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)

(Stock Code: 1155)

2010 INTERIM REPORT

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 2010 together with the comparative figures for the corresponding period in 2009. 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 2010

		For the six months ended 30 June	
	Notes	**2010**	2009
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**670,030**	563,530
Cost of sales		**(507,028)**	(406,892)
Gross profit		**163,002**	156,638
Other income	4	**829**	5,003
Selling and distribution costs		**(28,275)**	(25,508)
General and administrative expenses		**(69,214)**	(44,476)
Share of profit of a jointly-controlled entity		**11**	1,174
Finance costs	5	**(2,629)**	—
PROFIT BEFORE TAX	6	**63,724**	92,831
Income tax expense	7	**(13,623)**	(9,469)
PROFIT FOR THE PERIOD		**50,101**	83,362
PROFIT ATTRIBUTABLE TO			
Equity holders of the Company		**50,040**	83,362
Non-controlling interests		**61**	—
		50,101	83,362
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted (RMB cents)	9	**6.51**	10.85
			(restated)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**50,101**	83,362
Other comprehensive income		
Exchange differences on translation of foreign operations	**(293)**	102
Total comprehensive income for the period	**49,808**	83,464
Total comprehensive income attributable to		
Equity holders of the Company	**49,747**	83,464
Non-controlling interests	**61**	—
	49,808	83,464

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	**30 June 2010 (Unaudited) *RMB'000***	31 December 2009 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**206,558**	210,419
Prepaid land lease payments		**11,068**	11,189
Deposit paid for purchase of property, plant and equipment		**977**	988
Goodwill		**1,135**	—
Intangible assets		**33,971**	43,221
Interest in a jointly-controlled entity		**—**	10,153
Deferred tax assets		**594**	1,175
Total non-current assets		**254,303**	277,145
CURRENT ASSETS			
Inventories		**332,459**	311,148
Trade and bills receivables	11	**833,215**	636,324
Prepayments, deposits and other receivables		**17,295**	13,906
Pledged deposits		**34,741**	46,015
Cash and cash equivalents		**52,017**	145,906
Total current assets		**1,269,727**	1,153,299
CURRENT LIABILITIES			
Trade and bills payables	12	**131,592**	137,265
Other payables and accruals		**23,080**	28,328
Interest-bearing bank borrowings		**102,380**	60,419
Due to a jointly-controlled entity		**—**	921
Tax payables		**9,567**	7,841
Dividend payable		**30,711**	—
Total current liabilities		**297,330**	234,774
NET CURRENT ASSETS		**972,397**	918,525

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,226,700**	1,195,670
Net assets		**1,226,700**	1,195,670
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	**67,993**	67,993
Reserves		**1,153,090**	1,127,677
Non-controlling interests		**5,617**	—
Total equity		**1,226,700**	1,195,670

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to ordinary equity holders of the Company									
	Issued capital	Share premium account	Share option reserve	Capital reserve	Enterprise expansion and statutory reserve funds	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009 (audited) and 1 January 2010	67,993	493,398	—	85,106	109,316	464,363	(24,506)	1,195,670	—	1,195,670
Total comprehensive income for the period	—	—	—	—	—	50,040	(293)	49,747	61	49,808
Final dividend for the year ended 31 December 2009	—	—	—	—	—	(30,711)	—	(30,711)	—	(30,711)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	5,556	5,556
Equity-settled share option arrangements	—	—	6,377	—	—	—	—	6,377	—	6,377
Transfer to enterprise expansion and statutory reserve funds	—	—	—	—	10,397	(10,397)	—	—	—	—
At 30 June 2010 (unaudited)	**67,993**	**493,398**	**6,377**	**85,106**	**119,713**	**473,295**	**(24,799)**	**1,221,083**	**5,617**	**1,226,700**
At 31 December 2008 (audited) and 1 January 2009	67,993	493,398	—	85,106	83,029	325,626	(24,559)	1,030,593	—	1,030,593
Total comprehensive income for the period	—	—	—	—	—	83,362	102	83,464	—	83,464
At 30 June 2009 (unaudited)	67,993	493,398	—	85,106	83,029	408,988	(24,457)	1,114,057	—	1,114,057

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	**(139,176)**	(75,244)
INVESTING ACTIVITIES	**6,817**	65,243
FINANCING ACTIVITIES	**39,332**	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(93,027)**	(10,001)
Cash and cash equivalents at beginning of period	**145,906**	110,192
Effect of foreign exchange rates, net	**(862)**	100
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**52,017**	100,291
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**52,017**	100,291

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2010

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 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, and the sale of digital television network coverage equipment and the 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 unaudited condensed consolidated interim financial statements have not included 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 2009.

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2009 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 2010, 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 2010:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

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

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

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated interim financial statements.

2.2. 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.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 9	*Financial Instruments* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2013

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

3. OPERATING SEGMENT INFORMATION

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

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

4. REVENUE AND OTHER INCOME

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 and other income is as follows:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	**664,413**	561,767
Sale of digital television network coverage equipment and the provision of related engineering services	**5,617**	1,763
	670,030	563,530
Other income		
Bank interest income	**803**	4,954
Dividend income from available-for-sale investments	**—**	10
Others	**26**	39
	829	5,003

5. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within one year	**2,629**	—

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**507,028**	406,892
Depreciation	**11,074**	10,027
Amortisation of intangible assets	**11,187**	9,735
Amortisation of prepaid land lease payments	**121**	121

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2009: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates.

For the period ended 30 June 2010, there is no share of the jointly-controlled entity's tax (30 June 2009: RMB42,000).

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – PRC		
Charge for the period	**13,042**	13,130
Deferred tax	**581**	(3,661)
Total tax charge for the period	**13,623**	9,469

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").

Pursuant to the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") being effective on 1 January 2008, the PRC income tax rate is unified at 25% for all enterprises.

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%.

8. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2010 (2009: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company of RMB50,040,000 (30 June 2009: RMB83,362,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2010, as adjusted to reflect the bonus issue after the reporting period, of 768,215,800 (30 June 2009 (restated): 768,215,800).

For the share options issued during the period, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. There are no dilution effect arise from the issue of these share options.

10. 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 2009	115,043	66,568	34,368	7,333	18,317	—	241,629
Additions	—	9,685	—	190	1,274	2,892	14,041
Disposals	—	—	—	—	(89)	—	(89)
Transfers	2,892	—	—	—	—	(2,892)	—
At 31 December 2009 and 1 January 2010	117,935	76,253	34,368	7,523	19,502	—	255,581
Acquisition	—	—	—	—	2,242	—	2,242
Additions	—	5,012	—	321	922	—	6,255
Exchange realignment	—	—	—	(18)	(5)	—	(23)
As at 30 June 2010	**117,935**	**81,265**	**34,368**	**7,826**	**22,661**	**—**	**264,055**
Accumulated depreciation:							
At 1 January 2009	4,386	10,982	822	3,608	4,657	—	24,455
Provided during the year	5,636	7,145	3,265	1,198	3,474	—	20,718
Disposal	—	—	—	—	(10)	—	(10)
Exchange realignment	—	—	—	—	(1)	—	(1)
As at 31 December 2009 and 1 January 2010	10,022	18,127	4,087	4,806	8,120	—	45,162
Acquisition	—	—	—	—	1,277	—	1,277
Provided during the period	2,869	4,106	1,633	583	1,883	—	11,074
Exchange realigment	—	—	—	(14)	(2)	—	(16)
As at 30 June 2010	**12,891**	**22,233**	**5,720**	**5,375**	**11,278**	**—**	**57,497**
Net book value:							
As at 30 June 2010	**105,044**	**59,032**	**28,648**	**2,451**	**11,383**	**—**	**206,558**
As at 31 December 2009	107,913	58,126	30,281	2,717	11,382	—	210,419

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

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally four months (2009: 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 seven 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 and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Within 3 months	**285,094**	364,377
3 to 6 months	**307,692**	202,787
6 to 12 months	**237,106**	64,584
Over 1 year	**3,323**	4,576
	833,215	636,324

12. TRADE AND BILLS PAYABLES

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

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Within 3 months	**111,081**	136,455
3 to 6 months	**3,889**	514
6 to 12 months	**11,273**	35
Over 1 year	**5,349**	261
	131,592	137,265

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

13. SHARE CAPITAL

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
Authorised:				
1,000,000,000 (2009: 1,000,000,000) ordinary shares of HK$0.1 (2009: HK$0.1) each	**100,000**	**97,337**	100,000	97,337
Issued and fully paid:				
698,378,000 (2009: 698,378,000) ordinary shares of HK$0.1 (2009: HK$0.1) each	**69,838**	**67,993**	69,838	67,993

14. SHARE OPTIONS

On 14 June 2010, the Company has granted 132,000,000 options (the "Options") to certain eligible persons to subscribe for a total of 13,200,000 ordinary shares of HK$0.10 each (the "Share(s)") in the capital of the Company under the share option scheme of the Company adopted on 3 June 2007.

The following table discloses movements in the Company's share options outstanding during the period:

	Number of Shares to be alloted and issued upon the exercise in full of the subscription rights attached to the Options									
Name or category of participant	At 1 January 2010	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2010	Date of grant of share options	Exercisable period of share options	Exercise price of share options HK$ per Share	Closing price immediately before date of grant HK$ per Share
Directors										
Mr. Guo Zeli	–	3,300,000	–	–	–	3,300,000	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Mr. Dai Guoyu	–	3,300,000	–	–	–	3,300,000	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Mr. Yi Zhangtao	–	1,100,000	–	–	–	1,100,000	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Sub-Total	–	7,700,000	–	–	–	7,700,000				
Other employee										
One employee	–	5,500,000	–	–	–	5,500,000	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Total	**–**	**13,200,000**	**–**	**–**	**–**	**13,200,000**				
Exercisable at the end of the period						**13,200,000**				

The fair value of the share options granted during the period was RMB6,377,000 (HK$7,237,000 of HK$0.5483 each) (2009: Nil) of which the Group recognised a share option expense of RMB6,377,000 (2009: Nil) during the period ended 30 June 2010.

14. SHARE OPTIONS *(Continued)*

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial option pricing model ("binomial model"), taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Expected volatility (%)		63.654
Risk-free interest rate (%)		1.176
Expected life of options (year)		3
Price of the Company's shares at the grant date of options (HK$ per share)		2.191
Exercise price (HK$ per share)		3.550
Expected Dividend (HK$ per share)	1st year	0.05455
	2nd year	0.06545
	3rd year	0.07855

No share options were exercised during the six months ended 30 June 2010 (2009: Nil). At the end of the reporting period, the Company had 13,200,000 share options outstanding under the share option scheme.

The values of the share options granted during the period, calculated using the binomial model as at the date of grant of the options:

Grantees	**Number of Shares to be alloted and issued upon the exercise in full of the subscription rights attached to the Option granted during the period**	**Theoretical value of share options**
		HK$'000
Mr. Guo Zeli	3,300,000	1,809
Mr. Dai Guoyu	3,300,000	1,809
Mr. Yi Zhangtao	1,100,000	603
One employee	5,500,000	3,016
	13,200,000	7,237

15. BUSINESS COMBINATION

The Group acquired an additional 4.8% equity interest in 深圳澤惠通通訊技術有限公司 ("Shenzhen ZHT"), a 62.185% jointly-controlled entity as at 31 December 2009, during the six months ended 30 June 2010. After the acquisition, the Group holds a 66.985% equity interest in Shenzhen ZHT, which has been reclassified from interest in a jointly-controlled entity to investment in a subsidiary. In the opinion of the directors, there is no material difference between the fair values of the identifiable assets and liabilities of Shenzhen ZHT as at completion date and the corresponding carrying amounts immediately before the acquisition.

	Fair value on acquisition date RMB'000	**Previous carrying amount** RMB'000
Net assets:		
Property, plant and equipment	965	965
Intangible assets	1,808	1,808
Inventories	18,421	18,421
Trade receivables	12,036	12,036
Prepayment, deposits and other receivables	111	111
Cash and cash equivalents	299	299
Trade payables	(17,513)	(17,513)
Other payables and accruals	(1,832)	(1,832)
Total net assets:	14,295	14,295
Percentage of control	66.985%	
Total net assets acquired	9,575	
Cash consideration	547	
Fair value of the Group's equity interest in Shenzhen ZHT held before the business combination	10,163	
Goodwill on acquisition	1,135	

A goodwill of RMB1,135,000 was recognized on acquisition date.

Since the above acquisition, Shenzhen ZHT had contributed RMB5,357,000 to the Group's turnover and RMB183,000 to the Group's consolidated profit for the six months ended 30 June 2010.

16. COMMITMENTS

The Group had the following contracted but not provided for commitments as at the end of reporting period:

	30 June 2010 (Unaudited) ***RMB'000***	31 December 2009 (Audited) *RMB'000*
Contracted commitment in respect of unpaid capital of Fujian Centron	**18,792**	18,792
Contracted commitment in respect of the purchase of intangible assets	**287**	287
	19,079	19,079

17. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Continuing transaction		
Rental expense for office premises paid to Dai Guoliang, a director of the Company	**207**	—

The rental expense was determined with reference to the prevailing market conditions.

(ii) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**1,191**	1,934
Post-employment benefits	**—**	—
Equity-settled share option expense	**3,720**	—
Total compensation paid to key management personnel	**4,911**	1,934

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.

18. EVENTS AFTER THE REPORTING PERIOD

(a) Facility agreement

On 15 July 2010, the Company, as borrower, entered into a facility agreement (the "Facility Agreement") with Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, CITIC Bank International Limited, Bank of Ayudhya Public Company Limited, Hong Kong Branch, Industrial Bank of Taiwan, Hong Kong Branch and The Shanghai Commercial and Savings Bank, Ltd., Hong Kong Branch as lenders (collectively the "Lenders"), and Hang Seng Bank Limited (the "Agent") as coordinator, agent and security trustee (each of the Lenders and the Agent being a third party independent of the Company and its connected persons (as defined in the Listing Rules)), whereby the Lenders agreed, among other things, to grant the Company a term loan facility up to US$43,000,000 (the "Facility"), subject to the terms and conditions of the Facility Agreement.

The Facility will mature on the date falling 36 months from the date of the Facility Agreement. The Facility was granted for the purpose of financing the capital expenditure and the general corporate requirements of the Group.

Nice Group Resources Limited and Centron Telecom System (Asia) Limited（星辰通訊系統（亞洲）有限公司）, wholly-owned subsidiaries of the Company, have entered into the Facility Agreement as guarantors (the "Guarantors") to guarantee the punctual performance by, among other parties, the Company, the Guarantors and Fujian Centron of their obligations under the Facility Agreement and ancillary documents.

The Facility Agreement provides for the following events, among other events, as events of default:

(i) Mr. Dai Guoliang is not or ceases to be Chairman of the Company;

(ii) Mr. Dai Guoliang does not or ceases to maintain control over the management and business of the Group;

(iii) Mr. Dai Guoliang, Mr. Dai Guoyu and Mr. Dai Guowei collectively do not or cease to own, directly or indirectly, at least 70% of the beneficial shareholding carrying at least 70% of the voting rights in Oriental City Profits Limited; and

(iv) Oriental City Profits Limited does not or ceases to own, directly or indirectly, at least 30% of the beneficial shareholding carrying at least 30% of the voting rights in the Company.

18. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(a) Facility agreement *(Continued)*

Any breach of the above specific performance obligations constitutes an event of default under the Facility Agreement. Such default will allow the Agent to cancel the Facility and/or declare all loans and interest under the Facility Agreement immediately due and payable.

(b) Increase in Share Capital due to the issue of bonus shares

On 23 April 2010, the Board proposed to distribute 1 bonus share for every 10 existing shares (the "bonus issue"). The bonus issue was approved by the Company's shareholders at the Annual General Meeting held on 23 June 2010. Based on the total of 698,378,000 shares in issue as at 31 December 2009, 69,837,800 bonus shares is issued by the Company on 23 July 2010. The share capital of the Company increased from HK$69,837,800 to HK$76,821,580 on 23 July 2010.

(c) Strategic Cooperation Framework Agreement

On 25 August 2010, the Company and 西安海天天綫科技股份有限公司 (Xi'an Haitian) have entered into a Strategic Cooperation Framework Agreement in relation to the formation of a strategic alliance relationship between the two companies with respect to their future cooperation and business arrangements.

Xi'an Haitian Group is principally engaged in the research and development, manufacture and sale of base station antennas and related products and has customers network in the PRC, India and new emerging South American markets. Xi'an Haitian Group aims to maintain its strength and market share in 2G business by further development on high value-added products and environmental protection facilities, and further expands its research and development of 3G products.

Xi'an Haitian is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

19. COMPARATIVE AMOUNTS

During the period, certain comparative amounts have been adjusted to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

1. Operating results

For the six months ended 30 June 2010, the Group realized revenue of RMB670.0 million, representing an increase of RMB106.5 million or 18.9% from RMB563.5 million over the same period last year.

During the reporting period, revenue from China Mobile Group: 中國移動通信集團公司 (China Mobile Communications Corporation) and its subsidiaries and branch companies (collectively "China Mobile Group") ; China Unicom Group: 中國聯合通信有限公司 (China United Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Unicom Group") ; China Telecom Group: 中國電信集團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Telecom Group") ; and other customers were as follows:

	For the six months ended 30 June			
	2010		2009	
	(Unaudited)		(Unaudited)	
	RMB'000	**%**	*RMB'000*	%
By customers				
China Mobile Group	**286,549**	**42.8**	249,465	44.3
China Unicom Group	**181,331**	**27.1**	243,434	43.2
China Telecom Group	**168,161**	**25.1**	54,612	9.7
	636,041		547,511	
Others	**33,989**	**5.0**	16,019	2.8
	670,030	**100%**	563,530	100%
By business category				
2G and 3G	**664,413**	**99.1**	561,767	99.7
DTTV	**5,617**	**0.9**	1,763	0.3
	670,030	**100%**	563,530	100%

2G and 3G wireless coverage enhancement

In the first half of 2009 following the official roll-out of 3G standards in China, China Mobile Group, China Unicom Group and China Telecom Group speeded up their 3G capital assets development to a unprecedented level. During the first six months of 2010 we can feel the great momentum of the 2G and 3G schedules in the wireless coverage enhancement sector. Due to our effective marketing and sales network in China, our high quality products and services, and our strategic pricing policy, we were able to gain more orders from the three telecom operators in the first half of 2010 than that of 2009.

DTTV (CMMB / DTMB) wireless coverage enhancement

Currently, there are two major broadcast transmission standards for digital terrestrial television (DTTV) in China:

— Digital Terrestrial Multimedia Broadcast (DTMB): a standard adopted in China, Hong Kong and Macau which covers both fixed and mobile terminals and will eventually serve more than half of the television viewers in the PRC, especially those in suburban and rural areas.

— China Multimedia Mobile Broadcasting (CMMB): a mobile television and multimedia standard developed and specified in China by the State Administration of Radio, Film, and Television (SARFT).

In 2008, we set up our wholly owned subsidiary, "Centron Xiamen" 星辰先創通信系統（廈門）有限公司 to develop the DTMB and CMMB wireless coverage enhancement business. In the past 30 months, "Centron Xiamen" is actively involved in the development of CMMB trial network in China.

In 2010, the Chinese Government has formally announced the three-network integration schedule. Accordingly, SARFT has started to roll out CMMB across the country. By March 2010, China Mobile Group and the China Broadcast Corp. (CBC) have jointly launched the CMMB mobile TV service.

As expected, the Group is able to gain a number of orders for CMMB wireless coverage enhancement.

2. Gross profit

During the reporting period, the Group realized gross profit of RMB163.0 million, representing an increase of RMB6.4 million or 4.1% from RMB156.6 million over the same period last year.

Due to our effective marketing and sales network in China, our high quality products and service, and our strategic pricing policy, we are able to earn more profit from the three telecom operators in the first half of 2010 than that of 2009.

In 2010, what we are facing is a competitive 2G market and a growing 3G market. To deal with the pricing pressure, our management has exercised pricing tactics skillfully. We need to adjust the margin so that we can maintain our profit growth. During the reporting period, our gross profit margin was kept at 24.3% (2009 1H: 27.8%). We lowered the margin by 3.5% and then we had a 4.1% growth in gross profit. The gross profit margin for the first quarter of 2010 was 23.9% and second quarter of 2010 was 24.8%.

3. Research and development expenditure

During the reporting period, research and development related expenditure of the Group was approximately RMB20.6 million (2009 1H: RMB13.2 million), representing approximately 3.0% (2009 1H: 2.3%) of total revenue.

We tried to keep our product development expenses at a reasonable level. The evolution of 3G and 3G+ technologies is very fast in China. To be cost effective, we have invited several renowned universities in China to do the research and development work for us.

On the other hand, we have concentrated ourselves on the product improvement work. We have communicated with our customers regularly to get their comment and feedback on the performance of the existing wireless coverage network, trying to identify rooms for product improvement. We have produced most of the critical parts of our wireless coverage enhancement hardware, including repeaters, amplifiers and RF modules ourselves, so we are able to amend the product design in a short period of time. That is one of the reason why we can provide good services and products to our customers.

4. Selling and distribution costs

During the reporting period, selling and distribution cost of the Group was approximately RMB28.3 million (2009 1H: RMB25.5 million), increased by 11% over the same period last year.

The increase in selling and distribution costs were caused by the 18.9% growth in sales revenue in the 1st half of 2010 and the increasing marketing expenditure for DTTV projects.

5. General and administrative expenses

During the reporting period, administrative expenses were approximately RMB69.2 million (2009 1H: RMB44.5 million), representing an increase of approximately 55.5% over the same period last year.

The increase was mainly attributable to (i) one off employee share option costs; (ii) increase in salary and 2009 annual performance bonus to employees; (iii) increase in research and development expenses; (iv) increase in properties tax and sales tax surcharge incurred during the period. The impact of one off share option costs was around RMB6.3 million, the impact of research and development expenses was RMB 7.4 million, the impact of properties tax, sales tax expenses together with increase in salary and the 2009 annual performance bonus to employees was approximately RMB10 million.

6. Finance expenses

Our Group did not have any bank borrowings until the end of 2009. Our management believed that the interest rate would stay at a relatively low level for a certain period of time. By the end of 2009 our management decided to obtain bank facilities to finance the capital expenditure and the general corporate requirements of our Group.

During the reporting period, the Group had obtained short term bank loans from PRC local banks with total outstanding amount of RMB102.4 million at 30 June 2010 and accordingly incurred finance costs of RMB2.6 million (2009 1H: Nil).

By July 2010, we obtained another term loan facility of up to US$43 million from a group of six banks in Hong Kong. This term loan facility would mature on the date falling 36 months from the date of the Facility Agreement.

7. Taxation

During the reporting period, the income tax expense incurred by the Group was RMB13.6 million (2009 1H: RMB9.5 million), representing an increase of approximately 43.9% over the same period last year.

We had a deferred tax charge of RMB0.6 million in the current period's taxation charge. The taxation charge of the first half of 2009 was offset by deferred tax credit of RMB3.7 million. There are differences in taxable profit computation and the accounting profit computation and these would have impact on the effective tax rate for the period.

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, net profit for the period was RMB50.1 million (2009 1H: RMB83.4 million), decreased by 39.9% over the same period last year.

The net profit margin was 7.5% (2009 1H: 14.8%) of the total revenue, representing a decrease of 7.3% of corresponding period of the last year.

PROSPECTS

Wireless coverage enhancement would be the never ending topic in the books of telecommunication. There are too many things to be done to maintain an acceptable wireless coverage level in 2G, 3G, LTE, CMMB, DTMB or satellite-linked environments.

In 2009, in addition to the expanding 2G network, the telecom operators in China started to build the 3G network.

In the first half of 2010, while the 2G network was still flourishing, the telecom operators were rushing for 3G network coverage enhancement. At the same time the Chinese government launched the three-network integration project.

Wireless coverage enhancement - 2G and 3G

The management believes that the telecom operators in China must keep spending money on wireless coverage enhancement projects. We will get more and more business from these operators as we will keep on providing good products and services to them.

Wireless coverage enhancement - CMMB

In 2010, the Chinese government implements the three-network integration project (TNI) with completion targeted by end of 2015. TNI means the integration of telephone, Internet and TV services in the country.

Following the direction of TNI, the State Administration of Radio, Film, and Television (SARFT) of China and China Mobile Group work together closely to develop the mobile TV market based on the utilisation of CMMB technology.

China Mobile and the China Broadcast Corp. (CBC), a subsidiary of SARFT, have jointly launched the CMMB mobile TV service by March 2010. According to market intelligence by March 2010, some 845,000 CMMB-capable handsets have already been sold in China.

A problem with CMMB at present is poor indoor coverage, and in order to enhance indoor coverage CBC needs to spend a lot on the indoor coverage enhancement projects. The management believes that we will get more orders for CMMB coverage enhancement in the coming months.

Antenna

The management has set up an antenna department to explore business opportunities in antenna products. In 2010, we have launched several satellite antenna products.

On 25 August 2010, the Company and 西安海天天綫科技股份有限公司 (Xi'an Haitian) have entered into a Strategic Cooperation Framework agreement in relation to the formation of a strategic alliance relationship between the two companies with respect to their future cooperation and business arrangements.

Xi'an Haitian appointed Fujian Centron (a wholly-owned subsidiary of the Company) as their exclusive sales agent of base station antennas and TD-SCDMA antennas with respect to certain telecommunication operators in Fujian Province and Anhui Province of the PRC for a term until the telecommunication operators announce their bulk purchase tenders of 2011.

Xi'an Haitian will gradually entrust the manufacture of its products to us so that Xi'an Haitian can focus on developing its technical and research and development strengths, while authorising us to manufacture and sell Xi'an Haitian's products.

The management believes that antenna products will have significant contribution to the performance of our Group in future.

Overseas market

The management is looking for more business opportunities in South-East Asia Countries. Our target is becoming a provider of full range of telecom network enhancement products to the overseas operators.

Trade receivables

The management notes the average trade receivable turnover period for the first half year of 2010 has increased by 54 days to 201 days from 147 days for the year ended 2009.

More than 98% of trade receivables were due from China Mobile Group, China Unicom Group and China Telecom Group, the three telecommunication operators in China.

The management has taken positive steps to control the quality and value of the trade receivables including insurance cover, and is reviewing different trade financing methods regularly.

Conclusion

The management takes a positive view on the continuous rapid growth of telecommunications industry in China.

The speed of evolution of the telecommunications network in China is very fast. The management will keep driving carefully and skillfully on the super highway of telecommunication network enhancement.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group had cash and bank balances of RMB52.0 million (31 December 2009: RMB 145.9 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi. As at 30 June 2010, the Group had pledged deposits of RMB34.7 million (31 December 2009: RMB46.0 million).

As at 30 June 2010, the Group had interest-bearing bank borrowings payable within one year of RMB102.4 million (31 December 2009: RMB60.4 million).

Average trade receivable turnover period was 201 days (31 December 2009: 147 days). Average inventory turnover period was 116 days (31 December 2009: 144 days). Overall, the Group maintained a current ratio of 4.27 as at 30 June 2010 (31 December 2009: 4.91).

Liquidity, Financial Resources and Capital Structure *(Continued)*

As at 30 June 2010, the gearing ratio (defined as total borrowings (except for account payables in the ordinary course of business) divided by total equity) was 8.3% (31 December 2009: 5.1%)

Treasury Policies

During the six months ended 30 June 2010, 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 2010. 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 2010, the Group incurred capital expenditure of approximately RMB6.3 million, which was financed by the Group's internal resources and the proceeds of the Initial Public Offering. As at 30 June 2010, the Group's future capital commitment entered into but not yet provided for was approximately RMB19.1 million, and will be paid out of the proceeds from the Initial Public Offering and the Group's working capital.

Contingent liabilities

As at 30 June 2010, the Group did not have significant contingent liabilities.

Employee Information

As at 30 June 2010, the Group had approximately 1400 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 adopted a share option scheme under which the Company can grant options to the employees of the Group to subscribe for shares of the Company. On 14 June 2010, the Company has granted 13,200,000 options to certain eligible persons to subscribe for a total of 13,200,000 ordinary shares of HK$0.10 each in the capital of the Company under the share option scheme of the Company adopted on 3 June 2007.

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 RMB473.4 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 RMB110.6 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, the Peoples Republic of China (the "PRC");

— approximately RMB130.7 million was used for the purchase of manufacturing and testing equipment;

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

— approximately RMB73.0 million was used for the expansion of domestic sales and marketing channels;

— approximately RMB39.3 million was used for the establishment of overseas sales and marketing channels; and

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

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010.

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 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 provision set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") 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 Hung Ee Tek, Lin Yuanfang and Li Hongbin. The chairman of the Audit Committee is Hung Ee Tek.

The Audit Committee reviewed the Group's unaudited condensed interim financial statements for the six months ended 30 June 2010 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 Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 30 June 2010, 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 held**	**Percentage of the Company's issued share capital**
Mr. Dai Guoliang	1	Through a 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 2010. As at 30 June 2010, 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 of 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 was deemed to be interested in 240,897,000 shares of the Company held by Oriental City as he is entitled to control of one-third or more of the voting power at general meetings of Oriental City.

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

Long positions in share options:

Name of director	Capacity and nature of interests	Number of underlying shares	Percentage of the Company's issued share capital
Mr. Guo Zeli	Beneficial owner	3,300,000	0.47%
Mr. Dai Guoyu	Beneficial owner	3,300,000	0.47%
Mr. Yi Zhangtao	Beneficial owner	1,100,000	0.16%

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	Numbers of ordinary 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 34.49% interest in the issued share capital of the Company as at 30 June 2010. 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 of 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).

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

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 30 June 2010, 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 2010, 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 were as follows:

Substantial Shareholders' and Other Persons' Interests in Shares *(Continued)*

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
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 30 June 2010, 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 of the Company and its associated corporations" 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.

SHARE OPTIONS

On 14 June 2010, the Company granted share options to certain directors and an employee of the Company under the share option scheme adopted on 3 June 2007. Details of the share options movement during the six months ended 30 June 2010 are set out in Note 14 of the "Notes to condensed consolidated interim financial statements" above.

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 2010.

By Order of the Board
Dai Guoliang
Chairman

Hong Kong, 27 August 2010