2011
Interim Report

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

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1155)

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 2011 together with the comparative figures for the corresponding period in 2010. These condensed consolidated interim financial results 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 2011

		For the six months ended 30 June	
	Notes	**2011**	2010
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**736,977**	670,030
Cost of sales		**(503,340)**	(507,028)
Gross profit		**233,637**	163,002
Other income	4	**11,023**	829
Selling and distribution costs		**(35,860)**	(28,275)
General and administrative expenses		**(78,549)**	(69,214)
Finance costs	5	**(7,315)**	(2,629)
Share of profit of a jointly-controlled entity		**—**	11
PROFIT BEFORE TAX	6	**122,936**	63,724
Income tax expense	7	**(26,068)**	(13,623)
PROFIT FOR THE PERIOD		**96,868**	50,101
Attributable to:			
Ordinary equity holders of the Company		**95,378**	50,040
Non-controlling interests		**1,490**	61
		96,868	50,101
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (RMB cents)		**12.42**	6.51

Details of the dividend are disclosed in note 8 to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**96,868**	50,101
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(1,506)**	(293)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**95,362**	49,808
Attributable to:		
Ordinary equity holders of the Company	**93,872**	49,747
Non-controlling interests	**1,490**	61
	95,362	49,808

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	213,695	215,961
Prepaid land lease payments		10,827	10,948
Deposit paid for purchase of property, plant and equipment		—	1,395
Intangible assets		11,339	22,655
Deferred tax assets		700	679
Goodwill		1,135	1,135
Entrusted loan receivable	11	40,000	40,000
Total non-current assets		277,696	292,773
CURRENT ASSETS			
Inventories		374,280	377,327
Trade and bills receivables	12	1,111,763	907,205
Prepayments, deposits and other receivables		30,258	27,329
Pledged deposits		34,620	38,185
Restricted deposits		—	2,083
Cash and cash equivalents		219,710	365,527
Total current assets		1,770,631	1,717,656
CURRENT LIABILITIES			
Trade and bills payables	13	180,432	167,671
Other payables and accruals		30,811	40,835
Interest-bearing bank borrowings		140,296	134,567
Tax payable		22,884	16,878
Dividend payable	8	31,942	—
Total current liabilities		406,365	359,951
NET CURRENT ASSETS		1,364,266	1,357,705
TOTAL ASSETS LESS CURRENT LIABILITIES		1,641,962	1,650,478

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2011

	Notes	**30 June 2011 (Unaudited) *RMB'000***	31 December 2010 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,641,962**	1,650,478
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**212,114**	286,500
Deferred tax liabilities		**2,450**	—
Total non-current liabilities		**214,564**	286,500
Net assets		**1,427,398**	1,363,978
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	14	**74,082**	74,082
Reserves		**1,344,262**	1,282,332
		1,418,344	1,356,414
Non-controlling interests		**9,054**	7,564
Total equity		**1,427,398**	1,363,978

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

		Attributable to ordinary equity holders of the Company									
	Notes	Issued capital *RMB'000*	Share premium account *RMB'000*	Share option reserve *RMB'000*	Capital reserve *RMB'000*	Enterprise expansion and statutory reserve funds *RMB'000*	Retained profits *RMB'000*	Exchange fluctuation reserve *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2010 (audited) and 1 January 2011		74,082	487,309	6,377	85,106	141,140	582,479	(20,079)	1,356,414	7,564	1,363,978
Profit for the period		–	–	–	–	–	95,378	–	95,378	1,490	96,868
Other comprehensive income for the period: Exchange differences on translation of foreign operations		–	–	–	–	–	–	(1,506)	(1,506)	–	(1,506)
Total comprehensive income for the period		–	–	–	–	–	95,378	(1,506)	93,872	1,490	95,362
Final 2010 dividend declared	8	–	–	–	–	–	(31,942)	–	(31,942)	–	(31,942)
At 30 June 2011 (unaudited)		**74,082**	**487,309**	**6,377**	**85,106**	**141,140**	**645,915**	**(21,585)**	**1,418,344**	**9,054**	**1,427,398**
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
Profit for the period		–	–	–	–	–	50,040	–	50,040	61	50,101
Other comprehensive income for the period: Exchange differences on translation of foreign operations		–	–	–	–	–	–	(293)	(293)	–	(293)
Total comprehensive income for the period		–	–	–	–	–	50,040	(293)	49,747	61	49,808
Final 2009 dividend declared	8	–	–	–	–	–	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	**(72,132)**	(139,176)
INVESTING ACTIVITIES	**(2,993)**	6,817
FINANCING ACTIVITIES	**(69,547)**	39,332
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(144,672)**	(93,027)
Cash and cash equivalents at beginning of period	**365,527**	145,906
Effect of foreign exchange rates, net	**(1,145)**	(862)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**219,710**	52,017
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**219,710**	52,017

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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2010 except 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

In the current period, the Group has adopted, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA which are effective for the Group's accounting period beginning on 1 January 2011.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no material effect on the result and financial position for the current or prior accounting periods which have been prepared and presented.

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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	**719,100**	664,413
Sale of digital television network coverage equipment and the provision of related engineering services	**17,877**	5,617
	736,977	670,030
Other income		
Bank interest income	**2,157**	803
Foreign exchange differences, net	**5,554**	—
Service fee income	**2,219**	—
Others	**1,093**	26
	11,023	829

5. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**6,576**	2,629
Amortisation of bank charges on a syndicated loan	**739**	—
	7,315	2,629

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**503,340**	507,028
Depreciation	**12,300**	11,074
Amortisation of intangible assets	**11,316**	11,187
Amortisation of prepaid land lease payments	**121**	121

7. INCOME TAX EXPENSE

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 (2010: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates.

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – PRC		
Charge for the period	**23,639**	13,042
Withholding tax	**2,450**	—
Deferred tax	**(21)**	581
Total tax charge for the period	**26,068**	13,623

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 was entitled to a 50% reduction in the PRC corporate income tax for the three years from 1 January 2008 to 31 December 2010 (the "Tax Holiday") and such Tax Holiday has been expired on 31 December 2010.

Pursuant to the income tax law of the PRC being effective on 1 January 2008, the PRC income tax rate is unified at 25% for all enterprises. During the current period, Fujian Centron is entitled to PRC corporate income tax rate for High-New Technology Enterprise of 15%.

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

8. DIVIDEND

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2010 of HK5 cents (approximately RMB4.2 cents) (2010: final dividend in respect of the financial year ended 31 December 2009 of HK5 cents (approximately RMB4.4 cents)) per ordinary share declared during the period	**31,942**	30,711

Subsequent to the end of the reporting period, on 26 August 2011, the approved final dividend of HK5 cents per share for the year ended 31 December 2010 was paid to the shareholders on the register of members on 23 June 2011, by way of allotment of new shares of the Company, credited as fully paid, with an option to shareholders to elect to receive such dividend wholly or partly in cash.

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2011 (2010: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company of RMB95,378,000 (2010: RMB50,040,000) and the weighted average number of 768,215,800 (30 June 2010: 768,215,800) ordinary shares in issue during the six months ended 30 June 2011.

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

No adjustment has been made to the basic earnings per share amounts presented for the six months period ended 30 June 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with an aggregate cost of RMB10,036,000.

11. ENTRUSTED LOAN RECEIVABLE

On 22 October 2010, Fujian Centron entered into an entrusted loan agreement (the "Entrusted Loan Agreement") with a lending agent in the PRC (the "Lending Agent"). Pursuant to the Entrusted Loan Agreement, Fujian Centron had, through the Lending Agent, provided a long-term entrusted loan of RMB40,000,000 to 星辰先創通信系統（廈門）有限公司, one of the subsidiaries of the Company.

The entrusted loan is not secured, has an effective interest rate of 6.72% per annum and is due in October 2012.

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months (2010: six 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 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Within 3 months	451,974	464,986
3 to 6 months	287,805	299,302
6 to 12 months	353,768	126,823
Over 1 year	18,216	16,094
	1,111,763	907,205

13. 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 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Within 3 months	**167,565**	153,198
3 to 6 months	**1,815**	2,335
6 to 12 months	**1,287**	1,966
Over 1 year	**9,765**	10,172
	180,432	167,671

The trade payables are non-interest-bearing and are normally settled in two to three months terms (2010: two to five months).

14. SHARE CAPITAL

On 23 April 2010, the board of directors proposed to increase the share capital of the Company by capitalising the share premium of the Company, pursuant to which bonus shares were to be allotted and issued to the shareholders on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders (the "Bonus Issue"). The Bonus Issue was approved by the Company's shareholders on 23 June 2010. Based on a total of 698,378,000 shares in issue as at 31 December 2009, 69,837,800 bonus shares were issued by the Company. The share capital of the Company was increased from approximately HK$69,838,000 (RMB67,993,000) to approximately HK$76,822,000 (RMB74,082,000) upon completion of the Bonus Issue.

15. COMMITMENTS

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

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Contracted, but not provided for:		
Unpaid capital of Fujian Centron	—	132

16. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2011 (Unaudited) *RMB'000*	2010 (Unaudited) *RMB'000*
Continuing transaction		
Rental expense for office premise paid to Mr. Dai Guoliang, a director of the Company	—	207

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

16. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**1,302**	1,191
Equity-settled share option expense	**—**	3,720
Total compensation paid to key management personnel	**1,302**	4,911

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.

17. EVENTS AFTER THE REPORTING PERIOD

Increase in share capital due to the allotment and issuance of scrip shares

On 25 March 2011, the Board proposed a final dividend of HK5 cents payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme was approved by the Company's shareholders at the Annual General Meeting held on 23 June 2011. 10,675,783 scrip shares are issued by the Company on 26 August 2011 and the remaining dividend of RMB19,336,000 (approximately HK$23,251,000) represented cash dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

1. Operating results

For the six months ended 30 June 2011 (the "reporting period"), the Group realized revenue of RMB737.0 million, representing an increase of RMB67.0 million or 10.0% from RMB670.0 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: 中國電信售團公司 (China Telecommunications Corporation) and its subsidiaries and branch companies (collectively "China Telecom Group") and other customers are as follows:

	For the six months ended 30 June			
	2011		2010	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
By customers				
China Mobile Group	**280,754**	**38.1**	286,549	42.8
China Unicom Group	**244,405**	**33.2**	181,331	27.1
China Telecom Group	**140,488**	**19.1**	168,161	25.1
	665,647	**90.4**	636,041	95.0
Others	**71,330**	**9.6**	33,989	5.0
	736,977	**100.0**	670,030	100.0
By business category				
2G and 3G	**719,100**	**97.6**	664,413	99.1
Digital Terrestrial Television (the "DTTV")	**17,877**	**2.4**	5,617	0.9
	736,977	**100.0**	670,030	100.0

During the reporting period, revenue from 2G and 3G networks was approximately RMB719.1 million, representing approximately 97.6% of the Group's total revenue.

During the reporting period, revenue from DTTV was approximately RMB17.9 million, representing approximately 2.4% of the Group's total revenue.

Enhancing profitability driven by steady development of existing businesses

In the first half of 2011, the Group continuously increased its marketing efforts in 3G products at the traditional mobile telecommunications coverage markets, with a view of increasing the percentage of total revenue derived from sale of 3G products. In the first half of 2011, sale of our 3G products increased significantly as compared to the corresponding period of last year. As the three major mobile telecommunication operators in China targeted to expand mobile internet rapidly, the Group reinforced its effort in promoting mobile internet products, which resulted in significant increase in revenue from this business as compared to the corresponding period of last year.

Significant growth in DTTV wireless coverage business

In the digital television network coverage area, China Multimedia Mobile Broadcasting (the "CMMB") and Digital Terrestrial Multimedia Broadcast (the "DTMB") recorded a rapid growth in this year. Leveraging on our significant development of marketing and technology since last year, the Group has been shortlisted in all integrated bidding processes of CMMB and DTMB in China this year. During the reporting period, the revenue from the integrated business of DTTV amounted to RMB17.9 million, representing an increase of over 200% as compared with the corresponding period of last year. The Group achieved a leading position in the industry in terms of the market shares of DTTV wireless coverage business.

2. Gross profit

During the reporting period, the Group realized gross profit of RMB233.6 million, representing an increase of RMB70.6 million or 43.3% from RMB163.0 million over the same period last year.

During the reporting period, the gross profit margin was 31.7%, an increase of 7.4% point over the same period of last year. The increase in gross profit margin of the Group were mainly attributable to the increase in the proportion of 3G business and the decrease in the proportion of 2G business in the mobile telecommunication business, as well as the absence of loss resulted from disposal of obsolete products in inventory incurred in the corresponding period of last year.

3. Research and development expenditure

During the reporting period, research and development related expenditure of the Group was approximately RMB26.0 million (2010 1H: RMB20.6 million), representing approximately 3.5% (2010 1H: 3.0%) of total revenue.

During the reporting period, the Group continued to develop network coverage products, including mobile telecommunication 3G and 4G, DTTV coverage products, industry-specific network wireless access products, microwave communications products and satellite products. The development of these new products has provided solid support for the growth in operating results in 2011, and will go on to form a reliable base for the strategic adjustment of its product and business structures in 2011.

4. Selling and distribution costs

During the reporting period, selling and distribution cost of the Group was approximately RMB35.9 million (2010 1H: RMB28.3 million), increased by 26.9% over the same period last year.

The increase in selling and distribution costs were caused by the increase in sales staff salaries and sales related travelling expenses. In anticipation of growth in revenue, more staff is employed while salary level has increased slightly on average.

5. General and administrative expenses

During the reporting period, general and administrative expenses were approximately RMB78.5 million (2010 1H: RMB69.2 million), representing an increase of approximately 13.4% over the same period last year.

Excluding the factor of the absence of one-off share option expenses relating to the grant of the Company's share options incurred in the corresponding period of last year, the increase was mainly attributable to increase in business and other taxes, research and development expenses and administrative staff salaries.

6. Finance expenses

During the reporting period, finance expenses were approximately RMB7.3 million (2010 1H: RMB2.6 million).

During the reporting period, the Group was financed by short term bank loans from the People's Republic of China (the "PRC") local banks and syndicated loans from a group of six banks in Hong Kong with total outstanding amount of RMB352.4 million.

7. Taxation

During the reporting period, the income tax expense by the Group was RMB26.1 million (2010 1H: RMB13.6 million).

As a High-New Technology Enterprises, Fujian Centron is entitled to the preferential tax rate of 15% for the year ending December 2011. Fujian Centron has ceased to enjoy the previous tax holiday at the rate of 12.5% on 31 December 2010.

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

8. Net profit

During the reporting period, net profit for the period was RMB96.9 million (2010 1H: RMB 50.1 million), increased by 93.4% over the same period last year.

The net profit margin was 13.1% (2010 1H: 7.5%) of the total revenue, representing an increase of 5.6% points as compared with corresponding period of the last year. The increase was mainly attributable to the increase in gross profit of the Group's products, the absence of the losses arising from the disposal of obsolete products in inventory and the absence of one-off share option expenses relating to the grant of the Company's share options.

PROSPECTS

Mobile telecommunications network coverage business

The Group will continue to modify its structure. We will strive to gain additional market shares in the 3G network coverage of the major telecommunication operators. The Group will also focus on the comprehensive development of mobile internet and actively participate in the pilot 4G coverage areas of operators so to lay a solid foundation for its entry to the market of 4G. In this way, the Group is able to maintain its satisfactory profitability for the first half of the year.

Digital television network coverage business

Leveraging on the opportunities brought by the shortlisted bidding of network coverage projects of CMMB and DTMB in the first half of the year, the Group will organize the production and supply of equipment reasonably and engage in integrated construction projects in all provinces in China efficiently, so as to ensure the operation and the quality of the bidding projects we won, and thereby increasing the proportion of the revenue from the DTTV coverage business to the total revenue of the Group.

Industry-specific (information solution) business

The Group will enhance external cooperation to secure orders in markets such as mountain-area geological disaster prevention and internal network of large enterprises, control and communication systems of high-speed railway to achieve a breakthrough in this new business.

In addition to the above prospects of our businesses, in the face of the intensifying competitions, the Group will further accelerate the reformation of internal management. The Group will improve and accelerate the research and development of new strategic products, in order to get well-prepared for the restructuring of business and product mixes. The Group will strengthen the management on the growth of revenue and profit and focus on enhancing profitability, so as to promote a sustainable and sound development of the Group.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group had cash and bank balances of RMB219.7 million (31 December 2010: RMB 365.5 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi. As at 30 June 2011, the Group had pledged deposits and restricted deposits of RMB34.6 million (31 December 2010: RMB 40.3 million).

As at 30 June 2011, the Group had interest-bearing bank borrowings payable within one year of RMB140.3 million (31 December 2010: RMB134.6 million).

Average trade receivable turnover period was 248 days (31 December 2010: 184 days). Average inventory turnover period was 135 days (31 December 2010: 114 days). Overall, the Group maintained a current ratio of 4.36 as at 30 June 2011 (31 December 2010: 4.77).

As at 30 June 2011, the gearing ratio (as defined as total borrowings (except for trade and bills payables in the ordinary course of business) divided by total equity) was 24.7% (31 December 2010: 30.9%).

Treasury Policies

During the six months ended 30 June 2011, 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 2011. 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 2011, the Group incurred capital expenditure of approximately RMB10.0 million, which was financed by the Group's internal resources.

Pledge of Assets

As at 30 June 2011, certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

- corporate guarantee of RMB35,000,000 (2010: RMB125,000,000) from Fujian Centron;
- personal guarantee of RMB35,000,000 (2010: RMB129,000,000) from Mr. Dai Guoliang, a director of the Company;
- corporate guarantee of US$43,000,000 (2010: US$43,000,000) jointly from Nice Group Resources Limited and Centron Telecom System (Asia) Limited, wholly-owned subsidiaries of the Group;
- share mortgage over the entire issued share capital of Nice Group Resources Limited;
- the pledge of the Group's certain trade receivables amounting to RMB2,540,000 (2010: RMB510,516);
- pledge of the Group's equity interest in Fujian Centron; and
- assignment of the amount due from Fujian Centron to Nice Group Resources Limited.

Contingent liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Employee Information

As at 30 June 2011, the Group had approximately 1800 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. In 2010, the Company has granted 13,200,000 share options to its employees while no share options were granted during the reporting period.

Use of Proceeds

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB486.0 million were utilized in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007, as follows:

- approximately RMB110.6 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, PRC;
- approximately RMB136.3 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 RMB46.3 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 2011.

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 to 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 non-executive directors, namely Hung Ee Tek, Mr. Lin Yuanfang and Mr. Li Hongbin. The chairman of the Audit Committee is Mr. Hung Ee Tek.

The Audit Committee reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2011 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 2011, the interests and short positions of the directors and the chief executive of the Company 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, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	Capacity and nature of interests	Number of shares	Percentage of the Company's issued share capital
Mr. Dai Guoliang	1	Through a controlled corporation	264,987,000	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 2011. As at 30 June 2011, the issued 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 in Oriental City are registered in the name of Mr. Dai Guoliang, who held 38.36% of the issued share capital of Oriental City as a bare trustee for these individuals in the proportions mentioned above. As Mr. Dai Guoliang's beneficial interest in Oriental City amounts to 61.64%, pursuant to SFO, Mr. Dai Guoliang is deemed to be interested in 264,987,000 shares 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	0.43%
Mr. Dai Guoyu	Beneficial owner	3,300,000	0.43%
Mr. Yi Zhangtao	Beneficial owner	1,100,000	0.14%

Long positions in ordinary shares of an associated corporation:

Name of director	Name of associated corporation	Note	Capacity and nature of interests	Numbers of ordinary shares helds	Approximate percentage of the associated corporation's issued hare capital
Mr. Dai Guoliang	Oriental City	1	Beneficial and registered owner	524	100.00
Mr. Dai Guoyu	Oriental City	2	Beneficial owner	92	17.56
Mr. Yi Zhangtao	Oriental City	3	Beneficial owner	32	6.10

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

Notes:

1. Oriental City held 34.49% interest in the issued share capital of the Company as at 30 June 2011. The issued 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 in Oriental City are registered in the name of Mr. Dai Guoliang, who held 38.36% of the issued share capital of Oriental City as a bare trustee for these individuals in the proportions mentioned above.

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

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

Save as disclosed above, as at 30 June 2011, 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 pursuant to Section 352 of the SFO, or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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

Name or category of participant	Number of shares to be allocated and issued upon the exercise in full of the subscription rights attached to the share options: At 1 January 2011	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2011	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				

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2011, 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:

Long positions in ordinary shares of the Company:

Name	Note	Capacity and nature of interests	Number of shares held	Percentage of the Company's issued share capital
Oriental City	1	Directly beneficially owned	264,987,000	34.49
Cathay Mobile Communications Limited	2	Directly beneficially owned	115,500,000	15.03
Cathay Capital Holdings, L.P.	2	Through a controlled corporation	115,500,000	15.03
Molatis Limited	3	Directly beneficially owned	51,975,000	6.77
Mr. Sussman Selwyn Donald	3	Through a controlled corporation	51,975,000	6.77
Mr. Sussman Selwyn Donald	3	Directly beneficially owned	9,643,000	1.26

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

Note:

1 Oriental City is 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 Mr. Wu Duange and Mr. Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui and Xu Shiyang. All of the shares in Oriental City are registered in the name of Mr. Dai Guoliang, who held 38.36% of the issued share capital of Oriental City as a bare trustee for these individuals in the proportion mentioned above.

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 61,618,000 are beneficially held by Mr. Sussman Selwyn Donald, of which 51,975,000 shares are held through Molatis Limited.

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Disclosures Pursuant to Rules 13.21 and 13.22 of the Listing Rules

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of one of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company. Pursuant to a loan agreement dated 15 July 2010 between the Company and Hang Seng Bank relating to a three-year loan facility of US$43,000,000, a termination event would arise if (i) Oriental City ceased to own beneficially, directly or indirectly, at least 30% of the shares in the Company's issued capital; (ii) Mr. Dai Guoliang is not or ceases to be Chairman of the Company; (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; and (iv) Mr. Dai Guoliang does not or ceases to maintain control over the management and business of the Group.

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 2011.

By Order of the Board
Dai Guoliang
Chairman

Hong Kong, 29 August 2011