focus on and strengthen research and development of its technology capacity, which will enable us to offer innovative and cost-effective solutions to customers. The Group will continue to expand its local and overseas markets. In addition, the Group will also evaluate acquisition opportunities that can enhance its technological, manufacturing and distribution capacities with the amounts set aside in the net proceeds from the Global Offering (detailed in the section titled "Future Plans and Use of Proceeds" in the Prospectus). The Group's targets are to expand its technological expertise, introduce new products, secure existing customers relationships and strengthen new customers and the development of markets.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2007, the Group had cash and bank balances of RMB93.6 million, most of which were denominated in US dollars, Hong Kong dollars or Renminbi. Average trade receivable turnover period was 93 days (31 December 2006: 64 days). The major reason for the increase in average trade receivable turnover period was resulted from the significant growth in turnover. Average inventory turnover period was 85 days (31 December 2006: 67 days), which was resulted from the increase in inventories level for the demand in second half of the year. Overall, the Group maintained a current ratio of 1.86 as at 30 June 2007 (31 December 2006: 3.98).

As at 30 June 2007, the Group had interest-bearing bank borrowings repayable within one year of RMB23.5 million. All these borrowings were denominated in Renminbi to which the interest rates applied were primarily determined by reference to the PRC banks' best lending rate. As at 30 June 2007, these banking facilities were generally secured by the buildings certificates and the land use rights of the Group.

The Group's net gearing ratio as at 30 June 2007 was calculated by dividing total interest-bearing bank borrowing over total equity attributable to equity holders of the Company. Comparing with that of 31 December 2006, net gearing ratio decreased primarily because the Group has generated more internal working capital from the increase in revenue.

In July 2007, the Company issued 175,000,000 new shares at HK\$3.55 per share pursuant to the Global Offering. The net proceeds from the Global Offering amounted to approximately HK\$576 million (RMB560 million). Details of the Global Offering are set out in the Prospectus.

Treasury Policies

During the six months ended 30 June 2007, 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 six months ended 30 June 2007. 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

During the six months ended 30 June 2007, the Group incurred capital expenditure of approximately RMB32.1 million, which was financed by the Group's internal resources. As at 30 June 2007, the Group has capital commitments in respect of the purchase of property, plant and equipment of RMB17.3 million.

Contingent liabilities

As at 30 June 2007, the Group did not have significant contingent liabilities.

Employee Information

As at 30 June 2007, the Group had a total of approximately 858 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. On 3 June 2007, the Company adopted a share option scheme under which the Company can grant options to the employees of the Group to subscribe for shares of the Company. Since the adoption of the share option scheme, no share option has been granted by the Company.

Use of Proceeds

The Group intends to use the net proceeds of approximately HK\$576 million (equivalent to approximately RMB560 million) from the Global Offering for the purposes as stated in the Prospectus.

Dividend

Apart from the special dividend of RMB88 million declared by the Board on 3 June 2007, the Board resolved at the Board meeting held on 21 September 2007 that no interim dividend would be paid to the shareholders.

Purchase, Sale or Redemption of Listed Securities of the Company

Since the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance with a view of enhancing the management efficiency of the Company as well as preserve the interests of the shareholders as a whole. In the opinion of the Board, the Group has complied with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") during the period from the Listing Date up to the date of this report.

Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for directors' dealing in securities of the Company (the "Own Code"). Having made specific enquiry of the Company's directors, the directors confirmed that they have fully complied with the required standard as set out in the Own Code from the Listing Date to the date of this report.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 3 June 2007 with terms of reference in compliance with the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system.

The Audit Committee comprises three independent non-executive directors, namely Miu Hon-Kit, Lin Yuanfang and Li Hongbin, and two non-executive directors, namely Leung Ping-chung, Hermann, and Guo Zeli. The chairman of the Audit Committee is Miu Hon-Kit.

The Audit Committee reviewed the Group's Condensed Interim Financial Statements for the six months ended 30 June 2007 to ensure that these financial statements and the relevant disclosures were made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules and discussed with the management in respect of the results and the financial position of the Group.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As the Company was listed on the Stock Exchange on 5 July 2007, no disclosure of beneficial interests nor short positions of any directors and/or chief executives in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were made to the Company under Divisions 7 and 8 of Part XV of the SFO as at 30 June 2007.

As at the date of this report, the interests of the directors of the Company in the share capital of the Company, 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 were as follows:

Name	Long/short Position	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Dai Guoliang	Long	Interest in a controlled corporation (note 1)	239,400,000	34.20%

note:

1. Oriental City Profits Ltd. ("Oriental City") held 34.2% interest in the issued share capital of the Company following completion of the Global Offering and the exercise of the over-allotment option. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Dai Guoliang, as to 17.56% by Dai Guoyu, as to 6.10% by Yi Zhangtao, as to 5.34% by each of Wu Duange and Dai Guowei, and as to 1.34% by each of Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Dai Guoliang. However, Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.) As mentioned above, Dai Guoliang's beneficial interest in Oriental City amounts to 61.64%. Accordingly, pursuant to SFO, Dai Guoliang is deemed to be interested in 239,400,000 shares held by Oriental City as he is entitled to control of one-third or more of the voting power at general meeting of Oriental City.

As at the date of this report, the interests in the associated corporations pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Name of Corporation	Capacity/ Nature of interest	Number of ordinary shares interested	Percentage of the Company's issued share capital
Dai Guoliang	Oriental City	Beneficial and registered owner (note 1)	524	100%
Dai Guoyu	Oriental City	Beneficial owner (note 2)	92	17.56%
Yi Zhangtao	Oriental City	Beneficial owner (note 3)	32	6.10%

note:

1. Oriental City held 34.2% interest in the issued share capital of the Company following completion of the Global Offering and the exercise of the over-allotment option. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Dai Guoliang, as to 17.56% by Dai Guoyu, as to 6.10% by Yi Zhangtao, as to 5.34% by each of Wu Duange and Dai Guowei, and as to 1.34% by each of Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Dai Guoliang. However, Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above).
2. As at the date of this report, Dai Guoyu was beneficially interested in 17.56% of the issued share capital of Oriental City by virtue of a declaration of trust (which is a bare trust) made by Dai Guoliang on 27 March 2007.
3. As at the date of this report, Yi Zhangtao was beneficially interested in 6.10% of the issued share capital of Oriental City by virtue of a declaration of trust (which is a bare trust) made by Dai Guoliang on 27 March 2007.

Apart from the above, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As the Company was listed on the Stock Exchange on 5 July 2007, no disclosure of beneficial interests nor short positions of substantial shareholders in the shares or underlying shares of the Company were made to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30 June 2007.

As at the date of this report, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Long/ short Position	Capacity	Number of ordinary shares interested	Percentage of the Company's issued share capital
Oriental City	Long	Beneficial interest (note 1)	239,400,000	34.20%
Dai Guoliang	Long	Interest in a controlled corporation (note 1)	239,400,000	34.20%
Cathay Mobile Communications Limited	Long	Beneficial interest	105,000,000	15.00%
Molatis Limited	Long	Beneficial interest (note 2)	47,250,000	6.75%
Sussman Selwyn Donald	Long	Beneficial interest (note 2)	47,250,000	6.75%

notes:

1. Oriental City held 34.2% interest in the issued share capital of the Company following completion of the Global Offering and the exercise of the over-allotment option. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Dai Guoliang, as to 17.56% by Dai Guoyu, as to 6.10% by Yi Zhangtao, as to 5.34% by each of Wu Duange and Dai Guowei, and as to 1.34% by each of Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Dai Guoliang. However, Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.)
2. Molatis Limited is wholly owned by Sussman Selwyn Donald.

Save as disclosed above, as at the date of this report, no person, other than the director whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had registered an interest or a 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.

Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the six months ended 30 June 2007.

By Order of the Board

Dai Guoliang

Chairman

Hong Kong, 21 September 2007