

2015

INTERIM REPORT



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

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

CONTENTS

	<i>Page</i>
Condensed Consolidated Income Statement	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to Condensed Consolidated Interim Financial Statements	8
Management Discussion and Analysis	22
Other information	32

The board (the “Board”) of directors (the “Directors”) of Centron Telecom International Holding Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014. 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 2015

		For the six months ended 30 June	
	Notes	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
REVENUE	4	755,178	673,914
Cost of sales		<u>(585,204)</u>	(500,038)
Gross profit		169,974	173,876
Other income	4	2,803	878
Selling and distribution expenses		(25,775)	(27,656)
General and administrative expenses		(64,520)	(92,132)
Finance costs	5	<u>(17,561)</u>	(10,501)
PROFIT BEFORE TAX	6	64,921	44,465
Income tax expense	7	<u>(19,242)</u>	(15,862)
PROFIT FOR THE PERIOD		<u>45,679</u>	<u>28,603</u>
Attributable to:			
Ordinary equity holders of the Company		44,917	28,443
Non-controlling interests		<u>762</u>	<u>160</u>
		<u>45,679</u>	<u>28,603</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (RMB cents)		<u>5.76</u>	<u>3.65</u>

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 2015

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	45,679	28,603
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	<u>351</u>	<u>(4,054)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>46,030</u>	<u>24,549</u>
Attributable to:		
Ordinary equity holders of the Company	<u>45,268</u>	<u>24,389</u>
Non-controlling interests	<u>762</u>	<u>160</u>
	<u>46,030</u>	<u>24,549</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	<i>Notes</i>	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	171,695	178,622
Prepaid land lease payments		9,863	9,984
Deferred tax assets		2,490	3,540
Total non-current assets		184,048	192,146
CURRENT ASSETS			
Inventories		461,265	535,644
Trade and bills receivables	11	1,751,258	1,537,997
Prepayments, deposits and other receivables		22,331	20,183
Available-for-sale investments		8,000	—
Restricted bank deposits		1,382	2,098
Pledged deposits		73,407	73,873
Cash and cash equivalents		188,449	201,015
Total current assets		2,506,092	2,370,810
CURRENT LIABILITIES			
Trade and bills payables	12	209,687	289,806
Other payables and accruals		66,057	64,461
Bank and other advances for discounted bills	14	—	2,860
Interest-bearing bank borrowings		409,303	210,627
Tax payable		36,669	28,161
Total current liabilities		721,716	595,915
NET CURRENT ASSETS		1,784,376	1,774,895
TOTAL ASSETS LESS CURRENT LIABILITIES		1,968,424	1,967,041

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2015

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,968,424	1,967,041
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	317,296	363,643
Deferred tax liabilities	14,300	12,600
Total non-current liabilities	331,596	376,243
Net assets	1,636,828	1,590,798
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Share capital	74,977	74,977
Reserves	1,558,127	1,512,859
	1,633,104	1,587,836
Non-controlling interests	3,724	2,962
Total equity	1,636,828	1,590,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to ordinary equity holders of the Company									
	Share capital	Share premium account	Share option reserve	Capital reserve	Reserves	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	Enterprise expansion and statutory reserve funds	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014 (audited) and 1 January 2015	74,977	499,014	—	85,106	227,098	721,679	(20,038)	1,587,836	2,962	1,590,798
Profit for the period	—	—	—	—	—	44,917	—	44,917	762	45,679
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	351	351	—	351
Total comprehensive income for the period	—	—	—	—	—	44,917	351	45,268	762	46,030
At 30 June 2015 (unaudited)	74,977	499,014*	—*	85,106*	227,098*	766,596*	(19,687)*	1,633,104	3,724	1,636,828
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

* These reserve accounts comprise the consolidated reserves of RMB1,558,127,000 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
OPERATING ACTIVITIES		
Cash used in operation	(126,625)	(78,838)
Income tax paid	(7,984)	(16,749)
Others	1,607	339
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(133,002)	(95,248)
NET CASH FLOWS USED IN INVESTING ACTIVITIES⁽ⁱ⁾	(11,432)	(47,774)
NET CASH FLOWS FROM FINANCING ACTIVITIES⁽ⁱⁱ⁾	131,908	153,280
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,526)	10,258
Cash and cash equivalents at beginning of period	201,015	134,650
Effect of foreign exchange rates changes, net	(40)	95
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	188,449	145,003
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	234,668	189,186
Non-pledged time deposits with original maturity of less than three months when acquired	28,570	—
Less: Restricted bank deposits for certain installation contracts	(1,382)	(1,990)
Deposits pledged for bills payable facilities	(26,509)	(12,193)
Deposits pledged for bank loans	(46,898)	(30,000)
	188,449	145,003

The accompanying notes form part of these interim financial statements.

- (i) Net cash flows used in investing activities for the period includes items such as the purchases of items of property, plant and equipment of RMB4,776,000 (six months ended 30 June 2014: RMB17,774,000) and increase in available-for-sale investments of RMB8,000,000 (six months ended 30 June 2014: Nil).
- (ii) Net cash flows from financing activities for the period includes items such as net cash flows from bank borrowings of RMB150,332,000 (six months ended 30 June 2014: RMB159,452,000) and interest paid of RMB15,136,000 (six months ended 30 June 2014: RMB8,860,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

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

The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1606, 16th Floor, Tai Tung Building, 8 Fleming Road, Hong Kong. The principal activity of the Company is investment holding. 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 private network systems and products.

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 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 2014 except as disclosed in note 2.1 below.

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

30 June 2015

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

Basis of preparation *(continued)*

2.1. Impact of revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current period, the Group has adopted, for the first time, the following revised HKFRSs which are effective for the Group’s accounting period beginning on 1 January 2015.

Amendments to HKAS 19 Annual Improvements <i>2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
Annual Improvements <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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

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 private network systems and products. 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 2015, revenue from sales to three groups of the Group’s customers amounting to RMB314,704,000, RMB197,655,000 and RMB151,842,000 individually accounted for over 10% of the Group’s total revenue. For the six months ended 30 June 2014, revenue from sales to three groups 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.

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

30 June 2015

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	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	693,556	641,976
Manufacture and sale of digital private network systems and products	57,626	29,093
Sale of digital television network coverage equipment and the provision of related engineering services	3,996	2,845
	<u>755,178</u>	<u>673,914</u>
Other income		
Bank interest income	1,607	339
Foreign exchange differences, net	—	6
Income derived from available-for-sale investments	162	—
Others	1,034	533
	<u>2,803</u>	<u>878</u>

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

30 June 2015

5. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans wholly repayable within five years	15,044	8,860
Amortisation of bank charges on syndicated loans	2,425	1,641
Interest expenses on discounted bills	92	—
	<u>17,561</u>	<u>10,501</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold and services provided	585,204	500,038
Depreciation	11,703	11,783
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, net	12,212	(4,392)
Write-back of impairment of trade receivables, net	(7,072)	(3,711)
Impairment/(write-back of impairment) of prepayments and other receivables, net	(132)	3,304
	<u>(132)</u>	<u>3,304</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2015

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 (2014: Nil). Taxes on profits assessable in the Mainland China have been calculated at the prevailing tax rates.

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax – Mainland China		
Charge for the period	16,492	15,251
Withholding tax	1,700	1,146
Deferred tax	1,050	(535)
	<hr/>	<hr/>
Total tax charge for the period	19,242	15,862

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 six months ended 30 June 2015 and 2014, Centron Communications Technologies Fujian Co., Ltd. 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 2015

8. DIVIDEND

The Directors do not recommend any payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of RMB44,917,000 (six months ended 30 June 2014: RMB28,443,000) and the weighted average number of ordinary shares of 779,134,831 (six months ended 30 June 2014: 779,134,831) in issue during the six months ended 30 June 2015.

The calculation of the 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.

The Group has no potentially dilutive ordinary shares in issue during the six months ended 30 June 2015 and 2014.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with an aggregate cost of RMB4,776,000.

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

30 June 2015

11. TRADE AND BILLS RECEIVABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade and bills receivables	1,822,792	1,616,603
Impairment	(71,534)	(78,606)
	<u>1,751,258</u>	<u>1,537,997</u>

The Group's trade receivables mainly relate to a few groups of recognised and creditworthy customers. The Group's trading terms with its customers are mainly on credit. The credit period is generally nine months (2014: 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 2015

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	410,902	470,208
3 to 6 months	380,290	490,805
6 to 12 months	802,968	504,865
Over 1 year	157,098	72,119
	<u>1,751,258</u>	<u>1,537,997</u>

Included in the Group's bills receivables as at 31 December 2014 were amounts totalling RMB2,860,000, which were discounted to certain companies in the PRC in exchange for cash. These RMB2,860,000 bills receivables were not derecognised as at 31 December 2014, and the corresponding bank and other advances upon discounting to certain companies in the PRC were included as "Bank and other advances for discounted bills" on the face of the condensed consolidated statement of financial position.

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

30 June 2015

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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	177,371	225,909
3 to 6 months	25,137	57,210
6 to 12 months	1,408	1,265
Over 1 year	5,771	5,422
	<u>209,687</u>	<u>289,806</u>

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 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Short-term employee benefits	<u>2,367</u>	<u>2,000</u>

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 2015

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:

		Bills receivables	
		30 June	31 December
		2015	2014
<i>Notes</i>		(Unaudited)	(Audited)
		RMB'000	RMB'000
Carrying amount of assets			
that continued to be recognised:			
Discounting of bills receivables	(i)	—	2,860
Bills endorsement	(ii)	<u>44,580</u>	<u>52,528</u>
		<u>44,580</u>	<u>55,388</u>
Carrying amount of			
associated liabilities:			
Discounting of bills receivables	(i)	—	2,860
Bills endorsement	(ii)	<u>44,580</u>	<u>52,528</u>
		<u>44,580</u>	<u>55,388</u>

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

30 June 2015

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 2014, the Group discounted certain bills receivables (the “Discounted Bills”) with a total carrying amount of RMB2,860,000 to certain companies 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 and other advances. 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 and other advances recognised due to the Discounted Bills was RMB2,860,000 as at 31 December 2014.

(ii) *Bills endorsement*

At 30 June 2015, the Group endorsed certain bills receivables accepted by certain local banks in the PRC (the “Endorsed Bills”) with a total carrying amount of RMB44,580,000 (31 December 2014: RMB52,528,000) 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 RMB44,580,000 (31 December 2014: RMB52,528,000) as at 30 June 2015.

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

30 June 2015

14. TRANSFERRED FINANCIAL ASSETS *(continued)*

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

(i) *Discounting of bills receivables*

At 30 June 2015, the Group discounted certain bills receivables (the “Derecognised Discounted Bills”) with a total carrying amount of RMB1,000,000 (31 December 2014: RMB700,000) 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 is 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 2015 and 2014, 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 receivables has been made evenly throughout the period.

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

30 June 2015

14. TRANSFERRED FINANCIAL ASSETS *(continued)*

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

(ii) Bills endorsement

At 30 June 2015, the Group endorsed certain bills receivables accepted by certain reputable banks in the PRC (the “Derecognised Endorsed Bills”) with a total carrying amount of RMB1,999,000 (31 December 2014: 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 is 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 six months ended 30 June 2015 and 2014, 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.

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

30 June 2015

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, bank and other advances for discounted bills and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2015 was assessed to be insignificant. For the Group's unlisted available-for-sale investments, they were stated at cost less impairment because they are unlisted investment funds that do not have quoted market price in an active market and whose fair value cannot be measured reliably.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the six months ended 30 June 2015 (the “reporting period”), the Group realised revenue of RMB755.2 million, representing an increase of RMB81.3 million or 12.1% from RMB673.9 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			
	2015 (Unaudited)		2014 (Unaudited)	
	RMB'000	%	RMB'000	%
<i>By customers</i>				
China Mobile Group	314,704	41.7	286,810	42.6
China Unicom Group	197,655	26.2	195,247	29.0
China Telecom Group	151,842	20.1	120,662	17.9
	<u>664,201</u>	<u>88.0</u>	<u>602,719</u>	<u>89.5</u>
Others	90,977	12.0	71,195	10.5
	<u>755,178</u>	<u>100</u>	<u>673,914</u>	<u>100</u>

1. Operating results *(continued)*

	For the six months ended 30 June			
	2015		2014	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
<i>By business category</i>				
Mobile				
Telecommunications Network Coverage and Optimization Solutions	693,556	91.9	641,976	95.3
Digital Private				
Network Systems and Products	57,626	7.6	29,093	4.3
Digital Terrestrial				
Television Broadcasting (DTTB)	3,996	0.5	2,845	0.4
	<u>755,178</u>	<u>100</u>	<u>673,914</u>	<u>100</u>

1. Operating results *(continued)*

Mobile Telecommunications Network Coverage and Optimization Solution

During the first half of 2015, income from the mobile telecommunications network coverage and optimization solution business was approximately RMB693.6 million, representing approximately 91.9% of the total income of the Group.

With the issuance of TDD-LTE license and FDD-LTE license and general acceptance of hybrid network in market, communications network operators increased constructions of 4G base stations and strengthened the optimization of wireless network at the same time. During the six months ended 30 June 2015, the Group's income from the optimization of 3G and 4G wireless network maintained the upward trend. The demands for multi-mode digital distribution systems, high performance Radio Frequency devices, multi-mode + multi frequency in-building distribution solutions of the Group remained strong. The establishment of China Communications Facilities Services Corporation Limited ("State Tower Company") changed the procurement and supply chain of the industry but there is no material effect on the Group's business. The business income of the Group keeps increasing due to strong market demands of the market, and the steady and reliable quality of the Group's network coverage and optimization products.

As communications network operators continue to improve the optimization of wireless network, the Group will duly invest in high-end products, focus on markets of higher value-added products and continue to participate in integrated engineering and construction services of network coverage and optimization of 4G in major cities in the PRC.

Digital Private Network Systems and Products

During the reporting period, revenue from the digital private network systems and products was approximately RMB57.6 million, representing approximately 7.6% of the total revenue.

The Group has launched a series of new products suitable for commercial private network and industrial private network users, like digital repeaters, dispatch centers and base station of digital trunking systems. At the same time, we also conducted upgrade and improvement to the interphone handsets and the core network of the digital private network, and its matching hardware and software. During the reporting period, we sold analog and digital interphone at the same time and also the digital trunking system and related products. The series products of professional digital interphone and digital trunking system were generally accepted by the commercial market. Professional digital interphone is the basic terminal product for private network, so the Group will continue to construct the related sales network and channels. Meanwhile, the Group will develop products which combine the Internet and private network of digitalized information, including power grid, civil defense and public security, and provide comprehensive engineering solutions for digital private network communication systems.

2. Gross profit

During the reporting period, the Group realised gross profit of RMB170.0 million, representing an decrease of RMB3.9 million or 2.2% from RMB173.9 million over the same period last year.

During the reporting period, the gross profit margin was 22.5%, an decrease of 3.3% over the same period last year.

The decrease in the gross profit margin of the Group was primarily due to the keen market competition and implementation of the tightened cost control measures of the big three telecom operators. That is the reason for narrowing the gross profit margin.

3. Research and development expenditure

During the reporting period, research and development (“R&D”) related expenditure of the Group was approximately RMB23.7 million (first half of 2014: RMB44.6 million), representing approximately 3.1% (first half of 2014: 6.6%) of total revenue.

4. Selling and distribution expenses

During the reporting period, selling and distribution expenses of the Group was approximately RMB25.8 million (first half of 2014: RMB27.7 million), decreased by 6.9% over the same period last year.

The decrease in selling and distribution expenses was primarily attributable to the decrease in travelling expenses.

5. General and administrative expenses

During the reporting period, general and administrative expenses was approximately RMB64.5 million (first half of 2014: RMB92.1 million), representing a decrease of approximately 30.0% over the same period last year.

The decrease was mainly attributable to the decrease in R&D expenses.

6. Finance costs

During the reporting period, finance costs was approximately RMB17.6 million (first half of 2014: RMB10.5 million), representing an increase of approximately 67.6% 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 two banks in Hong Kong, of which the total outstanding amount was approximately RMB726.6 million as at 30 June 2015. Secured bank borrowings amounted to approximately RMB599.6 million, and unsecured bank borrowings amounted to approximately RMB127.0 million. All bank loans bore floating interest rates except fixed interest rate bank borrowings of approximately RMB494.6 million.

Except for a secured loan of RMB311,108,000 and RMB183,490,000 (2014: RMB318,123,000 and Nil respectively) which is denominated in United States dollars (“US\$”) and Hong Kong dollars (“HKD”) respectively, 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 RMB19.2 million (first half of 2014: RMB15.9 million), an increase of approximately 20.8% over the same period last year.

As a High-New Technology Enterprise, Centron Commuincations Technologies Fujian Co., Ltd., a wholly-owned subsidiary, is entitled to the preferential tax rate of 15% for the period ended 30 June 2015. 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 RMB1.7 million (2014: RMB1.1 million).

8. Net profit

During the reporting period, net profit for the period was RMB45.7 million (first half of 2014: RMB28.6 million).

The net profit margin was 6.1% (first half of 2014: 4.2%) of the total revenue.

The increase in net profit during the reporting period was mainly attributable to the decrease in general and administrative expenses of the Group.

PROSPECTS

China's economic development has shown a New Normal. The launch of information network and electronic communications industry related policies and the penetration of new technologies (such as mobile Internet and large data) to traditional industries have been pushing forward the cross-border integration of various industries and reconstruction of business ecosystem. The deepening market reforms and RMB exchange rate fluctuations will have a profound impact on the China's economy and the survival and development of enterprises.

MOBILE TELECOMMUNICATIONS NETWORK COVERAGE AND OPTIMIZATION SOLUTION

The continuous increasing of mobile broadband communications users has further promoted the communications network operators' efforts on construction of 4G networks and optimization of network coverage. In particular, after the launch of FDD-LTE license at the beginning of 2015, communications network operators began to vigorously promote the construction of FDD-LTE core networks and comprehensive in-door coverage systems. The Group will continue to promote its multi-mode digital signal distribution system, TDD-LTE/FDD-LTE-compatible, multimode and multi-frequency in-building signal distribution solutions as well as outdoor coverage and optimization solutions, to achieve the Group's advantages in network optimization and indoor coverage with maximum utilization of the massive negotiation power of in-building network construction accumulated more than a decade.

The communication industry is facing with competitions from other industries. The manufacturers and Internet service providers are trying to enter into the operational segment of communications network operators. With large data, manufacturers of terminal equipment begin to provide comprehensive solutions for information communication. The digitalized information comes with great opportunities for business. It changes the operation mode for the industry, as well as people's living habits. The communication industry will keep on having innovation and opportunities for business are everywhere.

DIGITAL PRIVATE NETWORK SYSTEMS AND PRODUCTS

Beginning from 2016, interphone manufacturers will not be issued with analog radio approval certificate. Only digital radio equipment can obtain legally approval certificate. The using permit of analog frequency band of private network users will no longer be renewed after the original frequency band lease expires. The Radio Management Committee in different places in the PRC will only accept digital radio frequency application. Meanwhile, the launch of industry informatization related policies in recent years and the increasing importance of national security, anti-terrorism, disaster rescue and relief, and emergency communications in recent years indicated the significance and necessity of digital private networks.

Spectrum resources are open to specific industries, which promotes the development of digital private network communication industry. In the age of Internet and large data, various participants enter into the private network communication market. A mature sales network, ground communication channels, leading technology and good relations with the spectrum resource management agencies help to form a good foundation for the development of the private network communication solutions. The Group's digital network communication systems and products are the basic terminal products. Based on the cooperative relationship with Radio Management Committee in different places in the PRC, the Group has moved a steady step forward to the private network communication. The private network communication will become another focus in communication industry management and the Group will consider it as one of the main objective of strategic development.

CONCLUSION

The implementation and promotion of "One Belt and One Road" will facilitate the communications equipment industry and manufacturers to further develop overseas markets. In face of domestic opportunities and challenges, the Group will carry out effective measures to further consolidate the advantages of public mobile network service, to meet the trend of 3G evolving to 4G; meanwhile, the Group will accelerate the development of private network services. We also seize the development opportunities in electricity, information security, public security, government policy and people's livelihood among "Internet +" and "Smart City" and lay a solid foundation to promote the industrial upgrading of the Group's core business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2015, the Group had cash and bank balances of RMB188.4 million (31 December 2014: RMB201.0 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi.

As at 30 June 2015, the Group had pledged deposits of RMB73.4 million (31 December 2014: RMB73.9 million) and restricted bank deposits of RMB1.4 million (31 December 2014: RMB2.1 million).

As at 30 June 2015, the Group had interest-bearing bank borrowings payable within one year of RMB409.3 million (31 December 2014: RMB210.6 million).

As at 30 June 2015, the Group had interest-bearing bank borrowings payables more than one year of RMB317.3 million (31 December 2014: RMB363.6 million).

Average trade receivable turnover period was 394 days (31 December 2014: 377 days). Average inventory turnover period was 154 days (31 December 2014: 139 days). Overall, the Group maintained a current ratio of 3.47 as at 30 June 2015 (31 December 2014: 3.98).

As at 30 June 2015, 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 44.4% (31 December 2014: 36.1%).

TREASURY POLICIES

During the six months ended 30 June 2015, the majority of the Group's operational transactions were denominated in Renminbi. There has not been any significant operational foreign exchange exposure. The Group has USD and HKD bank borrowings and due to the recent fluctuation of the exchange rates of RMB, it might have adverse effect on the repayment of bank borrowings other than in RMB. The Group will closely monitor the exposure of the fluctuation of RMB exchange rates. The related departments of The China Government said that RMB is stable gradually and therefore the Group has not entered into hedging instruments on foreign exchange. 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 2015. Accordingly, the Group did not enter into hedging instruments on interest rate. However, the management closely monitors the Group's exposure to any potential foreign exchange exposure 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 2015, the Group incurred capital expenditure of approximately RMB4.8 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 30 June 2015, certain of the Group's interest-bearing bank borrowings were guaranteed/ secured by:

- corporate guarantee of RMB35,000,000 (31 December 2014: RMB35,000,000) from Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary;
- corporate guarantee of US\$60,000,000 (31 December 2014: US\$60,000,000) 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;
- pledge of Nice Group's equity interest in Fujian Centron;
- assignment of an amount due from Fujian Centron of RMB331,409,000 (31 December 2014: RMB328,687,000) as at 30 June 2015 to Nice Group;
- pledge deposits of RMB46,898,000 (31 December 2014: RMB46,500,000).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2015, the Group had approximately 1,350 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.

Remuneration band (RMB)	Number of individuals
0 - 100,000	1,330
100,001 - 150,000	5
Over 150,001	15

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment as at 30 June 2015.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

The Group had not executed any agreement in respect of material investment or capital asset and did not have any other future plans relating to material investment or capital asset as at the date of this announcement. Nonetheless, if any potential investment opportunity arises in the coming future, the Group will consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2015, 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. Having made specific enquiry of the Directors, the Directors confirmed that they have fully complied with the required standard as set out in the Model Code during the reporting period.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Lin Yuanfang, Li Hongbin and Ku Kin Shing, Ignatius. The chairman of the Audit Committee is Ku Kin Shing, Ignatius.

The Audit Committee reviewed the Group's condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2015, 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	<u>169,092,668</u>	<u>21.70</u>

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	<u>24,081,308</u>	<u>3.09</u>

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 2015. As at 30 June 2015, 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:

- 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 2015. 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.
- 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 2015, 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 2015, 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	21.70
			(long position)	
			24,081,308	3.09
			(short position)	
Mr. Dai Guoliang	(1)	Through a controlled corporation	169,092,668	21.70
			(long position)	
			24,081,308	3.09
			(short position)	
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 2015. 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 2015, 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 facility agreement dated 20 November 2014 made between the Company, Bank of China (Hong Kong) Limited and CITIC Bank International Limited relating to US dollars and Hong Kong dollars dual currency term loan facilities up to US\$60,000,000, 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 Guoliang or 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 and Mr. Dai Guoyu, collectively, do not or ceases to own, directly or indirectly, 100% of the beneficial shareholding carrying 100% 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 2015.

By Order of the Board

Dai Guoliang

Chairman

Hong Kong, 28 August 2015