2012 annual report

年報

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 and Chief Executive Officer)*
Guo Zeli
Dai Guoyu
Yi Zhangtao
Ng Wai-kee (appointment with effect from 1 April 2013)

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

Room 2001, 20/F,
Grandtech Centre
8 On Ping Street, Shatin
New Territories
Hong Kong

COMPANY SECRETARY

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
Cheung & Lee
In association with Locke Lord Bissell & Liddell (HK) LLP

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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2012, through ongoing business restructuring and strategy optimization, Centron Telecom International Holding Limited (the "Company") and its Subsidiaries (together, the "Group") broadly maintained its market position in the mobile telecommunications network coverage market in the PRC. In 2012, the Group recorded a revenue of RMB1,478.7 million, representing a year-on-year decrease of 7.6%. Profit for the year amounted to RMB60.2 million, representing a decrease of approximately 66.2% compared to the corresponding period last year.

I. Market and Business Overview

The seasons follow each other in rotation and the tide rises and falls. Everything is cyclical in nature, and so is the communication industry. Throughout 2012, compounded by the domestic and international macro-economic impact, succession of political leaders, cyclicity in the network coverage construction, and concerns over costs control as a result of the emergence and development of Over-The-Top Content (OTT), lackluster progress of the integration of telecommunication, radio and television (the triple play) and industrial digitalisation, the entire communications equipment industry was generally experiencing its low and virtually no enterprise was able to buck the trend.

For the conventional mobile communications network coverage business, operators were exercising more stringent internal control and pursuing higher financial concentration in 2012 due to the domestic and international macro-economic factors, and the fact that earnings rise with rapid growth but fall when the growth momentum is lost, resulting in a slowdown in expenditure and continuous price slashes. In the face of the decline in both market demand and prices, the Group had a level head and took a number of initiatives and measures to deal with the situation. On the other hand, the Group still witnessed the objective existence of daily and fundamental demands for and increasing reliance on mobile communication services. The Group has high conviction in the future prospects of the existing mobile communications coverage business and believes that once the low period of the industry is over, hopefully, there will be another harvest with the advance of communication technologies and increasing reliance on mobile communications. Therefore, the Group timely modulated the product and market strategy in 2012 and focused on the provision of a combination of 2G, 3G and WLAN network coverage solutions that meet market demand, and multi-mode indoor distribution integrated solutions, as well as the derivative application of relevant solutions. Based on the above, the Group has broadly maintained its position in the industry.

CHAIRMAN'S STATEMENT

For the digital television network coverage industry, after several years of development, the wireless digital television network has covered a majority of the cities nationwide. In the past few years, the Group also received a large number of orders and derived certain revenue therefrom, and established leading position in the industry. While digital television network coverage represents another alternative of digital cable television, unlike digital cable television, digital television network coverage has specific market demand, such as squares, public transport and other outdoor or mobile facilities. Objectively speaking, these demands do exist as they did in the past. However, due to the uncertainties in various respects since the beginning of last year, and the lackluster triple play policy, the industrialization process has been stagnant. Despite the fact that the Group remains optimistic about the prospects of the industry and objectively speaking, the Group also retained a considerable amount of industry resources and edges, in order to respond to the current realities, the Group also had to take corresponding measures, such as reducing spending on the operational costs and lowering inventory levels. At the same time, while securing the systemic risk of the industry, the Group was adopting a more prudent stance to expand other operations related to wireless digital television and the market to improve and attempt to make loss of the impact brought about by the stagnant digital television network coverage industry. Through preservation of our resources and leading edges in the digital television network coverage industry with minimal costs, the Group is trying to diversify into other possible sources of income, while waiting for a new market boom.

In 2012, the industry was generally under pressure and some even struggled in deficit positions. On the backdrop of the above, as part of our responsibility to the shareholders, the Group exercised stringent control over the costs and expenses and focused on operations that cast market demand. With the adoption of a relatively conservative approach in the remaining fiscal year, the Group has broadly sustained the scale and market of the existing operations.

II. Research & Development

In 2012, research and development expenditure of the Group was approximately RMB69.9 million, an increase of 41.5% over last year. During the year, based on our plan and earnings, the Group continues to increase its investment in research and development in a prudent manner, and accelerates products and applications research and development for various business, including products and applications of multi-network integration business such as 3G, 4G and WLAN that fit market demand and our existing business scale. Besides, the Group also starts to conduct research and development in advanced technologies such as private network in digital interphone industry and terrestrial satellite communications antenna to enrich our technologies, so as to exercise careful control over relevant expenses to secure cash flow, while further accommodating to the restructuring of our business and products and laying a solid foundation to the future business development of the Group.

III. Profitability

In 2012, revenue of the Group was RMB1,478.7 million, representing a decrease of 7.6% as compared to last year. Gross profit for the year amounted to RMB395.6 million, representing a decrease of 12.0%. During the year, gross profit margin was approximately 26.8%, decreased 1.3% from last year. Net profit for the year amounted to RMB60.2 million, representing a decrease of 66.2% while net profit margin accounted for 4.1% of our total revenue, fell by 7.0% from last year. The decrease in net profit during the year was mainly attributable to (1) decline in gross profit owing to the drop in selling price; (2) general increase in staff's salary to the industry level; (3) increase in impairment provision of trade receivables, stock impairment provision and research and development costs.

BUSINESS OUTLOOK

In order to capture opportunities arising in favourable conditions, we have to preserve our strength against adverse conditions. In 2013, the Group proposed the market strategy to strengthen our foundation, that is to consolidate and maintain our existing market scale and profitability with the conventional network coverage business as the basis, and develop new business for the Company to bring new momentum and sources of income.

Unlike public network communications, there are still huge numbers of large-scale analogue equipment for private network communication that occupied band resources and was detrimental to the efficiency of usage of band, even nowadays when the information technology development flies. The Ministry of Industry and Information Technology issued the "Notice of Ministry of Industry and Information Technology on the Plan and Usage Administration of 150MHz and 400MHz Interphone Frequency（工業和信息化部關於150MHz、400MHz頻段專用對講機頻率規劃和使用管理有關事宜的通知）"(Gongxinbu [2009] No. 666) on 12 December 2009, which provides for certain mandatory measures on the original analogue private communication equipment before the analogue-digital transition is completed in 2016. In view of the upcoming deadline, the digitalisation of the industry will enter into a practical stage.

On the one hand, the Group is convicted to the objective demand for our existing businesses and its future prospects. On the other hand, the Group also saw the imminent analogue-digital transition as contemplate under the "Twelfth Five-Year Plan" and industrial digitalization. Following research and development of technologies in the recent years, the Group will timely launch the private network in digital interphone business in phases, and ride on the opportunities brought about by the analogue-digital transition with the edges and resources we retained in our existing business to prepare for the upcoming golden period in the next few years.

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 confidence and 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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the year ended 31 December 2012, the Group realised revenue of RMB1,478.7 million, representing a decrease of RMB120.8 million or 7.6% as compared with RMB1,599.5 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			
	2012 RMB (in million)	**%**	2011 RMB (in million)	%
By customers				
China Mobile Group	**573.3**	**38.8**	565.0	35.3
China Unicom Group	**498.5**	**33.7**	511.7	32.0
China Telecom Group	**328.2**	**22.2**	332.9	20.8
	1,400.0		1,409.6	
Others	**78.7**	**5.3**	189.9	11.9
	1,478.7	**100.0**	1,599.5	100.0
By business category				
2G and 3G	**1,424.0**	**96.3**	1,478.0	92.4
DTTV	**54.7**	**3.7**	121.5	7.6
	1,478.7	**100.0**	1,599.5	100.0

By business category

During the year, revenue from 2G and 3G networks was approximately RMB1,424.0 million, representing approximately 96.3% of the Group's total revenue.

During the year, revenue from digital TV system integration was approximately RMB54.7 million, representing approximately 3.7% of the Group's total revenue.

Mobile Telecommunications Network Coverage Solution Business

In 2012, subject to influences of the general macro-economic condition and a cyclical industry, transformation of the traditional mobile coverage industry in terms of technology and structure was underway. 2012 has been a relative trough for the entire communications equipment industry. As price competition intensified among peers, our profit margins continued to be under pressure. And at the same time, telecommunication operators reduced their expenditures.

Against the backdrop of such a challenging environment, the Group on the one hand strived to maintain the existing capacity and number of active sites, on the other hand, confronting with changes in technology and structure of the industry, the Group sought to transform and direct more resources to support research and development, market expansion and other activities cautiously, with a view to develop mobile communications coverage products and network coverage solutions that command a higher profit and capture the future development trend.

In 2012, thanks to the initiatives and efforts taken by the Group, we have maintained the scale and market share of our business. However, due to the falling prices and increasing costs, fees and investment, profit of the Group inevitably dropped to a larger extent.

Digital Television Network Coverage Business

As expected, the Group's revenue from digital television network coverage business in 2012 shrank significantly compared with the previous year. Due to government policies and industry environment, there has been virtually no new project in 2012. Our revenue was mainly derived from the projects completed but not yet inspected in the previous year, and projects that we started in the previous year and completed pending inspection only in 2012. Despite the success we achieved in ship-borne and car-borne satellite digital television market due to our market expansion strategies, and the fact that we won the tenders for such operations in a number of provinces, the amount realised in the year was rather trivial and did not make up the loss. In 2012, provision for trade receivables was RMB36.2 million and impairment loss of inventory was RMB8.8 million. The management of the Company is taking a number of initiatives to improve the settlement situation of trade receivables.

2. Gross profit

During the year, the Group realised gross profit of RMB395.6 million, a decrease of RMB53.7 million or 12.0% over RMB449.3 million in last year.

During the year, gross profit margin was approximately 26.8%, decreased 1.3% from 28.1% in last year.

External macro-economic conditions, such as the international financial crisis and downward pressure in the PRC's economy, together with the continuous development of mobile internet were causing impact on the profitability of traditional mobile telecommunication business across the industry. Under the circumstances, competition among the three largest telecommunication operators intensified with lower and lower telecommunication fees. In consideration of operating income and profit realisation, telecommunication operators were having greater concerns over the purchasing price and cost of suppliers, and suppliers were impacted due to the maturation of 3G technologies in the PRC, which in turn resulted in intensified competition in the mobile telecommunication industry, profits under pressure and therefore selling prices went down.

Measures to improve gross profit:

1. Implementation of stringent cost control measures, reducing cost through product enhancement, and improving production process and operation flow;

2. Development of industry-specific digital interphone product that commands higher added value to the Group's profits;

3. Full utilisation of the existing equipment to expand our production capacity;

4. Expansion of market coverage for new sources of income.

3. Research and development expenditure

During the year, research and development expenditure of the Group was approximately RMB69.9 million, an increase of approximately RMB20.5 million or 41.5% over RMB49.4 million in last year.

In 2012, the Group continues to increase its investment in research and development as scheduled and accelerates products and applications research and development for various business, including products and applications of 3G, 4G, WLAN, digital television network coverage and multi-network integration business. Besides, the Group also starts to conduct research and development in advanced technologies such as private network in digital interphone industry and terrestrial satellite communications antenna to enrich our technologies, so as to further accommodate to the restructuring of our business and products and lay a solid foundation to the future business development of the Group.

4. Selling and distribution expenses

During the year, selling and distribution expenses of the Group was approximately RMB77.3 million, increased by 21.0% over RMB63.9 million in last year.

The increase was mainly attributable to general increase in selling staff's salary to the industry level and increase in after-sales services fee during the year.

5. General and Administrative expenses

During the year, administrative expenses were approximately RMB208.7 million, an increase of RMB56.4 million or 37.0% over RMB152.3 million in last year.

The increase was mainly attributable to (1) impairment provision of trade receivables incurred during the year; (2) increase in research and development expenses; (3) increase in business and other tax expenses; and (4) increase in administrative staff salaries.

6. Finance costs

During the year, finance costs were approximately RMB20.0 million, an increase of approximately 30.7% over RMB15.3 million in last year.

During the year, the Group was financed by interest-bearing bank loans of total outstanding amount of RMB353.2 million (31 December 2011: RMB322.7 million), of which RMB303.7 million is secured bank borrowings and RMB49.5 million is unsecured bank borrowings. Except for the bank loans of RMB49.5 million which bore a fixed interest rate, all the bank loans bore a floating interest rate.

The increase in finance costs was mainly attributable to the increase in bank loan and a slightly rise of the interest rate per annum.

The management is prudent to manage the credit risk and monitors closely the latest development of 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 RMB42.9 million, a decrease of approximately 24.3% from RMB56.7 million in last year. The decrease was mainly due to the drop in chargable income during the year.

As a High-New Technology Enterprises, Fujian Centron is entitled to the preferential tax rate of 15% for the year ended 31 December 2012. Whilst the earning generated from other subsidiaries established in Mainland China are subject to relevant income tax rate of 25%. 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 RMB3.4 million (2011: RMB4.6 million).

8. Net profit

During the year, net profit was RMB60.2 million, decreased by approximately 66.2% from RMB178.0 million in last year. The net profit margin accounted for 4.1% of the total revenue, representing a decrease of 7.0% as compared with last year.

The decrease in net profit during the year was mainly attributable to (1) decline in gross profit owing to the drop in selling price; (2) general increase in staff's salary to the industry level; (3) increase in impairment provision of trade receivables, stock impairment provision and research and development costs.

PROSPECT

Industry Update

In 2013, as China Mobile announced the substantial investment in the construction of mobile communication networks, particularly the 4G network, it is believed that this will lead to a new round of competition between operators in terms of network coverage and network quality to enhance customers' experience and improve their competitiveness. For network coverage and speed of the network in the PRC, there is still ample room for optimisation and improvement.

For policies, the Ministry of Industry announced in early 2013 the launch of pilot policy that allows private capital to enter the telecommunications industry as virtual operators, pursuant to the policy, private operators may lease number, time slot and network from the largest three operators, combined with their own bundled service to directly market their services to end-user sales. This will further promote industrial restructuring and virtual operators will focus their resources on their products and business, while operating entities will focus their resources on network construction. With increasing and more diversified end-user and data communication user profile, we believe that it will further drive the demand for mobile communications network coverage and optimisation. Solid network quality and coverage, is fundamental to the implementation of this new policy. A quality network and coverage will be a fundamental element of this new policy.

MANAGEMENT DISCUSSION AND ANALYSIS

For technology development, along with the rapid popularisation of intelligent terminals, as well as operators' gradual transition from voice business to data traffic business, end-users are emphasising quality network coverage and speed to ensure continuous and uninterrupted web surfing anytime, anywhere. At the same time, due to the huge data transmission, in order to avoid interference and guarantee the coverage, the network tends to cover a small and dense area, compared with the large area coverage in the 2G era. From an objective perspective, this will stimulate market demand.

However, competition is expected to intensify as external investment flows to the telecommunication industry.

Mobile Telecommunications Network Coverage Business

With mobile communications increasingly become a daily necessities of life, we believed that it will bring about continuous demand for network coverage and promote industry optimisation. At the same time, the Group will be presented with steady market demand. Leverage such opportunity, by virtue of the accumulated advantages in the industry and our R & D results and technical reserves in the past, the Group will ensure its current scale and market share through sales of new network equipment and signal distribution products, and multi-network coverage and integrated solutions with more advanced distribution and wider bandwidth. We will strive for better sales performance in mobile telecommunication business, and at the same time, try our best to keep the increasing expenditures and costs at a manageable level, so as to improve and enhance our profitability.

With the experience in the mobile telecommunications network coverage industry we accumulated over years, the Group has gathered many resources and advantages. The Group has been leveraging such advantages and resources, as well as our industrial alliance platform, external cooperation in research and development and our own research and development capacity, to commence the research and development of various advanced communication technologies as our future reserves. As such, we can respond quickly to the market whenever opportunities arise, and face the challenging environment ahead. At present, substantially all of the business and income are still derived from mobile telecommunications network coverage business. For this reason, though our priority will be given to maintain our operating income and profitability at the current level, the Group will also continue to direct more resources on the research and development of various advanced communication technologies as our future reserves.

Digital television network coverage business

Digital television network coverage business has attained a certain scale after years of construction. Quite a number of devices and networks are running in the network. However, uncertainty in future government policies is casting a significant level of uncertainty in the consolidation of operation model and relevant systems and is therefore bringing greater challenges to the industry.

In view of the current situation of the industry, the Group will take the following measures: 1. The Group will implement stringent control over our trade receivables, and will use every means (or to take relevant legal actions if necessary) to recover those amounts; 2. As long as we can ensure the recoverability of receivable for our new business, the Group will continue to take advantage of its leading role in ship-borne and car-borne satellite mobile digital television products to extend our market and capture a larger market share, so as to expand our leading edge and enjoy better economic benefits; 3. Enhance our internal management control to reduce costs.

Private Network in Digital Interphone Industry

Public network communication is principally used for the provision of communication services to the general public, and economic benefit is the prime focus of network operators. Unlike public network communication, private network communication is principally used for the provision of emergency communication services, mobilising system and daily communication services to government, public safety authorities, public utilities sector and industrial and commercial companies, as such, its prime focus is social efficiency. Private communication network emphasises on the manageability, reliability, efficiency and safety of communication. In order to ensure the terminals can adapt to different working environment, end-users attach great importance on the reliability of the terminals, and require special features such as waterproof, dustproof, shockproof and flameproof. With the growing public concern over public safety issues (such as earthquake and tsunami), the prospect of global wireless telecommunication market will continue to be promising.

The Ministry of Industry and Information Technology issued the "Notice of Ministry of Industry and Information Technology on the Plan and Usage Administration of 150MHz and 400MHz Interphone Frequency（工業和信息化部關於150MHz、400MHz頻段專用對講機頻率規劃和使用管理有關事宜的通知）"(Gongxinbu [2009] No. 666) on 12 December 2009, it states that starting from 1 January 2011, no approval will be granted for new analogue interphone model that utilizing band 136-167MHz and 403-423.5MHz (excluding public interphone band 409.75-409.9875MHz and amateur interphone band 144-146MHz), and for analogue interphone models that already have approvals, their approvals will not be renewed upon expiration. The digitalisation of the industry will enter into a practical stage in the next five years.

Our Group started research and development in preparation for the private network for digital interphone business, and the network is now under practical application testing. The Company will step up its research and development and lay a solid foundation for the commercial launch and marketing of our products.

CONCLUSION

The Group will grab the chances come along with the rapid development of mobile telecommunication sector and private network of digital interphone sector. We will further implement our development strategy base on the following aspects: 1. Optimising industrial structure. The Group's development strategy is to strengthen our foundation for long term development. Our priority is to ensure stable growth in our public network business, and build on it to grab the opportunities come along with the establishment of TD-LTE network, so as to create new driver and source of profit for the Group. 2. We will implement stringent internal control and management. Our performance appraisal system will also be improved. The Group will also actively seek ways to increase income and reduce costs. We will enhance our efficiency through improving our operation and administration flow as well as better financial management. 3. In order to attract high-caliber individuals to join us, as well as to retain existing talented staff, we will strive to maintain a healthy corporate culture.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had cash and cash equivalents of RMB364.1 million (2011: RMB197.2 million), most of which were denominated in US dollars, Hong Kong dollars and Renminbi.

As at 31 December 2012, the Group had pledged deposits of RMB15.7 million (2011: RMB26.8 million).

As at 31 December 2012, the Group had interest-bearing bank borrowings payables within one year of RMB49.5 million (2011: RMB221.9 million).

As at 31 December 2012, the Group had RMB303.7 million interest-bearing bank borrowings payables more than one year (2011: RMB100.8 million).

Average trade receivable turnover period was 301 days (2011: 243 days).

The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months. A longer credit term of twelve to eighteen 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 132 days (2011: 122 days). Overall, the Group maintained a current ratio of 6.39 as at 31 December 2012 (2011: 3.71).

As at 31 December 2012, the gearing ratio (as defined as total borrowings (except for account payables in the ordinary course of business) divided by total equity) was 22.7% (2011: 21.2%).

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

During the year ended 31 December 2012, 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 2012. 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 2012, the Group incurred capital expenditure of approximately RMB8.7 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 31 December 2012, certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

(i) corporate guarantee of RMB70,000,000 (2011: RMB35,000,000) from Centron Communication Technologies Fujian Co., Ltd. ("Fujian Centron");

(ii) personal guarantee of RMB30,000,000 (2011: RMB35,000,000) from Mr. Dai Guoliang, a director of the Company;

(iii) corporate guarantee of US$50,000,000 jointly from Nice Group Resources Limited ("Nice Group"), Centron Telecom System (Asia) Limited ("Centron Asia") and Centron Telecom Hong Kong Limited (2011: corporate guarantee of US$43,000,000 jointly from Nice Group and Centron Asia), wholly-owned subsidiaries;

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

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

(vi) assignment of RMB234,282,000 (2011: RMB232,431,000) due from Fujian Centron to Nice Group as at 31 December 2012; and

(vii) the pledge of the Group's certain trade receivables amounting to RMB12,776,000 as at 31 December 2011.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have significant contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2012, 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 option 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 in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB488.2 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 RMB48.5 million was used for the establishment of overseas sales and marketing channels; and

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012.

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND EXECUTIVE DIRECTOR

Dai Guoliang, aged 51, 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 58, 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 48, 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 obtained the title of engineer in 2006 and has completed the EMBA program in Hua Qiao University.

Yi Zhangtao, aged 48, 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, a subsidiary of the Company. 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.

Ng Wai-kee, aged 53, an executive director and a company secretary of the Company. Mr. Ng joined the Group on October 1, 2006. Mr. Ng has around 26 years of experience in accounting and auditing. Mr. Ng previously worked as company secretary of Global Bio-chem Technology Group Company Limited (a company listed on the Stock Exchange, Stock Code: 809) and Datasys Technology Holdings Limited (a company previously listed on the Stock Exchange, Stock Code: 8057). Mr. Ng now serves as a non-executive director of CDW Holding Limited (a company listed on the Singapore Stock Exchange, Stock Code: D38) and is currently the company secretary of Grand T G Gold Holdings Limited (a company listed on the Stock Exchange, Stock Code: 8299). 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.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hung Ee Tek, aged 50, 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. Mr. Hung 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 72, 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 47, 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 Xidian University（西安電子科技大學）.

SENIOR MANAGEMENT PROFILE

Lee Wan Sze, aged 33, chief financial officer of the Company. Ms. Lee joined 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.

DIRECTORS AND SENIOR MANAGEMENT

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 49, 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 (華恒包裝(香港)集團) and as general manager of XinChengDa (Wuhan) Optical & Electrical Technology Limited (信誠達(武漢)光電科技有限公司). Mr. Liu graduated from Xiaman University, majoring in accounting and obtained the title of accountant.

Yang Weimin, aged 44, general manager of the administrative centre and general manager of the chief executive officer 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.

DIRECTORS AND SENIOR MANAGEMENT

Chen Yong, aged 37, 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 44, 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 17 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 REPORT

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 set out in the Code on Corporate Governance Practice (effective until 31 March 2012) (the "Corporate Governance Code") and the Corporate Governance Code (effective form 1 April 2012) (the "Revised 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 2012 (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 Financial Year.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board comprises five executive Directors and three independent non-executive Directors. The biographical details of all Directors are set out on pages 16 to 19 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, who 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 operation of the Group under the leadership of the Board.

Moreover, the Board as a whole is responsible for performing the corporate governance duties set out in the Revised Code. The Board reviews at least annually the corporate governance practices of the Company to ensure its continuous compliance with the Corporate Governance Code and the Revised Code, and make appropriate changes if considered necessary. During the Financial Year, the Board has performed the corporate governance duties set out in the Revised Code.

TRAINING FOR DIRECTORS

The Directors are committed to complying with Code Provision A.6.5 of the Revised Code which came into effect on 1 April 2012 on Directors' training. All Directors (excluding Mr. Ng Wai-kee who was appointed as an executive Director with effect from 1 April 2013) have participated in continuous professional development by attending seminars and/or studying materials relevant to Director's duties and responsibility and provided a record of training they received for the Financial Year to the Company.

MEETINGS OF THE BOARD

During the Financial year, the Board held 8 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 attendance table on page 24 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Revised 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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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.

Each of the independent non-executive Directors was appointed for a specific term of three years.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance of the Revised 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 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. During the Financial Year, one meeting of the Remuneration Committee was held and the attendance of each member is set out in the attendance table on page 24 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's remuneration and determining, with delegated responsibility, the specific remuneration package of all executive Directors and senior management and making recommendations to the Board on the remuneration of non-executive Directors.

During the Financial Year, the Remuneration Committee has, amongst other things, reviewed the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

For the Financial Year, the annual remuneration of the members of the senior management who are not Directors are within the following bands:

Remuneration band (RMB)	Number of individuals
0 – 350,000	6
350,001 – 700,000	1

Details of the remuneration of each Director for the Financial Year are set out in note 8 to the financial statements contained in this annual report.

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, two meetings of the Audit Committee were held and the attendance of each member is set out in the attendance table on page 24 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 Revised Code.

During the Financial Year, the Audit Committee has, amongst other things, reviewed half-yearly and annual results of the Company and reviewed internal control matters of the Company.

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.

One meetings of the Nomination Committee was held during the Financial Year 2012 and the attendance of each member is set out in the attendance table on page 24 of this annual report.

During the Financial Year, the Nomination Committee has, amongst other things, determined the policy for the nomination of directors and adopted the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year.

Details of the appointment and resignation during the Financial Year 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 Financial Year is set out below:`

	Fee paid/payable Approximately RMB million
Services rendered	
Audit fee for 2012 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	Board meeting	Meeting of the Remuneration Committee	Meeting of the Audit Committee	Meeting of the Nomination Committee
Executive Directors						
Mr. Dai Guoliang	Chairman and CEO	1/1	8/8			1/1
Mr. Guo Zeli	Vice Chairman	0/1	8/8			
Mr. Dai Guoyu		1/1	8/8			
Mr. Yi Zhangtao		0/1	8/8	1/1		
Mr. Ng Wai-kee (Note 1)		N/A	N/A			
Non-executive Director						
Mr. Paul Steven Wolansky (Note 2)		0/1	2/4			
Independent non-executive Directors						
Mr. Hung Ee Tek		1/1	8/8	1/1	2/2	
Mr. Lin Yuanfang		0/1	8/8	1/1	2/2	1/1
Mr. Li Hongbin		0/1	6/8	1/1	2/2	1/1

Notes:

1: Mr. Ng Wai-kee was appointed as an executive Director with effect from 1 April 2013.

2: Mr. Paul Steven Wolansky resigned as an non-executive Director on 23 August 2012.

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 Financial Year, 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.

COMPANY SECRETARY

The position of Company Secretary is held by Mr. Ng Wai-kee. Mr. Ng is a full time employee of the Group and was appointed as an executive Director with effect from 1 April 2013. In compliance with Rule 3.29 of the Listing Rules, Mr. Ng has taken no less than 15 hours of relevant professional training during the Financial Year.

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.

SHAREHOLDERS' RIGHTS

Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to Article 58 of the articles of association of the Company, shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. In the event that the Board fails to proceed to convene such meeting within twenty-one days of the deposit of the requisition, the shareholder(s) of the Company who deposit such requisition may do so in the same manner, and all reasonable expenses incurred by such shareholder(s) of the Company as result of the failure of the Board shall be reimbursed to such shareholder(s) of the Company.

The said written requisition shall be deposited at the principal place of business of the Company in Hong Kong.

Procedures for Shareholders to Put Enquiries to the Board

Shareholders of the Company should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. In respect of other enquiries, the shareholders of the Company may put forward enquiries to the Board through the Company's principal place of business in Hong Kong which will direct the enquiries to the Board for handling.

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 conducted a review of the effectiveness of the Group's internal control systems for the Financial Year and is of the view that the system of internal controls in place for the Financial Year 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.

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

There was no change in the Company's memorandum of association and the articles of association during the Financial Year.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 112.

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB488.2 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 RMB48.5 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 and prepared on the basis as set out herein, is set out below. This summary does not form a part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**1,478,743**	1,599,522	1,533,863	1,141,615	818,295
PROFIT BEFORE TAX	**103,044**	234,644	221,151	190,894	140,052
Income tax expense	**(42,874)**	(56,662)	(38,811)	(25,870)	(21,861)
PROFIT FOR THE YEAR	**60,170**	177,982	182,340	165,024	118,191
Attributable to:					
Ordinary equity holders of the Company	**59,530**	175,458	180,651	165,024	118,191
Non-controlling interests	**640**	2,524	1,689	–	–
	60,170	177,982	182,340	165,024	118,191

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,173,104**	2,144,101	2,010,429	1,430,444	1,159,757
Total liabilities	**(619,403)**	(622,062)	(646,451)	(234,774)	(129,164)
Non-controlling interests	**(10,728)**	(10,088)	(7,564)	–	–
	1,542,973	1,511,951	1,356,414	1,195,670	1,030,593

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 29 and 30 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 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, 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 RMB571,949,000. The amount of RMB571,949,000 includes the Company's share premium account and capital reserve of RMB657,944,000 in aggregate as at 31 December 2012, 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 97% of the total sales for the year and sales to the largest customer included therein accounted for 39%. 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 5%.

REPORT OF THE DIRECTORS

None of the Directors 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 during the year and up to the date of this report were:

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

Non-executive Directors:
Mr. Paul Steven Wolansky (resigned on 23 August 2012)

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. Hung Ee Tek, 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 and the senior management of the Group are set out on pages 16 to 19 of this 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 on 20 March 2013. 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 2013. Mr. Hung Ee Tek has entered into an appointment letter with the Company for a term of three years which commenced on 31 December 2012. Under the said service agreements, 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 executive Directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

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

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

As at 31 December 2012, 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 Companies (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	35.21

Note:

1. Oriental City Profits Ltd. ("Oriental City") held approximately 35.21% interest in the issued share capital of the Company as at 31 December 2012. As at 31 December 2012, 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 approximately 35.21% interest in the issued share capital of the Company as at 31 December 2012. The share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to approximately 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 approximately 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 approximately 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 2012, 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 2012 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 30 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 2012	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2012	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				
One employee	5,500,000	–	–	–	–	5,500,000	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Total	13,200,000	–	–	–	–	13,200,000				

Save as disclosed above, at no time during the year 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, 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, or any of its subsidiaries was a party and in which a Director 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 2012, 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	35.21
Mr. Dai Guoliang	(1)	Through a controlled corporation	274,317,517	35.21
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	115,500,000	14.82
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	115,500,000	14.82
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.

Save as disclosed above, as at 31 December 2012, 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, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, CITIC Bank International Limited, Bank of Ayudhya Public Company Limited, Hong Kong Branch, Industrial Bank of Taiwan Co., Ltd., and The Shanghai Commercial and Savings Bank, Ltd., Hong Kong Branch 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. On 3 August 2012, the Company had settled all outstanding amounts under the abovementioned loan agreement.

Pursuant to a loan agreement dated 26 July 2012 between the Company, Bank of China (Hong Kong) Limited, Hang Seng Bank and CITIC Bank International Limited relating to a three-year loan facility of US$50,000,000, it shall be an event of default if: (i) Mr. Dai Guoliang is not or cease to be chairman of the Company; (ii) Mr. Dai Guoyu is not or cease to be executive director of the Company; (iii) Mr. Dai Guoliang and Mr. Dai Guoyu collectively do not or cease to maintain control over the management and business of the Group; (iv) Mr. Dai Guoliang does not or ceases to own, directly or indirectly, at least 20% of the beneficial shareholding carrying at least 20% of the voting rights in the Company, free from any mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (the "Security"); (v) Mr. Dai Guoliang does not or ceases to be the single largest controlling shareholder of the Company; or (vi) Mr. Dai Guoliang does not or ceases to own, directly or indirectly, at least 51% of the beneficial shareholding carrying at least 51% of the voting rights in Oriental City free from any Security.

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holdings of the shares of the Company.

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
27 March 2013

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 39 to 112, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, 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
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
27 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	5	**1,478,743**	1,599,522
Cost of sales		**(1,083,157)**	(1,150,205)
Gross profit		**395,586**	449,317
Other income	5	**13,540**	16,812
Selling and distribution expenses		**(77,333)**	(63,926)
General and administrative expenses		**(208,735)**	(152,260)
Finance costs	7	**(20,014)**	(15,299)
PROFIT BEFORE TAX	6	**103,044**	234,644
Income tax expense	10	**(42,874)**	(56,662)
PROFIT FOR THE YEAR		**60,170**	177,982
Attributable to:			
Ordinary equity holders of the Company	11	**59,530**	175,458
Non-controlling interests		**640**	2,524
		60,170	177,982
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted (RMB cents) (2011 restated)		**7.64**	22.52

Details of the dividend are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR		**60,170**	177,982
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**3,170**	461
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63,340**	178,443
Attributable to:			
Ordinary equity holders of the Company	11	**62,700**	175,919
Non-controlling interests		**640**	2,524
		63,340	178,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**194,334**	211,533
Prepaid land lease payments	15	**10,466**	10,707
Intangible assets	17	**–**	1,761
Deferred tax assets	28	**2,213**	1,494
Goodwill	16	**1,135**	1,135
Total non-current assets		**208,148**	226,630
CURRENT ASSETS			
Inventories	19	**375,412**	392,899
Trade and bills receivables	20	**1,170,290**	1,221,670
Prepayments, deposits and other receivables	22	**26,994**	38,913
Entrusted loan receivable	21	**–**	40,000
Available-for-sale investment	23	**12,500**	–
Pledged deposits	24	**15,703**	26,818
Cash and cash equivalents	24	**364,057**	197,171
Total current assets		**1,964,956**	1,917,471
CURRENT LIABILITIES			
Trade and bills payables	25	**153,772**	199,825
Other payables and accruals	26	**81,266**	65,599
Interest-bearing bank borrowings	27	**49,500**	221,858
Tax payable		**23,129**	29,381
Total current liabilities		**307,667**	516,663
NET CURRENT ASSETS		**1,657,289**	1,400,808
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,865,437**	1,627,438

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,865,437**	1,627,438
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**303,736**	100,799
Deferred tax liabilities	28	**8,000**	4,600
Total non-current liabilities		**311,736**	105,399
Net assets		**1,553,701**	1,522,039
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	29	**74,977**	74,957
Reserves	31(a)	**1,467,996**	1,436,994
		1,542,973	1,511,951
Non-controlling interests		**10,728**	10,088
Total equity		**1,553,701**	1,522,039

Dai Guoliang
Director

Guo Zeli
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Attributable to ordinary equity holders of the Company									
			Reserves								
	Note	Issued capital RMB'000 (note 29)	Share premium account RMB'000 (note 31(b))	Share option reserve RMB'000 (note 30)	Capital reserve RMB'000 (note 31(a))	Enterprise expansion and statutory reserve funds RMB'000 (note 31(a))	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Profit for the year		–	–	–	–	–	175,458	–	175,458	2,524	177,982
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	–	461	461	–	461
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	29	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
At 1 January 2012		**74,957**	**498,852**	**6,377**	**85,106**	**172,000**	**695,135**	**(20,476)**	**1,511,951**	**10,088**	**1,522,039**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**59,530**	**–**	**59,530**	**640**	**60,170**
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**3,170**	**3,170**	**–**	**3,170**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**59,530**	**3,170**	**62,700**	**640**	**63,340**
2011 final dividend declared		**–**	**–**	**–**	**–**	**–**	**(31,860)**	**–**	**(31,860)**	**–**	**(31,860)**
Issue of shares to settle 2011 final dividend	29	**20**	**162**	**–**	**–**	**–**	**–**	**–**	**182**	**–**	**182**
Transfer to enterprise expansion and statutory reserve funds		**–**	**–**	**–**	**–**	**22,985**	**(22,985)**	**–**	**–**	**–**	**–**
At 31 December 2012		**74,977**	**499,014***	**6,377***	**85,106***	**194,985***	**699,820***	**(17,306)***	**1,542,973**	**10,728**	**1,553,701**

* These reserve accounts comprise the consolidated reserves of RMB1,467,996,000 (2011: RMB1,436,994,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**103,044**	234,644
Adjustments for:			
Interest income	5	**(5,949)**	(4,604)
Interest expense	7	**16,190**	13,839
Depreciation	6	**25,891**	25,068
Amortisation of prepaid land lease payments	6	**241**	241
Amortisation of intangible assets	6	**1,761**	20,894
Amortisation of bank charges on a syndicated loan	7	**3,824**	1,460
Loss on disposal of items of property, plant and equipment	6	**1**	–
Impairment of inventories	6	**8,771**	566
Write-off of inventories	6	**77**	–
Impairment of trade receivables	6	**36,171**	–
Impairment/(write-back of impairment) of prepayments and deposits	6	**(1,349)**	5,200
		188,673	297,308
Decrease/(increase) in inventories		**8,639**	(16,138)
Decrease/(increase) in trade and bills receivables		**15,209**	(314,465)
Decrease/(increase) in prepayments, deposits and other receivables		**13,268**	(16,784)
Increase/(decrease) in trade and bills payables		**(46,053)**	32,154
Increase in other payables and accruals		**15,667**	24,764
Exchange realignment		**3,412**	527
Cash generated from operations		**198,815**	7,366
Interest received		**5,949**	4,604
PRC profits tax paid		**(46,445)**	(40,374)
Net cash flows from/(used in) operating activities		**158,319**	(28,404)

	Notes	2012 RMB'000	2011 RMB'000
Net cash flows from/(used in) operating activities		**158,319**	(28,404)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(8,694)**	(19,254)
Proceeds from disposal of items of property, plant and equipment		**1**	4
Decrease in pledged deposits		**11,115**	11,367
Decrease in restricted deposits		**–**	2,083
Decrease in entrusted loan receivable	21	**40,000**	–
Increase in available-for-sale investment		**(12,500)**	–
Net cash flows from/(used in) investing activities		**29,922**	(5,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**430,258**	54,890
Repayment of bank loans		**(400,845)**	(141,502)
Final dividend paid		**(31,678)**	(19,045)
Interest paid		**(16,190)**	(13,839)
Exchange realignment		**(2,658)**	(13,258)
Net cash flows used in financing activities		**(21,113)**	(132,754)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**167,128**	(166,958)
Cash and cash equivalents at the beginning of year		**197,171**	365,527
Effect of foreign exchange rates changes, net		**(242)**	(1,398)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**364,057**	197,171
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**370,534**	220,998
Non-pledged time deposits with original maturity of less than three months when acquired	24	**9,226**	2,991
Less: Deposits pledged for bills payable facilities	24	**(15,703)**	(26,818)
		364,057	197,171

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**224,086**	226,104
CURRENT ASSETS			
Prepayments	22	**37**	78
Due from subsidiaries	18	**598,204**	580,587
Cash and cash equivalents	24	**3,712**	2,788
Total current assets		**601,953**	583,453
CURRENT LIABILITIES			
Other payables and accruals	26	**5,278**	2,463
Interest-bearing bank borrowing	27	**–**	134,082
Total current liabilities		**5,278**	136,545
NET CURRENT ASSETS		**596,675**	446,908
TOTAL ASSETS LESS CURRENT LIABILITIES		**820,761**	673,012
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**303,736**	100,799
Net assets		**517,025**	572,213
EQUITY			
Issued capital	29	**74,977**	74,957
Reserves	31(b)	**442,048**	497,256
Total equity		**517,025**	572,213

Dai Guoliang
Director

Guo Zeli
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 ("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 2012. 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 it 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 revised HKFRSs for the first time for the current year's 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

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 – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 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)

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 elects whether to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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 an 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 control 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;

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 third party;

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

(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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 including 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other 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 and available-for-sale financial investments, as appropriate. 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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 and the loss arising from impairment are recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The carrying amount of the asset is reduced through the use of an allowance account and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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 and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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;

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

(c) dividend income, when the shareholder's right to receive payment is established.

Borrowing costs

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

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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 payments, 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 30 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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 prevailing 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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

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.

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 year ended 31 December 2012, the Group's product warranty cost amounted to RMB10,283,000 (2011: RMB1,426,000), which represented 0.7% (2011: 0.1%) of the Group's total revenue for the year. The Group considered the effect was not significant and provision for product warranties was not recognised for the reporting period.

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 2012, revenue from sales to three of the Group's customers amounting to RMB573,292,000, RMB498,473,000 and RMB328,204,000 individually accounted for over 10% of the Group's total revenue. 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.

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:

	2012 RMB'000	2011 RMB'000
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	**1,424,031**	1,478,042
Sale of digital television network coverage equipment and the provision of related engineering services	**54,712**	121,480
	1,478,743	1,599,522
Other income		
Bank interest income	**5,949**	4,604
Foreign exchange differences, net	**213**	9,501
Subsidy income from the PRC government	**4,634**	351
Others	**2,744**	2,356
	13,540	16,812

6. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold and services provided[1]		**1,083,157**	1,150,205
Depreciation	14	**25,891**	25,068
Amortisation of prepaid land lease payments	15	**241**	241
Amortisation of intangible assets[2]	17	**1,761**	20,894
Minimum lease payments under operating leases in respect of land and buildings		**2,911**	2,049
Loss on disposal of items of property, plant and equipment		**1**	–
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**104,230**	87,211
Fees		**660**	706
Staff welfare expenses		**10,074**	11,419
Pension scheme contributions (defined contribution schemes)[3]		**74**	70
		115,038	99,406
Auditors' remuneration		**2,235**	2,225
Research and development expenditure[4]		**69,939**	49,367
Product warranty cost[5]		**10,283**	1,426
Impairment of inventories[1]		**8,771**	566
Write-off of inventories[1]		**77**	–
Impairment/(write-back of impairment) of prepayments and deposits[2]		**(1,349)**	5,200
Impairment of trade receivables[2]	20	**36,171**	–
Foreign exchange differences, net		**(213)**	(9,501)

6. PROFIT BEFORE TAX (continued)

1 The cost of inventories sold and services provided for the year includes RMB61,482,000 (2011: RMB43,938,000) relating to direct employee benefit expenses, depreciation of manufacturing activities, impairment and write-off 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, the impairment/(write-back of impairment) of prepayments and deposits and impairment of trade receivables for the year are included in “General and administrative expenses” on the face of the consolidated income statement.

3 As at 31 December 2012, the Group had no (2011: 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 RMB26,086,000 (2011: RMB38,612,000) relating to operating lease rentals of land and buildings, depreciation of a research and development centre, amortisation of intangible assets and employee benefit expenses 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 expenses” on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2012	2011
	RMB’000	RMB’000
Interest on bank loans wholly repayable within five years	**16,190**	13,839
Amortisation of bank charges on a syndicated loan	**3,824**	1,460
	20,014	15,299

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:

	2012 **RMB'000**	2011 RMB'000
Fees:		
Executive directors	**260**	264
Non-executive directors	**42**	76
Independent non-executive directors	**358**	366
	660	706
Other emoluments:		
Salaries and benefits in kind	**2,761**	2,875
	3,421	3,581

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2012 RMB'000	2011 RMB'000
Mr. Lin Yuanfang	98	100
Mr. Li Hongbin	98	100
Mr. Hung Ee Tek	162	166
	358	366

There were no other emoluments payable to the independent non-executive directors during the year (2011: 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
2012				
Executive directors:				
Mr. Dai Guoliang*	65	1,064	–	1,129
Mr. Dai Guoyu	65	777	–	842
Mr. Yi Zhangtao	65	391	–	456
Mr. Guo Zeli	65	529	–	594
	260	2,761	–	3,021
Non-executive directors:				
Mr. Paul Steven Wolansky	42	–	–	42
	302	2,761	–	3,063

8. DIRECTORS' REMUNERATION (continued)

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

	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

* Mr. Dai Guoliang is also the chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

There was no performance related bonus paid or payable to any director during the year (2011: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2011: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2011: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Salaries	**634**	1,171
Pension scheme contributions	**11**	20
	645	1,191

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

	Number of employees	
	2012	2011
Nil to RMB1,000,000	**1**	2

During the year, no emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

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 (2011: Nil). Taxes on profits assessable in the Mainland China have been calculated at the prevailing tax rates.

Group:

	2012	2011
	RMB'000	RMB'000
Current tax – Mainland China		
Charge for the year	**40,193**	52,877
Deferred (note 28)	**2,681**	3,785
Total tax charge for the year	**42,874**	56,662

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, Centron Communications Technologies Fujian Co., Ltd. ("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 at the effective tax rates is as follows:

Group – 2012

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit/(loss) before tax	(17,040)	120,084	103,044
Tax expense/(credit) at the statutory tax rate	(2,812)	30,021	27,209
Lower tax rate due to the Tax Concession	–	(8,758)	(8,758)
Income not subject to tax	(1,204)	–	(1,204)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	3,400	3,400
Expenses not deductible for tax	3,384	17,058	20,442
Tax losses not recognised	580	6,528	7,108
Others	52	(5,375)	(5,323)
Tax charge at the Group's effective rate	–	42,874	42,874

10. INCOME TAX (continued)

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

11. 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 2012 includes a loss of RMB19,162,000 (2011: RMB14,926,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDEND

	2012 RMB'000	2011 RMB'000
Dividend paid during the year:		
Final in respect of the financial year ended 31 December 2011: HK5 cents (year ended 31 December 2010: HK5 cents) per ordinary share	**31,860**	32,800
Proposed final dividend:		
Final – Nil (2011: HK5 cents) per ordinary share	**–**	31,545

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 "2010 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 2010 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 2010 Scrip Dividend Scheme are set out in the Company's announcement dated 28 June 2011.

On 25 June 2012, 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 "2011 Scrip Dividend Scheme") for the year ended 31 December 2011 (the "2011 Final Dividend"). On 31 August 2012, 243,248 new shares are issued by the Company at a deemed price of HK$0.914 per share, credited as fully paid, to shareholders of the Company who have elected to receive scrip shares in lieu of cash under the 2011 Scrip Dividend Scheme to settle HK$222,000 (approximately RMB182,000) of the 2011 Final Dividend. The remaining of the 2011 Final Dividend of HK$38,722,000 (approximately RMB31,678,000) is satisfied by cash.

Further details of the 2011 Scrip Dividend Scheme are set out in the Company's announcement dated 10 July 2012.

The directors do not recommend the payment of any dividend for the year ended 31 December 2012.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB59,530,000 (2011: RMB175,458,000) and the weighted average number of ordinary shares of 779,134,831 (2011 restated: 779,134,831) 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 2011 was restated to reflect the effect of 243,248 new shares issued by the Company under the 2011 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 amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the exercise price of the share options of the Company outstanding during the years were higher than the average market price of the Company's ordinary shares for the years and accordingly, there is no dilutive effect on the basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures, office equipment and others RMB'000	Total RMB'000
31 December 2012						
Cost:						
At 1 January 2012	117,935	120,657	34,368	7,911	23,481	304,352
Additions	–	6,724	496	–	1,474	8,694
Disposal	–	–	–	–	(39)	(39)
Exchange realignment	–	–	–	(13)	(4)	(17)
At 31 December 2012	117,935	127,381	34,864	7,898	24,912	312,990
Accumulated depreciation:						
At 1 January 2012	21,500	38,423	10,617	6,520	15,759	92,819
Charge for the year	5,739	12,694	3,289	598	3,571	25,891
Disposal	–	–	–	–	(37)	(37)
Exchange realignment	–	–	–	(13)	(4)	(17)
At 31 December 2012	27,239	51,117	13,906	7,105	19,289	118,656
Net book value:						
At 31 December 2012	90,696	76,264	20,958	793	5,623	194,334

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	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)

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

	2012 RMB'000	2011 RMB'000
Medium-term leases:		
Outside Hong Kong	**90,696**	96,435

15. PREPAID LAND LEASE PAYMENTS

Group

	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	**10,948**	11,189
Amortised during the year	**(241)**	(241)
Carrying amount at 31 December	**10,707**	10,948
Current portion included in prepayments, deposits and other receivables	**(241)**	(241)
Non-current portion	**10,466**	10,707

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 2011, 31 December 2011 and 31 December 2012	1,135
Accumulated impairment:	
At 1 January 2011, 31 December 2011 and 31 December 2012	–
Net carrying amount:	
At 31 December 2012	1,135
At 31 December 2011	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 Group assumed no growth (2011: 0%) in extrapolating the cash flows projections. The discount rate applied to the cash flow projections is 4.6% (2011: 4.6%) which is before tax and reflects specific risks relating to the Unit.

17. INTANGIBLE ASSETS

Group

	Patents and licences RMB'000	Technical know-how RMB'000	Computer software RMB'000	Total RMB'000
31 December 2012				
Cost:				
At 1 January 2012 and 31 December 2012	**3,530**	**46,198**	**20,400**	**70,128**
Accumulated amortisation:				
At 1 January 2012	**3,529**	**46,198**	**18,640**	**68,367**
Amortised during the year	**1**	**–**	**1,760**	**1,761**
At 31 December 2012	**3,530**	**46,198**	**20,400**	**70,128**
Net carrying amount:				
At 31 December 2012	**–**	**–**	**–**	**–**
31 December 2011				
Cost:				
At 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

18. INVESTMENTS IN SUBSIDIARIES

Company

	2012 RMB'000	2011 RMB'000
Unlisted investments, at cost	**224,086**	226,104

The amounts due from subsidiaries of RMB598,204,000 (2011: RMB580,587,000) 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 (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	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)				
深圳澤惠通通信技術有限公司 ("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 ("Centron HK")	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)

(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.

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

19. INVENTORIES

	Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**190,106**	223,071
Work in progress	**40,532**	34,743
Finished goods	**144,774**	135,085
	375,412	392,899

20. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Trade and bills receivables	**1,206,539**	1,221,748
Impairment	**(36,249)**	(78)
	1,170,290	1,221,670

The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months (2011: nine months). A longer credit term of twelve months to eighteen 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	
	2012	2011
	RMB'000	RMB'000
Within 3 months	**439,106**	580,745
3 to 6 months	**352,057**	233,676
6 to 12 months	**286,775**	354,860
Over 1 year	**92,352**	52,389
	1,170,290	1,221,670

20. TRADE AND BILLS RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**78**	78
Impairment losses recognised (note 6):		
Individual impairment provision	**15,087**	–
Collective impairment provision	**21,084**	–
	36,249	78

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of RMB15,165,000 (2011: RMB78,000) with a carrying amount before provision of RMB15,165,000 (2011: RMB78,000). The individually impaired trade receivables relate to customers that have been overdue for a long time.

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**457,906**	768,580
Less than 1 month past due	**268,157**	230,466
1 to 3 months past due	**326,740**	144,155
More than 3 months past due	**117,487**	78,469
	1,170,290	1,221,670

20. TRADE AND BILLS RECEIVABLES (continued)

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

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.

At 31 December 2011, the Group has pledged trade receivables of approximately RMB12,776,000 to secure certain bank loans granted to the Group.

21. ENTRUSTED LOAN RECEIVABLE

	Group	
	2012	2011
	RMB'000	RMB'000
Entrusted loan receivable	**–**	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 was not impaired, unsecured and bore interest at 20% above the interest rate announced by the People's Bank of China per annum. It was fully recovered during the year.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments and other receivables	**26,925**	38,745	**37**	78
Deposits paid	**67**	68	**–**	–
Value added tax receivables	**2**	100	**–**	–
	26,994	38,913	**37**	78

Impairment provision of RMB3,851,000 (2011: RMB5,200,000) has been made on prepayments and deposits with an aggregate carrying amount before impairment provision of RMB3,851,000 (2011: RMB5,200,000), which are prepayments and deposits for services and goods that have been outstanding for a long time. Other than this RMB3,851,000, none of the above assets are either past due or impaired and relate to receivables for which there was no recent history of default. During the year, there was a write-back of impairment provision of RMB1,349,000.

23. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2012	2011
	RMB'000	RMB'000
Unlisted investment, at cost	**12,500**	–

The above investment consists of investment in funds which were designated as available-for-sale financial assets and were stated at cost less impairment because the unlisted investment funds do not have quoted market price in an active market and the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**370,534**	220,998	**3,712**	2,788
Time deposits with original maturity of less than three months when acquired	**9,226**	2,991	**–**	–
	379,760	223,989	**3,712**	2,788
Less: Deposits pledged for bills payable facilities	**(15,703)**	(26,818)	**–**	–
Cash and cash equivalents	**364,057**	197,171	**3,712**	2,788

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB357,892,000 (2011: RMB193,411,000). 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.

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 three months 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.

25. 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	
	2012	2011
	RMB'000	RMB'000
Within 3 months	**120,666**	166,177
3 to 6 months	**24,250**	19,577
6 to 12 months	**2,356**	5,697
Over 1 year	**6,500**	8,374
	153,772	199,825

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**22,347**	25,043	**2**	2
Value added tax payables	**5,074**	5,892	**–**	–
Accruals	**29,397**	33,707	**5,276**	2,461
Deposits received from customers	**24,448**	957	**–**	–
	81,266	65,599	**5,278**	2,463

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

27. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Bank loans – secured	**–**	146,858	**–**	134,082
Bank loans – unsecured	**49,500**	75,000	**–**	–
	49,500	221,858	**–**	134,082
Non-current				
Bank loans – secured	**303,736**	100,799	**303,736**	100,799
	353,236	322,657	**303,736**	234,881
Analysed into:				
Bank loans repayable				
Within one year	**49,500**	221,858	**–**	134,082
In the second year	**171,287**	100,799	**171,287**	100,799
In the third to fifth years, inclusive	**132,449**	–	**132,449**	–
	353,236	322,657	**303,736**	234,881

27. INTEREST-BEARING BANK BORROWINGS (continued)

(a) Except for a secured bank loan of RMB303,736,000 (2011: RMB234,881,000) which is denominated in United States dollars ("US$"), all borrowings are in RMB.

(b) The bank loans denominated in RMB bore interest at 6.9% or 7.2565% (2011: 7.2565% or 20% above the interest rate announced by the People's Bank of China) per annum.

(c) The bank loans denominated in US$ bore interest at LIBOR plus 3.45% (2011: LIBOR plus 2.8%) per annum.

(d) Certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

(i) corporate guarantee of RMB70,000,000 (2011: RMB35,000,000) from Fujian Centron;

(ii) personal guarantee of RMB30,000,000 (2011: RMB35,000,000) from Mr. Dai Guoliang, a director of the Company;

(iii) corporate guarantee of US$50,000,000 jointly from Nice Group, Centron Asia and Centron HK (2011: corporate guarantee of US$43,000,000 jointly from Nice Group and Centron Asia);

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

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

(vi) assignment of RMB234,282,000 (2011: RMB232,431,000) due from Fujian Centron to Nice Group as at 31 December 2012; and

(vii) the pledge of the Group's certain trade receivables amounting RMB12,776,000 as at 31 December 2011.

28. 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
2012	
At 1 January 2012	**1,494**
Deferred tax credited to the income statement during the year (note 10)	**719**
At 31 December 2012	**2,213**
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

Deferred tax liabilities

	Withholding tax RMB'000
2012	
At 1 January 2012	**(4,600)**
Deferred tax charged to the income statement during the year (note 10)	**(3,400)**
At 31 December 2012	**(8,000)**
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)

28. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of RMB42,518,000 (2011: RMB39,004,000) 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 RMB50,091,000 (2011: RMB23,979,000) that will expire in one to 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.

29. SHARE CAPITAL

	2012 HK$'000	2012 RMB'000	2011 HK$'000	2011 RMB'000
Authorised:				
1,000,000,000 (2011: 1,000,000,000) ordinary shares of HK$0.1 (2011: HK$0.1) each	**100,000**	**97,337**	100,000	97,337
Issued and fully paid:				
779,134,831 (2011: 778,891,583) ordinary shares of HK$0.1 (2011: HK$0.1) each	**77,913**	**74,977**	77,889	74,957

The following changes in the Company's authorised and issued share capital took place during the period from 1 January 2011 to 31 December 2012:

	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 2011, 31 December 2011 and 31 December 2012		1,000,000,000	100,000	97,337
Issued:				
At 1 January 2011		768,215,800	76,822	74,082
Issue of shares pursuant to 2010 Scrip Dividend Scheme	(a)	10,675,783	1,067	875
At 31 December 2011 and 1 January 2012		778,891,583	77,889	74,957
Issue of shares pursuant to 2011 Scrip Dividend Scheme	(b)	243,248	24	20
At 31 December 2012		779,134,831	77,913	74,977

29. SHARE CAPITAL (continued)

Notes:

(a) 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 12). Accordingly, the issued 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 from approximately HK$499,863,000 (approximately RMB487,309,000) to approximately HK$513,955,000 (approximately RMB498,852,000).

(b) On 31 August 2012, 243,248 new shares are issued by the Company at a deemed price of HK$0.914 per share to settle HK$222,000 (approximately RMB182,000) of the 2011 Final Dividend (note 12). Accordingly, the issued share capital of the Company increased from approximately HK$77,889,000 (approximately RMB74,957,000) to approximately HK$77,913,000 (approximately RMB74,977,000), and the share premium of the Company increased from approximately HK$513,955,000 (approximately RMB498,852,000) to HK$514,153,000 (approximately RMB499,014,000).

30. 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 of Hong Kong Limited ("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.

30. 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 2011, 31 December 2011 and 31 December 2012	3.55	13,200

No share options were exercised during the years ended 31 December 2012 and 2011.

30. 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:

2011 and 2012

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

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 RMB1,061,000) and share premium of HK$45,540,000 (approximately RMB36,611,000), before issue expenses.

31. 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 and (ii) the nominal value of the convertible bonds 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.

31. RESERVES (continued)

(b) Company

	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 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 2010 Scrip Dividend Scheme	11,543	–	–	–	–	11,543
Final 2010 dividend declared	–	(31,942)	(858)	–	–	(32,800)
At 31 December 2011 and 1 January 2012	498,852	190,790	(131,930)	6,377	(66,833)	497,256
Loss for the year	–	–	–	–	(19,162)	(19,162)
Exchange realignment	–	–	(4,348)	–	–	(4,348)
Total comprehensive expense for the year	–	–	(4,348)	–	(19,162)	(23,510)
Issue of shares pursuant to 2011 Scrip Dividend Scheme	162	–	–	–	–	162
Final 2011 dividend declared	–	(31,860)	–	–	–	(31,860)
At 31 December 2012	499,014	158,930	(136,278)	6,377	(85,995)	442,048

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) During the year, HK$222,000 (approximately RMB182,000) of the 2011 Final Dividend was satisfied by way of scrip shares in lieu of cash. Further details are set out in notes 12 and 29 to the financial statements.

(ii) During the year ended 31 December 2011, 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 12 and 29 to the financial statements.

(iii) 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.

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 five years (2011: one to four years).

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**1,514**	1,260
In the second to fifth years, inclusive	**4,005**	609
	5,519	1,869

The Company had no operating lease commitments at 31 December 2012 (2011: Nil).

34. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2012	2011
	RMB'000	RMB'000
Short-term employee benefits	**2,761**	2,875

Further details of directors' and the chief executive's emolument are included in note 8 to the financial statements.

34. RELATED PARTY TRANSACTIONS (continued)

The directors are of the opinion that the above transaction was conducted in the ordinary course of business of the Group.

35. 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

	Group	
	2012	2011
	RMB'000	RMB'000
Available-for-sale financial asset:		
Available-for-sale investment	**12,500**	–
Loans and receivables:		
Trade and bills receivables	**1,170,290**	1,221,670
Financial assets included in prepayments, deposits and other receivables	**8,900**	11,786
Entrusted loan receivable	**–**	40,000
Pledged deposits	**15,703**	26,818
Cash and cash equivalents	**364,057**	197,171
	1,558,950	1,497,445
	1,571,450	1,497,445

Financial liabilities

Financial liabilities at amortised cost

	Group	
	2012	2011
	RMB'000	RMB'000
Trade and bills payables	**153,772**	199,825
Financial liabilities included in other payables and accruals	**25,891**	31,671
Interest-bearing bank borrowings	**353,236**	322,657
	532,899	554,153

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

Loans and receivables

	Company	
	2012	2011
	RMB'000	RMB'000
Due from subsidiaries	**598,204**	580,587
Cash and cash equivalents	**3,712**	2,788
	601,916	583,375

Financial liabilities

Financial liabilities at amortised cost

	Company	
	2012	2011
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	**5,074**	–
Interest-bearing bank borrowings	**303,736**	234,881
	308,810	234,881

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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's exposure mainly arises from a substantial portion of the Group's interest-bearing bank borrowings denominated in US$.

Management closely monitors foreign exchange exposure in transactions denominated in US$ and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in US$ exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities), and the Group's and the Company's equity.

	Group and the Company		
	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	(%)	RMB'000	RMB'000
2012			
If RMB weakens against US$	**(5%)**	**–**	**(15,187)**
If RMB strengthens against US$	**5%**	**–**	**15,187**
2011			
If RMB weakens against US$	(5%)	–	(11,744)
If RMB strengthens against US$	5%	–	11,744

* Excluding retained profits

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 available-for-sale investment, an entrusted loan receivable, other receivables, time deposits and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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
2012			
Trade and bills payables	**153,772**	**–**	**153,772**
Financial liabilities included in other payables and accruals	**25,891**	**–**	**25,891**
Interest-bearing bank borrowings	**51,615**	**311,552**	**363,167**
	231,278	**311,552**	**542,830**

	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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

Company

	Less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
2012			
Financial liabilities included in other payables and accruals	**5,074**	**–**	**5,074**
Interest-bearing bank borrowings	**–**	**311,552**	**311,552**
	5,074	**311,552**	**316,626**

	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

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.

36. 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 2012 and 2011.

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 were as follows:

	2012 **RMB'000**	2011 RMB'000
Trade and bills payables	**153,772**	199,825
Other payables and accruals	**81,266**	65,599
Interest-bearing bank borrowings	**353,236**	322,657
Total debt	**588,274**	588,081
Equity attributable to ordinary equity holders of the Company	**1,542,973**	1,511,951
Total capital plus total debt	**2,131,247**	2,100,032
Gearing ratio	**27.6%**	28.0%

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

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