星辰通信国际控股有限公司

Centron Telecom International Holding Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1155)

INTERIM REPORT 2013

CONTENTS

The board of directors (the "Board") of Centron Telecom International Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012. These condensed consolidated interim financial results have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		For the six months ended 30 June	
	Notes	**2013**	2012
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**660,392**	749,870
Cost of sales		**(502,312)**	(555,758)
Gross profit		**158,080**	194,112
Other income	4	**6,253**	8,998
Selling and distribution expenses		**(43,347)**	(39,307)
General and administrative expenses		**(110,535)**	(88,801)
Finance costs	5	**(9,873)**	(7,400)
PROFIT BEFORE TAX	6	**578**	67,602
Income tax expense	7	**(14,510)**	(21,422)
PROFIT/(LOSS) FOR THE PERIOD		**(13,932)**	46,180
Attributable to:			
Ordinary equity holders of the Company		**(13,332)**	44,863
Non-controlling interests		**(600)**	1,317
		(13,932)	46,180
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (RMB cents) (2012 restated)		**(1.71)**	5.76

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**(13,932)**	46,180
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**1,907**	(254)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(12,025)**	45,926
Attributable to:		
Ordinary equity holders of the Company	**(11,425)**	44,609
Non-controlling interests	**(600)**	1,317
	(12,025)	45,926

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	184,719	194,334
Prepaid land lease payments		10,345	10,466
Intangible assets		—	—
Deferred tax assets		2,645	2,213
Goodwill		1,135	1,135
Total non-current assets		198,844	208,148
CURRENT ASSETS			
Inventories		342,485	375,412
Trade and bills receivables	11	1,274,314	1,170,290
Prepayments, deposits and other receivables		16,892	26,994
Available-for-sale investment	12	—	12,500
Pledged deposits		13,840	15,703
Cash and cash equivalents		301,120	364,057
Total current assets		1,948,651	1,964,956
CURRENT LIABILITIES			
Trade and bills payables	13	155,408	153,772
Other payables and accruals		53,958	81,266
Interest-bearing bank borrowings		141,419	49,500
Tax payable		25,509	23,129
Bank advances for discounted bills		4,200	—
Total current liabilities		380,494	307,667
NET CURRENT ASSETS		1,568,157	1,657,289
TOTAL ASSETS LESS CURRENT LIABILITIES		1,767,001	1,865,437

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2013

	Notes	**30 June 2013 (Unaudited)** ***RMB'000***	31 December 2012 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,767,001**	1,865,437
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**216,503**	303,736
Deferred tax liabilities		**8,822**	8,000
Total non-current liabilities		**225,325**	311,736
Net assets		**1,541,676**	1,553,701
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	14	**74,977**	74,977
Reserves		**1,456,571**	1,467,996
		1,531,548	1,542,973
Non-controlling interests		**10,128**	10,728
Total equity		**1,541,676**	1,553,701

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

		Attributable to ordinary equity holders of the Company									
			Reserves								
	Note	Issued capital RMB'000 (Note 14)	Share premium account RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Enterprise expansion and statutory reserve funds RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2012 (audited) and 1 January 2013		74,977	499,014	6,377	85,106	194,985	699,820	(17,306)	1,542,973	10,728	1,553,701
Loss for the period		–	–	–	–	–	(13,332)	–	(13,332)	(600)	(13,932)
Other comprehensive income/(expense) for the period:											
Exchange differences on translation of foreign operations		–	–	–	–	–	–	1,907	1,907	–	1,907
Total comprehensive income/(expense) for the period		–	–	–	–	–	(13,332)	1,907	(11,425)	(600)	(12,025)
Release of share option reserve upon lapse of share options		–	–	(6,377)	–	–	6,377	–	–	–	–
At 30 June 2013 (unaudited)		**74,977**	**499,014***	**–***	**85,106***	**194,985***	**692,865***	**(15,399)***	**1,531,548**	**10,128**	**1,541,676**
At 31 December 2011 (audited) and 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 period		–	–	–	–	–	44,863	–	44,863	1,317	46,180
Other comprehensive expense for the period:											
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(254)	(254)	–	(254)
Total comprehensive income/(expense) for the period		–	–	–	–	–	44,863	(254)	44,609	1,317	45,926
2011 final dividend declared	8	–	–	–	–	–	(31,688)	–	(31,688)	–	(31,688)
At 30 June 2012 (unaudited)		74,957	498,852	6,377	85,106	172,000	708,310	(20,730)	1,524,872	11,405	1,536,277

* *These reserve accounts comprise the consolidated reserves of RMB1,456,571,000 in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	**(73,427)**	68,464
INVESTING ACTIVITIES	**11,613**	(35,752)
FINANCING ACTIVITIES	**(987)**	(40,477)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(62,801)**	(7,765)
Cash and cash equivalents at beginning of period	**364,057**	197,171
Effect of foreign exchange rates changes, net	**(136)**	47
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**301,120**	189,453
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**314,960**	237,685
Non-pledged time deposits with original maturity of less than three months when acquired	**—**	9,324
Less: Deposits pledged for a loan	**—**	(38,940)
Deposits pledged for bills payable facilities	**(13,840)**	(18,616)
	301,120	189,453

1. CORPORATE INFORMATION

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

The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2001, 20/F Grandtech Centre, 8 On Ping Street, Shatin, New Territories, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended 31 December 2012 except as disclosed in note 2.1 below.

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

2.1. Impact of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current period, the Group has adopted, for the first time, the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's accounting period beginning on 1 January 2013.

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

Other than as further explained below regarding the impact of amendments to HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

2.1. Impact of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

3. OPERATING SEGMENT INFORMATION

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

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

4. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	**647,728**	714,531
Sale of digital television network coverage equipment and the provision of related engineering services	**12,664**	35,339
	660,392	749,870
Other income		
Bank interest income	**2,067**	2,323
Foreign exchange differences, net	**2,610**	45
Service fee income	—	400
Subsidy income from the PRC government	—	4,630
Gain on disposal of an available-for-sale investment	**3**	—
Others	**1,573**	1,600
	6,253	8,998

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**7,772**	6,684
Amortisation of bank charges on a syndicated loan	**1,887**	716
Interest expenses on discounted bills	**214**	—
	9,873	7,400

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**502,312**	555,758
Depreciation	**12,368**	13,167
Amortisation of intangible assets	—	1,321
Amortisation of prepaid land lease payments	**121**	121
Impairment of trade receivables, net	**17,456**	6,678
Impairment of prepayments and deposits, net	**1,490**	2,451
Impairment of inventories	**1,067**	—

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2012: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – Mainland China		
Charge for the period	**14,120**	21,887
Withholding tax	**822**	1,982
Deferred tax	**(432)**	(2,447)
Total tax charge for the period	**14,510**	21,422

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 period, Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron") is entitled to PRC corporate income tax rate for High-New Technology Enterprise of 15%.

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. 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 the PRC in respect of earnings generated from 1 January 2008, the directors have made assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

8. DIVIDEND

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2012: Nil (year ended 31 December 2011: HK5 cents (approximately RMB4.07 cents)) per ordinary share declared during the period	**—**	31,688

The directors of the Company do not recommend any payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of RMB13,332,000 (2012: profit of RMB44,863,000) and the weighted average number of ordinary shares of 779,134,831 (30 June 2012 restated: 779,134,831) in issue during the six months ended 30 June 2013.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the period ended 30 June 2012 was restated to reflect the effect of 243,248 new shares issued by the Company as scrip dividend during the year ended 31 December 2012.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2013 and 2012 in respect of a dilution as the exercise price of the share options of the Company outstanding during the periods were higher than the average market price of the Company's ordinary shares for the periods and accordingly, there is no dilutive effect on the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with an aggregate cost of RMB2,753,000.

11. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited) ***RMB'000***	31 December 2012 (Audited) *RMB'000*
Trade and bills receivables	**1,328,019**	1,206,539
Impairment	**(53,705)**	(36,249)
	1,274,314	1,170,290

The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months (2012: nine months). A longer credit term of twelve months may be extended to customers with a long-term business relationship and a good payment history. The 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.

11. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Within 3 months	417,304	439,106
3 to 6 months	281,521	352,057
6 to 12 months	511,533	286,775
Over 1 year	63,956	92,352
	1,274,314	1,170,290

Included in the Group's bills receivables as at 30 June 2013 were amounts totalling RMB4,200,000, which were discounted to banks in exchange for cash. These RMB4,200,000 bills receivables were not derecognised as at 30 June 2013, and the corresponding bank advances upon discounting to banks were included as "Bank advances for discounted bills" on the face of the condensed consolidated statement of financial position.

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Unlisted investment, at cost	—	12,500

The above investment as at 31 December 2012 consists of investment in funds which was designated as available-for-sale financial asset and was 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.

13. TRADE AND BILLS PAYABLES

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

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Within 3 months	**118,761**	120,666
3 to 6 months	**25,413**	24,250
6 to 12 months	**3,673**	2,356
Over 1 year	**7,561**	6,500
	155,408	153,772

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

14. SHARE CAPITAL

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 final dividend of HK5 cents payable in cash with a scrip dividend alternative for the year ended 31 December 2011. 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 approximately HK$514,153,000 (approximately RMB499,014,000).

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**1,792**	1,378

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

16. TRANSFERRED FINANCIAL ASSETS

(a) Transferred financial assets that are not derecognised in their entirety

The following table provides a summary of financial assets that have been transferred in such a way that part of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	Bills receivables
	RMB'000
Carrying amount of assets that continued to be recognised	5,700
Carrying amount of associated liabilities	5,700

16. TRANSFERRED FINANCIAL ASSETS *(continued)*

(a) Transferred financial assets that are not derecognised in their entirety *(continued)*

(i) Discounting of bills receivables

At 30 June 2013, the Group discounted certain bills receivables (the "Discounted Bills") with a total carrying amount of RMB4,200,000 to certain local banks in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the respective bank loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank loans recognised due to the Discounted Bills is RMB4,200,000 as at 30 June 2013.

(ii) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 30 June 2013, the Group endorsed certain bills receivables accepted by certain local banks in the PRC (the "Endorsed Bills") with a total carrying amount of RMB1,500,000 to certain of its suppliers in order to settle the trade payables due to those suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse is RMB1,500,000 as at 30 June 2013.

16. TRANSFERRED FINANCIAL ASSETS *(continued)*

(b) Transferred financial assets that are derecognised in their entirety

(i) Discounting of bills receivables

At 30 June 2013, the Group discounted certain bills receivables (the "Derecognised Discounted Bills") with a total carrying amount of RMB2,800,000 to certain reputable banks in the PRC. All Derecognised Discounted Bills have maturity periods from three to six months. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Discounted Bills is not significant.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The discounting of bills has been made evenly throughout the period.

16. TRANSFERRED FINANCIAL ASSETS *(continued)*

(b) Transferred financial assets that are derecognised in their entirety *(continued)*

(ii) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 30 June 2013, the Group endorsed certain bills receivables accepted by certain reputable banks in the PRC (the "Derecognised Endorsed Bills") with a total carrying amount of RMB743,000 to certain of its suppliers in order to settle the trade payables due to those suppliers. The Derecognised Endorsed Bills have maturities from three to six months at the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Endorsed Bills is not significant.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement of bills receivables has been made evenly throughout the period.

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the six months ended 30 June 2013 (the "reporting period"), the Group realised revenue of RMB660.4 million, representing a decrease of RMB89.5 million or 11.9% from RMB749.9 million over the same period last year.

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

	For the six months ended 30 June			
	2013		2012	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
By customers				
China Mobile Group	**281,997**	**42.7**	267,774	35.7
China Unicom Group	**228,141**	**34.6**	251,549	33.5
China Telecom Group	**111,836**	**16.9**	187,103	25.0
	621,974	**94.2**	706,426	94.2
Others	**38,418**	**5.8**	43,444	5.8
	660,392	**100**	749,870	100
By business category				
2G and 3G	**647,728**	**98.1**	714,531	95.3
Digital Terrestrial Television	**12,664**	**1.9**	35,339	4.7
	660,392	**100**	749,870	100

1. Operating results *(continued)*

During the reporting period, revenue from 2G and 3G networks was approximately RMB647.7 million, representing approximately 98.1% of the Group's total revenue.

During the reporting period, revenue from digital TV system integration was approximately RMB12.7 million, representing approximately 1.9% of the Group's total revenue.

Mobile Telecommunications Network Coverage Solution Business

During the first half of 2013, revenue from the mobile telecommunications network coverage solution business was RMB647.7 million, representing a decrease of approximately 9.3% as compared to the same period of last year.

During the first half of 2013, although a 4G construction heat wave was expected by the industry, however, in reality, capital expenditure and investment related to network coverage optimization of the top three telecommunications operators in Mainland China had slowed down notably. According to the investment budget plans of the top three telecommunications operators at the beginning of the year, the relevant expenditures in the first half of this year were seriously delayed. Affected by factors such as the relevant 4G policies, release timing of licences, maturity degree of the industry, there were more preparation, observation and testing work in the market during the first half of the year in the preparation process for the 4G era. Meanwhile, tenders, inspections and revenue recognition of network coverage solution projects were delayed to various extents.

Under such a complex and challenging market environment, the Group aimed at maintaining the scale of existing business, actively participated in competition within the limited market and strived to gain more orders. In response to the changes in industry demand and market structure due to the transitional stage from 3G to 4G, the Group also responded actively by seeking a balance between business expansion and controlling expenses.

1. **Operating results** *(continued)*

Digital Television Wireless Network Coverage Business

During the first half of 2013, revenue from the digital television wireless network coverage business was RMB12.7 million, representing a decrease of approximately 64.2% as compared to the same period of last year.

In the first half of this year, revenue from digital television business recorded a significant decrease, which was primarily due to the following reasons:

1. China Mobile Multimedia Broadcasting ("CMMB"), the major source of the Group's results in past years, reduced television network construction temporarily due to various reasons. Moreover, the Company was owed large sums of money on this project, in order to reduce risks, the Company had suspended this business voluntarily and pursued recovery of the indebtedness actively.

2. In respect of international digital television wireless network coverage (Digital Terrestrial Multimedia Broadcast (DTMB)) as our new growth area in future, the Company was fully prepared in the areas of research and development, products and markets. The relevant ministries and commissions of the State had issued joint announcements to stipulate the timetable of implementing digital television domestically.

The impairment provision of trade receivables for digital TV for the first half of 2013 was RMB14.1 million, and the impairment provision of inventories amounted to RMB1.1 million.

Digital intercom equipment with industry specific network

In the first half of the year, the Company continued to increase its investment in the research and development of digital intercom equipment with industry specific network and have substantially completed the construction of a trial network, which has laid a solid foundation for the incoming commercial production.

2. Gross profit

During the reporting period, the Group realised gross profit of RMB158.1 million, representing a decrease of RMB36.0 million or 18.5% from RMB194.1 million over the same period last year.

During the reporting period, the gross profit margin was 23.9%, a decrease of 2.0% over the same period last year.

The first half of 2013 was a transitional stage from 3G to 4G in the domestic telecommunications industry, it was also a vacuum period for profit growth. Prices of 3G products declined with the dissemination of new technology, while 4G products had not yet achieved economies in scale and hence could not enhance the gross profit margin. There existed more intensive competition among network equipment suppliers, and profit margin was further squeezed.

The Group responded positively to the above conditions and strives to make improvements through:

1. implementation of stringent cost controlling measures, continuous optimization of existing products to reduce costs, improvement in production techniques and operation processes, full utilization of existing equipment efficiency to enhance production capacity;
2. making good preparations for research and development in products and technologies for the 4G construction heat wave in future, capturing the opportunity of rebounding gross profit margin brought by new product sales;
3. continuous development of digital intercom products with specific industry network which would add high value to the profit of the Group;
4. expansion of markets to increase new sources of income.

3. Research and development expenditure

During the reporting period, research and development related expenditure of the Group was approximately RMB38.1 million (2012 1H: RMB23.2 million), representing approximately 5.8% (2012 1H: 3.1%) of total revenue.

4. Selling and distribution expenses

During the reporting period, selling and distribution expenses of the Group was approximately RMB43.3 million (2012 1H: RMB39.3 million), increased by 10.2% over the same period last year.

The increase in selling and distribution expenses was primarily attributable to the increase in marketing expenses and after-sales service expenses.

5. General and administrative expenses

During the reporting period, general and administrative expenses was approximately RMB110.5 million (2012 1H: RMB88.8 million), representing an increase of approximately 24.4% over the same period last year.

The increase was mainly attributable to the increase in research and development expenditures and the increase in impairment of trade receivables.

6. Finance costs

During the reporting period, finance costs was approximately RMB9.9 million (2012 1H: RMB7.4 million), representing an increase of approximately 33.4% over the same period last year. The increase was mainly due to the increase in bank loans.

During the reporting period, the Group was financed by interest-bearing bank loans from banks in Mainland China and term loans from three banks in Hong Kong, of which the total outstanding amount was RMB357.9 million as at 30 June 2013. Secured bank borrowings amounted to RMB308.4 million, and unsecured bank borrowings amounted to RMB49.5 million. All bank loans bore floating interest rates except fixed interest rate bank borrowings of RMB57.1 million.

Except for a secured loan of RMB300,822,000 (2012: RMB303,736,000) which is denominated in United States dollars ("US$"), all other borrowings are in RMB.

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 reporting period, the income tax expense of the Group was RMB14.5 million (2012 1H: RMB21.4 million), a decrease of approximately 32.2% over the same period last year.

As a High-New Technology Enterprise, Centron Communications Technologies Fujian Co., Ltd., a wholly owned subsidiary, is entitled to the preferential tax rate of 15% for the period ended 30 June 2013. Whilst the earnings generated from other subsidiaries established in PRC is subject to relevant income tax rate of 25%. In addition, the withholding taxes on dividends expected to be distributed by those subsidiaries established in PRC 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 during the period, was RMB0.8 million (2012 : RMB2.0 million).

8. Net profit/net loss

During the reporting period, net loss for the period was RMB13.9 million (2012 1H: net profit of RMB46.2 million).

The net loss margin was 2.1% (2012 1H: net profit margin of 6.2%) of the total revenue.

The decrease in net profit during the reporting period was mainly attributable to (1) the decrease in gross profit of the Group's products; (2) the increase in research and development expenses and (3) the increase in impairment of trade receivables.

PROSPECTS

MOBILE TELECOMMUNICATIONS NETWORK COVERAGE SOLUTION BUSINESS

At the beginning of 2013, China Mobile announced that more efforts would be exerted in the construction of the 4G network during the year, and expectations for a 4G network construction heat wave was aroused in the market. Although there was a notable delay in the progress of the relevant investment expenditure in the construction during the first half of the year, various telecommunications operators had expressed their views that they were still confident in completing the relevant construction targets during this year. As such, the Group believes that the demand for mobile telecommunications network coverage business will increase in the second half of the year.

With continuously increasing volume of data transmissions, in order to avoid interferences and ensure the transmission efficiency within the coverage, the network coverage has been gradually reduced from large coverage area in the 2G era to smaller scale but high density coverage, which will give rise to market demand in the long-run from an objective perspective.

The Group will leverage on existing opportunities and various advantages accumulated in the industry, as well as the research and development results from the past and technology reserves, to achieve growth in the sales of the mobile telecommunications business through new network coverage equipment and sales of signal distribution products, multi-network coverage with more advanced and broader frequencies and distribution of integrated solutions, while ensuring the existing scale of business and market shares, and at the same time strives to control the ever increasing expenses and costs to improve and enhance the level of profits actively.

DIGITAL TELEVISION NETWORK COVERAGE BUSINESS

The Group's business development in this area will learn from its previous experience in business where large sums of money were owed, affecting both operations and results. On the basis of risk prevention and by capturing historic opportunities, the international wireless signal coverage business and the satellite signal coverage business will be actively developed.

DIGITAL INTERCOM EQUIPMENT WITH INDUSTRY SPECIFIC NETWORK

With the drying up of public frequency spectrum and higher requirements from users, a wave of analog-to-digital reform has arisen in all countries around the world.

The global market of specific network communication is expected to maintain a 5-6% annual growth, particularly faster growth in digital equipment, with an anticipated market scale of US$13.3 billion by 2018. Domestically, Ministry of Industry and Information Technology of the People's Republic of China ("MIIT") has issued the [2009] No. 666 Circular setting out a comprehensive plan on the analog-to-digital conversion. The Ministry of Public Security has formulated a plan of analog clusters-to-PDT ("Professional Digital Trunking") with more certainty in the analog-to-digital market of public security, which scale is expected to be over 10 billion in the period between 2013 and 2016. In addition, demand from industries of oil and petrochemical, track transportation, railway, forestry and ports has been gradually increasing.

Over recent years, the Group has made substantial investment in industry platforms, industry-academic-research cooperation and proprietary research and development, with particular focuses on introducing personnel of high calibre and research and development of core technologies, and participating in the drafting of standard for digitalization of relevant specific network communication. By leveraging on the reserves and accumulations over the past few years, the Group has acquired core technologies and obtained several patents for formulating specific network communication and group networking for systems. A few products of a series have been researched and developed with ready production capability to-date.

CONCLUSION

Currently, the Group is facing unprecedented challenges and market opportunities.

In the first half of 2013, relevant equipment prices kept falling and relevant expenses and costs continued to increase as a result of the direct pressure arising from the increase in expenditure and a notable slowdown of construction by domestic telecommunication operators. On the other hand, various operators have indicated that the investment guidance laid down at the beginning of this year will remain unchanged and they are confident that they can complete the annual investment plan in the second half of the year. Although relevant authorities have not announced a clear timetable for issuing the first 4G license so far, it can be seen that the 4G network construction upsurge is approaching. Meanwhile, the national information consumption policy promulgated recently that the upgrading of "wide band China" to a national strategy will have direct or indirect favorable effects on the Group's business. As the analog-to-digital specific network communication is about to be implemented, the analog-to-digital conversion process gradually enters into the substantial phase and the analog-to-digital specific network technologies and products developed by the Group over the years will usher in new market opportunities. In the second half of 2013, we believe that all staff members of the Group will continue to have firm confidence, capture opportunities and operate our business innovatively to pursue better results.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the Group had cash and bank balances of RMB301.1 million (31 December 2012: RMB364.1 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi. As at 30 June 2013, the Group had pledged deposits of RMB13.8 million (31 December 2012: RMB15.7 million).

As at 30 June 2013, the Group had interest-bearing bank borrowings payable within one year of RMB141.4 million (31 December 2012: RMB49.5 million).

As at 30 June 2013, the Group had interest-bearing bank borrowings payables more than one year of RMB216.5 million (31 December 2012: RMB303.7 million).

Average trade receivable turnover period was 347.3 days (31 December 2012: 301.0 days). Average inventory turnover period was 129.3 days (31 December 2012: 132.0 days). Overall, the Group maintained a current ratio of 5.12 as at 30 June 2013 (31 December 2012: 6.39).

As at 30 June 2013, the gearing ratio (as defined as total borrowings (except for trade and bills payables in the ordinary course of business) divided by total equity) was 23.2% (31 December 2012: 22.7%).

TREASURY POLICIES

During the six months ended 30 June 2013, the majority of the Group's transactions were denominated in Renminbi. There has not been any significant foreign exchange exposure. In addition, for the interest rates applicable to the Group, the management did not encounter any material rise in the lending rates in PRC during the six months ended 30 June 2013. Accordingly, the Group did not enter into hedging instruments on foreign exchange and interest rate. However, the management closely monitors the Group's exposure to any potential foreign exchange and interest rate risks and will enter into appropriate financial instruments for hedging purpose when necessary.

CAPITAL EXPENDITURE

During the six months ended 30 June 2013, the Group incurred capital expenditure of approximately RMB2.8 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 30 June 2013, certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

– corporate guarantee of RMB70,000,000 (31 December 2012: RMB70,000,000) from Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary;

– personal guarantee of RMB30,000,000 (31 December 2012: RMB30,000,000) from Mr. Dai Guoliang, a director of the Company;

– corporate guarantee of US$50,000,000 (31 December 2012: US$50,000,000) jointly from Nice Group Resources Limited ("Nice Group"), Centron Telecom System (Asia) Limited and Centron Telecom Hong Kong Limited, wholly-owned subsidiaries;

– share mortgage over the entire issued share capital of Nice Group;

– the pledge of the Group's equity interest in Fujian Centron;

– assignment of RMB234,671,000 (31 December 2012: RMB234,282,000) due from Fujian Centron to Nice Group as at 30 June 2013; and

– the pledge of the Group's certain trade receivables amounting to RMB15,304,000 as at 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2013, the Group had approximately 2,000 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees.

The Company adopted a share option scheme under which the Company can grant options to the employees of the Group to subscribe for shares of the Company. In 2010, the Company has granted 13,200,000 share options, while no share option was granted during the reporting period.

USE OF PROCEEDS

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK$569 million). Proceeds of approximately RMB488.2 million were utilised in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007, as follows:

– approximately RMB110.6 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, 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 was for general working capital purpose.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Hung Ee Tek, Lin Yuanfang and Li Hongbin. The chairman of the Audit Committee is Hung Ee Tek.

The Audit Committee reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2013 to ensure that these financial statements and the relevant disclosures were made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules and discussed with the management in respect of the results and the financial position of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Note	Capacity and nature of interests	Number of shares held	Percentage of the Company's issued share capital
Mr. Dai Guoliang	1	Through a controlled corporation	274,317,217	35.21

Note:

1. Oriental City Profits Ltd. ("Oriental City") held 35.21% interest in the issued share capital of the Company as at 30 June 2013. As at 30 June 2013, the issued share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang, who held 38.36% as a bare trustee for these individuals in the proportions mentioned above.) As mentioned above, Mr. Dai Guoliang's beneficial interest in Oriental City amounts to 61.64%. Accordingly, pursuant to SFO, Mr. Dai Guoliang is deemed to be interested in 274,317,217 shares held by Oriental City as he is entitled to control one-third or more of the voting power at general meetings of Oriental City.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(continued)*

Long positions in ordinary shares of an associated corporation:

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

Notes:

1. Oriental City held 35.21% interest in the issued share capital of the Company as at 30 June 2013. The issued share capital of Oriental City was beneficially owned as to 61.64% by Mr. Dai Guoliang, as to 17.56% by Mr. Dai Guoyu, as to 6.10% by Mr. Yi Zhangtao, as to 5.34% by each of Messrs. Wu Duange and Dai Guowei, and as to 1.34% by each of Messrs. Zhang Yonghua, Huang Yinhui and Xu Shiyang. (All of the shares are registered in the name of Mr. Dai Guoliang. However, Mr. Dai Guoliang, who held 38.36% as a bare trustee for these individuals in the proportions mentioned above.)

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

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

Save as disclosed above, as at 30 June 2013, none of the directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

Name or category of participant	Number of shares to be allocated and issued upon the exercise in full of the subscription rights attached to the share options: At 1 January 2013	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2013	Date of grant of share options	Exercisable period of share options	Exercise price of share options HK$ per share	Closing price immediately before date of grant HK$ per share
Directors										
Mr. Guo Zeli	3,300,000	–	–	(3,300,000)	–	–	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Mr. Dai Guoyu	3,300,000	–	–	(3,300,000)	–	–	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Mr. Yi Zhangtao	1,100,000	–	-	(1,100,000)	-	–	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Sub-total	7,700,000	–	–	(7,700,000)	–	–				
Other employee										
Mr. Ng Wai-Kee (appointed director on 1 April 2013)	5,500,000	–	–	(5,500,000)	–	–	14-6-10	14-6-10 to 13-6-13	3.55	2.191
Total	**13,200,000**	–	–	**(13,200,000)**	–	–				

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

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

As at 30 June 2013, the interests or shorts positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions:

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	274,317,217	35.21
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	115,500,000	14.83
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	115,500,000	14.83
Molatis Limited	(3)	Directly beneficially owned	51,975,000	6.67
Mr. Sussman Selwyn Donald	(3)	Through a controlled corporation	51,975,000	6.67
Mr. Sussman Selwyn Donald	(3)	Directly beneficially owned	9,642,600	1.24

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

Long positions: (continued)

Notes:

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

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

(3) The ordinary shares totaling 61,617,600 are beneficially held by Mr. Sussman Selwyn Donald, of which 51,975,000 shares are held through Molatis Limited.

Save as disclosed above, as at 30 June 2013, 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 RULE 13.21 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 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.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our management and staff for their dedication and contribution to the Group throughout the six months ended 30 June 2013.

By Order of the Board
Dai Guoliang
Chairman

Hong Kong, 30 August 2013