2011 ANNUAL REPORT
年度報告

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

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
(Stock Code: 1155)
(股份代號：1155)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Paul Steven Wolansky

Independent non-executive Directors

Lin Yuanfang
Li Hongbin
Hung Ee Tek

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ng Wai Kee FHKICPA, FCCA

AUTHORIZED REPRESENTATIVES

Dai Guoliang
Ng Wai Kee FHKICPA, FCCA

MEMBERS OF AUDIT COMMITTEE

Hung Ee Tek *(Chairman)*
Lin Yuanfang
Li Hongbin

MEMBERS OF REMUNERATION COMMITTEE

Lin Yuanfang *(Chairman)*
Yi Zhangtao
Hung Ee Tek
Li Hongbin

MEMBERS OF NOMINATION COMMITTEE

Dai Guoliang *(Chairman)*
Lin Yuanfang
Li Hongbin

LEGAL ADVISERS

As to Hong Kong Law
K&L Gates

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.centron.com.hk

BUSINESS REVIEW

In 2011, Centron Telecom International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") achieved substantial progress in adjusting operation structure and optimizing business strategies in order to further consolidated and developed its market position in the mobile telecommunications coverage markets in the People's Republic of China (the "PRC"), and made significant achievements in digital television network coverage. In 2011, revenue of the Group was RMB1,599.5 million, representing an increase of RMB65.6 million or an increase of 4.3% as compared to last year. Profit for the year amounted to RMB178.0 million, representing a slightly decrease of 2.4%.

I. Market and Business Overview

In 2011, the Group paid particular attention to adjustments in industrial structure, product structure and market structure over the course of its operations. We adopted a differentiation competitive strategy to establish a unique competitive position.

Firstly, after the completion of national and large scale of 3G network infrastructural construction at the end of the 2010 in the traditional mobile telecommunications coverage markets, numbers of 3G end users entered a rapid growth period in 2011 and resulted in a slowdown in the capital investment in 3G network construction by three major mobile telecommunication operators. However, the 3G network coverage business of the Group was on an upward track as a result of the restructuring of its product portfolio and business. As the three major mobile telecommunication operators targeted to expand mobile internet rapidly, the Group put a great emphasis on the comprehensive development of wireless internet so as to maintain its dominant market share. The Group adhered to its effective marketing and sales network, quality products and services and strategic pricing policies in order to maintain the same level of gross profit as compared with that of last year.

Secondly, 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 the opportunities brought by the shortlisted bidding of network coverage projects of CMMB and DTMB, the Group organized the production and supply of equipment reasonably and engaged 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. The Group also leveraged on the combined advantages from wireless telecommunication technology, marketing and production, thereby developing digital television network coverage business and increasing the proportion of the revenue from the digital television network coverage business to the total revenue of the Group. In the year, the revenue from the integrated business of digital television network coverage amounted to RMB121.5 million, representing an increase of 85% as compared with the corresponding period of last year.

II. Research & Development

In 2011, the Group continued to increase its investments in research and development. Total R&D expenses for the year was RMB49.4 million. In the meantime, particular emphasis was placed on the practicality, target functionality and economic efficiency of newly developed products, enabling the completion of new product developments for the whole year. These products include 3G and 4G network coverage products, digital television coverage products, industry-specific network wireless access products, microwave communications products and satellite products. The development of these new products will go on to form a reliable base for the strategic adjustment of its products and business structures.

III. Profitability

The Group realized revenue of RMB1,599.5 million, representing an increase of RMB65.6 million or an increase of 4.3% as compared to last year. Gross profit for the year amounted to RMB449.3 million, representing an increase of RMB19.5 million or an increase of 4.5% as compared to last year. Gross profit margin remained the same level as compared to last year, and net profit for the year amounted to RMB178.0 million, representing a slightly decrease of 2.4% while net profit margin fell by 0.8 percentage points, it was mainly caused by (1) relative growth in selling costs of the engineering construction and increase in selling staff's salary; (2) increase in finance costs due to the increase in bank loan amount on average; (3) increase in taxation including the withholding taxes on future dividend distribution during the year.

BUSINESS OUTLOOK

I. Mobile telecommunications network coverage business. It is expected that the growth of the 2G and 3G wireless network coverage needs of the telecommunication operators in the PRC will be stabilised as compared with that of 2011. As for the wireless data access (i.e. wireless internet), due to the intensified competition among the three major operators, the investment in network infrastructure will significantly increase. As such, the Company will endeavor to maintain the existing income level of 2G and 3G wireless network coverage in 2012. In addition, the Company will increase the investment in research and development and marketing of wireless data access to strive for significant revenue growth in this business aspect as compared with the previous year. In addition, the Company has completed various 4G network coverage products with a view to capturing opportunities arising from the commencement of 4G coverage business in advance.

II. Digital television network coverage business. The investment in China Multimedia Mobile Broadcasting (the "CMMB") and Digital Terrestrial Multimedia Broadcast (the "DTMB") is expected to increase significantly in 2012. The Group has developed a number of competitive broadcast transmitters and repeaters in 2011 and has been shortlisted in the new round of tenders held recently. The Company will fully capitalize on these advantages to achieve a greater business growth in 2012.

III. Private network business in digital interphone industry. The Company's private network project for the digital interphone industry has become mature after years of development, and it is expected to gain profit in 2012.

IV. Strengthen and speed up the research and development of strategic new products in order to provide strong support for the material adjustment of business. The Group will also continue to actively develop new products and strengthen service quality so as to consolidate the market position and maintain its dominant market share.

V. Accelerate further the reform of corporate management in response to increasingly intense competition and to cope with changes and challenges from the markets, thereby laying the groundwork for future expansion and maintaining sound and sustainable development of the Group.

APPRECIATION

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

Dai Guoliang
Chairman

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the year ended 31 December 2011, the Group realized revenue of RMB1,599.5 million, representing an increase of RMB65.6 million or 4.3% as compared with RMB1,533.9 million in last year.

By customers

During the year, revenue from China Mobile Communications Corporation and its subsidiaries (collectively "China Mobile Group"); China United Network Communications Group Company Limited and its subsidiaries (collectively "China Unicom Group"); China Telecommunications Corporation and its subsidiaries (collectively "China Telecom Group"); and other customers were as follows:

	Year ended 31 December			
	2011		2010	
	RMB (in million)	**%**	RMB (in million)	%
By customers				
China Mobile Group	**565.0**	**35.3**	549.1	35.8
China Unicom Group	**511.7**	**32.0**	427.2	27.9
China Telecom Group	**332.9**	**20.8**	366.8	23.9
	1,409.6		1,343.1	
Others	**189.9**	**11.9**	190.8	12.4
	1,599.5	**100%**	1,533.9	100%
By business category				
2G and 3G	**1,478.0**	**92.4**	1,468.2	95.7
DTTV	**121.5**	**7.6**	65.7	4.3
	1,599.5	**100%**	1,533.9	100%

By business category

During the year, revenue from 2G and 3G networks was approximately RMB1,478.0 million, representing approximately 92.4% of the Group's total revenue.

During the year, revenue from digital TV system integration was approximately RMB121.5 million, representing approximately 7.6% of the Group's total revenue.

Enhancing profitability driven by steady development of existing business

The Group continued its restructuring. Although the establishment of 3G networks of three major mobile telecommunication operators slowed down, the 3G network coverage business of the Group was on an upward track as a result of the restructuring of its product portfolio and business. As the three major mobile telecommunication operators targeted to expand mobile internet rapidly, the Group put a great emphasis on the comprehensive development of wireless internet so as to maintain its dominant market share.

Significant growth in digital television network coverage business

In the year, the revenue from the integrated business of digital television network coverage amounted to RMB121.5 million, representing an increase of 85% as compared with the corresponding period of last year. China Multimedia Mobile Broadcasting (the "CMMB") and Digital Terrestrial Multimedia Broadcast (the "DTMB") recorded a rapid growth in this year. Leveraging on the opportunities brought by the shortlisted bidding of network coverage projects of CMMB and DTMB, the Group organized the production and supply of equipment reasonably and engaged 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 digital television network coverage business to the total revenue of the Group.

2. Gross profit

During the year, the Group realised gross profit of RMB449.3 million, an increase of RMB19.5 million or 4.5% over RMB429.8 million in last year.

During the year, gross profit margin was approximately 28.1%, slightly increased 0.1% from 28.0% in last year.

After the completion of national and large scale of 3G network infrastructural construction at the end of the 2010, numbers of 3G end users entered a rapid growth period in 2011 and resulted in a relatively slower growth in the capital investment in 3G network construction and brought impact on the pricing.

The Group adhered to its effective marketing and sales network, quality products and services and strategic pricing policies in order to maintain the same level of gross profit as compared with that of last year.

3. Research and development expenditure

During the year, research and development expenditure of the Group was approximately RMB49.4 million, an increase of approximately RMB1.4 million or 2.9% over RMB48.0 million in last year.

During the year, 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 will go on to form a reliable base for the strategic adjustment of its products and business structures.

4. Selling and distribution costs

During the year, selling cost of the Group was approximately RMB63.9 million, increased by 17.0% over RMB54.6 million in last year.

The increase was mainly attributable to (1) relative growth in selling costs of the engineering construction; (2) general increase in selling staff's salary to the same extent of the industry.

5. Administrative expenses

During the year, administrative expenses were approximately RMB152.3 million, an increase of approximately 3.4% over RMB147.3 million in 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 last year, the increase was mainly attributable to (1) increase in business and other taxes, (2) impairment loss of prepayments in installation works and procurement; and (3) increase in administrative staff salaries.

6. Finance expenses

During the year, finance expenses were approximately RMB15.3 million, an increase of approximately 57.7% over RMB9.7 million in last year.

During the year, the Group was financed by syndicated loans from a group of six banks in Hong Kong and short term bank loans from the People's Republic of China (the "PRC") local banks with total outstanding amount of RMB322.7 million (31 December 2010: RMB421.1 million).

The increase in finance expenses was mainly due to the acquisition of syndicated loans of US$43 million from a group of six banks in Hong Kong at the end of July in 2010.

The management is prudent to manage the credit risk and monitors closely the latest development of the financial market in order to control and minimise finance costs. The management plans and arranges the most appropriate financing tools for the purpose of capital investment, R&D investment and working capital of the Group.

7. Taxation

During the year, the income tax expense of the Group was RMB56.7 million, an increase of approximately 46.1% from RMB38.8 million in last year.

The increase was mainly attributable to (1) As a High-New Technology Enterprise, Centron Communications Technologies Fujian Co., Ltd ("Fujian Centron") is entitled to the preferential tax rate of 15% for the year ended 31 December 2011. Fujian Centron has ceased to enjoy the previous tax holiday at the rate of 12.5% on 31 December 2010; (2) the earnings generated from those subsidiaries established in Mainland China has increased of which the relevant income tax rate is 25%; (3) In addition, 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, was RMB4.6 million (2010: Nil).

8. Net profit

During the year, net profit was RMB178.0 million, decreased by 2.4% from RMB182.3 million in last year. The net profit margin accounted for 11.1% of the total revenue, representing a decrease of 0.8 percentage points as compared with last year. It was mainly caused by (1) relative growth in selling costs of the engineering construction and increase in selling staff's salary; (2) increase in finance costs due to the increase in bank loan amount on average; (3) increase in taxation including the withholding taxes on future dividend distribution during the year.

PROSPECT

Mobile telecommunications network coverage business

It is expected that the growth of the 2G and 3G wireless network coverage needs of the telecommunication operators in the PRC will be stabilised as compared with that of 2011. As for the wireless data access (i.e. wireless internet), due to the intensified competition among the three major operators, the investment in network infrastructure will significantly increase. As such, the Company will endeavor to maintain the existing income level of 2G and 3G wireless network coverage in 2012. In addition, the Company will increase the investment in research and development and marketing of wireless data access to strive for significant revenue growth in this business aspect as compared with the previous year. In addition, the Company has completed various 4G network coverage products with a view to capturing opportunities arising from the commencement of 4G coverage business in advance.

Digital television network coverage business

The investment in China Multimedia Mobile Broadcasting (the "CMMB") and Digital Terrestrial Multimedia Broadcast (the "DTMB") is expected to increase significantly in 2012. The Group has developed a number of competitive broadcast transmitters and repeaters in 2011 and has been shortlisted in the new round of tenders held recently. The Company will fully capitalize on these advantages to achieve a greater business growth in 2012.

Private network business in digital interphone industry

The Company's private network project for the digital interphone industry has become mature after years of development, and it is expected to gain profit in 2012.

In addition to the outlook in the above businesses, the Group will further accelerate the reform of corporate management in response to increasingly intense competition. The Group will strengthen and speed up the research and development of strategic new products to provide strong support for the material adjustment of business structure and product mix. While aiming to increase the business revenue, the Group will also strive to maintain steady growth of profit margin by focusing on businesses with higher profit margin in order to maintain sound and sustainable development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had cash and bank balances of RMB197.2 million (31 December 2010: RMB365.5 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi.

As at 31 December 2011, the Group had pledged deposits of RMB26.8 million (31 December 2010: pledged deposits and restricted deposits of RMB40.3 million).

As at 31 December 2011, the Group had interest-bearing bank borrowings payables within one year of RMB221.9 million (31 December 2010: RMB134.6 million).

As at 31 December 2011, the Group had interest-bearing bank borrowings payables more than one year of RMB100.8 million (31 December 2010: RMB286.5million)

Average trade receivable turnover period was 243 days (31 December 2010: 184 days).

The Group's trading terms with its customers are mainly on credit. The credit period is generally six to nine 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 Group does not hold any collateral or other credit enhancements over these balances. 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 contracts, or upon completion of the warranty period of one to two years granted to customers.

Average inventory turnover period was 122 days (31 December 2010: 114 days). Overall, the Group maintained a current ratio of 3.71 as at 31 December 2011 (31 December 2010: 4.77).

As at 31 December 2011, the gearing ratio (as defined as total borrowings (except for account payables in the ordinary course of business) divided by total equity) was 21.2% (31 December 2010: 30.9%)

TREASURY POLICIES

During the year ended 31 December 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 year ended 31 December 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

As at 31 December 2011, the Group incurred capital expenditure of approximately RMB20.6 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 31 December 2011, certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

(i) corporate guarantee of RMB35,000,000 (2010: RMB125,000,000) from Fujian Centron;

(ii) personal guarantee of RMB35,000,000 (2010: RMB129,000,000) from Mr. Dai Guoliang, a director of the Company;

(iii) corporate guarantee of US$43,000,000 (2010: US$43,000,000) jointly from Nice Group Resources Limited ("Nice Group") and Centron Telecom System (Asia) Limited, wholly-owned subsidiaries;

(iv) share mortgage over the entire issued share capital of Nice Group;

(v) the pledge of the Group's certain trade receivables amounting to RMB12,776,000 (2010: RMB511,000) as at 31 December 2011;

(vi) pledge of the Group's equity interest in Fujian Centron; and

(vii) assignment of RMB232,431,000 (2010: RMB242,469,000) due from Fujian Centron to Nice Group as at 31 December 2011.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have significant contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had approximately 2,000 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. 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.

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 RMB487.9 million were utilised in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus"), as follows:

— approximately RMB110.6 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, the Peoples Republic of China (the "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 RMB48.2 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 proposes a final dividend for the year ended 31 December 2011 of HK5 cents per share (2010: HK5 cents). The proposed final dividend will be payable in cash with a scrip dividend alternative.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Dai Guoliang, aged 50, the Chairman and an executive director. Mr. Dai founded 福建先創電子有限公司 (Centron Communications Technologies Fujian Co., Ltd.) ("Fujian Centron"), a wholly-owned subsidiary of the Company on December 18,1989 and has been in charge of general management of the Company. Mr. Dai is an experienced engineer and has almost 20 years of experience in management, research, production and sales within the telecommunications industry. Mr. Dai has completed the EMBA program in Hua Qiao University.

EXECUTIVE DIRECTORS

Guo Zeli, aged 57, the vice chairman and an executive director. Mr. Guo is involved from time to time with the strategic development and market planning of the Company and Fujian Centron. Mr. Guo is in charge of general management of 星辰先創通信系統（廈門）有限公司, a wholly-owned subsidiary of the Company. Mr. Guo has nearly 30 years of management experience. Mr. Guo joined the Company on July 25, 2004. Prior to 2006, Mr. Guo served as the vice general manager of Xiamen Economic Trading Company Limited (廈門經濟特區貿易有限公司) and as the chairman of Xiamen Overseas Chinese Electronic Company Limited (廈門華僑電子股份有限公司). Mr. Guo obtained a Master's degree in Business Administration from Xiamen University in January 1998. He has been a senior Economist and Senior Professor of International Business since 1993. He has been a part-time professor at the business management department of Xiamen University since 2000.

Dai Guoyu, aged 47, an executive director. Mr. Dai is mainly responsible for sales and marketing, development and implementation of the strategies of the wireless industry-specific business of the Company. Mr. Dai joined Fujian Centron on May 2, 1994. Mr. Dai has almost 20 years of sales and management experience within the telecommunications industry and therefore has accumulated extensive customer network. Mr. Dai i obtained the title of engineer in 2006 and has completed the EMBA program in Hua Qiao University.

Yi Zhangtao, aged 47, an executive director. Mr. Yi is in charge of base station antenna business of the Company and general management of 深圳澤惠通通訊技術有限公司, the Group's jointly-controlled entity. Mr. Yi has almost 20 years of research and production experience within the telecommunications industry. Mr. Yi joined the Group on August 4, 1992. Prior to joining the Group, Mr. Yi was employed by Wuhan Zhongyuan Electronics Group Co. Ltd from 1986 to 1989. Mr. Yi graduated from Xi'an Electronic Technology University and obtained the title of engineer in April 2006.

NON-EXECUTIVE DIRECTOR

Paul Steven Wolansky, aged 56, a non-executive director. He is the Chairman of New China Capital Management, L.P.,the investment manager for Cathay Capital Holdings, L.P. and Cathay Capital Holdings II, L.P., and a director of The Cathay Investment Fund, Limited. Mr. Wolansky is also a non-executive director of China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司), which is a Hong Kong listed company. Mr. Wolansky received a Bachelor of Arts degree from Amherst College and a Jurist Doctor degree from Harvard Law School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hung Ee Tek, aged 49, an independent non-executive director. Mr Hung was appointed to the board of directors of the Company on December 31, 2009. Mr. Hung has more than 20 years of experience in finance, accounting and auditing. He had worked in local and international accounting firms, and had been finance manager and company secretary and financial controller of listed companies in Hong Kong. He holds a master's degree in arts (China Studies) from The Hong Kong University of Science & Technology and a master's degree in arts, majoring in international accounting, from The City University of Hong Kong.

Lin Yuanfang, aged 71, an independent non-executive director. Mr. Lin was appointed to the board of directors of the Company on April 1, 2007. Mr. Lin was previously an independent non-executive director of Xiamen Overseas Chinese Electronic Co., Limited (廈門華僑電子股份有限公司). Mr. Lin has been the vice chairman of China Electronic Imaging Industry Association (中國電子視像行業協會) since November 2001. Mr. Lin was the vice department head of the Economic System Reform and Operation Department of the PRC Ministry of Information Industry ("MII") from 1998 to 2000. Prior to that and from 1980, Mr. Lin held various official positions in the MII, and the Ministry of Electronic Industry (電子工業部). Mr. Lin graduated from Fudan University in 1964 majoring in physics.

Li Hongbin, aged 46, an independent non-executive director. Mr. Li was appointed to the board of directors of the Company on April 1, 2007. Mr. Li has been a professor in information technologies at Peking University in 2004. Prior to that, Mr. Li was employed by Xi'an Electronic Technology University (西安電子科技大學) from 1989 to 2002. From 2002 to 2005, Mr. Li was a member of the expert panel for a national advanced technologies research and development project (Project 863). Mr. Li obtained a Master's degree in January 1989 from Xi'an Electronic Technology University (西安電子科技大學).

SENIOR MANAGEMENT PROFILE

Ng Wai-kee, aged 52, company secretary of the Company. Mr. Ng joined the Group on October 1, 2006. Mr. Ng has around 25 years of experience in accounting and auditing. Mr. Ng previously worked as company secretary of Global Bio-chem Technology Group Company Limited, Datasys Technology Holdings Limited, both are companies listed on the Stock Exchange and served as a non-executive director of CDW Holding Limited. Mr. Ng graduated from Hong Kong Shue Yan College in July 1985 with a diploma in accounting. Mr. Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Lee Wan Sze, aged 32, chief financial officer of the Company. Ms. Lee joined the the Group on December 2006. Ms. Lee previously worked in Audit Assurance of Ernst & Young and has years of experience in accounting and auditing. She graduated from the Hong Kong University of Science and Technology in 2002 with a degree in accounting.

Cheng Lvbang, aged 39, currently general manager of the research and development center and chief engineer of the Company, mainly responsible for the research and development and product management of the Company. Mr. Cheng graduated from Beijing University of Posts and Telecommunications and received a PhD in signal and information processing. Mr. Cheng joined the Company since July 2011 and has over 13 years of working experience in research and development of mobile communication products and management. He had worked for DT Mobile Technologies Co., Ltd. and served as head of the physical research center of the terminal department, the deputy manager of terminal product lines and director of LTE products. He was also a core technician and main person-in-charge for the research and development and formulation of TD-SCDMA standards, as well as the development of TD-SCDMA terminal and base station products. Since 2007, Mr. Cheng has been participated in the research and development of China's major projects, "R&D of LTE TDD Key Technologies and Research Prototype of Base Station Equipment (LTE TDD關鍵技術及基站設備科研樣機研發)" and other key projects such as "Development of Pre-commercial Equipment for TD-LTE Base Station (TD LTE基站預商用設備開發)" and "R&D of TD LTE Commercial Base Station (TD-LTE面向商用基站研發)". During the course of research and development, Mr. Cheng had applied for over 10 utility patents in respect of TD-SCDMA and TD-LTE, among which, "Multi-user Code Activation Detection and Device for Wireless Communication System (無線通信系統中多用戶碼道必激活檢測的方法和裝置)" was awarded the Second National Outstanding Patented Engineering Technology.

Liu Qinghuang, aged 48, chief financial officer of Fujian Centron. Mr. Liu joined the Group in March 2007 and has experience in the fields of accounting and financial management for over 20 years. Prior to joining the Group, Mr. Liu served as general manager of Quanzhou City XinCheng Investment Management Consultancy Company Limited (泉州市信誠投資管理顧問有限公司) and as chief financial officer of HuaHeng Packing (Hong Kong) Group (華囟包裝（香港）集團) and as general manager of XinChengDa (Wuhan) Optical & Electrical Technology Limited (信誠達（武漢）光電科技有限公司). Mr. Liu graduated from Xiaman University, majoring in accounting and obtained the title of accountant.

Yang Weimin, aged 43, general manager of the administrative centre and general manager of the chief executive office of Fujian Centron, assisting the works of Chairman and is responsible for the executive management of Fujian Centron. Mr. Yang joined the Group on February 1, 2005. Mr. Yang has over 10 years of experience in electronic technologies development as well as the state affairs and public relations. Prior to joining the Group, Mr. Yang was employed by Fujian Film Machinery Factory and was the chief engineer of Zhejiang Xinda Machinery Company Limited. Mr. Yang received a Bachelor's degree in engineering, majoring in physics in magnetic fields and devices, from University of Electronic Science and Technology of China in July 1991. Mr. Yang is qualified as an engineer.

Chen Yong, aged 36, general manager of the sales and operating centre of Fujian Centron, is responsible for the sales and marketing of Fujian Centron. Mr. Chen joined Fujian Centron in 2002 and worked in various positions, namely the assistant manager of marketing department, manager of general office, general manager assistant, deputy general manager and general manager of sales centre of Fujian Centron. Mr. Chen previously worked in Xiamen Promotion Centre for the Trade to Taiwan and 廈門英和華投資顧問公司, an investment consultancy firm in Xiamen. Mr. Chen obtained a Bachelor's degree in radio technology from Fujian Electronic & Industrial School (福建電子工業學校) in 1997 and a Bachelor's degree in accounting from Xiamen University in 1999.

Qiu Xiaping, aged 43, general manager of the manufacturing centre of Fujian Centron, is responsible for production and procurement of Fujian Centron. Mr. Qiu joined the Fujian Centron in 2008. He had worked in Xiamen Overseas Chinese Electronic Co, Ltd. as production manager of television factory, manager of inventory department, product development officer and general manager of production centre. Mr. Qiu is a senior business administrator and has more than 16 years of experience in research, development, production and management in electronic sector. Mr. Qiu graduated from Fuzhou University and Xiamen University and majored in social work and business management respectively.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to ensure high standard of corporate governance with a view to enhancing management efficiency of the Group as well as preserve the interest of its shareholders. The directors of the Company (the "Directors") confirm, to the best of their knowledge, except for the requirements that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (code provision A.2.1), the Group has complied with the code provision of the Code on Corporate Governance Practice (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 December 2011 (the "Financial Year").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year 2011.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of all Directors are set out on pages 13 to 16 of this annual report. The composition of the Board is well balanced with Directors having sound knowledge and skill on different areas of the Group's business. Details of composition of the board and the respective area of responsibilities of the Directors are set out in the table on page 2 of this annual report.

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

FUNCTIONS OF THE BOARD

The Board is responsible for (i) the formulation of operational and strategic directions of the Group; (ii) monitoring the financial performance of the Group; (iii) overseeing the performance of management of the Company (the "Management"); and (iv) ensure that the business and operation of the Group are managed by properly authorized and competent management. The Management is responsible for the day-to-day operations of the Group under the leadership of the Board.

MEETINGS OF THE BOARD

During the year 2011, the Board held 6 Board meetings . At least 7 days notice of regular Board meetings was given to all Directors and they can include matters for discussion in the agenda as they think fit. Minutes of every Board meeting are kept by the secretary of the Company at the registered office and the Directors are entitled to have full access to the minutes and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities. Details of individual attendance of Directors are set out in the attendence table on page 21 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Corporate Governance Code, the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Dai Guoliang has held the position of the Chairman and the chief executive officer of the Company since Mr. Dai Guoyu resigned as chief executive officer with effect from 23 April 2010 as Mr. Dai Guoliang is well acquainted with the business and operation of the Group. The board has been in process of identifying a suitable candidate to take the office of chief executive officer.

RELATIONSHIP OF THE BOARD MEMBERS

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

DIRECTORS' INTEREST IN CONTRACT

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

NON-EXECUTIVE DIRECTOR

Non-executive Director, Mr. Paul Steven Wolansky, has entered into an appointment letter with the Company for a term of three years commencing from 20 March 2010 and is subject to re-election at forthcoming annual general meeting in accordance with the Articles of Association of the Company and the relevant letter of appointment.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors (Except Mr. Guo Zeli) has entered into a service contract with the Company for a term of three years commencing from 5 July 2010 and renewal is subject to notification by either party giving to the other not less than six months' notice prior to the termination of the service contract. Mr. Guo Zeli has entered into an appointment letter with the Company for a term of three years commencing from 20 March 2010.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each appointment letter is for a term of three year commencing from 1 April 2010, except that Mr. Hung Ee Tek has entered into an appointment letter with the Company for a term of three years commencing from 31 December 2009. In accordance with the Company's Articles of Association, all Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance of the Corporate Governance Code. The remuneration committee consisted of four members, namely Mr. Yi Zhangtao, Mr. Lin Yuanfang, Mr. Li Hongbin and Mr. Hung Ee Tek. Mr. Lin Yuanfang, Mr. Li Hongbin and Mr. Hung Ee Tek are independent non-executive Directors. Mr. Yi Zhangtao had been the chairman of the remuneration committee during the financial year 2011 and from 1 January 2012 to 26 March 2012. Mr. Lin Yuanfang has been appointed as the chairman of the Remuneration Committee with effect from 26 March 2012. Meeting of the Remuneration Committee shall be held at least twice a year to determine the remuneration policy for Directors and senior management. During the financial year 2011, two meeting of the Remuneration Committee was held and the attendance of each member is set out in the attendance table on page 21 of this annual report.

The primary functions of the Remuneration Committee include making recommendations on the Company's policy and structure for all Directors and senior management remuneration and determining, with delegated responsibility, the specific remuneration package of all executive Directors and senior management and making recommendation to the Board of the remuneration of non-executive Directors.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consisted of the three independent non-executive Directors, namely Mr. Hung Ee Tek, Mr. Lin Yuanfang and Mr. Li Hongbin. The chairman of the Audit Committee is Mr. Hung Ee Tek. During the financial year 2011, three meetings of the Audit Committee were held and the attendance of each member is set out in the attendance table on page 21 of this annual report.

The principle responsibilities of the Audit Committee include (i) reviewing the financial information of the Company; (ii) overseeing the Group's financial reporting system and internal control procedure; (iii) assisting the Board on the appointment, reappointment and removal of the external auditor, (iv) considering and approving the remuneration and terms of engagement of the external auditor; and (v) performing other duties as set out in the Corporate Governance Code.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") has primary duties of reviewing the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and qualification in order to ensure the fairness and transparency of all nominations. The Nomination Committee consisted of three members, namely, Mr. Dai Guoliang, the Group's chairman and two independent non-executive Directors, namely, Mr. Lin Yuanfang and Mr. Li Hongbin. Mr. Dai Guoliang is the chairman of the Nomination Committee.

Two meetings of the Nomination Committee were held during the financial year 2011 and the attendance of each member is set out in the attendance table on page 21 of this annual report.

Details of the appointment and resignation during the financial year 2011 are set out in the section of "Report of the Directors" of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the Company's auditor, Ernst & Young, for the year ended 31 December 2011 is set out below:

	Fee paid/payable Approximately RMB million
Services rendered	
Audit fee for 2011 annual audit	1.9
Non-audit service	0.3
Total	2.2

Attendance Table (Attendance out of numbers of meetings)

Name of Director	Position	Annual General Meeting 2010	Board Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting
Executive Directors						
Mr. Dai Guoliang	Chairman and CEO	1/1	6/6			2/2
Mr. Guo Zeli	Vice Chairman	1/1	6/6			
Mr. Dai Guoyu		0/1	6/6			
Mr. Yi Zhangtao		0/1	6/6	2/2		
Non-executive Directors						
Mr. Paul Steven Wolansky		0/1	6/6			
Mr. Leung Ping-chung, Hermann*		0/0	0/0	0/0		
Independent non-executive Directors						
Mr. Hung Ee Tek		0/1	6/6	2/2	3/3	
Mr. Lin Yuanfang		0/1	6/6	2/2	3/3	2/2
Mr. Li Hongbin		0/1	5/6	2/2	3/3	2/2

* Mr. Leung Ping-chung, Hermann resigned as an independent non-executive Director on 21 February 2011. No annual general meeting of the Company, board meeting, and Remuneration Committee meeting were held during 1 January 2011 to 21 February 2011.

ACCOUNTABILITY OF THE BOARD

The Directors acknowledge that it is their responsibilities for preparing the financial statements of the Group, so as to give a true and fair view of the financial position, results and cash flow of the Group and presenting the interim and annual reports and results announcements to shareholders. In preparing the financial statements for the year ended 31 December 2011, the Directors have adopted suitable accounting policies and applied them consistently, made judgements and estimations that are prudent and reasonable and have prepared the financial statements on a going concern basis.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to provide its shareholders accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, announcements, press releases and also the Company's website at http://www.centron.com.hk. The Board will maintain regular communication with institutional investors to address their enquiries on the Group's strategies, operations management and plans.

All the shareholders of the Company are to be given a formal notice at least 20 clear business days in advance of the Company's annual general meeting and 10 clear business days in advance of the Company's all others general meetings where the shareholders will have an opportunity to communicate directly with the Board of the Company.

INTERNAL CONTROL

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

The Board is of the view that the system of internal controls in place for the financial year 2011 and up to the date of this annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 112.

The directors recommend the payment of a final dividend for 2011 of HK5 cents per ordinary share. The proposed final dividend will be payable in cash with a scrip dividend alternative.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB487.9 million were utilised in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus"), as follows:

— approximately RMB110.6 million was used for the construction of a new facility in the Xunmei Industrial Park, Quanzhou, the People's Republic of China (the "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 RMB48.2 million was used for establishment of overseas sales and marketing channels; and

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form a part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,599,522**	1,533,863	1,141,615	818,295	843,368
PROFIT BEFORE TAX	**234,644**	221,151	190,894	140,052	220,437
Income tax expense	**(56,662)**	(38,811)	(25,870)	(21,861)	—
PROFIT FOR THE YEAR	**177,982**	182,340	165,024	118,191	220,437
Attributable to:					
Ordinary equity holders of the Company	**175,458**	180,651	165,024	118,191	220,437
Non-controlling interests	**2,524**	1,689	—	—	—
	177,982	182,340	165,024	118,191	220,437

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,144,101**	2,010,429	1,430,444	1,159,757	1,066,634
Total liabilities	**(622,062)**	(646,451)	(234,774)	(129,164)	(91,970)
Non-controlling interests	**(10,088)**	(7,564)	—	—	—
	1,511,951	1,356,414	1,195,670	1,030,593	974,664

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options during the year are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB622,809,000. The amount of RMB622,809,000 includes the Company's share premium account and capital reserve of RMB689,642,000 in aggregate at 31 December 2011, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 95% of the total sales for the year and sales to the largest customer included therein accounted for 35%. Purchases from the Group's five largest suppliers accounted for 16% of the Group's total purchases for the year and purchases to the largest supplier accounted for 4%.

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

DIRECTORS

The directors of the Company ("the Directors") during the year and up to the date of this report were:

Executive Directors:
Mr. Dai Guoliang
Mr. Dai Guoyu
Mr. Yi Zhangtao
Mr. Guo Zeli

Non-executive Directors:
Mr. Leung Ping-chung, Hermann (resigned on 21 February 2011)
Mr. Paul Steven Wolansky

Independent non-executive Directors:
Mr. Lin Yuanfang
Mr. Li Hongbin
Mr. Hung Ee Tek

In accordance with article 87(1) of the Company's articles of association, Messrs. Guo Zeli, Paul Steven Wolansky, Lin Yuanfang and Li Hongbin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive Directors and independent non-executive Directors are appointed for periods of three years.

The Company has received annual confirmations of independence from Messrs. Lin Yuanfang, Li Hongbin and Hung Ee Tek pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors (except Mr. Guo Zeli) has entered into a service agreement with the Company for a term of three years which commenced on 5 July 2010. Mr. Guo Zeli has entered into an appointment letter with the Company for a term of three years which commenced from 20 March 2010. Each of the non-executive directors has been appointed for a term of three years which commenced on 20 March 2010. Each of the independent non-executive directors (except Mr. Hung Ee Tek) has been appointed for a term of three years which commenced on 1 April 2010. Mr. Hung Ee Tek has entered into an appointment letter with the Company for a term of three years which commenced on 31 December 2009. Under the service contracts, after each complete year of service, the remuneration payable to each of the executive directors is subject to the discretion of the Company's board of directors.

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

EMOLUMENT POLICIES AND DIRECTORS' REMUNERATION

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

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

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

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

As at 31 December 2011, the interests and short positions of the directors and the chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	**Note**	**Capacity and nature of interests**	**Number of shares**	**Percentage of the Company's issued share capital**
Mr. Dai Guoliang	1	Through controlled corporation	274,317,517	35.22

Note:

1. Oriental City Profits Ltd. ("Oriental City") held a 35.22% interest in the issued share capital of the Company as at 31 December 2011. As at 31 December 2011, the share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui, and Xu Shiyang. (All the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.) As mentioned above, Mr. Dai Guoliang's beneficial interest in Oriental City amounted to 61.64%. Accordingly, pursuant to the SFO, Mr. Dai Guoliang was deemed to be interested in the 274,317,517 shares held by Oriental City as he was entitled to control one-third or more of the voting power at the general meetings of Oriental City.

Long positions in share options of the Company:

Name of director	**Number of options directly beneficially owned**
Mr. Guo Zeli	3,300,000
Mr. Dai Guoyu	3,300,000
Mr. Yi Zhangtao	1,100,000
	7,700,000

Long positions in ordinary shares of an associated corporation:

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

Notes:

1. Oriental City held a 35.22% interest in the issued share capital of the Company as at 31 December 2011. The share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui, and Xu Shiyang. (All the shares were registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang held 38.36% as a bare trustee for these individuals in the proportions mentioned above.)

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

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

Save as disclosed above, as at 31 December 2011, none of the directors or the chief executive of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the year 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Share Option Scheme are disclosed in note 29 to the financial statements.

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

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2011	Date of grant of share options	Exercise 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				

The Directors have estimated the values of the share options granted during the year ended 31 December 2010, calculated using the binomial option pricing model as at the date of grant of the options:

	Number of options granted during the year ended 31 December 2010	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

The binomial option pricing model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options were the risk-free interest rate, expected life, expected volatility and expected dividend. The measurement date used in the valuation calculations was the date on which the options were granted.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors 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.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Oriental City	(1)	Directly beneficially owned	274,317,517	35.22
Mr. Dai Guoliang	(1)	Through a controlled corporation	274,317,517	35.22
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	115,500,000	14.83
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	115,500,000	14.83
Molatis Limited	(3)	Directly beneficially owned	51,975,000	6.67
Mr. Sussman Selwyn Donald	(3)	Through a controlled corporation	51,975,000	6.67
Mr. Sussman Selwyn Donald	(3)	Directly beneficially owned	9,643,000	1.24

Notes:

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

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

(3) The ordinary shares totalling 61,618,000 were beneficially held by Mr. Sussman Selwyn Donald, of which 51,975,000 shares were held through Molatis Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Save as disclosed above, as at 31 December 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 United States dollars ("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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dai Guoliang
Chairman

Hong Kong
26 March 2012

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Centron Telecom International Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

To the shareholders of Centron Telecom International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
26 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	5	**1,599,522**	1,533,863
Cost of sales		**(1,150,205)**	(1,104,037)
Gross profit		**449,317**	429,826
Other income	5	**16,812**	2,847
Selling and distribution costs		**(63,926)**	(54,594)
General and administrative expenses		**(152,260)**	(147,273)
Finance costs	7	**(15,299)**	(9,666)
Share of profit of a jointly-controlled entity		**—**	11
PROFIT BEFORE TAX	6	**234,644**	221,151
Income tax expense	10	**(56,662)**	(38,811)
PROFIT FOR THE YEAR		**177,982**	182,340
Attributable to:			
Ordinary equity holders of the Company	13	**175,458**	180,651
Non-controlling interests		**2,524**	1,689
		177,982	182,340
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted (RMB cents) (2010 restated)		**22.53**	23.19

Details of the dividend are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR		**177,982**	182,340
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**461**	4,427
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**178,443**	186,767
Attributable to:			
Ordinary equity holders of the Company	13	**175,919**	185,078
Non-controlling interests		**2,524**	1,689
		178,443	186,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**211,533**	215,961
Prepaid land lease payments	15	**10,707**	10,948
Deposit paid for purchase of property, plant and equipment		**—**	1,395
Intangible assets	17	**1,761**	22,655
Deferred tax assets	27	**1,494**	679
Goodwill	16	**1,135**	1,135
Entrusted loan receivable	21	**—**	40,000
Total non-current assets		**226,630**	292,773
CURRENT ASSETS			
Inventories	19	**392,899**	377,327
Trade and bills receivables	20	**1,221,670**	907,205
Prepayments, deposits and other receivables	22	**38,913**	27,329
Entrusted loan receivable	21	**40,000**	—
Pledged deposits	23	**26,818**	38,185
Restricted deposits	23	**—**	2,083
Cash and cash equivalents	23	**197,171**	365,527
Total current assets		**1,917,471**	1,717,656
CURRENT LIABILITIES			
Trade and bills payables	24	**199,825**	167,671
Other payables and accruals	25	**65,599**	40,835
Interest-bearing bank borrowings	26	**221,858**	134,567
Tax payable		**29,381**	16,878
Total current liabilities		**516,663**	359,951
NET CURRENT ASSETS		**1,400,808**	1,357,705
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,627,438**	1,650,478

	Notes	2011	2010
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	100,799	286,500
Deferred tax liabilities	27	4,600	—
Total non-current liabilities		105,399	286,500
Net assets		1,522,039	1,363,978
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	28	74,957	74,082
Reserves	30(a)	1,436,994	1,282,332
		1,511,951	1,356,414
Non-controlling interests		10,088	7,564
Total equity		1,522,039	1,363,978

Dai Guoliang
Director

Dai Guoyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Notes	Issued capital RMB'000 (note 28)	Share premium account RMB'000 (note 30(b))	Share option reserve RMB'000 (note 29)	Capital reserve RMB'000 (note 30(a))	Enterprise expansion and statutory reserve funds RMB'000 (note 30(a))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to ordinary equity holders of the Company									
At 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 year		—	—	—	—	—	180,651	4,427	185,078	1,689	186,767
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	4,720	4,720
2009 final dividend declared		—	—	—	—	—	(30,711)	—	(30,711)	—	(30,711)
Issue of shares	28	6,089	(6,089)	—	—	—	—	—	—	—	—
Capital contributions from non-controlling shareholders of a subsidiary		—	—	—	—	—	—	—	—	1,155	1,155
Equity-settled share option arrangements	29	—	—	6,377	—	—	—	—	6,377	—	6,377
Transfer to enterprise expansion and statutory reserve funds		—	—	—	—	31,824	(31,824)	—	—	—	—
At 31 December 2010		74,082	487,309*	6,377*	85,106*	141,140*	582,479*	(20,079)*	1,356,414	7,564	1,363,978
At 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**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**175,458**	**461**	**175,919**	**2,524**	**178,443**
2010 final dividend declared		**—**	**—**	**—**	**—**	**—**	**(31,942)**	**(858)**	**(32,800)**	**—**	**(32,800)**
Issue of shares to settle 2010 final dividend	28	**875**	**11,543**	**—**	**—**	**—**	**—**	**—**	**12,418**	**—**	**12,418**
Transfer to enterprise expansion and statutory reserve funds		**—**	**—**	**—**	**—**	**30,860**	**(30,860)**	**—**	**—**	**—**	**—**
At 31 December 2011		**74,957**	**498,852***	**6,377***	**85,106***	**172,000***	**695,135***	**(20,476)***	**1,511,951**	**10,088**	**1,522,039**

* These reserve accounts comprise the consolidated reserves of RMB1,436,994,000 (2010: RMB1,282,332,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**234,644**	221,151
Adjustments for:			
Interest income	5	**(4,604)**	(2,083)
Interest expense	7	**13,839**	9,666
Share of profit of a jointly-controlled entity		**—**	(11)
Depreciation	6	**25,068**	22,736
Amortisation of prepaid land lease payments	6	**241**	241
Amortisation of intangible assets	6	**20,894**	22,374
Amortisation of bank charges on a syndicated loan	7	**1,460**	—
Impairment of inventories	6	**566**	5,761
Impairment of prepayments and deposits	6	**5,200**	—
Equity-settled share option expense	6	**—**	6,377
		297,308	286,212
Increase in inventories		**(16,138)**	(53,412)
Increase in trade and bills receivables		**(314,465)**	(258,845)
Increase in prepayments, deposits and other receivables		**(16,784)**	(13,312)
Increase in trade and bills payables		**32,154**	12,893
Increase in other payables and accruals		**24,764**	10,675
Movements in balances with a jointly-controlled entity		**—**	(921)
Exchange realignment		**527**	4,538
Cash generated from/(used in) operations		**7,366**	(12,172)
Interest received		**4,604**	2,083
PRC profits tax paid		**(40,374)**	(29,278)
Net cash flows used in operating activities		**(28,404)**	(39,367)

	Notes	2011	2010
		RMB'000	RMB'000
Net cash flows used in operating activities		(28,404)	(39,367)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(19,254)	(19,602)
Proceeds from disposal of items of property, plant and equipment		4	—
Deposit paid for purchase of items of property, plant and equipment		—	(8,131)
Decrease in pledged deposits		11,367	7,830
Decrease/(increase) in restricted deposits		2,083	(2,083)
Increase in an entrusted loan receivable	21	—	(40,000)
Acquisition of a subsidiary	32	—	(248)
Capital contributions from non-controlling shareholders of a subsidiary		—	1,155
Net cash flows used in investing activities		(5,800)	(61,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		54,890	422,520
Repayment of bank loans		(141,502)	(61,872)
Final dividend paid		(19,045)	(30,711)
Interest paid		(13,839)	(9,666)
Exchange realignment		(13,258)	—
Net cash flows from/(used in) financing activities		(132,754)	320,271
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(166,958)	219,825
Cash and cash equivalents at the beginning of year		365,527	145,906
Effect of foreign exchange rates changes, net		(1,398)	(204)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		197,171	365,527

	Notes	2011 RMB'000	2010 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**220,998**	402,664
Non-pledged time deposits with original maturity of less than three months when acquired	23	**2,991**	3,131
Less: Deposits pledged for bills payable facilities	23	**(26,818)**	(38,185)
Restricted deposits	23	**—**	(2,083)
		197,171	365,527

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	226,104	237,226
CURRENT ASSETS			
Prepayments	22	78	124
Due from subsidiaries	18	580,587	657,432
Cash and cash equivalents	23	2,788	23,587
Total current assets		583,453	681,143
CURRENT LIABILITIES			
Other payables and accruals	25	2,463	2,366
Interest-bearing bank borrowing	26	134,082	34,056
Total current liabilities		136,545	36,422
NET CURRENT ASSETS		446,908	644,721
TOTAL ASSETS LESS CURRENT LIABILITIES		673,012	881,947
NON-CURRENT LIABILITY			
Interest-bearing bank borrowing	26	100,799	246,500
Net assets		572,213	635,447
EQUITY			
Issued capital	28	74,957	74,082
Reserves	30(b)	497,256	561,365
Total equity		572,213	635,447

Dai Guoliang
Director

Dai Guoyu
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2001, 20/F, Grandtech Centre, 8 On Ping Street, Shatin, New Territories, Hong Kong. The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (the "RMB") and all amounts are rounded to the nearest thousand except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
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 issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised) and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 35 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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 position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity

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

The Group's investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entity is included as part of the Group's investment in a jointly-controlled entity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elect whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	Over the shorter of lease terms and 20 years
Plant and machinery	5 - 10 years
Leasehold improvements	10 years
Motor vehicles	3 - 5 years
Furniture, fixtures, office equipment and others	3 - 5 years

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost, less any impairment losses, and are amortised on the straight-line basis over their estimated useful lives of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Technical know-how

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

Computer software

Purchased computer software is stated at cost, less any impairment losses, and is amortised on the straight-line basis over its estimated useful life of three years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, restricted deposits, pledged deposits, trade and bills receivables, deposits and other receivables and an entrusted loan receivable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Leases

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

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

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the income statement.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Revenue recognition

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

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

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

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Other benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB which is also the Company's presentation currency. The functional currency of the Company is Hong Kong dollars. Since the Company does not conduct any substantive operations of its own and conducts its primary business operations through its subsidiaries in the PRC, the Company adopts RMB as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or the income statement is also recognised in other comprehensive income or the income statement, respectively).

The functional currencies of certain subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to recognise deferred tax for withholding taxes that would be payable on the unremitted earnings of certain subsidiaries that are subject to withholding taxes according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, then no deferred tax for withholding taxes should be recognised.

Estimation uncertainty

Useful lives and impairment assessment of property, plant and equipment

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

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

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

Provision for product warranties

The Group generally provides one to two years' warranties to its customers on certain of its products, under which faulty products are repaired and replaced. The amount of the warranty provisions is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. During the years ended 31 December 2011 and 2010, the provision for product warranties was not recognised as the effect was estimated by the Group to be insignificant.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the required write-down amount involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of the inventories and the write-down charge/write-back amount in the period in which such estimate has been changed.

Impairment allowances for trade and other receivables

Impairment allowances for trade and other receivables are based on the assessment of the recoverability of trade and other receivables. The identification of impairment allowances requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying values of the receivables and impairment or its reversal in the period in which such estimate has been changed.

Accounting for intangible assets

The costs of all intangible assets are stated at cost, less any impairment losses, and are amortised on the straight-line basis over their estimated useful lives. Additional amortisation is made if estimated projected revenues and cost-savings are materially different from the previous estimation.

Management reviews and revises, when necessary, the estimated projected revenues and cost-savings at regular intervals. Such change in estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations and financial position.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

4. 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 PRC, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

For the year ended 31 December 2011, revenue from sales to three of the Group's customers amounting to RMB564,955,000, RMB511,659,000 and RMB332,916,000 individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2010, revenue from sales to three of the Group's customers amounting to RMB549,081,000, RMB427,166,000 and RMB366,840,000 individually accounted for over 10% of the Group's total revenue.

5. 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 year, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	**1,478,042**	1,468,123
Sale of digital television network coverage equipment and the provision of related engineering services	**121,480**	65,740
	1,599,522	1,533,863
Other income		
Bank interest income	**4,604**	2,083
Foreign exchange differences, net	**9,501**	—
Subsidy income from the PRC government	**351**	376
Others	**2,356**	388
	16,812	2,847

6. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold and services provided[1]		1,150,205	1,104,037
Depreciation	14	25,068	22,736
Amortisation of prepaid land lease payments	15	241	241
Amortisation of intangible assets[2]	17	20,894	22,374
Minimum lease payments under operating leases in respect of land and buildings		2,049	1,401
Employee benefit expense (including directors' remuneration - note 8):			
Wages and salaries		87,211	70,889
Fees		706	803
Staff welfare expenses		11,419	10,396
Equity-settled share option expense		—	6,377
Pension scheme contributions (defined contribution schemes)[3]		70	60
		99,406	88,525
Auditors' remuneration		2,225	2,090
Research and development expenditure[4]		49,367	47,978
Product warranty cost[5]		1,426	3,004
Impairment of inventories		566	5,761
Impairment of prepayments and deposits[2]	22	5,200	—
Foreign exchange differences, net		(9,501)	2,776

6. PROFIT BEFORE TAX (continued)

[1] The cost of inventories sold and services provided for the year includes RMB43,938,000 (2010: RMB37,055,000) relating to direct employee benefit expenses, depreciation of manufacturing activities and impairment of inventories, which are also included in the total amounts disclosed above for each of these types of expenses.

[2] The amortisation of intangible assets and the impairment of prepayments and deposits for the year are included in "General and administrative expenses" on the face of the consolidated income statement.

[3] As at 31 December 2011, the Group had no (2010: Nil) forfeited contributions available to reduce its contributions to the pension schemes in future years.

[4] The research and development expenditure for the year includes RMB38,612,000 (2010: RMB35,230,000) relating to operating lease rentals of land and buildings, depreciation of a research and development centre, amortisation of intangible assets and employee benefit expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

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

7. FINANCE COSTS

	Group	
	2011	2010
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	**13,839**	9,666
Amortisation of bank charges on a syndicated loan	**1,460**	—
	15,299	9,666

8. DIRECTORS' REMUNERATION

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

	2011 RMB'000	2010 RMB'000
Fees:		
Executive directors	**264**	280
Non-executive directors	**76**	140
Independent non-executive directors	**366**	383
	706	803
Other emoluments:		
Salaries and benefits in kind	**2,875**	2,571
Equity-settled share option expense	**—**	3,719
	2,875	6,290
	3,581	7,093

During the year ended 31 December 2010, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2011 RMB'000	2010 RMB'000
Mr. Lin Yuanfang	100	105
Mr. Li Hongbin	100	105
Mr. Hung Ee Tek	166	173
	366	383

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2011				
Executive directors:				
Mr. Dai Guoliang	66	1,043	—	1,109
Mr. Dai Guoyu	66	724	—	790
Mr. Yi Zhangtao	66	384	—	450
Mr. Guo Zeli	66	724	—	790
	264	2,875	—	3,139
Non-executive directors:				
Mr. Paul Steven Wolansky	66	—	—	66
Mr. Leung Ping-chung, Hermann	10	—	—	10
	76	—	—	76
	340	2,875	—	3,215

8. DIRECTORS' REMUNERATION (continued)

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

	Fees RMB'000	Salaries and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2010					
Executive directors:					
Mr. Dai Guoliang	70	1,070	—	—	1,140
Mr. Dai Guoyu	70	522	1,594	—	2,186
Mr. Yi Zhangtao	70	402	531	—	1,003
Mr. Guo Zeli	70	577	1,594	—	2,241
	280	2,571	3,719	—	6,570
Non-executive directors:					
Mr. Paul Steven Wolansky	70	—	—	—	70
Mr. Leung Ping-chung, Hermann	70	—	—	—	70
	140	—	—	—	140
	420	2,571	3,719	—	6,710

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

There was no performance related bonus paid or payable to any director during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: one) non-directors, highest paid employees for the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries	**1,171**	680
Equity-settled share option expense	**—**	2,658
Pension scheme contributions	**20**	10
	1,191	3,348

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

	Number of employees	
	2011	2010
Nil to RMB1,000,000	**2**	—
RMB3,000,000 to RMB3,500,000	**—**	1
	2	1

During the year, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil).

During the year ended 31 December 2010, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for that year is included in the above non-director, highest paid employees' remuneration disclosures.

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

	2011	2010
	RMB'000	RMB'000
Current tax - PRC		
Charge for the year	52,877	38,180
Underprovision in prior year	—	135
Deferred (note 27)	3,785	496
Total tax charge for the year	56,662	38,811

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 "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 year, Fujian Centron is entitled to PRC corporate income tax rate for High-New Technology Enterprise of 15% (the "Tax Concession").

10. INCOME TAX (continued)

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

Group - 2011

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(22,584)	257,228	234,644
Tax expense/(credit) at the statutory tax rate	(3,726)	64,307	60,581
Lower tax rate due to the Tax Concession	—	(21,392)	(21,392)
Income not subject to tax	(1,129)	—	(1,129)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	—	4,600	4,600
Expenses not deductible for tax	249	8,091	8,340
Tax losses not recognised	3,800	279	4,079
Others	(9)	1,592	1,583
Tax charge/(credit) at the Group's effective rate	(815)	57,477	56,662

10. INCOME TAX (continued)

Group - 2010

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(31,215)	252,366	221,151
Tax expense/(credit) at the statutory tax rate	(4,655)	63,092	58,437
Lower tax rate due to the Tax Holiday	—	(29,550)	(29,550)
Income not subject to tax	(3)	(2,290)	(2,293)
Expenses not deductible for tax	2,101	5,874	7,975
Tax losses not recognised	3,566	231	3,797
Temporary difference not recognised	(496)	—	(496)
Profit attributable to a jointly-controlled entity	—	(3)	(3)
Adjustments in respect of current tax of previous year	—	135	135
Others	(17)	826	809
Tax charge at the Group's effective rate	496	38,315	38,811

11. DIVIDEND

	2011 RMB'000	2010 RMB'000
Proposed final dividend - HK5 cents (approximately RMB4.05 cents) (2010: HK5 cents (approximately RMB4.2 cents)) per ordinary share	**31,545**	31,942

On 23 June 2011, the Company's shareholders approved at the annual general meeting a final dividend of HK5 cents payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme") for the year ended 31 December 2010 (the "2010 Final Dividend"). On 26 August 2011, 10,675,783 new shares are issued by the Company at a deemed price of HK$1.42 per share, credited as fully paid, to shareholders of the Company who have elected to receive scrip shares in lieu of cash under the Scrip Dividend Scheme to settle HK$15,160,000 (approximately RMB12,418,000) of the 2010 Final Dividend. The remaining of the 2010 Final Dividend of HK$23,251,000 (approximately RMB19,045,000) is satisfied by cash.

Further details of the Scrip Dividend Scheme are set out in the Company's announcement dated 28 June 2011.

The proposed final dividend for the year ended 31 December 2011 (the "2011 Final Dividend") is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed 2011 Final Dividend will be payable in cash with a scrip dividend alternative.

12. 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 year attributable to ordinary equity holders of the Company of RMB175,458,000 (2010: RMB180,651,000) and the weighted average number of ordinary shares of 778,891,583 (2010 restated: 778,891,583) in issue during the year, as adjusted to reflect the scrip dividend paid for the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2010 was restated to reflect the effect of 10,675,783 new shares issued by the Company under the Scrip Dividend Scheme.

The calculation of the diluted earnings per share amount is based on the profit for the year 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 year, 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 amount presented for the years ended 31 December 2011 and 2010 as the share options in issue during those years have no dilutive effect.

13. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2011 includes a loss of RMB14,926,000 (2010: RMB18,836,000) which has been dealt with in the financial statements of the Company (note 30(b)).

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures, office equipment and others RMB'000	Total RMB'000
31 December 2011							
Cost:							
At 1 January 2011		117,935	102,215	34,368	7,791	21,493	283,802
Additions		—	18,442	—	192	2,015	20,649
Disposal		—	—	—	—	(4)	(4)
Exchange realignment		—	—	—	(72)	(23)	(95)
At 31 December 2011		117,935	120,657	34,368	7,911	23,481	304,352
Accumulated depreciation:							
At 1 January 2011		15,761	27,003	7,352	5,893	11,832	67,841
Charge for the year		5,739	11,420	3,265	698	3,946	25,068
Exchange realignment		—	—	—	(71)	(19)	(90)
At 31 December 2011		21,500	38,423	10,617	6,520	15,759	92,819
Net book value:							
At 31 December 2011		96,435	82,234	23,751	1,391	7,722	211,533

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Note	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures, office equipment and others RMB'000	Total RMB'000
31 December 2010							
Cost:							
At 1 January 2010		117,935	76,253	34,368	7,523	19,502	255,581
Additions		—	25,208	—	321	1,797	27,326
Acquisition of a subsidiary	32	—	754	—	—	211	965
Exchange realignment		—	—	—	(53)	(17)	(70)
At 31 December 2010		117,935	102,215	34,368	7,791	21,493	283,802
Accumulated depreciation:							
At 1 January 2010		10,022	18,127	4,087	4,806	8,120	45,162
Charge for the year		5,739	8,876	3,265	1,133	3,723	22,736
Exchange realignment		—	—	—	(46)	(11)	(57)
At 31 December 2010		15,761	27,003	7,352	5,893	11,832	67,841
Net book value:							
At 31 December 2010		102,174	75,212	27,016	1,898	9,661	215,961

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

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

	2011	2010
	RMB'000	RMB'000
Medium-term leases:		
Outside Hong Kong	96,435	102,174

15. PREPAID LAND LEASE PAYMENTS

Group

	2011	2010
	RMB'000	RMB'000
Carrying amount at 1 January	11,189	11,430
Amortised during the year	(241)	(241)
Carrying amount at 31 December	10,948	11,189
Current portion included in prepayments, deposits and other receivables	(241)	(241)
Non-current portion	10,707	10,948

The Group's prepaid land lease payments relate to land in Mainland China and are held under medium-term leases.

16. GOODWILL

Group

	RMB'000
Cost:	
At 1 January 2010	—
Acquisition of a subsidiary (note 32)	1,135
At 31 December 2010 and 31 December 2011	1,135
Accumulated impairment:	
At 1 January 2010, 31 December 2010 and 31 December 2011	—
Net carrying amount:	
At 31 December 2011	1,135
At 31 December 2010	1,135

The Group's goodwill was wholly allocated to a cash generating unit engaged in research development, manufacture and sale of wireless telecommunications coverage system equipment (the "Unit"). Goodwill acquired through business combinations has been allocated to a subsidiary for impairment testing. The recoverable amount of the Unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The key assumptions for the value in use calculation include the expected growth rate and discount rate. The financial budgets are prepared reflecting actual and prior year performance and development expectations. The discount rate applied to the cash flow projections is 4.6% which is before tax and reflects specific risks relating to the Unit.

17. INTANGIBLE ASSETS

Group

	Note	Patents and licences RMB'000	Technical know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2011					
Cost:					
At 1 January 2011 and 31 December 2011		**3,530**	**46,198**	**20,400**	**70,128**
Accumulated amortisation:					
At 1 January 2011		**3,527**	**32,106**	**11,840**	**47,473**
Amortised during the year		**2**	**14,092**	**6,800**	**20,894**
At 31 December 2011		**3,529**	**46,198**	**18,640**	**68,367**
Net carrying amount:					
At 31 December 2011		**1**	**—**	**1,760**	**1,761**
31 December 2010					
Cost:					
At 1 January 2010		3,530	44,390	20,400	68,320
Acquisition of a subsidiary	32	—	1,808	—	1,808
At 31 December 2010		3,530	46,198	20,400	70,128
Accumulated amortisation:					
At 1 January 2010		3,525	16,534	5,040	25,099
Amortised during the year		2	15,572	6,800	22,374
At 31 December 2010		3,527	32,106	11,840	47,473
Net carrying amount:					
At 31 December 2010		3	14,092	8,560	22,655

18. INVESTMENTS IN SUBSIDIARIES

Company

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	226,104	237,226

The amounts due from subsidiaries of RMB580,587,000 (2010: RMB657,432,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Group	Principal activities
Directly held:				
Nice Group Resources Limited (''Nice Group'')*	British Virgin Islands (the "BVI")/ Hong Kong	US$1,000	100	Investment holding
Indirectly held:				
Fujian Centron*	PRC/Mainland China	RMB358,000,000 (2010: RMB357,867,985) (note (i))	100	Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services
Centron Telecom System (Asia) Limited ("Centron Asia")	Hong Kong	HK$1	100	Sale of wireless telecommunications coverage system equipment and provision of related engineering services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held: (continued)				
星辰先創通信系統（廈門）有限公司 ("Centron Xiamen")*	PRC/Mainland China	HK$100,000,000 (note (ii))	100	Manufacture and development of digital television network coverage equipment, wireless telecommunications coverage system equipment and provision of related engineering services
深圳市星辰華興通信有限公司 ("Centron Shenzhen")*	PRC/Mainland China	RMB5,000,000 (note (iii))	100	Coordination, research and development of wireless telecommunications coverage system products
福建先創通信有限公司 ("Fujian Telecommunications")*	PRC/Mainland China	RMB50,000,000 (note (iv))	100	Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Group	Principal activities
Indirectly held: (continued)				
深圳澤惠通通訊技術有限公司 (“ZHT”)*	PRC/Mainland China	RMB12,890,600 (note (v))	66.985	Research, development, manufacture and sale of wireless telecommunications coverage system equipment
Centron Telecom Hong Kong Limited	Hong Kong	HK$10,000	100	Dormant
福建先創系統集成有限公司 (「系統集成」)*	PRC/Mainland China	RMB20,000,000 (note (vi))	100	Dormant

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

Notes:

(i) Fujian Centron was established as a collectively-owned enterprise in the PRC in 1989 and was converted into a limited liability company on 23 March 2001. Fujian Centron became a wholly-owned foreign enterprise with an operating period of 50 years commencing on 11 January 2006.

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

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

18. INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

(iv) Fujian Telecommunications is a limited liability company established in the PRC which was owned by Mr. Dai Guoliang, Mr. Dai Guoyu and Mr. Yi Zhangtao (collectively, the ''Vendors''), who are also directors of the Company. Pursuant to the execution of certain contractual agreements, the entire equity interest in Fujian Telecommunications was transferred from the Vendors to two PRC individuals (the ''PRC Shareholders'') for a consideration of RMB15,000,000 during the year ended 31 December 2009. The consideration of RMB15,000,000 was determined by reference to the net asset value of Fujian Telecommunications at the completion date, which also approximated its fair value as of that date. The consideration was settled by Fujian Centron, a wholly-owned subsidiary of the Group, by assuming the liability (the ''Liability'') of the same amount due from the PRC Shareholders to Fujian Telecommunications. During the year ended 31 December 2010, the registered capital of Fujian Telecommunications was increased from RMB15,000,000 to RMB50,000,000, which was fully paid up as at 31 December 2010. The additional capital contribution of RMB35,000,000 (the ''Capital Contribution'') was injected by the PRC Shareholders, who entered into a loan agreement with Fujian Centron to borrow the same amount. In connection with taking up the Liability and funding of the Capital Contribution, the Group, through a series of contractual arrangements, established a 100% control of Fujian Telecommunications by way of controlling its voting rights, appointing or removing the members of its board of directors and governing its financial and operating policies so as to obtain benefits from its activities. Fujian Telecommunications is therefore considered a wholly-owned subsidiary of the Group.

(v) ZHT was registered as a limited liability company under the PRC law. During the year ended 31 December 2010, the Group acquired an additional 4.8% equity interest in ZHT, a 62.185% jointly-controlled entity as at 31 December 2009, for a cash consideration of RMB547,000 (the "Acquisition") and amended the memorandum of articles of association of ZHT (the "Amended M&A"). Upon completion of the Acquisition and approval of the Amended M&A of ZHT, the Group's equity interest in ZHT increased from 62.185% to 66.985% and the Group gained control of ZHT, which then ceased to be a jointly-controlled entity and became a subsidiary of the Group.

(vi) 系統集成 was registered as a limited liability company under the PRC law.

19. INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**223,071**	216,503
Work in progress	**34,743**	34,823
Finished goods	**135,085**	126,001
	392,899	377,327

20. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Trade and bills receivables	**1,221,748**	907,283
Impairment	**(78)**	(78)
	1,221,670	907,205

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 Group does not hold any collateral or other credit enhancements over these balances. 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 contracts, 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:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**580,745**	464,986
3 to 6 months	**233,676**	299,302
6 to 12 months	**354,860**	126,823
Over 1 year	**52,389**	16,094
	1,221,670	907,205

During the years ended 31 December 2011 and 2010, there are no movements in impairment allowance for trade receivables.

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of RMB78,000 (2010: RMB78,000) with a carrying amount before provision of RMB78,000 (2010: RMB78,000). The individually impaired trade receivables relate to customers that have been overdue for a long time.

20. TRADE AND BILLS RECEIVABLES (continued)

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

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	768,580	873,606
Less than 1 month past due	230,466	11,430
1 to 3 months past due	144,155	12,255
More than 3 months past due	78,469	9,914
	1,221,670	907,205

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

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

The Group has pledged trade receivables of approximately RMB12,776,000 (2010: RMB511,000) to secure certain bank loans granted to the Group.

21. ENTRUSTED LOAN RECEIVABLE

	Group	
	2011	2010
	RMB'000	RMB'000
Entrusted loan receivable	40,000	40,000

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 a fellow subsidiary.

The entrusted loan receivable is not impaired as at the end of the reporting period. It is unsecured and bears interest at 20% above the interest rate announced by the People's Bank of China per annum, and is due in October 2012.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments and other receivables	**38,745**	16,980	**78**	124
Deposits paid	**68**	511	**—**	—
Value added tax receivables	**100**	9,838	**—**	—
	38,913	27,329	**78**	124

Impairment provision of RMB5,200,000 (2010: Nil) has been made on prepayments and deposits with an aggregate carrying amount before impairment provision of RMB5,200,000 (2010: Nil), which are prepayments and deposits for services and goods that have been outstanding for a long time. Other than this RMB5,200,000, none of the above assets are either past due or impaired and relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**220,998**	402,664	**2,788**	23,587
Time deposits with original maturity of less than three months when acquired	**2,991**	3,131	**—**	—
	223,989	405,795	**2,788**	23,587
Less: Deposits pledged for bills payable facilities	**(26,818)**	(38,185)	**—**	—
Restricted deposits	**—**	(2,083)	**—**	—
Cash and cash equivalents	**197,171**	365,527	**2,788**	23,587

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB193,411,000 (2010: RMB298,063,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED DEPOSITS (continued)

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

24. 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:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**166,177**	153,198
3 to 6 months	**19,577**	2,335
6 to 12 months	**5,697**	1,966
Over 1 year	**8,374**	10,172
	199,825	167,671

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

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**25,043**	18,391	**2**	2
Value added tax payables	**5,892**	1,476	**—**	—
Accruals	**33,707**	17,342	**2,461**	2,364
Deposits received from customers	**957**	3,626	**—**	—
	65,599	40,835	**2,463**	2,366

All these balances are non-interest-bearing and other payables have an average term of four months.

26. INTEREST-BEARING BANK BORROWINGS

		Group		Company	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current					
Bank loans - secured		**146,858**	34,567	**134,082**	34,056
Bank loans - unsecured		**75,000**	100,000	**—**	—
		221,858	134,567	**134,082**	34,056
Non-current					
Bank loans - secured		**100,799**	246,500	**100,799**	246,500
Bank loan - unsecured	21	**—**	40,000	**—**	—
		100,799	286,500	**100,799**	246,500
		322,657	421,067	**234,881**	280,556
Analysed into:					
Bank loans repayable					
Within one year		**221,858**	134,567	**134,082**	34,056
In the second year		**100,799**	180,714	**100,799**	140,714
In the third to fifth years, inclusive		**—**	105,786	**—**	105,786
		322,657	421,067	**234,881**	280,556

26. INTEREST-BEARING BANK BORROWINGS (continued)

(a) Except for a secured bank loan of RMB234,881,000 (2010: RMB281,067,000) which is denominated in US$, all borrowings are in RMB.

(b) The bank loans denominated in RMB bore interests at 7.2565% or 20% above the interest rate announced by the People's Bank of China (2010: ranged from Nil to 30% above the interest rate announced by the People's Bank of China) per annum.

(c) The bank loans denominated in US$ bore interests at LIBOR plus 2.8% per annum.

(d) Certain of the Group's bank loans were guaranteed/secured by:

(i) corporate guarantee of RMB35,000,000 (2010: RMB125,000,000) from Fujian Centron;

(ii) personal guarantee of RMB35,000,000 (2010: RMB129,000,000) from Mr. Dai Guoliang, a director of the Company;

(iii) corporate guarantee of US$43,000,000 (2010: US$43,000,000) jointly from Nice Group and Centron Asia;

(iv) share mortgage over the entire issued share capital of Nice Group;

(v) the pledge of the Group's certain trade receivables amounting to RMB12,776,000 (2010: RMB511,000) as at 31 December 2011;

(vi) pledge of the Group's equity interest in Fujian Centron; and

(vii) assignment of RMB232,431,000 (2010: RMB242,469,000) due from Fujian Centron to Nice Group as at 31 December 2011.

27. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

Group

Deferred tax assets

	Unrealised profit of inventories RMB'000
2011	
At 1 January 2011	**679**
Deferred tax credited to the income statement during the year (note 10)	**815**
At 31 December 2011	**1,494**
2010	
At 1 January 2010	1,175
Deferred tax charged to the income statement during the year (note 10)	(496)
At 31 December 2010	679

Deferred tax liabilities

	Withholding tax RMB'000
2011	
At 1 January 2011	**—**
Deferred tax charged to the income statement during the year (note 10)	**(4,600)**
At 31 December 2011	**(4,600)**
2010	
At 1 January 2010 and 31 December 2010	—

27. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of RMB62,757,000 (2010: RMB45,483,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB23,979,000 (2010: RMB22,879,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and/or the future income stream to recoup such losses is unpredictable.

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 Mainland 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.

28. SHARE CAPITAL

	2011 HK$'000	2011 RMB'000	2010 HK$'000	2010 RMB'000
Authorised:				
1,000,000,000 (2010: 1,000,000,000) ordinary shares of HK$0.1 (2010: HK$0.1) each	**100,000**	**97,337**	100,000	97,337
Issued and fully paid:				
778,891,583 (2010: 768,215,800) ordinary shares of HK$0.1 (2010: HK$0.1) each	**77,889**	**74,957**	76,822	74,082

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2010 to 31 December 2011:

	Notes	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:				
At 1 January 2010, 31 December 2010 and 31 December 2011		1,000,000,000	100,000	97,337
Issued:				
At 1 January 2010		698,378,000	69,838	67,993
Bonus issue of shares	(a)	69,837,800	6,984	6,089
At 31 December 2010 and 1 January 2011		768,215,800	76,822	74,082
Issue of shares pursuant to Scrip Dividend Scheme	(b)	10,675,783	1,067	875
At 31 December 2011		778,891,583	77,889	74,957

28. SHARE CAPITAL (continued)

Notes:

(a) 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 in the annual general meeting held 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 to approximately HK$76,822,000 upon completion of the Bonus Issue, and the share premium account decreased by approximately HK$6,984,000 (approximately RMB6,089,000) during the year ended 31 December 2010.

(b) On 26 August 2011, 10,675,783 new shares are issued by the Company at a deemed issue price of HK$1.42 per share to settle HK$15,160,000 (approximately RMB12,418,000) of the 2010 Final Dividend (note 11). Accordingly, the share capital of the Company increased from approximately HK$76,822,000 (approximately RMB74,082,000) to approximately HK$77,889,000 (approximately RMB74,957,000), and the share premium of the Company increased by approximately HK$14,093,000 (approximately RMB11,543,000).

29. SHARE OPTION SCHEME

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

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

29. SHARE OPTION SCHEME (continued)

Upon the subscription of the Share Options, the grantee can exercise the option within the period of not less than one year and not exceeding 10 years from the date of grant. The exercise price shall be determined as the highest of the following:

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

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

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

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

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

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

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price HK$ per share	Number of options '000
At 1 January 2010		—
Granted during the year	3.55	13,200
At 31 December 2010 and 31 December 2011		13,200

No share options were exercised during the years ended 31 December 2011 and 2010.

29. SHARE OPTION SCHEME (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2010 and 2011

Number of options '000	Exercise price HK$ per share	Exercise period
13,200	3.55	14 June 2010 to 13 June 2013

The total fair value of the share options granted during the year ended 31 December 2010 was RMB6,377,000, of which the Group recognised the whole balance of RMB6,377,000 as share option expense during that year.

The fair value of equity-settled share options granted during the year ended 31 December 2010 was estimated as at the date of grant, using a 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

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 13,200,000 share options outstanding under the Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1 option to 1 ordinary share of the Company and additional share capital of HK$1,320,000 (approximately RMB1,071,000) and share premium of HK$45,540,000 (approximately to RMB36,940,000), before issue expenses.

30. RESERVES

(a) Group

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

The capital reserve of the Group represents the difference between the aggregate of (i) the nominal value of the shares of the subsidiaries acquired after deducting the distribution to the original existing shareholders of Nice Group of RMB21,400,000 and (ii) the nominal value of the convertible bonds of RMB18,300,000 issued by Cathay Mobile Communications Limited (a substantial shareholder of the Company) which was transferred as equity in Nice Group when the repayment obligation of the convertible bonds was terminated on 9 March 2007, over the nominal value of the Company's shares issued pursuant to the Group Reorganisation.

In accordance with the relevant regulations applicable in the PRC, two subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after tax, if any, to the enterprise expansion and statutory reserve funds which are non-distributable, before profit distributions to shareholders. These transfers continue until the amount of the reserve funds equals 50% of the registered capital of the subsidiaries. The amounts of transfers are subject to the approval of the board of directors of the subsidiaries.

30. RESERVES (continued)

(b) Company

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010		493,398	222,732	(80,976)	—	(2,360)	632,794
Loss for the year		—	—	—	—	(18,836)	(18,836)
Exchange realignment		—	—	(22,170)	—	—	(22,170)
Total comprehensive expense for the year		—	—	(22,170)	—	(18,836)	(41,006)
Issue of shares	28	(6,089)	—	—	—	—	(6,089)
Equity-settled share option arrangements	29	—	—	—	6,377	—	6,377
Final 2009 dividend declared		—	—	—	—	(30,711)	(30,711)
At 31 December 2010 and 1 January 2011		487,309	222,732	(103,146)	6,377	(51,907)	561,365
Loss for the year		—	—	—	—	(14,926)	(14,926)
Exchange realignment		—	—	(27,926)	—	—	(27,926)
Total comprehensive expense for the year		—	—	(27,926)	—	(14,926)	(42,852)
Issue of shares pursuant to Scrip Dividend Scheme	28	11,543	—	—	—	—	11,543
Final 2010 dividend declared		—	(31,942)	(858)	—	—	(32,800)
At 31 December 2011		498,852	190,790	(131,930)	6,377	(66,833)	497,256

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) During the year, HK$15,160,000 (approximately RMB12,418,000) of the 2010 Final Dividend was satisfied by way of scrip shares in lieu of cash. Further details are set out in notes 11 and 28 to the financial statements.

(ii) The deposit paid for the purchases of property, plant and equipment of RMB1,395,000 as at 31 December 2010 was applied to partly satisfy the consideration for the purchases of certain items of property, plant and equipment for the year ended 31 December 2011.

(iii) The deposit paid for the purchases of property, plant and equipment of RMB988,000 as at 31 December 2009 was applied to partly satisfy the consideration for the purchases of certain items of property, plant and equipment for the year ended 31 December 2010.

32. BUSINESS COMBINATION

During the year ended 31 December 2010, the Group acquired an additional 4.8% equity interest in ZHT, a jointly-controlled entity of the Group as at 31 December 2009. Upon completion of the Acquisition, the Group holds a 66.985% equity interest in ZHT, which then ceased to be a jointly-controlled entity and became a subsidiary. Further details are included in note 18 to the financial statements.

The Acquisition was made as part of the Group's strategy to expand its market share of wireless telecommunications coverage system equipment in Mainland China.

32. BUSINESS COMBINATION (continued)

The Group has elected to measure the non-controlling interests in ZHT at the non-controlling interests' proportionate share of ZHT's identifiable net assets.

	Notes	Fair value recognised on acquisition RMB'000	Previous carrying amount RMB'000
Net assets acquired:			
Property, plant and equipment	14	965	965
Intangible assets	17	1,808	1,808
Inventories		18,421	18,421
Trade receivables		12,036	12,036
Prepayments, deposits and other receivables		111	111
Cash and bank balances		299	299
Trade payables		(17,513)	(17,513)
Other payables and accruals		(1,832)	(1,832)
Total identifiable net assets at fair value		14,295	14,295

	Notes	Fair value recognised on acquisition RMB'000
Total identifiable net assets at fair value		14,295
Percentage of control		66.985%
Total net assets acquired		9,575
Cash consideration		547
Fair value of the Group's equity in ZHT held before the business combination		10,163
Goodwill on acquisition	16	1,135

32. BUSINESS COMBINATION (continued)

The fair values of the trade receivables and other receivables as at the date of the Acquisition amounted to RMB12,036,000 and RMB111,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB12,036,000 and RMB111,000, respectively, of which no balance is expected to be uncollectible.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the Acquisition is as follows:

	RMB'000
Cash consideration	(547)
Cash and bank balances acquired	299
Net outflow of cash and cash equivalents included in cash flows from investing activities	(248)

Since the Acquisition to 31 December 2010, ZHT contributed RMB41,854,000 to the Group's turnover and RMB5,115,000 to the Group's consolidated profit for that year.

Had the combination been taken place at the beginning of the year ended 31 December 2010, the revenue of the Group and the profit of the Group for that year would remain at RMB1,541,034,000 and RMB182,617,000, respectively.

33. OPERATING LEASE ARRANGEMENTS

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

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	RMB'000	RMB'000
Within one year	**1,260**	1,384
In the second to fifth years, inclusive	**609**	760
	1,869	2,144

The Company had no operating lease commitments at 31 December 2011 (2010: Nil).

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following contracted but not provided for commitments at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
Unpaid capital of Fujian Centron	—	132

The Company had no commitments at 31 December 2011 (2010: Nil).

35. RELATED PARTY TRANSACTIONS

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

	2011 RMB'000	2010 RMB'000
Rental expense for office premises paid to Mr. Dai Guoliang	—	304

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

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

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	2,875	2,991
Equity-settled share option expense	—	3,719
Total compensation paid to key management personnel	2,875	6,710

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

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

Loans and receivables

	Group	
	2011	2010
	RMB'000	RMB'000
Trade and bills receivables	**1,221,670**	907,205
Financial assets included in prepayments, deposits and other receivables	**11,786**	7,549
Entrusted loan receivable	**40,000**	40,000
Pledged deposits	**26,818**	38,185
Restricted deposits	**—**	2,083
Cash and cash equivalents	**197,171**	365,527
	1,497,445	1,360,549

Financial liabilities

Financial liabilities at amortised cost

	Group	
	2011	2010
	RMB'000	RMB'000
Trade and bills payables	**199,825**	167,671
Financial liabilities included in other payables and accruals	**31,671**	18,391
Interest-bearing bank borrowings	**322,657**	421,067
	554,153	607,129

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial assets

Loans and receivables

	Company	
	2011	2010
	RMB'000	RMB'000
Due from subsidiaries	580,587	657,432
Cash and cash equivalents	2,788	23,587
	583,375	681,019

Financial liabilities

Financial liabilities at amortised cost

	Company	
	2011	2010
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	—	2
Interest-bearing bank borrowings	234,881	280,556
	234,881	280,558

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to certain of the Group's bank loans with floating interest rates. The management considers there is no significant interest rate risk for the Group. The Group currently does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign currency risk

The Group mainly operates in Mainland China with most of its transactions settled in RMB. The Group's assets and liabilities, and transactions arising from its operations are mainly denominated in RMB. The Group has not used any forward contract or currency borrowing to hedge its exposure as its foreign currency risk is considered minimal.

Credit risk

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

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

The credit risk of the Group's other financial assets, which comprise an entrusted loan receivable, other receivables, time deposits and cash and bank balances, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2011			
Trade and bills payables	199,825	—	199,825
Financial liabilities included in other payables and accruals	31,671	—	31,671
Interest-bearing bank borrowings	223,284	101,631	324,915
	454,780	101,631	556,411

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2010			
Trade and bills payables	167,671	—	167,671
Financial liabilities included in other payables and accruals	18,391	—	18,391
Interest-bearing bank borrowings	136,063	288,869	424,932
	322,125	288,869	610,994

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2011			
Interest-bearing bank borrowings	135,508	101,631	237,139

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2010			
Financial liabilities included in other payables and accruals	2	—	2
Interest-bearing bank borrowings	35,553	248,869	284,422
	35,555	248,869	284,424

Commodity price risk

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is total debt divided by the total capital plus total debt. Total debt includes trade and bills payables, other payables and accruals, and interest-bearing bank borrowings. Total capital includes equity attributable to ordinary equity holders of the Company.

The Group's gearing ratios as at the end of the reporting periods are as follows:

	2011	2010
	RMB'000	RMB'000
Trade and bills payables	**199,825**	167,671
Other payables and accruals	**65,599**	40,835
Interest-bearing bank borrowings	**322,657**	421,067
Total debt	**588,081**	629,573
Equity attributable to ordinary equity holders of the Company	**1,511,951**	1,356,414
Total capital plus total debt	**2,100,032**	1,985,987
Gearing ratio	**28.0%**	31.7%

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2012.

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