星辰通信国际控股有限公司

Centron Telecom International Holding Limited

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

(Stock Code: 1155)

(股份代號:1155)

Interim Report 2009

CONTENTS

The board of directors (the "Board") of Centron Telecom International Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**563,530**	369,432
Cost of sales		**(406,892)**	(265,888)
Gross profit		**156,638**	103,544
Other income and gains	4	**5,003**	5,348
Selling and distribution costs		**(25,508)**	(19,529)
General and administrative expenses		**(44,476)**	(27,666)
Share of profit of a jointly-controlled entity		**1,174**	—
PROFIT BEFORE TAX	5	**92,831**	61,697
Tax	6	**(9,469)**	(8,529)
PROFIT FOR THE PERIOD		**83,362**	53,168
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**83,362**	53,168
DIVIDEND	7	**—**	—
Earnings per share attributable to ordinary equity holders of the Company			
Basic (RMB cents)	8	**11.94**	7.60
Diluted (RMB cents)		**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**83,362**	53,168
Other comprehensive income		
Exchange differences on translation of foreign operations	**102**	(13,016)
Total comprehensive income for the period	**83,464**	40,152
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**83,464**	40,152

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	Notes	**30 June 2009 (Unaudited) *RMB'000***	31 December 2008 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**208,231**	217,174
Prepaid land lease payments		**11,309**	11,430
Deposit paid for purchase of property, plant and equipment		**6,297**	1,521
Prepayment for purchase of intangible assets		**3,960**	3,960
Intangible assets		**45,660**	55,395
Interest in a jointly-controlled entity		**7,835**	6,661
Deferred tax assets		**3,661**	—
Total non-current assets		**286,953**	296,141
CURRENT ASSETS			
Inventories		**367,915**	335,724
Trade receivables	10	**549,133**	284,472
Entrusted loan receivable	11	**—**	75,000
Prepayments, deposits and other receivables		**13,308**	24,858
Available-for-sale investments		**—**	2,080
Due from a jointly-controlled entity		**571**	974
Pledged deposits		**36,302**	30,316
Cash and bank balances		**100,291**	110,192
Total current assets		**1,067,520**	863,616
CURRENT LIABILITIES			
Trade and bills payables	12	**212,029**	102,357
Other payables and accruals		**23,701**	20,534
Tax payables		**4,686**	6,273
Total current liabilities		**240,416**	129,164
NET CURRENT ASSETS		**827,104**	734,452
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,114,057**	1,030,593
Net assets		**1,114,057**	1,030,593

	Notes	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	**67,993**	67,993
Reserves		**1,046,064**	962,600
Total equity		**1,114,057**	1,030,593

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to equity holders of the Company						
	Issued capital	Share premium account	Capital reserve	Enterprise expansion and statutory reserve funds	Retained profits	Exchange fluctuation reserve	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008 (audited) and 1 January 2009	67,993	493,398	85,106	83,029	325,626	(24,559)	1,030,593
Profit for the period	—	—	—	—	83,362	—	83,362
Exchange differences on translation of foreign operations	—	—	—	—	—	102	102
Total comprehensive income for the period	—	—	—	—	83,362	102	83,464
At 30 June 2009 (unaudited)	**67,993**	**493,398**	**85,106**	**83,029**	**408,988**	**(24,457)**	**1,114,057**
At 31 December 2007 (audited) 1 January 2008	68,136	493,900	85,106	59,807	281,007	(13,292)	974,664
Profit for the period	—	—	—	—	53,168	—	53,168
Exchange differences on translation of foreign operations	—	—	—	—	—	(13,016)	(13,016)
Total comprehensive income for the period	—	—	—	—	53,168	(13,016)	40,152
Final dividend for the year ended 31 December 2007	—	—	—	—	(50,350)	—	(50,350)
At 30 June 2008 (unaudited)	68,136	493,900	85,106	59,807	283,825	(26,308)	964,466

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	**(75,244)**	86,248
INVESTING ACTIVITIES	**65,243**	(28,554)
FINANCING ACTIVITIES	**—**	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,001)**	57,694
Cash and cash equivalents at beginning of period	**110,192**	454,320
Effect of foreign exchange rates, net	**100**	(14,423)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**100,291**	497,591
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**100,291**	497,591

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

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 Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except for the adoption of new and revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards ("new HKFRSs") issued by the HKICPA as disclosed in note 2.1 below.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1. Impact of new and revised Hong Kong Financial Reporting Standards

During the six months ended 30 June 2009, the Group has adopted, for the first time, the following new and revised HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for annual periods beginning on or after 1 January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
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*
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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	Operating Segments
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*
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1. Impact of new and revised Hong Kong Financial Reporting Standards *(Continued)*

* Improvements to HKFRSs issued in October 2008 contain 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. Except for the amendment to HKFRS 5 which is effective for annual periods beginning 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.

The adoption of the new HKFRSs, except for HKAS 1 (Revised) as described below, 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.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2. Impact of issued but not yet effective HKFRSs

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

HKFRSs Amendments	Improvements to HKFRSs October 2008[1]
HKFRSs Amendments	Improvements to HKFRSs May 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

1 Amendment to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)–Int 9 and HK(IFRIC)–Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)–Int 9 and HK(IFRIC)–Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

3 Effective for annual periods beginning on or after 1 July 2009.

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 these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services, 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 operating segment.

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services	**561,767**	369,432
Sale of digital television network coverage equipment	**1,763**	—
	563,530	369,432
Other income and gains		
Bank interest income	**4,954**	4,145
Dividend income from financial assets at fair value through profit or loss and available-for-sale investments	**10**	1,203
Others	**39**	—
	5,003	5,348

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**406,892**	265,888
Depreciation	**10,027**	3,517
Amortisation of intangible assets	**9,735**	353
Amortisation of prepaid land lease payments	**121**	121

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: 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.

For the period ended 30 June 2009, share of the jointly-controlled entity's tax is RMB42,000 (30 June 2008: Nil).

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – PRC		
Charge for the period	**13,130**	8,529
Deferred tax	**(3,661)**	—
Tax charge for the period	**9,469**	8,529

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").

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%.

7. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the profit attributable to equity holders of the Company of RMB83,362,000 (30 June 2008: RMB53,168,000) and the number of ordinary shares in issue during the six months ended 30 June 2009 of 698,378,000 (30 June 2008: 700,000,000)

Since no share options were issued during the six months periods ended 30 June 2009 and 2008, there was no potential dilutive ordinary share in existence and, accordingly, no diluted earnings per share amount has been presented for these periods.

9. PROPERTY, PLANT AND EQUIPMENT

	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:							
As 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)
As at 31 December 2008 and at 1 January 2009	115,043	66,568	34,368	7,333	18,317	—	241,629
Additions	—	699	—	—	449	13	1,161
Disposal	—	—	—	—	(89)	—	(89)
Exchange realignment	—	—	—	2	—	—	2
As at 30 June 2009	**115,043**	**67,267**	**34,368**	**7,335**	**18,677**	**13**	**242,703**
Accumulated depreciation:							
As at 1 January 2008	1,040	6,811	—	2,575	1,902	—	12,328
Provided during the year	3,346	4,171	822	1,041	2,759	—	12,139
Exchange realignment	—	—	—	(8)	(4)	—	(12)
As at 31 December 2008 and 1 January 2009	4,386	10,982	822	3,608	4,657	—	24,455
Provided during the period	2,732	3,346	1,632	604	1,713	—	10,027
Disposal	—	—	—	—	(10)	—	(10)
As at 30 June 2009	**7,118**	**14,328**	**2,454**	**4,212**	**6,360**	**—**	**34,472**
Net book value:							
As at 30 June 2009	**107,925**	**52,939**	**31,914**	**3,123**	**12,317**	**13**	**208,231**
As at 31 December 2008	110,657	55,586	33,546	3,725	13,660	—	217,174

The Group's buildings were situated outside Hong Kong and were held under medium term leases.

10. TRADE RECEIVABLES

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.

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

	30 June 2009 (Unaudited) ***RMB'000***	31 December 2008 (Audited) *RMB'000*
Within 3 months	**284,632**	219,545
3 to 6 months	**229,619**	52,431
6 to 12 months	**33,616**	9,157
Over 1 year	**1,266**	3,339
	549,133	284,472

11. ENTRUSTED LOAN RECEIVABLE

	30 June 2009 (Unaudited) ***RMB'000***	31 December 2008 (Audited) *RMB'000*
Entrusted load receivable	**—**	75,000
Impairment	**—**	—
	—	75,000

On 4 June 2008, Fujian Centron entered into an entrusted loan argreement (the "Entrusted Loan Agreement") with a lending agent in the PRC. 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.

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.

On 18 June 2009, Fujian Centron received repayment of the total principal amount, including the entire interest portion, of the entrusted loan of RMB75,000,000. All payment obligations of the borrower under the Entrusted Loan Agreement have been discharged. An announcement for the repayment of the entrusted loan was made by the Company on 23 June 2009.

12. TRADE AND BILLS PAYABLES

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

	30 June 2009 (Unaudited) *RMB'000*	31 December 2008 (Audited) *RMB'000*
Within 3 months	**211,175**	102,330
3 to 6 months	**795**	27
6 to 12 months	**59**	—
	212,029	102,357

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

13. SHARE CAPITAL

(a) Authorised and issued capital

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
Authorised:				
1,000,000,000 (2008: 1,000,000,000) ordinary shares of HK$0.1 (2008: HK$0.1) each	**100,000**	**97,337**	100,000	97,337
Issued and fully paid:				
698,378,000 (2008: 698,378,000) ordinary shares of HK$0.1 (2008: HK$0.1) each	**69,838**	**67,993**	69,838	67,993

13. SHARE CAPITAL *(Continued)*

(b) Share option

The Company adopted a share option scheme, details of which are set out in the Company's Annual Report 2008. Since the adoption of the share option scheme, no share option has been granted by the Company.

14. COMMITMENTS

The Group had the following commitments at the balance sheet date.

	30 June 2009 (Unaudited) ***RMB'000***	31 December 2008 (Audited) *RMB'000*
Contracted commitment in respect of unpaid capital of Fujian Centron	**31,758**	32,287
Contracted commitment in respect of the purchase of intangible assets	**990**	990
Contracted commitment in respect of the construction of certain new factory buildings	**2,272**	2,872
	35,020	36,149

15. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Discontinued transaction		
Rental expense for a factory premise paid to Chen Shuru, the spouse of Dai Guoliang, a director of the Company	**—**	121

The rental expense was determined with reference to the prevailing market conditions and the leasing ceased on 31 December 2008. The transaction has been discontinued.

(ii) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**1,934**	1,362
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**1,934**	1,362

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

1. Operating results

For the six months ended 30 June 2009 (the reporting period), the Group realized revenue of RMB563.5 million, representing an increase of RMB194.1 million or 52.5% from RMB369.4 million over the same period last year.

By customers

During the reporting period, revenue from China United Telecommunications Corporation Limited and its subsidiaries (China Unicom) was RMB243.4 million, representing 43.2% of revenue of the Company and an increase of RMB95.0 million over the same period last year. Revenue from sales to China Mobile Communications Corporation and its subsidiaries (China Mobile) was RMB249.5 million, representing 44.3% of revenue of the Company and an increase of RMB67.7 million over the same period last year. Revenue from China Telecom and other customers was RMB70.7 million, representing 12.6% of revenue of the Company and an increase of RMB31.5 million or 80.3% over the same period last year.

By business category

During the reporting period, revenue from 2G and 3G networks was approximately RMB561.8 million, representing approximately 99.7% of revenue and an increase of RMB192.3 million or 52.1% from RMB369.4 million over the same period last year.

2. Gross profit

During the reporting period, the Group realized gross profit of RMB156.6 million, representing an increase of RMB53.1 million or 51.3% from RMB103.5 million over the same period last year.

During the reporting period, gross profit margin was approximately 27.8%, representing a decrease of 0.2% from 28.0% in the same period last year. As revenue from 3G products, antenna-feeder systems, tower mounted amplifiers and system integration, project construction, after-sales services increased and accounted for a larger proportion of the total revenue, we expect that gross margin will improve in the future.

3. Research and development expenditure

During the reporting period, research and development expenditure of the Group was approximately RMB13.2 million, representing approximately 2.3% of total revenue.

4. Selling costs

During the reporting period, selling cost of the Group was approximately RMB25.5 million, increased by 30.6% from RMB19.5 million over the same period last year. Percentage of selling cost to the total revenue is slightly below the same ratio as compared with the corresponding period of the last year.

5. Administrative expenses

During the reporting period, administrative expenses were approximately RMB44.5 million, representing an increase of approximately 60.8% from RMB27.7 million over the same period last year. The increase was mainly attributable to the increase in amortization of intangible assets and depreciation of fixed assets.

6. Finance expenses

During the reporting period, the Group did not incur any finance expenses.

7. Taxation

During the reporting period, the income tax payable by the Group was RMB13.1 million, representing an increase of approximately 53.9% from RMB8.5 million over the same period last year. The taxation charge was offset by deferred tax credit of RMB3.7 million while nil over the same period last year. As part of a tax holiday, the Group enjoyed two years of tax free holiday and started the 50% income tax holiday at the rate of 12.5% from 1 January 2008 to 31 December 2010.

8. Net profit

During the reporting period, profit attributable to shareholders (net profit) was RMB83.36 million, increased by 56.8% from RMB53.2 million over the same period last year. The net profit margin was 14.8% of the total revenue, representing an increase of 0.4% from 14.4% of corresponding period of the last year.

PROSPECTS

The Board is pleased to report a significant improvement in the results of the Company in the first half of 2009 as compared with the corresponding period last year. The Company is taking advantage of the market opportunities and accelerating its research and development and market expansion to achieve continuted fast growth and maximize returns for the shareholders.

- Market outlook

1. 3G/2G/2.5G and rural connection wireless coverage market

   With the successful restructuring of and the grant of 3G licences to the three largest telecommunication operators in Mainland China, the telecom market has entered an era of expansion again with major network build-out by all operators. The network expansions include not only three separate nationwide 3G telecommunication networks, but also major improvement of the current 2G and 2.5G networks and continued efforts to provide coverage to every village in the rural areas in the next five years.

   In the next three years, the total investment amount of China's major telecom operators will exceed RMB400 billion. Part of the Chinese government's RMB4 trillion economic stimulus package to tackle global financial crisis will be used to fund the establishment of the mobile telecommunication networks in China.

2. Digital TV market

   During the year, the PRC government has launched programs of the replacement of analog TV transmission by digital TV transmission in the urban area and the digital TV coverage to every village in the rural areas. The demand for the digital TV transmission coverage from the Departments of Broadcasting, Film and TV Administration ("SARFT") throughout China is increasing rapidly. In addition, the China Mobile Multimedia Broadcasting ("CMMB") Standards have been implemented. By the end of June of 2009, the construction of CMMB transmitters has been completed in over 200 cities in China. About 20 provinces have started the encoding CMMB transmission and mobile TV broadcasting since June 2009. This expansion has fueled the strong demand from SARFT for digital TV transmission network coverage throughout China. It is estimated that the total investment by SARFT in digital transmission coverage equipment will top RMB100 billion in the next three years. Moreover, the Chinese government has also identified the establishment of the digital TV network as one of the major projects in the economic stimulus package to tackle global financial crisis.

3. Dedicated wireless telecommunication network market

   With the economic development and increased security requirements, many industries in China such as forestry, river navigation, petroleum refineries and transmission pipes, harbors and warehousing yards, public security, fire prevention and large enterprises are demanding a new generation of dedicated wireless network to replace the existing analog communication channels. The dedicated wireless telecom network will enable mobile and visual on-site communication, coordination and monitoring. The Company believes this is an area of promising future growth.

- Company business outlook

  With the specific analysis of the market outlook and the Group's stregnths, the Company is adopting a diversified market strategy. Our previous efforts paved the way for us to develop the following major markets:

  1. Wireless coverage market.

     The Company will launch a dozen new wireless coverage equipments with strong demand and higher margins in the second half of the year. They include the new generation of digital and optical fiber broadcast stations, coverage equipment with ICS anti-isolation technology, new wireless and tower mounted amplifiers and high-efficiency indoor coverage systems. The launching of these new products shall gradually replace those products of relatively lower margins to enhance competitiveness and market share in the 3G market.

2. Wireless broadcasting business.

   The wireless broadcasting business is an integral part of the establishment of mobile telecommunication network and has huge market potential. At present, there are only a few enterprises engaging in the development and manufacturing of such products. The Company began its research and development in this field in the second half of last year. In the first half of this year, all research and development and trial production have been completed. Currently, our self-developed microwave point-to-point distant transmission equipment is under trial run in the mobile telecommunication network of various regions. Once the trial run networks have been completed, this business will be one of our new growth areas.

3. Wireless connection system.

   This category includes products for dedicated wireless telecommunication networks. They include the base stations, signal coverage equipment and visual telecommunication systems. During the year, the Company has substantially completed the research and development and trial production of these products and has commenced construction of two trial networks in Shaanxi Province and Fujian Province recently. Following the approval of the trial run, this will become another new growth area for the Company.

4. Digital TV network coverage.

   The Company took the lead and entered into the digital TV network coverage market last year. We have completed the research and trial production of 1,000W and 500W high power TV transmitters, and developed various direct broadcasting stations for professional, home and vehicle uses in the first half of the year. The Company will grasp at the opportunity to develop the digital TV network coverage market.

5. Overseas market.

   Last year, the Company secured an order for nationwide mobile communications network coverage project of approximately US$18 million from a telecom operator in Laos through tender. Currently, the project is still under construction and we have not recognized the revenue in the first half of the year. Meanwhile, the Company has also received new orders from Vietnam, Nepal and Philippines.

6. Processing and manufacturing facilities.

   The Company used RMB8.5 million of the fund raised in 2007 for the construction of a processing centre which is involved in the production of major parts of the Company's products. The facility has been under operation in the first half of the year. In the second half of the year, the Company will enhance the utilisation rate of the related equipment and focus on producing high end products. This helps to cut our production cost and increase our competitiveness.

- Conclusion

  The major markets that the Company focuses on are all high growth markets in the telecom market. We are confident that we will be able to increase sales and market share, thus deliver shareholders' value by taking advantage of the market opportunities, improving productivity and implementing our diversified sales strategy efficiently.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2009, the Group had cash and bank balances of RMB 100.3 million (31 December 2008: RMB 110.2 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi.

As at 30 June 2009, the Group had pledged deposits of RMB 36.3 million (31 December 2008: RMB 30.3 million).

As at 30 June 2009, the Group had no interest-bearing bank borrowings (31 December 2008: Nil).

Average trade receivable turnover period was 136 days (31 December 2008: 128 days). Average inventory turnover period was 158 days (31 December 2008: 137 days). Overall, the Group maintained a current ratio of 4.44 as at 30 June 2009 (31 December 2008: 6.69).

As at 30 June 2009, the gearing ratio (as defined as total borrowings (except for account payables in the ordinary course of business) divided by total equity) was 0% (31 December 2008:0%)

Treasury Policies

During the six months ended 30 June 2009, the majority of the Group's transactions were denominated in Renminbi. There has not been any significant foreign exchange exposure. In addition, for the interest rates applicable to the Group, the management did not encounter any material rise in the lending rates in PRC during the six months ended 30 June 2009. Accordingly, the Group did not enter into hedging instruments on foreign exchange and interest rate. However, the management closely monitors the Group's exposure to any potential foreign exchange and interest rate risks and will enter into appropriate financial instruments for hedging purpose when necessary.

Capital Expenditure

During the six months ended 30 June 2009, the Group incurred capital expenditure of approximately RMB1.2 million, which was financed by the Group's internal resources and the proceeds of its initial public offering. As at 30 June 2009, the Group's future capital commitment entered into but not yet provided for was approximately RMB 35.0 million, and will be paid out of the proceeds from its initial public offering and the Group's cashflow operation.

Contingent liabilities

As at 30 June 2009, the Group did not have significant contingent liabilities.

Employee Information

As at 30 June 2009, the Group had approximately 1,600 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. The Company has adopted a share option scheme, pursuant to which the Company can grant options to the employees of the Group to subscribe for shares of the Company. Since the adoption of the share option scheme, no share option has been granted by the Company.

Use of Proceeds

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB422.2 were utilized in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus"), as follows:

— approximately RMB108.4 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, the Peoples Republic of China;

— approximately RMB101.0 million was used for the purchase of manufacturing and testing equipment;

— approximately RMB 45.1 million was used for the long-term research and development;

— approximately RMB61.9 million was used for the expansion of domestic sales and marketing channels;

— approximately RMB31.1 million was used for the establishment of overseas sales and marketing channels; and

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

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the reporting period.

Corporate Governance

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

Model Code for Securities Transaction by Directors

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

Audit Committee

The Audit Committee comprises three independent directors, namely Miu Hon-Kit, Lin Yuanfang and Li Hongbin. The chairman of the Audit Committee is Miu Hon-Kit.

The Audit Committee reviewed the Group's condensed interim financial statements for the six months ended 30 June 2009 to ensure that these financial statements and the relevant disclosures were made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules and discussed with the management in respect of the results and the financial position of the Group.

OTHER INFORMATION

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

As at 30 June 2009, the interests and short positions of the directors and the chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	**Capacity and nature of interests**	**Number of shares held**	**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 34.49% interest in the issued share capital of the Company as at 30 June 2009. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Dai Guoliang, as to 17.56% by Dai Guoyu, as to 6.10% by Yi Zhangtao, as to 5.34% by each of Wu Duange and Dai Guowei, and as to 1.34% by each of Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Dai Guoliang. However, Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.) As mentioned above, Dai Guoliang's beneficial interest in Oriental City amounts to 61.64%. Accordingly, pursuant to SFO, Dai Guoliang is deemed to be interested in 240,897,000 shares held by Oriental City as he is entitled to control of one-third or more of the voting power at general meeting of Oriental City.

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

Long positions in ordinary shares of an associated corporation:

Name of director	Name of associated corporation	Capacity and nature of interest	Relationship with the Company	Numbers of ordinary shares	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	Beneficially owner	(note 2)	92	17.56
Mr. Yi Zhangtao	Oriental City	Beneficially owner	(note 3)	32	6.10

Notes:

1. Oriental City held 34.49% interest in the issued share capital of the Company as at 30 June 2009. As at the date of this report, the share capital of Oriental City was beneficially owned as to 61.64% by Dai Guoliang, as to 17.56% by Dai Guoyu, as to 6.10% by Yi Zhangtao, as to 5.34% by each of Wu Duange and Dai Guowei, and as to 1.34% by each of Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Dai Guoliang. However, Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above).

2. 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 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 Dai Guoliang on 27 March 2007.

Save as disclosed above, as at 30 June 2009, none of the directors or the chief executive of the Company had registered an 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 to be kept by the Company pursant to Section 352 of the SFO, or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 June 2009, the interests or shorts 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:

Long positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary of shares held**	**Percentage of the Company's issued share capital**
Oriental City	(1)	Directly beneficially owned	240,897,000	34.49
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 totaling 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 30 June 2009, 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.

Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the six months ended 30 June 2009.

By Order of the Board
Dai Guoliang
Chairman

Hong Kong, 18 September 2009