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 2014

CONTENTS

The board (the "Board") of directors (the "Directors") 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 2014 together with the comparative figures for the corresponding period in 2013. 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 2014

		For the six months ended 30 June	
	Notes	**2014**	2013
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**673,914**	660,392
Cost of sales		**(500,038)**	(502,312)
Gross profit		**173,876**	158,080
Other income and gains	4	**878**	6,253
Selling and distribution expenses		**(27,656)**	(43,347)
General and administrative expenses		**(92,132)**	(110,535)
Finance costs	5	**(10,501)**	(9,873)
PROFIT BEFORE TAX	6	**44,465**	578
Income tax expense	7	**(15,862)**	(14,510)
PROFIT/(LOSS) FOR THE PERIOD		**28,603**	(13,932)
Attributable to:			
Ordinary equity holders of the Company		**28,443**	(13,332)
Non-controlling interests		**160**	(600)
		28,603	(13,932)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (RMB cents)		**3.65**	(1.71)

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 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	**28,603**	(13,932)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,054)**	1,907
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**24,549**	(12,025)
Attributable to:		
Ordinary equity holders of the Company	**24,389**	(11,425)
Non-controlling interests	**160**	(600)
	24,549	(12,025)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	**30 June 2014 (Unaudited) *RMB'000***	31 December 2013 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**185,600**	179,617
Prepaid land lease payments		**10,104**	10,225
Intangible assets		**—**	—
Deferred tax assets		**3,048**	2,513
Goodwill		**—**	1,135
Total non-current assets		**198,752**	193,490
CURRENT ASSETS			
Inventories		**476,800**	323,407
Trade and bills receivables	11	**1,582,547**	1,549,077
Prepayments, deposits and other receivables		**70,268**	49,273
Restricted bank deposits		**1,990**	—
Pledged deposits		**42,193**	14,183
Cash and cash equivalents		**145,003**	134,650
Total current assets		**2,318,801**	2,070,590
CURRENT LIABILITIES			
Trade and bills payables	12	**295,897**	204,112
Other payables and accruals		**65,326**	91,616
Bank advances for discounted bills	14	**—**	1,500
Interest-bearing bank borrowings		**480,385**	228,390
Tax payable		**34,113**	35,611
Total current liabilities		**875,721**	561,229
NET CURRENT ASSETS		**1,443,080**	1,509,361
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,641,832**	1,702,851

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2014

	Notes	**30 June 2014 (Unaudited) *RMB'000***	31 December 2013 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,641,832**	1,702,851
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**42,988**	129,702
Deferred tax liabilities		**11,746**	10,600
Total non-current liabilities		**54,734**	140,302
Net assets		**1,587,098**	1,562,549
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**74,977**	74,977
Reserves		**1,501,470**	1,477,081
		1,576,447	1,552,058
Non-controlling interests		**10,651**	10,491
Total equity		**1,587,098**	1,562,549

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to ordinary equity holders of the Company									
		Reserves								
	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Enterprise expansion and statutory reserve funds RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2013 (audited) and 1 January 2014	74,977	499,014	–	85,106	213,208	695,081	(15,328)	1,552,058	10,491	1,562,549
Profit for the period	–	–	–	–	–	28,443	–	28,443	160	28,603
Other comprehensive income/(expense) for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(4,054)	(4,054)	–	(4,054)
Total comprehensive income/(expense) for the period	–	–	–	–	–	28,443	(4,054)	24,389	160	24,549
At 30 June 2014 (unaudited)	74,977	499,014*	–	85,106*	213,208*	723,524*	(19,382)*	1,576,447	10,651	1,587,098
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

* *These reserve accounts comprise the consolidated reserves of RMB1,501,470,000 in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	**(95,248)**	(73,427)
INVESTING ACTIVITIES	**(47,774)**	11,613
FINANCING ACTIVITIES	**153,280**	(987)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**10,258**	(62,801)
Cash and cash equivalents at beginning of period	**134,650**	364,057
Effect of foreign exchange rates changes, net	**95**	(136)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**145,003**	301,120
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**189,186**	314,960
Less: Deposits pledged for interest-bearing bank borrowings	**(30,000)**	—
Deposits pledged for bills payable facilities	**(12,193)**	(13,840)
Restricted bank deposits for certain installation contracts	**(1,990)**	—
	145,003	301,120

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2014

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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1606, 16th Floor, Tai Tung Building, 8 Fleming Road, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are the manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services, the sale of digital television network coverage equipment and the provision of related engineering services, and the manufacture and sale of digital interphones.

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 (the "Listing 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 2013 except as disclosed in note 2.1 below.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

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

Basis of preparation *(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 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

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, the sale of digital television network coverage equipment and the provision of related engineering services, and the manufacture and sale of digital interphones. 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.

For the six months ended 30 June 2014, revenue from sales to three of the Group's customers amounting to RMB286,810,000, RMB195,247,000 and RMB120,662,000 individually accounted for over 10% of the Group's total revenue. For the six months ended 30 June 2013, revenue from sales to three of the Group's customers amounting to RMB281,997,000, RMB228,141,000 and RMB111,836,000 individually accounted for over 10% of the Group's total revenue.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

4. REVENUE, OTHER INCOME AND GAINS

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, other income and gains is as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	**641,976**	647,728
Manufacture and sale of digital interphones	**29,093**	—
Sale of digital television network coverage equipment and the provision of related engineering services	**2,845**	12,664
	673,914	660,392
Other income and gains		
Bank interest income	**339**	2,067
Foreign exchange differences, net	**6**	2,610
Gain on disposal of an available-for-sale investment	—	3
Others	**533**	1,573
	878	6,253

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

5. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**8,860**	7,772
Amortisation of bank charges on a syndicated loan	**1,641**	1,887
Interest expenses on discounted bills	**—**	214
	10,501	9,873

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold and services provided	**500,038**	502,312
Depreciation	**11,783**	12,368
Amortisation of prepaid land lease payments	**121**	121
Loss on disposal of items of property, plant and equipment	**8**	—
Impairment of goodwill	**1,135**	—
Impairment/(write-back of impairment) of inventories	**(4,392)**	1,067
Impairment/(write-back of impairment) of trade receivables, net	**(3,711)**	17,456
Impairment of prepayments, deposits and other receivables, net	**3,304**	1,490

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

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 (2013: Nil). Taxes on profits assessable in the Mainland China have been calculated at the prevailing tax rates.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – Mainland China		
Charge for the period	**15,251**	14,120
Withholding tax	**1,146**	822
Deferred tax	**(535)**	(432)
Total tax charge for the period	**15,862**	14,510

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

8. DIVIDEND

The Directors do not recommend any payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. EARNINGS/(LOSS) 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 period attributable to ordinary equity holders of the Company of RMB28,443,000 (2013: loss of RMB13,332,000) and the weighted average number of ordinary shares of 779,134,831 (30 June 2013: 779,134,831) in issue during the six months ended 30 June 2014.

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

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2014 for there were no potentially dilutive ordinary shares in issue during the period. No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2013 in respect of a dilution as the exercise price of the share options of the Company outstanding during that period was higher than the average market price of the Company's ordinary shares for that period 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 2014, the Group acquired items of property, plant and equipment with an aggregate cost of RMB17,774,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

11. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) *RMB'000*	31 December 2013 (Audited) *RMB'000*
Trade and bills receivables	**1,661,050**	1,631,291
Impairment	**(78,503)**	(82,214)
	1,582,547	1,549,077

The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months (2013: nine months). A longer credit term of twelve months may be extended to customers with a long-term business relationship and a good payment history. The Group does not hold any collateral or other credit enhancements over these balances. The balances are non-interest-bearing and include retention money which is generally receivable after final verification of products by customers, performed within four to seven months after signing the sale and purchase contracts, or upon completion of the warranty period of one to two years granted to customers.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

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 and net of provision, is as follows:

	30 June 2014 (Unaudited) *RMB'000*	31 December 2013 (Audited) *RMB'000*
Within 3 months	**335,564**	464,875
3 to 6 months	**354,888**	421,345
6 to 12 months	**720,622**	540,517
Over 1 year	**171,473**	122,340
	1,582,547	1,549,077

Included in the Group's bills receivables as at 31 December 2013 were amounts totalling RMB1,500,000, which were discounted to banks in exchange for cash. These RMB1,500,000 bills receivables were not derecognised as at 31 December 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.

At 30 June 2014, the Group has pledged trade receivables of approximately RMB5,350,000 (2013: RMB5,350,000) to secure certain bank loans granted to the Group.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

12. TRADE AND BILLS PAYABLES

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
	RMB'000	*RMB'000*
Within 3 months	**257,150**	151,663
3 to 6 months	**31,028**	43,928
6 to 12 months	**2,154**	1,384
Over 1 year	**5,565**	7,137
	295,897	204,112

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

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**2,000**	1,792

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

14. 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:

	Notes	Bills receivables 30 June 2014 (Unaudited) *RMB'000*	31 December 2013 (Audited) *RMB'000*
Carrying amount of assets that continued to be recognised:			
Discounting of bills receivables	(i)	—	1,500
Bills endorsement	(ii)	14,358	34,091
		14,358	35,591
Carrying amount of associated liabilities:			
Discounting of bills receivables	(i)	—	1,500
Bills endorsement	(ii)	14,358	34,091
		14,358	35,591

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

14. TRANSFERRED FINANCIAL ASSETS *(continued)*

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

(i) Discounting of bills receivables

At 31 December 2013, the Group discounted certain bills receivables (the "Discounted Bills") with a total carrying amount of RMB1,500,000 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 did 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 was RMB1,500,000 as at 31 December 2013.

(ii) Bills endorsement

At 30 June 2014, the Group endorsed certain bills receivables accepted by certain customers or local banks in the PRC (the "Endorsed Bills") with a total carrying amount of RMB14,358,000 (2013: RMB34,091,000) 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 did 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 was RMB14,358,000 as at 30 June 2014 (2013: RMB34,091,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

14. TRANSFERRED FINANCIAL ASSETS *(continued)*

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

(i) Discounting of bills receivables

At 31 December 2013, the Group discounted certain bills receivables (the "Derecognised Discounted Bills") with a total carrying amount of RMB3,000,000 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, the Group 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 six months ended 30 June 2014 and 2013, 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

30 June 2014

14. TRANSFERRED FINANCIAL ASSETS *(continued)*

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

(ii) Bills endorsement

At 30 June 2014, the Group endorsed certain bills receivables accepted by certain reputable banks in the PRC (the "Derecognised Endorsed Bills") with a total carrying amount of RMB13,837,000 (2013: Nil) 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 (2013: Nil) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the six months ended 30 June 2014 (the "reporting period"), the Group realised revenue of RMB673.9 million, representing an increase of RMB13.5 million or 2.0% from RMB660.4 million over the same period last year.

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

	For the six months ended 30 June			
	2014		2013	
	(Unaudited)		(Unaudited)	
	RMB'000	***%***	*RMB'000*	*%*
By customers				
China Mobile Group	**286,810**	**42.6**	281,997	42.7
China Unicom Group	**195,247**	**29.0**	228,141	34.6
China Telecom Group	**120,662**	**17.9**	111,836	16.9
	602,719	**89.5**	621,974	94.2
Others	**71,195**	**10.5**	38,418	5.8
	673,914	**100**	660,392	100
By business category				
Mobile Communications Network Coverage and Optimization Solutions	**641,976**	**95.3**	647,728	98.1
Digital Interphones	**29,093**	**4.3**	—	—
Digital Terrestrial Television Broadcasting (DTTB)	**2,845**	**0.4**	12,664	1.9
	673,914	**100**	660,392	100

1. Operating results *(continued)*

During the reporting period, revenue from the mobile communications network coverage and optimization solution business was approximately RMB642.0 million, representing approximately 95.3% of the total revenue.

During the reporting period, revenue from digital interphones business was approximately RMB29.1 million, representing approximately 4.3% of the total revenue.

Mobile Communications Network Coverage and Optimization Solution

During the first half of 2014, revenue from the mobile communications network coverage and optimization solution business was RMB642.0 million, representing approximately 95.3% of the Group's total revenue.

As the Ministry of Industry and Information Technology ("MIIT") of the PRC issued the Time Division Long Term Evolution ("TDLTE") license in late 2013 and approved the construction of the Time Division Long Term Evolution/Frequency Division Duplexing Long Term Evolution ("TDLTE/FDDLTE") hybrid network in mid-2014, China has officially ushered in the 4G boom. The building of the 4G network first drove the demand for core equipment, transmission networks, antennae and smart terminals. Compared to the general wait-and-see attitude in the industry during most of the time in 2013, the market perception of the entire communication equipment and service sector changed considerably in the first half of 2014. Although the sequence of the network coverage and optimization is at the mid-to-end of the industrial chain in the whole network building, orders for multi-mode digital distribution systems, high performance Radio Frequency devices, multi-mode + multi-frequency in-building distribution solutions of the Group also increased significantly, which allowed the Group to take further step in the process regarding the mobile communication of 4G as well as the multi-network co-operation of 2G, 3G, 4G and WLAN in China.

In response to the change in market demand, the Group actively adopted various marketing and business structure optimization measures, reduced investment in some old technology product businesses with a low profit margin, increased investment in new technology, new products with a high profit margin and ancillary services, thereby improving profit margins while basically maintaining the scale and ensuring its market share and influence in the industry.

1. Operating results *(continued)*

Digital Interphones

In the first half of 2014, revenue from the digital interphones business was approximately RMB29.1 million, representing 4.3% of the total revenue.

After years of buildup in research and development, the Group launched a series of products and solutions (including terminals, systems and accessories) that were designed and manufactured for commercial private network and industrial private network customers last year, and had successfully realized commercialization and industrial certain profits. In the first half of 2014, the Group's digital interphones business continued to develop smoothly with an increase in the types of products sold as well as the continued expansion of sales channels, customer number and scope. Revenue also increased significantly as compared to last year.

With the progress of analog communications to digital communications of private network and the construction of industry informatization, total market investment in the whole private network communication industry grew substantially year after year. The Group seized the initiation opportunity of the industry last year to launch the Group's digital private network communication business in a timely manner, and it has been a whole year as of the second half of 2014. Based on the current industry situation and market development performance, the Group considers that it has been proved that the Group's strategic direction and measures are efficient and appropriate. The business has been initiated at the opportune moment and the sales performance had met the Group's expectation.

2. Gross profit

During the reporting period, the Group realized gross profit of RMB173.9 million, representing an increase of RMB15.8 million or 10.0% from RMB158.1 million over the same period last year.

During the reporting period, the gross profit margin was 25.8%, representing an increase of 1.9% over the same period last year.

The improvement in the gross profit margin of the Group was primarily due to the various marketing and business structure optimization measures of the Group achieved certain results. In the future, the Group will improve production process and operational processes in order to strictly control costs and enhance the efficiency of existing equipment in spite of facing upstream pressure and intense competition in the industry. On the other hand, the Group will continue to implement the appropriate marketing and business structure optimization measures and increase the share of new business and new products with an aim to maintain current positive momentum of gross profit margin and continue to improve profit margins.

3. Research and development expenditure

During the reporting period, research and development related expenditure of the Group was approximately RMB44.6 million (first half of 2013: RMB38.1 million), representing approximately 6.6% (first half of 2013: 5.8%) of total revenue.

4. Selling and distribution expenses

During the reporting period, selling and distribution expenses of the Group was approximately RMB27.7 million (first half of 2013: RMB43.3 million), decreased by 36.0% over the same period last year.

The decrease in selling and distribution expenses was primarily attributable to the decrease in entertainment, travelling expenses and after-sales service expenses.

5. General and administrative expenses

During the reporting period, general and administrative expenses was approximately RMB92.1 million (first half of 2013: RMB110.5 million), representing a decrease of approximately 16.7% over the same period last year.

The decrease was mainly attributable to the decrease in impairment of trade receivables.

6. Finance costs

During the reporting period, finance costs was approximately RMB10.5 million (first half of 2013: RMB9.9 million), representing an increase of approximately 6.1% 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 approximately RMB523.4 million as at 30 June 2014. Secured bank borrowings amounted to approximately RMB323.5 million, and unsecured bank borrowings amounted to approximately RMB199.9 million. All bank loans bore floating interest rates except fixed interest rate bank borrowings of RMB205.3 million.

Except for a secured loan of RMB318,123,000 (2013: RMB302,742,000) 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, research and development investment and working capital of the Group.

7. Taxation

During the reporting period, the income tax expense of the Group was RMB15.9 million (first half of 2013: RMB14.5 million), representing an increase of approximately 9.3% over the same period last year.

As a High-New Technology Enterprise, Fujian Centron, a wholly-owned subsidiary of the Company, is entitled to the preferential tax rate of 15% for the period ended 30 June 2014. 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 RMB1.1 million (2013 : RMB0.8 million).

8. Net profit

During the reporting period, net profit for the period was RMB28.6 million (first half of 2013: net loss of RMB13.9 million).

The net profit margin was 4.2% (first half of 2013: net loss margin of 2.1%) of the total revenue.

The increase in net profit during the reporting period was mainly attributable to (i) the increase in overall gross profit margin of the Group; (ii) the effectiveness of the Group's cost control measures; and (iii) the significant growth in digital interphones business of the Group.

PROSPECTS

MOBILE COMMUNICATIONS NETWORK COVERAGE AND OPTIMIZATION SOLUTION

The MIIT of the PRC issued the TDLTE license in late 2013 and approved the construction of the TDLTE/FDDLTE hybrid network in mid-2014. In the first half of 2014, the market perception of the entire communication equipment and service sector turned positive and active from the general wait-and-see attitude during most of the time in 2013. The top three operators in China have eased control over capital expenditure as compared to 2013 and basically realized the building and opening of the TDLTE network in some key cities in Mainland China. According to the published information on results of core equipment providers and ancillary equipment providers in the industry, revenue from relevant products and ancillary services such as 4G core network construction, optical fibre transmission and antennae grew to a certain extent. Given network coverage and optimization being at the mid-to-end of the network construction industrial chain, the Group considers that the demand of network coverage and optimization has been brought about by the building of the 4G network which will increase gradually although responses begin to emerge in the market.

On the other hand, so far as the development of mobile communication in China to date is concerned, there have been significant changes in various aspects such as industry policy, technology reform, product mix and investment approach. In particular, changes such as the emergence of the OTT business in recent years, the launched of the China Communications Facilities Services Corporation Limited ("State Tower Company"), and "replacing business tax with the value-added-tax" have caused the whole communication industry to constantly transform from being extensive to intensive and from growth driven by increment to growth driven by innovation and new technology. As such, this might temporarily bring about some changes in the level of revenue and profit. In this regard, the Group anticipates that participants in the network coverage and optimization sector will also need an adaptation process for some time while constantly attempting various transformation measures and countermeasures. However, in the long run, these changes will lead to the optimization of the overall industry structure, creating healthier and continuous development momentum for the future.

Overall, as the state's policy towards TDLTE and FDDLTE becomes gradually clear, core network construction has attained a certain standard, the number of 4G users gradually increases, the amount of data transmission increases rapidly and operators place more and more emphasis on user experience and the quality of network coverage, the Group believes that the future prospects of the industry are positive. In the second half of 2014, by capitalizing on the construction cycle brought about by the building of the 4G network, the Group will seize the opportunity of whole network optimization following the initial completion of the 4G network during the year, and continue to enhance business expansion in public network communication and measures in connection with the optimization of the marketing and business structure while ensuring its market share and sales revenue to further increase its profitability level.

DIGITAL INTERPHONES

With the development of the digital communication technology, the craze of changing from analog communications to digital communications of private network is spreading all over the world. The MIIT of the PRC has issued the 2009 No. 666 Circular in early years setting out a comprehensive plan on the analog-to-digital conversion. It is now less than two years from the suspension of the analog intercom frequency band in early 2016 according to the schedule of changing from analog communications to digital communications of private network in China. Meanwhile, with the announcement of relevant policies concerning industry informatization, the demand of constructing digital cities and smart cities, as well as the increasing importance of national security, anti-terrorism, disaster rescue and relief, and emergency communications in recent years indicate the significance and, necessity of digital private networks and the irreplaceability relative to public network communications.

As digital private networks for communications were widely applied in industries with extended solutions, more and more industries, enterprises and institutions began to involve in, and intended to construct, or has been in the process of constructing/replacing digital private network communications systems. In the first half of 2014, apart from expanding the number of industrial and commercial users, the Group also focused on uncovering users in various industries, such as customers of private networks for use in the public security industry (PDT), civil defence, forestry industry, water conservancy, railway transport and port scheduling of various regions, and achieved some results. In the future, the Group will continue to increase the expansion efforts in the aforesaid areas of industries, participate actively in key experimental network projects for different sectors, and improve the product lines and solutions of digital private network systems for industries. Simultaneously, the Group will also enhance core competitiveness through its own technical capabilities and the advantages of market resources accumulated over the years while maintaining sound development in the digital interphones business to enable the Group's presence in the future digital private network communication market of the PRC.

CONCLUSION

Changes and reforms bring about opportunities. The Group firmly believes that with strategic planning and research and development capabilities and the numerous resources and advantages accumulated over long periods of time, together with practical and steadily progressive style of working spirit in the long term, and the beliefs in dedication and unremitting self-improvement, the Group will certainly be able to establish a foothold in, and benefit from, the general market landscape of 4G public network and digital private network for communications in the PRC in order to reward investors and shareholders through gradual increases and continuous growth in profitability.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2014, the Group had cash and bank balances of RMB145.0 million (31 December 2013: RMB134.7 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi. As at 30 June 2014, the Group had pledged deposits and restricted bank deposits of RMB42.2 million (31 December 2013: RMB14.2 million) and RMB2.0 million (31 December 2013: Nil) respectively.

As at 30 June 2014, the Group had interest-bearing bank borrowings payable within one year of RMB480.4 million (31 December 2013: RMB228.4 million).

As at 30 June 2014, the Group had interest-bearing bank borrowings payables more than one year of RMB43.0 million (31 December 2013: RMB129.7 million).

Average trade receivable turnover period was 442 days (31 December 2013: 354 days). Average inventory turnover period was 155 days (31 December 2013: 127 days). Overall, the Group maintained a current ratio of 2.65 as at 30 June 2014 (31 December 2013: 3.69).

As at 30 June 2014, 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 33.0% (31 December 2013: 22.9%).

TREASURY POLICIES

During the six months ended 30 June 2014, 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 2014. 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 2014, the Group incurred capital expenditure of approximately RMB17.8 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 30 June 2014, certain of the Group's interest-bearing bank borrowings were guaranteed/secured by:

– corporate guarantee of RMB145,000,000 (31 December 2013: RMB75,000,000) from Fujian Centron, a wholly-owned subsidiary;

– corporate guarantee of US$50,000,000 (31 December 2013: 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;

– pledged deposit of RMB30,000,000 (2013: Nil) in Fujian Centron;

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

– assignment of RMB225,292,000 (31 December 2013: RMB219,504,000) due from Fujian Centron to Nice Group as at 30 June 2014; and

– the pledge of the Group's certain trade receivables amounting to RMB5,350,000 as at 30 June 2014 (31 December 2013: RMB5,350,000).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2014, the Group had approximately 1,500 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.

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 2014.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment as at 30 June 2014.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2014, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

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 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 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 2014 to ensure that these financial statements and the relevant disclosures were made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules and discussed with the management in respect of the results and the financial position of the Group.

OTHER INFORMATION

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

As at 30 June 2014, 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:

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 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	169,092,668	21.70

Short 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	24,081,308	3.09

Note:

1. Oriental City Profits Ltd. ("Oriental City") held (i) 169,092,668 shares of the Company in long position, representing 21.70% of the entire issued share capital of the Company, and (ii) 24,081,308 shares of the Company in short position, representing 3.09% of the entire issued share capital of the Company as at 30 June 2014. As at 30 June 2014, the issued share capital of Oriental City was beneficially owned as to 87.53% by Mr. Dai Guoliang and as to 12.47% by Mr. Dai Guoyu. As mentioned above, Mr. Dai Guoliang's beneficial interest in Oriental City amounted to 87.53%. Accordingly, pursuant to SFO, Mr. Dai Guoliang was deemed to be interested in the shares held by Oriental City as he was 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)	323	87.53
Mr. Dai Guoyu	Oriental City	Beneficial owner	(note 2)	46	12.47

Notes:

1. Oriental City held (i) 169,092,668 shares of the Company in long position, representing 21.70% of the entire issued share capital of the Company, and (ii) 24,081,308 shares of the Company in short position, representing 3.09% of the entire issued share capital of the Company as at 30 June 2014. The issued share capital of Oriental City was beneficially owned as to 87.53% by Mr. Dai Guoliang and as to approximately 12.47% by Mr. Dai Guoyu.

2. Mr. Dai Guoyu was beneficially interested in approximately 12.47% of the issued share capital of Oriental City.

Save as disclosed above, as at 30 June 2014, 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 to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

At no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, their respective spouses or minor children or other employee of the Company, 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 2014, 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	169,092,668 (long position)	21.70
			24,081,308 (short position)	3.09
Mr. Dai Guoliang	(1)	Through a controlled corporation	169,092,668 (long position)	21.70
			24,081,308 (short position)	3.09
Cathay Mobile Communications Limited	(2)	Directly beneficially owned	105,000,000	13.48
Cathay Capital Holdings, L.P.	(2)	Through a controlled corporation	105,000,000	13.48
Molatis Limited	(3)	Directly beneficially owned	47,250,000	6.06
Mr. Sussman Selwyn Donald	(3)	Through a controlled corporation	47,250,000	6.06
Mr. Sussman Selwyn Donald	(3)	Directly beneficially owned	8,766,000	1.13

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

Long positions: (continued)

Notes:

(1) Oriental City held (i) 169,092,668 shares of the Company in long position, representing 21.70% of the entire issued share capital of the Company, and (ii) 24,081,308 shares of the Company in short position, representing 3.09% of the entire issued share capital of the Company as at 30 June 2014. The share capital of Oriental City was beneficially owned as to 87.53% by Mr. Dai Guoliang and as to approximately 12.47% by Mr. Dai Guoyu.

(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, in an aggregate number of 56,016,000, are beneficially held by Mr. Sussman Selwyn Donald, of which 47,250,000 shares are held through Molatis Limited.

Save as disclosed above, as at 30 June 2014, no person, other than the Directors, 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; (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 2014.

By Order of the Board
Dai Guoliang
Chairman

Hong Kong, 28 August 2014