星辰通信国际控股有限公司

Centron Telecom International Holding Limited

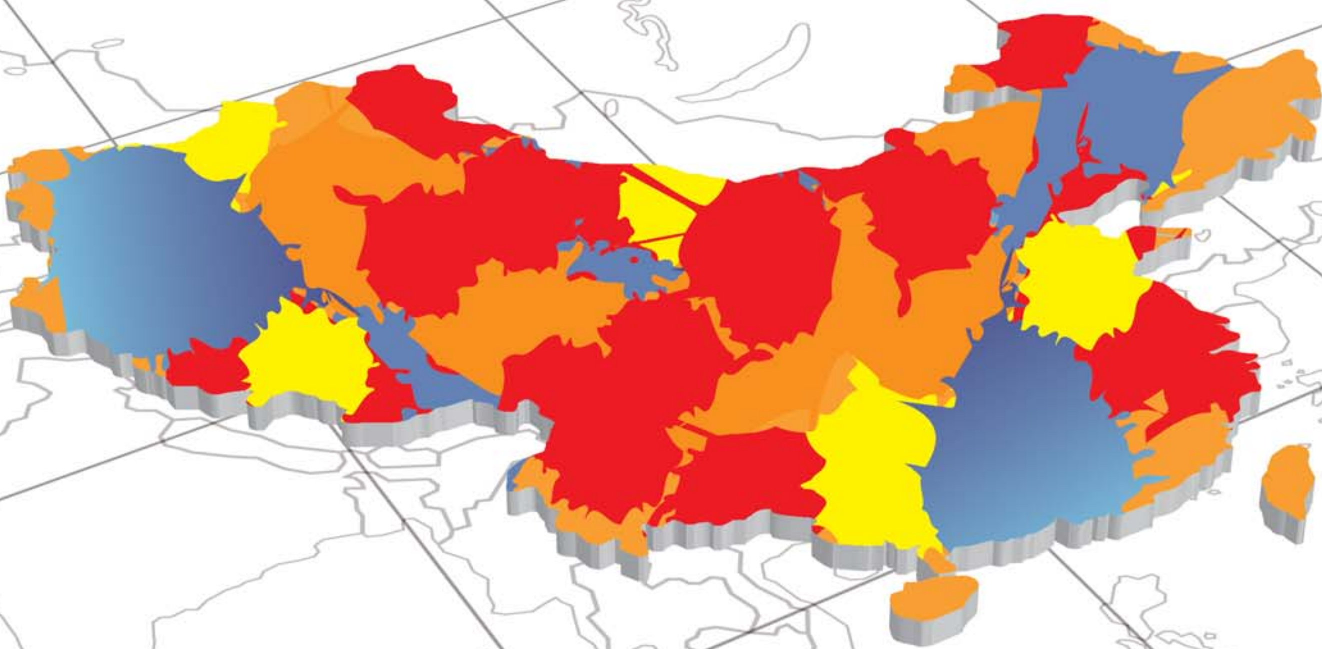
(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code: 1155)

(股份代號:1155)

ONE STEP AHEAD CREATE THE FUTURE



ANNUAL REPORT
2008 年度報告

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BOARD OF DIRECTORS

Executive Directors

Dai Guoliang *(Chairman)*
Guo Zeli
Dai Guoyu
Yi Zhangtao

Non-executive Directors

Paul Steven Wolansky
Leung Ping-chung, Hermann

Independent non-executive Directors

Miu Hon-kit
Lin Yuanfang
Li Hongbin

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

COMPANY SECRETARY

Ng Wai Kee FHKICPA, FCCA

AUTHORIZED REPRESENTATIVES

Dai Guoliang
Ng Wai Kee FHKICPA, FCCA

MEMBERS OF AUDIT COMMITTEE

Miu Hon-kit *(Chairman)*
Lin Yuanfang
Li Hongbin

MEMBERS OF REMUNERATION COMMITTEE

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

MEMBERS OF NOMINATION COMMITTEE

Lin Yuanfang *(Chairman)*
Dai Guoliang
Li Hongbin

LEGAL ADVISERS

As to Hong Kong Law
K&L Gates

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

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183 Queen's Road East
Hong Kong

WEBSITE

http://www.centron.com.hk

BUSINESS REVIEW

In 2008, Centron Telecom International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") has further solidified its market position and prepared itself for future growth by investing in product development, infrastructure and sales network. The macro-economic environment in which the Group operates had undergone a major change with challenges resulted from the restructuring of China's telecommunications industry, the global financial crisis and China's move to stimulate domestic consumption.

At the end of 2008, the Group's major customers including the major telecom operators implemented their restructuring plan which started in 2007. As a result, network expansion by these telecom operators slowed down during the period of restructuring. However, all the telecom operators have also finalised their 3G testing and roll-out plan in 2008 together with major build-out plans for the next several years. We believe China's telecom industry will enter into a new growth phase starting with the ambitious 3G networks in the next several years. The Group has made a strategic decision to make the necessary investments in 2008 and 2009 so that the Group will be best positioned to take advantage of the growth in the 3G and telecom industry.

The Group recognises three key competitive advantages, which are advanced products, quality service and effective cost control. We have made significant improvements in each of these areas in 2008.

Firstly, the Group invested around RMB30 million to develop new products for all 3G network standards including TD-SCDMA, WCDMA and CDMA2000. As a result, the Group now has a full range of 3G products that can satisfy the requirements of all telecom operators. We believe our expanded product line will increase the contribution of 3G revenue to our total revenue and improve our profit margin in the future.

Secondly, the Group expanded the sales and service network nationwide with a focus on the eastern coastal region. The Group is better positioned to capture the 3G business as well as the emerging Digital Terrestrial Television Broadcasting ("DTTB") business which has higher requirement in sales and services network.

Thirdly, the Group continued to expand in overseas markets with export sales reaching more overseas markets and export revenue has increased by 114% compared with last year's export sales. The Group has selectively expanded the overseas sales and services network to capitalise on the growth of the target markets. The Group continues to implement the strategy of profitable expansion into overseas market given the global economic condition.

Fourthly, the Group has successfully established its leadership position in the DTTB in 2008. The Group has not only developed a good reputation in the market for its products and sales network, but also has geared for future growth by acquiring a 62.2% equity interest in a DTTB technology company. The Group believes that it has laid a solid foundation to capture the growth in this market.

Lastly, the Group completed the new facility in Quanzhou with state-of-art equipment and additional production capacity in 2008. We believe that the investment in the facility and equipment will enable us to expand our businesses and provide the best quality products to our customers. To improve cost control, the Group has also invested in office automation and an Enterprise Resource Planning (ERP) system.

In summary, in a year of challenge, the Group has taken advantages of its financial strength to invest for the future in product expansion, market expansion and capacity expansion.

BUSINESS OUTLOOK

The macroeconomic environment will continue to be challenging in 2009, however the Group is confident that the China's telecom industry will start to resume its growth due to the implementation of 3G networks and the government's stimulus efforts for domestic consumption.

3G build-out will be a driving force behind the growth of China's telecom industry in the next five years. According to the forecast of Ministry of Industry and Information Technology of the People's Republic of China (MII), the Chinese telecom operators are expected to invest over RMB170 billion in 3G networks in 2009, of which RMB120 billion has started or in the process of starting while total investment expected by all three major telecom operators will exceed RMB400 billion from 2009 to 2011. The Group expects to compete effectively in the 3G projects by providing a full range of products, extensive service coverage and best technical solutions for the telecom operators. The Group will continue to invest in research and development for 3G products to meet the requirements of different 3G networks. In 2009, the Group will start the marketing and sale of three major product lines developed in 2008: wireless coverage products and services, wireless transmission products and services and wireless interconnection products and services. The Group expects 3G revenue to increase as a percentage of total revenue.

With nationwide implementation of the wireless digital television networks in China, the Group expects the DTTB market will continue to grow rapidly. The Group will leverage on its leading position in the industry, focus on major markets and further develop new products to meet the increasing demand.

The Group will also continue to expand its overseas market by focusing on the Southeast Asia region with prudent risk control given the global economic conditions.

In 2009, we will face changes and challenges, but we expect to also see opportunities that can benefit our Group. I am confident that the Group will continue to execute its business and expansion strategies and take full advantages of the impending recovery and create long term value for our shareholders and employees.

APPRECIATION

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

Dai Guoliang
Chairman

1. REVENUE

For the year ended 31 December 2008, the Group's principal operations, i.e. network system integration services for mobile telecommunication and digital TV, basically leveled with that of the year ended 31 December 2007. Due to the restructuring of the telecommunication industry of the PRC during the year, despite the installation procedures of many projects were completed by the Group, the acceptance procedures were pushed back by China Mobile Communications Corporation and its subsidiaries ("China Mobile"), China United Network Communications Corporation Limited and its subsidiaries ("China Unicom"), China Telecommunications Corporation ("China Telecom") in various regions of the PRC, and the related revenue from these projects were not included in the results of the current year in accordance with the Group's accounting policies.

Meanwhile, the Group recorded growth in its overseas export business during the year. In Laos, construction of a nationwide mobile communication network with a contract amount exceeding US$18 million undertaken by the Group is currently under progress. During the year, the Group made a breakthrough in wireless digital TV network coverage by winning digital terrestrial television coverage projects in seven provinces or cities, including Hangzhou Municipality of Zhejiang, the entire Heilongjiang Province and Anyang Municipality of Henan. Currently, construction of some of such projects has been completed. Revenue from these projects was also not included in the revenue for the current year as they were yet to be inspected and accepted.

Due to the above, the revenue presented in this results announcement is basically leveled as that of last year and it is expected that the Group will see a substantial increase in its revenue for the first half of 2009.

(1) By business operations

During the year, revenue from 3G network coverage increased significantly from the previous year to RMB108.6 million, accounting for 13.3% of the Group's total revenue.

During the year, revenue from traditional 2G/2.5G network optimisation business decreased by 16.3% from RMB840 million in the previous year to RMB702.9 million, accounting for 85.9% of the Company's total revenue.

During the year, revenue from digital TV system integration amounted to RMB6.8 million, as compared with nil in the previous year.

(2) By markets

During the year, revenue from domestic market, including China Mobile, China Unicom, China Telecom and various mobile TV operators, was RMB812.1 million, representing a decrease of 3.3% as compared with RMB840 million in the previous year. The decrease was mainly due to the fact that many completed projects were yet to be inspected and accepted as mentioned above.

During the year, revenue from overseas market was RMB6.2 million, representing an increase of approximately 114% as compared with RMB2.9 million in the previous year.

2. GROSS PROFIT

The Group's gross profit and gross profit margin for the year were RMB237.1 million and 29.0% respectively, as compared with a gross profit of RMB282.2 million and a gross profit margin of 33.4% in the previous year. The decrease in gross profit margin compared to the previous year was mainly due to (1) prices of traditional 2G/2.5G products has fallen, (2) the product mix of the Group during the year was different from last year; (3) the increase in the costs of some raw materials; (4) the increase in transportation and installation fees.

In 2008, the Group took a series of cost-cutting measures, including: (1) optimising old products which were still being sold, improving production processes and adopting new production management models, which significantly improved our production efficiency and reduced production costs; (2) improving the Group's logistics management mechanism, strengthening purchase cost control and reduction and obtaining more purchase discounts from suppliers by making timely payment of purchase prices to obtain favorable prices.

3. RESEARCH AND DEVELOPMENT EXPENDITURE

During the year, the Group significantly increased its investment in research and development activities. A total investment of RMB16.8 million was made during the year, representing an increase of 88.8% over RMB8.9 million in the previous year. In addition to increasing its investments in the development of our own new products, the Group jointly developed new products with various domestic research institutions and academies, including digital TV transmitters, 3G direct broadcast stations, microwave distant transmission equipment, various road test software and equipment, etc.

In addition, the Group's investment in intangible assets related to 3G and digital TV amounted to RMB56.9 million during the year.

These self-initiated research and development projects, entrusted development projects and investment in intangible assets greatly enhanced the Group's competitiveness in the 3G market, overseas mobile communication markets and digital TV market.

4. SELLING AND DISTRIBUTION COSTS

The selling and distribution costs of the Group for the year amounted to RMB42.2 million, representing an increase of 40.5% over RMB30 million in last year and accounting for 5.2% of the Group's revenue (3.6% in last year). The increase in selling and distribution costs was mainly due to: (1) the increase in market development costs; (2) the increase in remuneration expenses due to employing more marketing staff; (3) the increase in the costs for the promotion of new products and tests.

5. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses of the Group for the year amounted to RMB70.6 million, representing an increase of 30.3% over RMB54.2 million in last year and accounting for 8.6% of the Group's revenue (6.4% in last year). The increase in administrative expenses was mainly due to: (1) the Group recruited a large number of senior management and research and development staff during the year, resulting in an increase in remuneration expenses; (2) the Group purchased a large amount of additional fixed assets during the year, resulting in an increase in depreciation expenses; and (3) the Group significantly increased its investments in research and development during the year; (4) the increase in legal, public relations and other professional fees related to the listed company.

6. FINANCE EXPENSES

The Group had no finance expenses in the year, as compared with RMB1.56 million in last year. The significant decrease in finance expenses for the year was due to the fact that the Group has not drawn down any bank loans in the year.

7. TAXATION

The Group incurred an income tax expense of RMB21.9 million during the year and paid no income tax in the previous year. The increase in income tax was due to the fact that Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary, is a foreign invested enterprise which can be exempted from income tax for two years and exempted from 50% of the income tax for three years thereafter. Fujian Centron was exempted from income tax in 2006 and 2007 and it can enjoy a 50% reduction in tax rate (12.5%) from this year to 2010. The income tax expense of the Group accounted for 2.7% of its revenue.

8. NET PROFIT

The profit attributable to the Company's shareholders (net profit) was RMB118.2 million, representing a decrease of 46.4% or RMB102.2 million from RMB220.4 million in last year. The net profit accounted for 14.4% of the Group's total revenue. The decrease in the net profit of the Group was mainly due to:

(1) Despite the installation process of a large number of network integration projects were completed by the Group, the acceptance procedures were pushed back by the telecommunication operators, and in accordance with the Group's accounting policies, the results from these projects were not accounted as the Group's financial results for the year.

(2) Income tax rate for the year was 12.5% as compared with nil in last year, which had reduced the net profit of the year by RMB21.9 million.

(3) The Group increased its investments in fixed assets for long term growth in the future.

9. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had cash and bank balance of RMB110.2 million (2007: RMB454.3 million), most of which were denominated in Renminbi, Hong Kong dollars and US dollars.

Average trade receivable turnover period was 128 days (2007: 94 days). The increase in average trade receivable turnover days was mainly due to the restructuring of mobile communication operators in the PRC and a lot of accounts receivables were not settled on time, resulting in the increase in average receivable turnover days of the Group.

Average inventory turnover period was 137 days (2007: 57 days). The increase in average inventory turnover days was mainly due to: (1) from the second half of the year, especially the fourth quarter, telecommunication operators significantly increased investments and could not complete the acceptance procedures of the projects on time. In accordance with the Group's accounting policies that the related telecommunication equipment and other raw materials commissioned under such projects were reflected as the Group's inventories as at 31 December 2008, therefore resulting in an increase in inventory turnover days; (2) from the second half of the year, especially the fourth quarter, the Group's business volume increased significantly which required an increased in inventories.

In overall, the Group maintained a current ratio of approximately 6.7 as at 31 December 2008 (31 December 2007: 10.6).

As at 31 December 2008, the Group did not have any bank loans (31 December 2007: nil).

The Group finance its working capital requirement through equity funds and the funds generated from operations.

10. TREASURY POLICY AND EXCHANGE RISK

The Group centralises the allocation of funds for business needs and closely monitors its exchange risk. That policy will also enable the Group to control its financial operation effectively with less average cost of funding.

As at 31 December 2008, the Group's transactions were mainly denominated in Renminbi, with some transactions denominated in foreign currencies. The Group did not enter into hedging instruments against 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.

11. CAPITAL EXPENDITURE

As at 31 December 2008, the Group incurred capital expenditure of approximately RMB205.4 million, which was financed by the Group's internal resources. All these capital expenditures were paid out of the proceeds from the initial public offering and the internal resources of the Group.

12. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2008, the Group's future capital commitment contracted but not yet provided for was approximately RMB36.1 million, and will be paid out of the proceeds from the initial public offering and the Group's cash generated from operation. The Group did not have any material contingent liabilities.

13. USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the share offer amounted to RMB554 million.

The net proceeds are proposed to be used in the following ways:

Usage as disclosed in the prospectus	**RMB385.5 million has been used** *RMB, million*
Construction of the 2nd phase of the new facilities at the Xunmei Industrial Area in Quanzhou	107.7
Long-term research and development expenses	45.1
Purchase production and testing equipment, related software and staff recruitment, their remuneration and training	93.4
Establish overseas sales and marketing channels	28.2
Expand domestic sales and marketing channels	36.4
General working capital purpose	74.7

14. EMPLOYEES

As at 31 December 2008, the Group had over 1,000 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 may grant options to the employees of the Group to subscribe for the shares of the Company. Since the adoption of the share option scheme, no share option has been granted by the Company.

15. DIVIDENDS

The Board does not recommend the payment of any final dividend in consideration of the Group's optimised use of capital for the expected 3G development. However, the Board will consider the payment of interim dividend in 2009.

16. PROSPECTS

(1) Analysis based on objective facts

In spite of the impact of the global financial crisis on the overall economy, the industrial mobile telecommunication and digital TV network system integration business of the Group progressed well. In view of the financial crisis, the PRC government adopted a series of measures to stimulate the market. The mobile telecommunication and digital TV industries in which the Group operates are included in the ten industries which will receive great support and investment from the government. At present, 3G licenses have been granted to the three largest mobile telecommunication operators in China, and the construction of 3G networks is under progress. The Group was selected as a supplier in the national group purchase made by the three largest telecommunication operators for most provinces and cities. Currently, the Group's equipment manufacturing operations and installation operations are at their peak and carries out orderly. In addition, owing to the preparation and preliminary construction works in the previous two years, a construction upsurge of mobile digital TV will occur in 2009 in China. Thanks to the China Mobile Multimedia Broadcasting ("CMMB") handset TV network roaming across the country, the urban mobile TV program in various provinces and cities and the program to extend TV coverage to every village, there will be considerable demand for the products and system integration service of the Group in 2009.

(2) The Group has the following advantages from an internal perspective

(2.1) A number of new technologies and products developed by the Group during the year will play a significant role in the new round of 3G network and digital TV network construction. These new products are more competitive due to their technical advancement and lower cost. Furthermore, the Group has a significant leading edge over its competitors in the mobile telecommunication network system integration industry in terms of digital TV network system integration.

(2.2) A number of new products developed by the Group during the year such as broadband SCDMA, microwave point-to-point teletransmission equipment, high-power TV-transmitter and Interference Cancellation System (ICS) anti-isolation technology will all benefit the Group in the development of new businesses with fewer competitions.

(2.3) Through further internal reform and increase of investment during this year, the Group established a marketing system and evaluation mechanism adaptable to the market; established a modern logistics distribution system; purchased many advanced manufacturing equipment and instruments, and enhanced its ability to meet the requirements of telecommunication operators for equipment and services, the Group completed the microwave module processing center, which will satisfy market demand to a large extent and reduce production cost significantly.

CONCLUSION

The industry in which the Group operates is under a stage of rapid development. As a result, the internal reforms conducted by the Group and its efforts made in new product development and market exploration will bring a significant growth in the results of the Group in 2009 as compared with 2008. In this regard, the Board is full of confidence.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Dai Guoliang, aged 47, the Chairman and an executive director. 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 an experienced engineer and has almost 20 years of experience in research, production and sales within the telecommunications industry. Mr. Dai has also actively participated in social and charity events and so has gained extensive popularity.

EXECUTIVE DIRECTORS

Guo Zeli, aged 54, the vice chairman and an executive director. Mr. Guo is involved from time to time with the strategic development and market planning of the Company and Fujian Centron. Mr. Guo is also 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 over 20 years of management experience. Mr. Guo was appointed to the board of directors of Fujian Centron on July 25, 2004. Prior to 2006, Mr. Guo served as the vice general manager of Xiamen Economic Trading Company Limited (廈門經濟特區貿易有限公司) and as the chairman of Xiamen Overseas Chinese Electronic Company Limited (廈門華僑電子股份有限公司). Mr. Guo obtained a Master's degree in Business Administration from Xiamen University in January 1998. He has been a part-time professor at the business management department of Xiamen University since 2004.

Dai Guoyu, aged 44, the chief executive officer and an executive director. Mr. Dai is mainly responsible for local and overseas' sales and marketing, development and implementation of the strategies of the Company. Mr. Dai joined Fujian Centron on May 2, 1994. Mr. Dai has almost 20 years of sales and management experience within the telecommunications industry. Mr. Dai therefore has accumulated extensive customer network. Mr. Dai is an experienced engineer in the telecommunications industry and has completed the EMBA program.

Yi Zhangtao, aged 44, an executive director. Mr. Yi is responsible for the Group's logistics and procurement and management of 深圳澤惠通通訊技術有限公司, the Group's jointly-controlled entity. Mr. Yi has almost 20 years of research and production experience within the telecommunications industry. Mr. Yi joined the Group on August 4, 1992. Prior to joining the Group, Mr. Yi was employed by Wuhan Zhongyuan Electronics Group Co. Ltd from 1986 to 1989. Mr. Yi graduated from Xi'an Electronic Technology University and obtained the title of engineer in April 2006.

NON-EXECUTIVE DIRECTORS

Paul Steven Wolansky, aged 53, a non-executive director. He is the Chairman of New China Capital Management,LLC, the fund manager for Cathay Capital Holdings, L.P. and Cathay Capital Holdings II, L.P., and a director of Cathay Investment Fund Ltd. Mr. Wolansky is also a non-executive director of China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司), a Hong Kong listed company; a non-executive director of Longtop Financial Technologies Limited, a New York Stock Exchange listed company; and a non-executive director of CNInsure, Inc., a NASDAQ listed company. Mr. Wolansky was a non-executive director of Warderly International Holdings Limited (滙多利國際控股有限公司) (from December 2003 to May 2007) a Hong Kong listed company and China Resources Land Ltd. (from August 1996 to May 2006), a Hong Kong listed company; a non-executive director of Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a PRC listed company, and China Yuchai International, a New York Stock Exchange listed company. Mr. Wolansky received a Bachelor of Arts degree from Amherst College in 1978, a JD degree from The Harvard Law School in 1981, and is admitted to practice law as a member of the bar of the State of New York.

Leung Ping-chung, Hermann, aged 53, a non-executive director. He graduated from the Chinese University of Hong Kong (香港中文大學) with a bachelor's degree in social sciences in 1979. He graduated from the Chinese University of Hong Kong with a master's degree in 1982. He is an executive director of New China Capital Management (HK) Ltd. Mr. Leung is also a non-executive director of Vinda International Holdings Limited (維達國際控股有限公司) and a non-executive director of China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司), both Hong Kong listed companies. He is a non-executive director of Wuxi Little Swan Company Limited (無錫小天鵝股份有限公司), a PRC listed company, which shares are listed on the Shenzhen Stock Exchange. He was an alternate non-executive director of Warderly International Holdings Limited (匯多利國際控股有限公司), a Hong Kong listed company, until May 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Miu Hon-Kit, aged 41, an independent non-executive director. Mr Miu was appointed to the board of directors of the Company on April 1, 2007. Mr. Miu is a qualified accountant with over 18 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investment. Mr Miu is currently the managing director for a major investment bank responsible primarily for its principal investment activities in North Asia. Prior to this, Mr Miu worked in the private equity arm of a US bank, a UK based asset management company in Hong Kong and a Big-4 accounting firm.

Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK). He is also admitted to the membership of The Institute of Chartered Accountants in England and Wales. Mr. Miu received a Bachelor of Arts in Accountancy with Honours from City University of Hong Kong and a Master's degree in Business Administration from Imperial College London.

Lin Yuanfang, aged 68, an independent non-executive director. Mr. Lin was appointed to the board of directors of the Company on April 1, 2007. Mr. Lin has been an independent non-executive director of Xiamen Overseas Chinese Electronic Co., Limited (廈門華僑電子股份有限公司) since May 2004. Mr. Lin has been the vice chairman of China Electronic Imaging Industry Association (中國電子視像行業協會) since November 2001. Mr. Lin was the vice department head of the Economic System Reform and Operation Department of the PRC Ministry of Information Industry ("MII") from 1998 to 2000. Prior to that and from 1980, Mr. Lin held various official positions in the MII, and the Ministry of Electronic Industry (電子工業部). Mr. Lin graduated from Fudan University in 1964 majoring in physics.

Li Hongbin, aged 43, an independent non-executive director. Mr. Li was appointed to the board of directors of the Company on April 1, 2007. Mr. Li has been a professor in information technologies at Peking University in 2004. Prior to that, Mr. Li was employed by Xi'an Electronic Technology University (西安電子科技大學) from 1989 to 2002. From 2002 to 2005, Mr. Li was a member of the expert panel for a national advanced technologies research and development project (Project 863). Mr. Li obtained a Master's degree in January 1989 from Xi'an Electronic Technology University (西安電子科技大學).

Senior Management Profile

Ma Ruidong, aged 44, the Company's vice president and Fujian Centron's vice president of general affairs assisting the work of chief executive officer and managing the general affairs of Fujian Centron. Mr. Ma is also currently the senior consultant of the information business department of Wireless Telecommunication Products Quality Testing Centre of China WLLC Communication Lab (中國威爾克（西安）通信試驗室). Mr. Ma joined the Fujian Centron in 2008 and has more than 20 years experience of research and development and management in the telecom industry. Mr. Ma obtained a master in engineering from Xi'an Electronic Technology University (西安電子科技大學) and is a senior engineer. He is also a senior member of Shannxi Telecom Committee(陝西省通信學會) and has participated in various setting up of the State's digital microwave standards. Mr. Ma also won an individual technology improvement Second class award in the Post and Telecommunication Department of the National 9th Five-Year Plan Period 's《155Mbps SDH Practical Project》(九五攻關項目《155Mbps SDH 實用化項目》).

Ng Wai-kee, aged 49, chief financial officer, and company secretary of the Company. Mr. Ng joined the Group on October 1, 2006. Mr. Ng has over 20 years of experience in accounting and auditing. Mr. Ng previously worked as company secretary of Global Bio-chem Technology Group Company Limited, Datasys Technology Holdings Limited, both are companies listed on the Stock Exchange and served as a non-executive director of CDW Holding Limited. Mr. Ng graduated from Hong Kong Shue Yan College in July 1985 with a diploma in accounting. Mr. Ng has been a qualified accountant since 1986 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Luo Huiping, aged 49, Fujian Centron's vice chief executive officer, vice financial officer of Nice Group Resources Limited ("Nice Group"), a wholly owned subsidiary of the Company, and a general manager of the Group's administration center. Mr. Luo joined the Group on June 7, 2005. Prior to joining the Group, Mr. Luo worked in the banking sector. Mr. Luo graduated from China Communist Party School, majoring in party administration and management in December 1998 and received a postgraduate degree in statistics from Xiamen University in September 2003.

Liu Qinghuang, aged 45, chief financial officer of Fujian Centron. Mr. Liu joined the Group in March 2007 and has experience in the fields of accounting and financial management. Prior to joining the Group, Mr. Liu served as general manager of Quanzhou City XinCheng Investment Management Consultancy Company Limited (泉州市信誠投資管理顧問有限公司) and as chief financial officer of HuaHeng Packing (Hong Kong) Group (華恒包裝（香港）集團) and as general manager of XinChengDa (Wuhan) Optical & Electrical Technology Limited (信誠達（武漢）光電科技有限公司). Mr. Liu graduated from Xiaman University, majoring in accounting and obtained the title of accountant.

DIRECTORS AND SENIOR MANAGEMENT

Yang Weimin, aged 40, assistant of Chairman of Fujian Centron and a general manager of the chief executive office of Fujian Centron, assisting the works of Chairman. 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.

Chen Hong, aged 31, the general manager of the Company's securities and investment management department and the secretary to the board of directors of Fujian Centron. Mr. Chen joined the Group on June 12, 2006. Mr. Chen was previously the International Trade Supervisor of a Hong Kong listed company. Mr. Chen obtained a Master's degree in management, majoring in accountancy, from Xiamen University in June 2006.

Xu Shiyang, aged 37, the general manager of Fujian Centron's products centre, is responsible for the research and development of Fujian Centron and production work. Mr. Xu joined Fujian Centron in 1993 and was formerly the supervisor of research and development department, the general manager of production & manufacturing centre and the manager of sales and operation department. Mr. Xu is an engineer and has more than 15 years experience of research and development, production and management in the telecommunications industry. Mr. Xu graduated from Huaqiao University in 1993, majoring in electronics engineering.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain a high standard of corporate governance with a view to enhance the management efficiency of the Group as well as preserve the interests of the shareholders as a whole.

On 4 June 2008, Fujian Centron entered into an entrusted loan agreement (the "Entrusted Loan Agreement") with a lending agent in the PRC (the "Lending Agent"). Pursuant to the Entrusted Loan Agreement, Fujian Centron had, through the Lending Agent, provided a short-term entrusted loan of RMB75,000,000 to the borrower. As the applicable percentage ratios represented by the amount of the entrusted loan exceed 5% but are less than 25%, the provision of the entrusted loan pursuant to the Entrusted Loan Agreement constituted a discloseable transaction for the Company and would have been subject to the reporting and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). An announcement for the Entrusted Loan Agreement was made on 24 April 2009. The Company admited that it should have complied with such requirements under Chapter 14 of the Listing Rules at the time when it entered into the Entrusted Loan Agreement. The delay was caused by the failure of the management of the Company to submit information relating to the Entrusted Loan Agreement to the Board for its consideration and approval at the material time. The Company has carried out more stringent measures in financial reporting and internal controls as the immediate remedial measures.

In the opinion of the Board, except for the Entrusted Loan Agreement mentioned above, the Group has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") throughout the year 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2008.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises four executive directors, two non-executive director and three independent non-executive directors. The biographical details of all directors are set out on pages 13 to 15 of this annual report. The composition of the Board is well balanced with directors having sound knowledge and skill on different areas of the Company's business. Details of composition and their respective area of responsibilities are set out in the table on page 2 of this annual report.

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

FUNCTIONS OF THE BOARD

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

MEETINGS OF THE BOARD

During the year 2008, the Board held two Board meeting . At least 7 days notice of regular Board meetings was given to all directors and they can include matters for discussion in the agenda as they think fit. Minutes of every Board meeting are kept by the secretary of the Company at the registered office and Board members are also entitled to have full access to the Board minutes and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities. Details of individual attendance of directors are set out in the table on page 22 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

RELATIONSHIP OF THE BOARD MEMBERS

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

DIRECTORS' INTEREST IN CONTRACT

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

NON-EXECUTIVE DIRECTORS

The non-executive directors, Leung Ping-chung, Hermann and Paul Steven Wolansky have each entered into an appointment letter with the Company for a term of three years commencing from 20 March 2007 and are subject to re-election at forthcoming annual general meetings in accordance with the Articles of Association of the Company and the relevant letter of appointment. Mr. Guo Zeli, formerly a non-executive director, has been re-designated as an executive director of the Company on 22 May 2008.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance of the Corporate Governance Code. The remuneration committee consists of five members, namely Mr. Yi Zhangtao, Mr. Leung Ping-chung, Hermann, Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin. Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin are independent non-executive Directors. The chairman of the remuneration committee is Mr. Leung Ping-chung, Hermann. The remuneration committee meeting shall be held at least once a year to determine the remuneration policy for directors and senior management. During the Financial Year, one remuneration committee meeting was held and the attendance of each member is set out in the attendance table on page 22 of this annual report.

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

AUDIT COMMITTEE

The audit committee has the main duties of providing an independent review of the effectiveness of the Group's financial reporting process, internal control and risk management systems. The audit committee consists of the three independent non-executive directors, namely Mr. Miu Hon-kit, Mr. Lin Yuanfang and Mr. Li Hongbin while Mr. Guo Zeli and Mr. Leung Ping-chung, Hermann had resigned as the member of the audit committee on 22 May 2008. The chairman of the Audit Committee is Mr. Miu Hon-kit. During the Financial Year, two audit committee meetings were held and the attendance of each Director is set out in the attendance table on page 22 of this annual report.

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

NOMINATION COMMITTEE

The Company established a nomination committee on 22 May 2008 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to review 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 quality in order to ensure the fairness and transparency of all nominations. The nomination committee consists 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. Lin Yuanfang is the chairman of the nomination committee.

One meeting was held by the nomination committee during the Financial Year and the attendance of each Director is set out in the attendance table on page 22 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the Company's auditor, Ernst & Young, for the year ended 31 December 2008 is set out below:

	Fee paid/payable
	Approximately RMB million
Services rendered	
Audit fee for 2008 annual audit	1.7
Non-audit service	0.3
Total	2.0

Attendance Table

Name of Director	**Position**			**Attendance out of numbers of meetings**	
		Board	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**
Executive Directors					
Mr. Dai Guoliang	Chairman	2/2			1/1
Mr. Guo Zeli	Vice Chairman	2/2		1/2*	
Mr. Dai Guoyu	CEO	2/2			
Mr. Yi Zhangtao		2/2	1/1		
Non-executive Directors					
Mr. Paul Steven Wolansky		2/2			
Mr. Leung Ping-chung, Hermann		2/2	1/1	1/2*	
Independent non-executive Directors					
Mr. Miu Hon-kit		2/2	1/1	2/2	
Mr. Lin Yuanfang		2/2	1/1	2/2	1/1
Mr. Li Hongbin		2/2	1/1	2/2	1/1

*Mr. Guo Zeli and Mr Leung Ping-chung, Hermann had resigned as a member of audit committee on 22 May 2008.

ACCOUNTABILITY OF THE BOARD

The Directors acknowledge that it is their responsibilities for preparing the financial statements of the Group, so as to give a true and fair view of the financial position, results and cash flow of the Group and presenting the interim and annual reports and announcements to shareholders. In preparing the financial statements for the year ended 31 December 2008, the Directors have adopted suitable accounting policies and applied them consistently, made judgements and estimations that are prudent and reasonable and have prepared the financial statements on a going concern basis.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to provide its shareholders accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, announcements, press release and also the company website at http://www.centron.com.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 21 days in advance of the Company's annual general meeting where the shareholders will have an opportunity to communicate directly with the Board of the Company.

INTERNAL CONTROL

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

On 4 June 2008, Fujian Centron entered into the Entrusted Loan Agreement with the Lending Agent. Pursuant to the Entrusted Loan Agreement, Fujian Centron had, through the Lending Agent, provided a short-term entrusted loan of RMB75,000,000 to the borrower. As the applicable percentage ratios represented by the amount of the entrusted loan exceed 5% but are less than 25%, the provision of the entrusted loan pursuant to the Entrusted Loan Agreement constituted a discloseable transaction for the Company and would have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. An announcement for the Entrusted Loan Agreement was made on 24 April 2009. The Company admitted that it should have complied with such requirements under Chapter 14 of the Listing Rules at the time when it entered into the Entrusted Loan Agreement. The delay was caused by the failure of the management of the Company to submit information relating to the Entrusted Loan Agreement to the Board for its consideration and approval at the material time. The Company has carried out more stringent measures in financial reporting and internal controls as the immediate remedial measures.

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

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2008.

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 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 36 to 106.

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB385.5 million were utilised in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus"), as follows:

— approximately RMB107.7 million was used for the construction of the 2nd phase of new facilities at Xunmei Industrial Area in Quanzhou;

— approximately RMB45.1 million was used for the long-term research and development;

— approximately RMB93.4 million was used for the purchase of production and testing equipment, related software and staff recruitment, their remuneration and training;

— approximately RMB28.2 million was used for establishment of overseas sales and marketing channels;

— approximately RMB36.4 million was used for the expansion of domestic sales and marketing channels; and

— approximately RMB74.7 million was used for general working capital purpose.

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**818,295**	843,368	553,390	253,845	159,238
PROFIT BEFORE TAX	**140,052**	220,437	171,132	91,035	59,295
Tax	**(21,861)**	—	(37,205)	(33,193)	(22,114)
PROFIT FOR THE YEAR	**118,191**	220,437	133,927	57,842	37,181
Attributable to:					
Ordinary equity holders of the Company	**118,191**	220,437	133,927	57,842	37,181

	As at 31 December				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,159,757**	1,066,634	395,753	170,001	103,885
Total liabilities	**(129,164)**	(91,970)	(102,270)	(80,550)	(35,776)
	1,030,593	974,664	293,483	89,451	68,109

The summary of the consolidated results of the Group for each of the three years ended 31 December 2004, 2005, and 2006 and of the assets and liabilities as at 31 December 2004, 2005, and 2006 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in the annual report of the Company for the year ended 31 December 2007. The consolidated results of the Group for the year ended 31 December 2007 and 2008 and the consolidated assets and liabilities of the Group as at 31 December 2007 and 2008 are extracted from the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 28 and 29 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

During the year, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. Details of the purchases are as follows:

	Number of shares	Purchase consideration per share		Aggregate
Month of purchase in 2008	**purchased**	**Highest**	**Lowest**	**Consideration**
		HK$	HK$	HK$
October	45,000	0.45	0.45	20,250
October	1,094,000	0.45	0.425	485,517
October	483,000	0.45	0.44	216,722
Total	1,622,000			722,489

The premium and transaction costs paid on the purchase of the shares of HK$560,000 (RMB494,000) and HK$9,000 (RMB8,000), respectively, have been charged to the share premium account of the Company.

The purchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof.

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, 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 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, 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 RMB719,445,000. The amount of RMB719,445,000 includes the Company's share premium account and capital reserve of RMB716,130,000 in aggregate at 31 December 2008, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately RMB663,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 97.6% of the total sales for the year and sales to the largest customer accounted for 43.3%. Purchases from the Group's five largest suppliers accounted for 16.2% of the Group's total purchases for the year and purchases to the largest supplier included therein accounted for 5.6%.

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

DIRECTORS

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

Executive directors:

Mr. Dai Guoliang
Mr. Dai Guoyu
Mr. Yi Zhangtao
Mr. Guo Zeli*

Non-executive directors:

Mr. Paul Steven Wolansky
Mr. Leung Ping-chung, Hermann

Independent non-executive directors:

Mr. Miu Hon-kit
Mr. Lin Yuanfang
Mr. Li Hongbin

* Mr. Guo Zeli was re-designated from the role as a non-executive director to an executive director of the Company on 22 May 2008.

In accordance with article 87(1) of the Company's articles of association, Messrs. Guo Zeli, Dai Guoyu and Lin Yuanfang 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. Miu Hon-kit, Lin Yuanfang and Li Hongbin pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing 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 of the Company and the senior management of the Group are set out on pages 13 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for a term of three years commencing on 5 July 2007. Each of the non-executive directors has been appointed for a term of three years commencing on 20 March 2007. On 22 May 2008, Mr. Guo Zeli was re-designated from the role as a non-executive director to an executive director of the Company. The Company has entered into a service agreement dated 22 May 2008 with Mr. Guo in relation to the termination of the previous service agreement dated 20 March 2007 (the "Previous Agreement") and his appointment as an executive director for a term from 5 May 2008 to 19 March 2010, being the expiry date of the Previous Agreement. Each of the independent non-executive directors has been appointed for a term of three years commencing on 1 April 2007. Under the service contracts, after each complete year of service, the remuneration payable to each of the executive directors is subject to the discretion of the Company's board of directors.

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN CONTRACTS

On 4 June 2008, Fujian Centron entered into the Entrusted Loan Agreement with the Lending Agent. Pursuant to the Entrusted Loan Agreement, Fujian Centron had, through the Lending Agent, provided a short-term entrusted loan of RMB75,000,000 to the borrower.

The entrusted loan has an effective interest rate of 11.5% per annum and is due in June 2009. The carrying amount of the Group's entrusted loan receivable approximates to its fair value due to its short maturity. The entrusted loan is secured by certain equity interests in the Lending Agent pledged by the borrower.

Messrs. Dai Guoliang, Guo Zeli, Dai Guoyu and Yi Zhangtao, the executive directors of the Company, had entered into a deed of indemnity in favour of the Company, pursuant to which the executive directors undertake (a) to indemnify the Group, on a joint and several basis, in respect of any losses, damages, costs and expenses incurred or suffered by the Group arising from the failure of the borrower to comply with its repayment obligations under the Entrusted Loan Agreement; and (b) that subject to the compliance with the relevant laws, rules and regulations (including the Listing Rules), the executive directors shall, upon demand by the Company, acquire the entrusted loan and the interest accrued thereon from the Company at a consideration equivalent to the amount of the entrusted loan and the accrued interest.

Save as disclosed in above and in the related party transactions disclosures in note 34 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, 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 Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	**Capacity and nature of interests**	**Number of shares**	**Percentage of the Company's issued share capital**
Mr. Dai Guoliang	1	Through controlled corporation	240,897,000	34.49

Note:

1. Oriental City Profits Ltd. ("Oriental City") held a 34.49% interest in the issued share capital of the Company as at 31 December 2008. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui, and Xu Shiyang. (All the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.) As mentioned above, Mr. Dai Guoliang's beneficial interest in Oriental City amounts to 61.64%. Accordingly, pursuant to the SFO, Mr. Dai Guoliang is deemed to be interested in the 240,897,000 shares held by Oriental City as he is entitled to control one-third or more of the voting power at the general meetings of Oriental City.

Long positions in ordinary shares of an associated corporation:

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

Notes:

1. Oriental City held a 34.49% interest in the issued share capital of the Company as at 31 December 2008. The share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui, and Xu Shiyang. (All the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.)

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

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

Save as disclosed above, as at 31 December 2008, 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 2008 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company 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.

No share options have been granted under the Share Option Scheme since its adoption and up to 31 December 2008. Details of the Share Option Scheme are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2008, 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	240,897,000	34.49
Mr. Dai Guoliang	(1)	Through a controlled corporation	240,897,000	34.49
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	105,000,000	15.03
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	105,000,000	15.03
Molatis Limited	(3)	Directly beneficially owned	47,250,000	6.77
Mr. Sussman Selwyn Donald	(3)	Through a controlled corporation	47,250,000	6.77
Mr. Sussman Selwyn Donald	(3)	Directly beneficially owned	8,766,000	1.26

Notes:

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

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

(3) The ordinary shares totalling 56,016,000 are beneficially held by Mr. Sussman Selwyn Donald, of which 47,250,000 shares are held through Molatis Limited.

Save as disclosed above, as at 31 December 2008, 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.

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

Chairman
Dai Guoliang

Hong Kong
25 April 2009

Ernst & Young
安 永

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

We have audited the financial statements of Centron Telecom International Holding Limited set out on pages 36 to 106, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

To the shareholders of Centron Telecom International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

25 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	5	818,295	843,368
Cost of sales		(581,232)	(561,174)
Gross profit		237,063	282,194
Other income and gains	5	15,067	23,999
Selling and distribution costs		(42,211)	(30,035)
General and administrative expenses		(70,561)	(54,161)
Finance costs	7	—	(1,560)
Share of profit of a jointly-controlled entity		694	—
PROFIT BEFORE TAX	6	140,052	220,437
Tax	10	(21,861)	—
PROFIT FOR THE YEAR		118,191	220,437
Dividends	11		
Special		—	88,000
Proposed final		—	50,350
		—	138,350
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		RMB 16.89 cents	RMB 36.09 cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**217,174**	80,881
Prepaid land lease payments	15	**11,430**	11,671
Deposit paid for purchase of property, plant and equipment		**1,521**	1,182
Prepayment for purchase of intangible assets		**3,960**	—
Intangible assets	16	**55,395**	969
Interest in a jointly-controlled entity	18	**6,661**	—
Total non-current assets		**296,141**	94,703
CURRENT ASSETS			
Inventories	19	**335,724**	100,566
Trade receivables	20	**284,472**	290,991
Entrusted loan receivable	21	**75,000**	—
Prepayments, deposits and other receivables	22	**24,858**	5,166
Available-for-sale investments	23	**2,080**	25,000
Financial assets at fair value through profit or loss	24	**—**	73,999
Due from a jointly-controlled entity	18	**974**	—
Pledged deposits	25	**30,316**	21,889
Cash and bank balances	25	**110,192**	454,320
Total current assets		**863,616**	971,931
CURRENT LIABILITIES			
Trade and bills payables	26	**102,357**	73,109
Other payables and accruals	27	**20,534**	18,861
Tax payables		**6,273**	—
Total current liabilities		**129,164**	91,970
NET CURRENT ASSETS		**734,452**	879,961
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,030,593**	974,664
Net assets		**1,030,593**	974,664

	Notes	2008 RMB'000	2007 RMB'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	28	67,993	68,136
Reserves	30(a)	962,600	856,178
Proposed final dividend	11	—	50,350
Total equity		1,030,593	974,664

Dai Guoliang
Director

Dai Guoyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to ordinary equity holders of the Company							
	Issued capital RMB'000 (note 28)	Share premium account RMB'000 (note 30(b))	Capital reserve RMB'000 (note 30(a))	Enterprise expansion and statutory reserve funds RMB'000 (note 30(a))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2008	68,136	493,900	85,106	59,807	230,657	(13,292)	50,350	974,664
Exchange realignment	—	—	—	—	—	(11,267)	—	(11,267)
Total income and expense recognised directly in equity	—	—	—	—	—	(11,267)	—	(11,267)
Profit for the year	—	—	—	—	118,191	—	—	118,191
Total income and expense for the year	—	—	—	—	118,191	(11,267)	—	106,924
Final 2007 dividend declared	—	—	—	—	—	—	(50,350)	(50,350)
Repurchase of shares	(143)	(502)	—	—	—	—	—	(645)
Transfer to enterprise expansion and statutory reserve funds	—	—	—	23,222	(23,222)	—	—	—
At 31 December 2008	67,993	493,398*	85,106*	83,029*	325,626*	(24,559)*	—	1,030,593

	Attributable to ordinary equity holders of the Company									
	Issued capital RMB'000 (note 28)	Share premium account RMB'000 (note 30(b))	Equity component of convertible bonds RMB'000	Capital reserve RMB'000 (note 30(a))	Contributed surplus RMB'000	Enterprise expansion and statutory reserve funds RMB'000 (note 30(a))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2007	—	—	18,300	—	66,806	27,547	180,830	—	—	293,483
Exchange realignment	—	—	—	—	—	—	—	(13,292)	—	(13,292)
Total income and expense recognised directly in equity	—	—	—	—	—	—	—	(13,292)	—	(13,292)
Profit for the year	—	—	—	—	—	—	220,437	—	—	220,437
Total income and expense for the year	—	—	—	—	—	—	220,437	(13,292)	—	207,145
Issue of shares for cash consideration	17,034	587,671	—	—	—	—	—	—	—	604,705
Share issue expenses	—	(42,669)	—	—	—	—	—	—	—	(42,669)
Capitalisation issue	51,102	(51,102)	—	—	—	—	—	—	—	—
Transfer to contributed surplus upon termination of convertible bonds	—	—	(18,300)	—	18,300	—	—	—	—	—
Transfer to capital reserve upon completion of group reorganisation	—	—	—	85,106	(85,106)	—	—	—	—	—
Transfer to enterprise expansion and statutory reserve funds	—	—	—	—	—	32,260	(32,260)	—	—	—
Special dividend paid (note 11)	—	—	—	—	—	—	(88,000)	—	—	(88,000)
Proposed final 2007 dividend (note 11)	—	—	—	—	—	—	(50,350)	—	50,350	—
At 31 December 2007	68,136	493,900*	—	85,106*	—	59,807*	230,657*	(13,292)*	50,350	974,664

* These reserve accounts comprise the consolidated reserves of RMB962,600,000 (2007: RMB856,178,000) in the consolidated balance sheet of the Group as at 31 December 2008.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		140,052	220,437
Adjustments for:			
Interest income	5	(10,551)	(18,262)
Finance costs	7	—	1,560
Share of profit of a jointly-controlled entity		(694)	—
Depreciation	6	12,139	4,057
Amortisation of prepaid land lease payments	6	241	141
Amortisation of intangible assets	6	2,444	705
Impairment of trade receivables	6	1,455	—
Dividend income from:			
- Available-for-sale investments	5	(1,087)	(673)
- Financial assets at fair value through profit or loss	5	(1,635)	(1,203)
		142,364	206,762
Increase in inventories		(235,158)	(26,537)
Decrease/(increase) in trade receivables		5,064	(145,903)
Increase in prepayments, deposits and other receivables		(19,692)	(993)
Increase in trade and bills payables		29,248	38,533
Increase/(decrease) in other payables and accruals	31(iv)	1,095	(13,619)
Increase in an amount due from a jointly-controlled entity		(974)	—
Decrease in an amount due to a director		—	(214)
Exchange realignment		(1,688)	(10,488)
Cash generated from/(used in) operations		(79,741)	47,541
Interest income		10,551	18,262
Interest paid		—	(1,560)
PRC profits tax paid		(15,588)	—
Net cash inflow/(outflow) from operating activities		(84,778)	64,243

	Notes	2008 RMB'000	2007 RMB'000
Net cash inflow/(outflow) from operating activities		**(84,778)**	64,243
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	31(i),(iii)	**(147,342)**	(49,875)
Purchases of equity interests in a jointly-controlled entity	31(iv)	**(5,389)**	—
Deposit paid for purchase of items of property, plant and equipment		**(1,521)**	(1,182)
Prepayment for purchase of intangible assets		**(3,960)**	—
Additions to prepaid land lease payments	31(ii)	**—**	(782)
Additions to intangible assets	16	**(56,870)**	(10)
Increase in pledged deposits		**(8,427)**	(15,219)
Increase in entrusted loan receivable	21	**(75,000)**	—
Proceeds from the redemption of available-for-sale investments		**26,087**	—
Purchases of available-for-sale investments		**(2,080)**	(25,000)
Proceeds from the redemption of financial assets at fair value through profit or loss		**75,634**	—
Purchases of financial assets at fair value through profit or loss		**—**	(73,999)
Net cash outflow from investing activities		**(198,868)**	(166,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net		**—**	562,036
Purchases of shares, net	28(f)	**(645)**	—
Final dividend paid		**(49,964)**	—
Special dividend paid		**—**	(88,000)
Repayments of bank loans		**—**	(64,000)
New bank loans		**—**	29,000
Net cash inflow/(outflow) from financing activities		**(50,609)**	439,036

	Notes	2008 RMB'000	2007 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(334,255)	337,212
Cash and cash equivalents at beginning of year		454,320	117,795
Effect of foreign exchange rates, net		(9,873)	(687)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		110,192	454,320
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	75,343	294,967
Non-pledged time deposits with original maturity of less than three months when acquired		34,849	159,353
		110,192	454,320

BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	245,413	273,082
CURRENT ASSETS			
Prepayments and other receivables	22	299	307
Due from subsidiaries	17	415,774	449,793
Financial assets at fair value through profit or loss	24	—	73,999
Cash and bank balances	25	46,879	28,152
Total current assets		462,952	552,251
CURRENT LIABILITIES			
Other payables and accruals	27	1,909	4,432
NET CURRENT ASSETS		461,043	547,819
Net assets		706,456	820,901
EQUITY			
Issued capital	28	67,993	68,136
Reserves	30(b)	638,463	702,415
Proposed final dividend	11	—	50,350
Total equity		706,456	820,901

Dai Guoliang
Director

Dai Guoyu
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 of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2001, 20/F, Grandtech Centre, 8 On Ping Street, Shatin, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi (the "RMB") and all amounts are rounded to the nearest thousand except where otherwise indicated.

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 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures - Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Agreements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]

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

HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) - Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives* [2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [3]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [3]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 is expected that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in a jointly-controlled entity are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entity, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in jointly-controlled entity.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 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 to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such 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, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

Patents and licenses

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

Technical know-how

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

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.

Treasury shares

Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost

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

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

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

Available-for-sale financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Leases

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

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

Cash and cash equivalents

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

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

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 balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

Dividends

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

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

Borrowing costs

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

Government grants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension schemes

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in central pension scheme operated by the local municipal government. The 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.

Other benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

Useful lives and impairment assessment of property, plant and equipment

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

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

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

Provision for product warranties

The Group generally provides one to two years' warranties to its customers on certain of its products, under which faulty products are repaired and replaced. The amount of the warranty provisions is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. During the years ended 31 December 2008 and 2007, the provision for product warranties was not recognised as the effect was estimated by the Group to be insignificant.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

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.

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 each balance sheet date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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. 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, and the sale of digital television network coverage equipment. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single business segment.

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2008 RMB'000	2007 RMB'000
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	811,455	843,368
Sale of digital television network coverage equipment	6,840	—
	818,295	843,368
Other income and gains		
Bank interest income	10,551	18,262
Dividend income from available-for-sale investments	1,087	673
Dividend income from financial assets at fair value through profit or loss	1,635	1,203
Subsidy income from the PRC government	1,790	3,681
Exchange gains, net	—	180
Others	4	—
	15,067	23,999

6. PROFIT BEFORE TAX

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

	Notes	2008 RMB'000	2007 RMB'000
Cost of inventories sold*		**581,232**	561,174
Depreciation	14	**12,139**	4,057
Amortisation of prepaid land lease payments	15	**241**	141
Amortisation of intangible assets**	16	**2,444**	705
Minimum lease payments under operating leases in respect of land and buildings		**1,689**	718
Employee benefits expenses (including directors' remuneration - note 8):			
Wages and salaries		**49,482**	31,593
Fees		**801**	656
Staff welfare expenses		**7,097**	5,053
Pension scheme contributions (defined contribution schemes)***		**51**	21
		57,431	37,323
Auditors' remuneration		**1,700**	1,400
Dividend income from available-for-sale investments		**(1,087)**	(673)
Dividend income from financial assets at fair value through profit or loss		**(1,635)**	(1,203)
Research and development expenditure****		**16,817**	8,886
Product warranty cost*****		**2,183**	2,805
Impairment of trade receivables**	20	**1,455**	—
Bank interest income		**(10,551)**	(18,262)
Foreign exchange differences, net		**443**	(180)

6. PROFIT BEFORE TAX (continued)

* The cost of inventories sold for the year includes RMB21,729,000 (2007: RMB15,518,000), relating to direct employee benefits expenses, depreciation of manufacturing activities and operating lease rentals of land and buildings, which are also included in the total amounts disclosed above for each of these types of expenses.

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

*** As at 31 December 2008, the Group had no (2007: Nil) forfeited contributions available to reduce its contributions to the pension schemes in future years.

**** The research and development expenditure for the year includes RMB5,836,000 (2007: RMB2,666,000) relating to operating lease rentals of land and buildings, depreciation of a research and development centre, amortisation of intangible assets and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

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

7. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
Interest on bank loans wholly payable within five years	—	1,560

8. DIRECTORS' REMUNERATION

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

	2008 RMB'000	2007 RMB'000
Fees:		
- Executive directors	**254**	174
- Non-executive directors	**172**	174
- Independent non-executive directors	**375**	308
	801	656
Other emoluments:		
Salaries	**3,152**	1,557
	3,953	2,213

(a) Independent non-executive directors

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

	2008 RMB'000	2007 RMB'000
Mr. Miu Hon-kit	**161**	132
Mr. Lin Yuanfang	**107**	88
Mr. Li Hongbin	**107**	88
	375	308

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2008				
Executive directors:				
Mr. Dai Guoliang	71	1,411	—	1,482
Mr. Dai Guoyu	71	720	—	791
Mr. Yi Zhangtao	71	420	—	491
Mr. Guo Zeli*	41	601	—	642
	254	3,152	—	3,406
Non-executive directors:				
Mr. Guo Zeli*	30	—	—	30
Mr. Paul Steven Wolansky	71	—	—	71
Mr. Leung Ping-chung, Hermann	71	—	—	71
	172	—	—	172
	426	3,152	—	3,578

* Pursuant to a resolution passed on 22 May 2008, Mr. Guo Zeli was re-designated from the role as a non-executive director to an executive director of the Company with effect from the same date.

8. DIRECTORS' REMUNERATION (continued)

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

There was no performance related bonus paid or payable to any director during the year (2007: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2007: two) non-director, highest paid employee for the year are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Salaries	**709**	1,071
Pension scheme contributions	**11**	6
	720	1,077

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

	Number of employees	
	2008	2007
Nil to RMB1,000,000	**1**	2
RMB1,000,001 to RMB1,500,000	**—**	—
RMB1,500,001 to RMB2,000,000	**—**	—
	1	2

During the year, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	2008 RMB'000	2007 RMB'000
Current tax - PRC		
Charge for the year	21,861	—

Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary of the Group operating in Mainland China, was exempted from the PRC corporate income tax for the two years commencing from its first profit-making year from 2006 and thereafter is entitled to a 50% reduction in the PRC corporate income tax for the three years from 1 January 2008 to 31 December 2010 (the "Existing Tax Holiday").

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

Group - 2008

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(10,421)	150,473	140,052
Tax expense/(credit) at the statutory tax rate	(1,719)	37,618	35,899
Lower tax rate due to the Existing Tax Holiday	—	(20,107)	(20,107)
Income not subject to tax	(498)	(948)	(1,446)
Expenses not deductible for tax	147	1,494	1,641
Tax losses not recognised	2,148	2,710	4,858
Temporary difference not recognised	(78)	2,489	2,411
Profit attributable to a jointly-controlled entity	—	(173)	(173)
Others	—	(1,222)	(1,222)
Tax charge at the Group's effective rate	—	21,861	21,861

10. TAX (continued)

Group - 2007

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

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

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

The share of tax attributable to a jointly-controlled entity amounting to RMB73,000 (2007: Nil), is included in "Share of profit of a jointly-controlled entity" on the face of the consolidated income statement.

The Group has tax losses arising in Hong Kong of RMB16,827,000 (2007: RMB3,807,000) 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 RMB10,841,000 (2007: Nil) that will expire in five years for offsetting against future taxable profit. 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.

10. TAX (continued)

Pursuant to the Corporate 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 China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB154,816,000 at 31 December 2008 (2007: Nil).

11. DIVIDENDS

The directors resolved not to declare any dividend for the year ended 31 December 2008 (2007: special dividend totalling approximately RMB88,000,000 and final dividend of RMB7.19 cents (HK 8 cents) per ordinary share, totalling approximately RMB50,350,000).

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB118,191,000 (2007: RMB220,437,000) and the weighted average of 699,713,000 (2007: 610,822,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share amount for the year ended 31 December 2007 includes the pro forma issued share capital of the Company of 525,000,000 shares, comprising:

(i) the 1 share of the Company allotted and issued at nil paid on 6 March 2007 (note 28(c)) ;

(ii) the 999 shares issued as consideration for the acquisition of Nice Group Resources Limited ("Nice Group") on 3 June 2007 (note 28(d)(ii)); and

(iii) the capitalisation issue of 524,999,000 shares (note 28(d)(iii)).

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

Since no share options were issued during the years ended 31 December 2008 and 2007, there was no potential dilutive ordinary share in existence and, accordingly, no diluted earnings per share amount has been presented for these years.

13. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2008 includes a loss of RMB4,573,000 (2007: a profit of RMB7,888,000) which has been dealt with in the financial statements of the Company (note 30(b)).

14. 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	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2008	43,791	20,150	—	4,560	7,917	16,791	93,209
Additions	—	46,418	—	2,853	2,415	96,838	148,524
Transfers	71,252	—	34,368	—	8,009	(113,629)	—
Exchange realignment	—	—	—	(80)	(24)	—	(104)
At 31 December 2008	115,043	66,568	34,368	7,333	18,317	—	241,629
Accumulated depreciation:							
At 1 January 2008	1,040	6,811	—	2,575	1,902	—	12,328
Charge for the year	3,346	4,171	822	1,041	2,759	—	12,139
Exchange realignment	—	—	—	(8)	(4)	—	(12)
At 31 December 2008	4,386	10,982	822	3,608	4,657	—	24,455
Net book value:							
At 31 December 2008	110,657	55,586	33,546	3,725	13,660	—	217,174
At 31 December 2007	42,751	13,339	—	1,985	6,015	16,791	80,881

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

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

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

	2008 RMB'000	2007 RMB'000
Medium-term leases:		
Outside Hong Kong	**110,657**	42,751

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

At 31 December 2008, none of the Group's property, plant and equipment was pledged to secure general banking facilities granted to the Group (2007: Nil).

During the year ended 31 December 2008, office buildings with an aggregate net book value of RMB44 million and a factory building with a net book value of RMB8.4 million were transferred from construction in progress to buildings upon completion. As at 31 December 2008, the Group has not yet obtained the title ownership certificates in respect of these newly constructed office and factory buldings situated in Quanzhou, the PRC. The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of the land on which the buildings are located, there is no legal barrier or otherwise for the Group to obtain the buildings ownership certificates for the buildings from the relevant PRC government authority.

15. PREPAID LAND LEASE PAYMENTS

Group

	2008	2007
	RMB'000	RMB'000
Carrying amount at 1 January	**11,912**	—
Additions	**—**	12,053
Amortised during the year	**(241)**	(141)
Carrying amount at 31 December	**11,671**	11,912
Current portion included in prepayments, deposits and other receivables	**(241)**	(241)
Non-current portion	**11,430**	11,671

The Group's prepaid land lease payments comprise land in Mainland China under medium-term leases.

16. INTANGIBLE ASSETS

Group

	Patents and licenses RMB'000	Technical know-how RMB'000	Computer software RMB'000	Total RMB'000
Cost:				
At 1 January 2008	3,530	—	—	3,530
Additions	—	44,390	12,480	56,870
At 31 December 2008	3,530	44,390	12,480	60,400
Accumulated amortisation:				
At 1 January 2008	2,561	—	—	2,561
Amortised during the year	706	1,738	—	2,444
At 31 December 2008	3,267	1,738	—	5,005
Net carrying amount:				
At 31 December 2008	263	42,652	12,480	55,395
At 31 December 2007	969	—	—	969

16. INTANGIBLE ASSETS (continued)

Group (continued)

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

17. INVESTMENTS IN SUBSIDIARIES

Company

	2008 RMB'000	2007 RMB'000
Unlisted investments, at cost	**245,413**	273,082

The amounts due from subsidiaries of RMB415,774,000 (2007: RMB449,793,000) are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

17. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Nice Group*	British Virgin Islands (the "BVI")/ Hong Kong	USD1,000	100	Investment holding
Indirectly held:				
Fujian Centron*	PRC/Mainland China	RMB317,712,911 (note (i))	100	Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services
Centron Telecom System (Asia) Limited	Hong Kong	HK$1	100	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
深圳市星辰華興通信有限公司 ("Centron Shenzhen")*/#	PRC/Mainland China	RMB5,000,000 (note (iii))	100	Coordination, research and development of wireless telecommunications coverage system products

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

\# Subsidiaries established during the year.

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. Its registered capital was increased from RMB75,000,000 to RMB350,000,000 during the year ended 31 December 2007 and of which RMB317,712,911 was paid up as at 31 December 2008. A capital commitment of RMB32,287,089 (2007: RMB40,069,190) is disclosed in note 33 to the financial statements.

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

(iii) Centron Shenzhen was registered as a limited liability company under the PRC law.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

Group

	2008 RMB'000	2007 RMB'000
Share of net assets	5,226	—
Goodwill on acquisition	1,435	—
	6,661	—

The amount due from the jointly-controlled entity of RMB974,000 (2007: Nil) is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due from the jointly-controlled entity approximates to its fair value.

Particulars of the jointly-controlled entity are as follows:

			Percentage of			
Name	Paid-up capital	Place of registration	Ownership interest	Voting power	Profit sharing	Principal activities
深圳澤惠通通訊技術有限公司	RMB9,390,600	PRC	62	57	62	Research, development, manufacture and sale of wireless telecommunications coverage system equipment

The investment in the jointly-controlled entity is indirectly held by the Company.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

Group (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

Share of the jointly-controlled entity's assets and liabilities:

	2008 RMB'000	2007 RMB'000
Current assets	8,104	—
Non-current assets	2,416	—
Current liabilities	(5,294)	—
Net assets	5,226	—

Share of the jointly-controlled entity's results:

	2008 RMB'000	2007 RMB'000
Revenue	4,468	—
Other income	3	—
	4,471	—
Total expenses	(3,704)	—
Tax	(73)	—
Profit after tax	694	—

19. INVENTORIES

	Group	
	2008	2007
	RMB'000	RMB'000
Raw materials	**220,931**	45,113
Work in progress	**21,461**	6,346
Finished goods	**93,332**	49,107
	335,724	100,566

20. TRADE RECEIVABLES

	Group	
	2008	2007
	RMB'000	RMB'000
Trade receivables	**285,927**	290,991
Impairment	**(1,455)**	—
	284,472	290,991

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

20. TRADE RECEIVABLES (continued)

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

	Group	
	2008	2007
	RMB'000	RMB'000
Within 3 months	**219,545**	215,860
3 to 6 months	**52,431**	65,065
6 to 12 months	**9,157**	9,724
Over 1 year	**3,339**	342
	284,472	290,991

The carrying amounts of the Group's trade receivables approximate to their fair values.

The movements in impairment allowance for trade receivables are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	**—**	—
Impairment losses recognised (note 6)	**(1,455)**	—
	(1,455)	—

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of RMB1,455,000 (2007: Nil) with a carrying amount of RMB1,455,000 (2007: Nil). The individually impaired trade receivables relate to a customer that was in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

20. TRADE RECEIVABLES (continued)

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

	Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**283,956**	290,941
Less than 1 month past due	**131**	—
1 to 3 months past due	**—**	—
More than 3 months past due	**385**	50
	284,472	290,991

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

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

21. ENTRUSTED LOAN RECEIVABLE

	Group	
	2008	2007
	RMB'000	RMB'000
Entrusted loan receivable	**75,000**	—
Impairment	**—**	—
	75,000	—

On 4 June 2008, Fujian Centron entered into an entrusted loan agreement (the "Entrusted Loan Agreement") with a lending agent in the PRC (the "Lending Agent"). Pursuant to the Entrusted Loan Agreement, Fujian Centron had, through the Lending Agent, provided a short-term entrusted loan of RMB75,000,000 to the borrower.

The entrusted loan has an effective interest rate of 11.5% per annum and is due in June 2009. The carrying amount of the Group's entrusted loan receivable approximates to its fair value due to its short maturity. The entrusted loan is secured by certain equity interests in the Lending Agent pledged by the borrower.

Messrs. Dai Guoliang, Guo Zeli, Dai Guoyu and Yi Zhangtao, the executive directors of the Company, had entered into a deed of indemnity in favour of the Company, in respect of, among other matters, any losses, damages, costs and expenses incurred or suffered by the Group arising from the failure of the borrower to comply with its repayment obligations under the Entrusted Loan Agreement. Further details of the above are set out in note 34 to the financial statements.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments and other receivables	**8,964**	5,107	**278**	307
Deposits paid	**76**	59	**21**	—
Value added tax receivables	**15,818**	—	**—**	—
	24,858	5,166	**299**	307

Other receivables are non-interest-bearing and the carrying amounts approximate to their fair values.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008	2007
	RMB'000	RMB'000
Unlisted investments, at fair value	**2,080**	25,000

During the year, the gross dividend income of the Group's available-for-sale investments amounted to RMB1,087,000 (2007: Nil) was recognised directly in the income statement for the year.

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Money market fund outside Hong Kong, at fair value	**—**	73,999	**—**	73,999

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

25. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**75,343**	294,967	**12,702**	4,705
Time deposits	**65,165**	181,242	**34,177**	23,447
	140,508	476,209	**46,879**	28,152
Less: Time deposits pledged for bills payable facilities	**(30,316)**	(21,889)	**—**	—
Cash and cash equivalents	**110,192**	454,320	**46,879**	28,152

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to RMB59,622,000 (2007: RMB287,039,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. 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:

	Group	
	2008	2007
	RMB'000	RMB'000
Within 3 months	**102,330**	71,921
3 to 6 months	**27**	190
6 to 12 months	**—**	956
Over 1 year	**—**	42
	102,357	73,109

The trade payables are non-interest-bearing and are normally settled on two to three months terms. The carrying amounts of trade and bills payables approximate to their fair values.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**753**	4,924	**38**	4,432
Value added tax payables	**24**	4,043	**—**	—
Accruals	**12,823**	9,894	**1,871**	—
Deposits received from customers	**6,934**	—	**—**	—
	20,534	18,861	**1,909**	4,432

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

28. SHARE CAPITAL

	2008		2007	
	HK$'000	RMB'000	HK$'000	RMB'000
Authorised:				
1,000,000,000 (2007: 1,000,000,000) ordinary shares of HK$0.1 (2007: HK$0.1) each	100,000	97,337	100,000	97,337
Issued and fully paid:				
698,378,000 (2007: 700,000,000) ordinary shares of HK$0.1 (2007: HK$0.1) each	69,838	67,993	70,000	68,136

28. SHARE CAPITAL (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 6 March 2007 (date of incorporation) to 31 December 2008:

	Notes	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:				
Upon incorporation	(a)	3,800,000	380	370
Increase in authorised share capital	(b)	996,200,000	99,620	96,967
At 31 December 2007 and 2008		1,000,000,000	100,000	97,337
Issued:				
Allotted and issued at nil paid	(c)	1	—	—
On acquisition of Nice Group:				
Allotted and issued at nil paid	(d)(i)	999	—	—
Nil paid shares credited as fully paid	(d)(ii)	—	—	—
Capitalisation issue credited as fully paid: Conditional on the share premium account of the Company, being credited as a result of the issue of the new shares to the public	(d)(iii)	524,999,000	—	—
Pro forma share capital at 31 December 2007		525,000,000	—	—
Capitalisation of the share premium account as set out above		—	52,500	51,102
New issue of shares	(e)	175,000,000	17,500	17,034
At 31 December 2007 and 1 January 2008		700,000,000	70,000	68,136
Repurchase of shares	(f)	(1,622,000)	(162)	(143)
At 31 December 2008		698,378,000	69,838	67,993

28. SHARE CAPITAL (continued)

Notes:

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

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

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

(d) Pursuant to the resolutions passed on 3 June 2007 and a reogranisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 3 June 2007 (the "Group Reorganisation"):

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

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

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

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

(f) During the year, the Company repurchased and cancelled 1,622,000 of its ordinary shares of HK$0.1 each from the market at a total cash consideration of approximately HK$731,000 (RMB645,000), including the transaction cost of approximately HK$9,000 (RMB8,000).

Upon completion of the repurchases of the Company's shares, approximately HK$162,000 (RMB143,000) and approximately HK$569,000 (RMB502,000) of the par value of shares repurchased and the corresponding premium were debited from the share capital and share premium account, respectively.

29. SHARE OPTION SCHEME

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

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

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 ("Exercise Period"). The exercise price shall be determined as the highest of the following:

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

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

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

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

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

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

There were no outstanding share options as at 31 December 2008, as the Company has not granted any share options to any eligible participants since 3 June 2007.

30. RESERVES

(a) Group

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

The Group's contributed surplus originally represented the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefor. The amounts of the Group's contributed surplus and capital reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity. During the year ended 31 December 2007, the remaining balance of the Group's contributed surplus of RMB85,106,000 was transferred to the Group's capital reserve upon the completion of the Group Reorganisation.

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 of RMB21,400,000 and (ii) the nominal value of the convertible bonds of RMB18,300,000 issued by Cathay Mobile Communications Limited (a substantial shareholder of the Company as at 31 December 2008 and 2007) 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, a subsidiary of the Company established in the PRC is required to transfer a certain percentage of its profit after tax, if any, to the enterprise expansion and statutory reserve funds which are non-distributable, before profit distributions to shareholders. These transfers continue until the amount of the reserve funds equals 50% of the registered capital of the subsidiary. The amounts of transfers are subject to the approval of the board of directors of the subsidiary.

30. RESERVES (continued)

(b) Company

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Upon incorporation		—	—	—	—	—
Profit for period		—	—	—	7,888	7,888
Total income and expense for the period		—	—	—	7,888	7,888
Exchange realignment		—	—	(22,105)	—	(22,105)
Arising on the Group Reorganisation		—	361,082	—	—	361,082
Issue of shares for cash consideration	28(e)	587,671	—	—	—	587,671
Share issue expenses		(42,669)	—	—	—	(42,669)
Capitalisation issue	28(d)(iii)	(51,102)	—	—	—	(51,102)
Special dividend paid	11	—	(88,000)	—	—	(88,000)
Proposed final 2007 dividend	11	—	(50,350)	—	—	(50,350)
At 31 December 2007		493,900	222,732	(22,105)	7,888	702,415
Loss for the year		—	—	—	(4,573)	(4,573)
Total income and expense for the year		—	—	—	(4,573)	(4,573)
Exchange realignment		—	—	(58,877)	—	(58,877)
Repurchase of shares	28(f)	(502)	—	—	—	(502)
At 31 December 2008		493,398	222,732	(80,982)	3,315	638,463

The capital reserve of the Company represents the difference between the cost of investments in subsidiaries pursuant to the Group Reorganisation, over the nominal value of the then existing 1,000 shares of HK$0.1 each of the Company credited as fully paid at par (note 28(d)(ii)).

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(i) The deposit paid for the purchase of property, plant and equipment of RMB2,942,000 as at 31 December 2006 was applied to partly satisfy the consideration for the purchases of items of property, plant and equipment for the year ended 31 December 2007.

(ii) The deposit paid for the purchase of land use rights of RMB11,271,000 as at 31 December 2006 was applied to partly satisfy the consideration for the purchase of land use rights for the year ended 31 December 2007.

(iii) The deposit paid for the purchase of property, plant and equipment of RMB1,182,000 as at 31 December 2007 was applied to partly satisfy the consideration for the purchases of items of property, plant and equipment during the year.

(iv) During the year, the Group acquired a 62% equity interest in a jointly-controlled entity (note 18) for a total cash consideration of RMB5,967,000. The Group has paid up RMB5,389,000 and the remaining balance of RMB578,000 was reflected as an other payable in the Group's consolidated balance sheet as at 31 December 2008.

32. OPERATING LEASE ARRANGEMENTS

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

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

	2008	2007
	RMB'000	RMB'000
Within one year	**1,095**	1,187
In the second to fifth years, inclusive	**72**	427
	1,167	1,614

The Company had no operating lease commitments at 31 December 2008 (2007: Nil).

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments at the balance sheet date.

	2008 RMB'000	2007 RMB'000
Contracted commitment in respect of the unpaid capital of Fujian Centron	32,287	40,069
Contracted commitment in respect of the purchase of intangible assets	990	—
Contracted commitment in respect of the construction of certain new factory buildings	2,872	4,781
	36,149	44,850

The Company had no commitments at 31 December 2008 (2007: Nil).

34. RELATED PARTY TRANSACTIONS

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

	Notes	2008 RMB'000	2007 RMB'000
Discontinued transaction			
Rental expense for a factory premise paid to Dai Guoliang, a director of the Company	(a)	—	63
Continuing transaction			
Rental expense paid to Chen Shuru, the spouse of Dai Guoliang	(b)	242	242

Notes:

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

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

34. RELATED PARTY TRANSACTIONS (continued)

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

	2008 RMB'000	2007 RMB'000
Short-term employee benefits	3,578	1,905
Post-employment benefits	—	—
Total compensation paid to key management personnel	3,578	1,905

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

The directors are of the opinion that the transactions in (i) and (ii) above were conducted in the ordinary course of business of the Group.

(iii) Messrs. Dai Guoliang, Guo Zeli, Dai Guoyu and Yi Zhangtao, the executive directors of the Company, had entered into a deed of indemnity in favour of the Company, pursuant to which the executive directors undertake (a) to indemnify the Group, on a joint and several basis, in respect of any losses, damages, costs and expenses incurred or suffered by the Group arising from the failure of the borrower to comply with its repayment obligations under the Entrusted Loan Agreement; and (b) that subject to the compliance with the relevant laws, rules and regulations (including the Listing Rules), the executive directors shall, upon demand by the Company, acquire the entrusted loan and the interest accrued thereon from the Company at a consideration equivalent to the amount of the entrusted loan and the accrued interest. Further details of the Entrusted Loan Agreement are set out in note 21 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2008

Financial assets

	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade receivables	—	284,472	284,472
Entrusted loan receivable	—	75,000	75,000
Financial assets included in prepayments, deposits and other receivables	—	3,803	3,803
Available-for-sale investments	2,080	—	2,080
Due from a jointly-controlled entity	—	974	974
Pledged deposits	—	30,316	30,316
Cash and bank balances	—	110,192	110,192
	2,080	504,757	506,837

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	102,357
Financial liabilities included in other payables and accruals	753
	103,110

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group

2007

Financial assets

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

Financial liabilities

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

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Company

2008

Financial assets

	Loans and receivables RMB'000
Financial assets included in prepayments and other receivables	21
Due from subsidiaries	415,774
Cash and bank balances	46,879
	462,674

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	38

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Company

2007

Financial assets

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

Financial liabilities

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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 has not used any forward contract or currency borrowing to hedge its exposure as foreign currency risk is considered minimal.

Credit risk

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

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

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

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

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

Group

2008

	On demand RMB'000	Less than 12 months RMB'000	Total RMB'000
Trade and bills payables	**2,303**	**100,054**	**102,357**
Financial liabilities included in other payables and accruals	**47**	**706**	**753**
	2,350	**100,760**	**103,110**

Group

2007

	On demand RMB'000	Less than 12 months RMB'000	Total RMB'000
Trade and bills payables	42,278	30,831	73,109
Financial liabilities included in other payables and accruals	6,227	4,091	10,318
	48,505	34,922	83,427

Company

	2008 On demand RMB'000	2007 On demand RMB'000
Financial liabilities included in other payables and accruals	**38**	4,432

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Commodity price risk

The major raw materials used in the production of the Group's products include metal cables and various electronic components. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

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 shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

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, and other payables and accruals. Capital includes equity attributable to ordinary equity holders of the Company.

The Group's gearing ratio as at the balance sheet date was as follows:

	2008 RMB'000	2007 RMB'000
Trade and bills payables	102,357	73,109
Other payables and accruals	20,534	18,861
Total debt	122,891	91,970
Equity attributable to ordinary equity holders of the Company	1,030,593	974,664
Total capital plus total debt	1,153,484	1,066,634
Gearing ratio	10.7%	8.6%

37 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2009.

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