



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

2016

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	20
Other information	31

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 2016 together with the comparative figures for the corresponding period in 2015. These condensed consolidated interim financial results have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

		For the six months ended 30 June	
	Notes	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	4	787,833	755,178
Cost of sales		<u>(573,898)</u>	(585,204)
Gross profit		213,935	169,974
Other income	4	1,418	2,803
Selling and distribution expenses		(38,265)	(25,775)
General and administrative expenses		(82,008)	(64,520)
Finance costs	5	<u>(20,427)</u>	(17,561)
PROFIT BEFORE TAX	6	74,653	64,921
Income tax expense	7	<u>(19,639)</u>	(19,242)
PROFIT FOR THE PERIOD		<u>55,014</u>	<u>45,679</u>
Attributable to:			
Ordinary equity holders of the Company		55,014	44,917
Non-controlling interests		<u>—</u>	<u>762</u>
		<u>55,014</u>	<u>45,679</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted (RMB cents)		<u>7.06</u>	<u>5.76</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	55,014	45,679
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(9,978)	351
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	45,036	46,030
Attributable to:		
Ordinary equity holders of the Company	45,036	45,268
Non-controlling interests	—	762
	45,036	46,030

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	162,249	165,531
Prepaid land lease payments		9,622	9,743
Available-for-sale investments		—	1,600
Other receivables		888	888
Deferred tax assets		3,245	2,388
Total non-current assets		<u>176,004</u>	<u>180,150</u>
CURRENT ASSETS			
Inventories		532,041	608,360
Trade and bills receivables	11	1,630,319	1,459,415
Prepayments, deposits and other receivables		13,275	41,534
Available-for-sale investments		—	3,000
Restricted bank deposits		4,494	3,113
Pledged deposits		56,117	56,516
Cash and cash equivalents		389,185	329,431
Total current assets		<u>2,625,431</u>	<u>2,501,369</u>
CURRENT LIABILITIES			
Trade and bills payables	12	192,678	173,468
Other payables and accruals		53,909	57,437
Interest-bearing bank borrowings		723,336	567,286
Tax payable		38,208	29,001
Total current liabilities		<u>1,008,131</u>	<u>827,192</u>
NET CURRENT ASSETS		<u>1,617,300</u>	<u>1,674,177</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,793,304</u>	<u>1,854,327</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2016

Notes	30 June 2016 <i>(Unaudited)</i> <i>RMB'000</i>	31 December 2015 (Audited) <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,793,304	1,854,327
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	114,387	222,346
Deferred tax liabilities	16,100	14,200
Total non-current liabilities	130,487	236,546
Net assets	1,662,817	1,617,781
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Share capital	74,977	74,977
Reserves	1,587,840	1,542,804
Total equity	1,662,817	1,617,781

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to ordinary equity holders of the Company								
	Share capital	Share premium account	Reserves				Total	Non-controlling interests	Total equity
			Capital reserve	Enterprise expansion and statutory reserve funds	Retained profits	Exchange fluctuation reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2015 (audited) and 1 January 2016	74,977	498,014*	85,106*	239,751*	759,948*	(41,015)*	1,617,781	—	1,617,781
Profit for the period	—	—	—	—	55,014	—	55,014	—	55,014
Other comprehensive income/(expense) for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	—	(9,978)	(9,978)	—	(9,978)
Total comprehensive income/(expense) for the period	—	—	—	—	55,014	(9,978)	45,036	—	45,036
At 30 June 2016 (unaudited)	74,977	499,014*	85,106*	239,751*	814,962*	(50,983)*	1,662,817	—	1,662,817
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

* These reserve accounts comprise the consolidated reserves of RMB1,587,840,000 (31 December 2015: RMB1,542,804,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Cash from/(used in) operation	45,260	(126,625)
Income tax paid	(9,389)	(7,984)
Others	1,342	1,607
	<hr/>	<hr/>
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	37,213	(133,002)
NET CASH FLOWS USED IN INVESTING ACTIVITIES⁽ⁱ⁾	(5,285)	(11,432)
NET CASH FLOWS FROM FINANCING ACTIVITIES⁽ⁱⁱ⁾	27,664	131,908
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	59,592	(12,526)
Cash and cash equivalents at beginning of period	329,431	201,015
Effect of foreign exchange rates changes, net	162	(40)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	389,185	188,449
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	449,796	234,668
Non-pledged time deposits with original maturity of less than three months when acquired	—	28,570
Less: Restricted bank deposits for certain installation contracts	(4,494)	(1,382)
Deposits pledged for bills payable facilities	(12,299)	(26,509)
Deposits pledged for bank loans	(43,818)	(46,898)
	<hr/>	<hr/>
	389,185	188,449
	<hr/> <hr/>	<hr/> <hr/>

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 RMB8,900,000 (six months ended 30 June 2015: RMB4,776,000) and decrease in available-for-sale investments of RMB4,600,000 (six months ended 30 June 2015: increase in available-for-sale investments of RMB8,000,000).
- (ii) Net cash flows from financing activities for the period includes items such as net cash flows from bank borrowings of RMB34,815,000 (six months ended 30 June 2015: RMB150,332,000) and interest paid of RMB17,817,000 (six months ended 30 June 2015: RMB15,136,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2016

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, P.O. 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 manufacture and sale of private telecommunications network systems and products, and the sale of digital television network coverage equipment and the provision of related engineering services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants 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 2015 except as disclosed below.

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

30 June 2016

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)***Basis of preparation** *(continued)***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 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> Amendments to a number of HKFRSs

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

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

30 June 2016

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

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, the People's Republic of China (the "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 2016, revenue from sales to four groups of the Group's customers amounting to RMB243,910,000, RMB199,060,000, RMB120,961,000 and RMB118,932,000 individually accounted for over 10% of the Group's total revenue. 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2016

4. REVENUE AND OTHER INCOME

Revenue 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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	684,685	693,556
Manufacture and sale of private telecommunications network systems and products	100,749	57,626
Sale of digital television network coverage equipment and the provision of related engineering services	2,399	3,996
	787,833	755,178
Other income		
Bank interest income	1,342	1,607
Income derived from available-for-sale investments	76	162
Others	—	1,034
	1,418	2,803

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

30 June 2016

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	17,817	15,044
Amortisation of bank charges on syndicated loans	2,610	2,425
Interest expenses on discounted bills	—	92
	<u>20,427</u>	<u>17,561</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold and services provided	573,898	585,204
Depreciation	12,185	11,703
Amortisation of prepaid land lease payments	121	121
Impairment of inventories, net	333	12,212
Impairment/(write-back of impairment) of trade receivables, net	1,985	(7,072)
Write-back of impairment of prepayments and other receivables, net	—	(132)
	<u>—</u>	<u>(132)</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2016

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2015: Nil). Taxes on profits assessable in the Mainland China have been calculated at the prevailing tax rates.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax – Mainland China		
Charge for the period	18,596	16,492
Withholding tax	1,900	1,700
Deferred tax	(857)	1,050
	<hr/> 19,639 <hr/>	<hr/> 19,242 <hr/>
Total tax charge for the period		

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 2016 and 2015, Centron Communications Technologies Fujian Co., Ltd. was 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 2016

8. DIVIDEND

The Directors do not recommend any payment of an interim dividend for the six months ended 30 June 2016 (2015: 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 RMB55,014,000 (2015: RMB44,917,000) and the 779,134,831 (2015: 779,134,831) ordinary shares in issue during the six months ended 30 June 2016.

The Group has no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with an aggregate cost of RMB8,900,000.

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

30 June 2016

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade and bills receivables	1,696,747	1,523,858
Impairment	(66,428)	(64,443)
	<u>1,630,319</u>	<u>1,459,415</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 (2015: 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 2016

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 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 3 months	476,507	366,200
3 to 6 months	365,592	389,709
6 to 12 months	633,424	556,958
Over 1 year	154,796	146,548
	<u>1,630,319</u>	<u>1,459,415</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

30 June 2016

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 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 3 months	151,991	132,311
3 to 6 months	33,745	34,300
6 to 12 months	21	12
Over 1 year	6,921	6,845
	<u>192,678</u>	<u>173,468</u>

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

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Short-term employee benefits	<u>2,313</u>	<u>2,367</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 2016

14. TRANSFERRED FINANCIAL ASSETS**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
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Carrying amount of assets that continued to be recognised:		
Bills endorsement	<u>9,121</u>	<u>16,255</u>
Carrying amount of associated liabilities:		
Bills endorsement	<u>9,121</u>	<u>16,255</u>

At 30 June 2016, the Group endorsed certain bills receivables accepted by certain local banks in the PRC (the “Endorsed Bills”) with a total carrying amount of RMB9,121,000 (31 December 2015: RMB16,255,000) 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 RMB9,121,000 (31 December 2015: RMB16,255,000) as at 30 June 2016.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)**30 June 2016***15. FAIR VALUE AND FAIR VALUE HIERARCHY 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, current portion of available-for-sale investment, trade and bills payables, financial liabilities included in other payables and accruals, 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 2016 was assessed to be insignificant.

Fair value hierarchy

As at 31 December 2015, the non-current unlisted available-for-sale investment measured at fair value held by the Group was classified as Level 2. During the period ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

1. Operating results

For the six months ended 30 June 2016 (the “Reporting Period” or the “Period”), the Group realised revenue of RMB787.8 million, representing an increase of RMB32.6 million or 4.3% from RMB755.2 million over the corresponding period of 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”); (iv) 中國鐵塔股份有限公司 (China Tower Corporation Limited) and its subsidiaries and branch companies (collectively “China Tower Company”); and (v) other customers are as follows:

	For the six months ended 30 June			
	2016 (Unaudited)		2015 (Unaudited)	
	RMB'000	%	RMB'000	%
By customers				
China Mobile Group	243,910	31.0	314,704	41.7
China Unicom Group	199,060	25.3	197,655	26.2
China Telecom Group	120,961	15.4	151,842	20.1
China Tower Company	118,932	15.1	2,867	0.4
	682,863	86.8	667,068	88.4
Others	104,970	13.2	88,110	11.6
	787,833	100.0	755,178	100.0

1. Operating results *(continued)*

	For the six months ended 30 June			
	2016		2015	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
<i>By business category</i>				
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of the related engineering services	684,685	86.9	693,556	91.9
Manufacture and sale of private telecommunications network systems and products	100,749	12.8	57,626	7.6
Sale of digital television network coverage equipment and the provision of the related engineering services	2,399	0.3	3,996	0.5
	<u>787,833</u>	<u>100.0</u>	<u>755,178</u>	<u>100.0</u>

1. Operating results *(continued)*

Wireless Telecommunications Coverage System Equipment

During the first half of 2016, income from the wireless telecommunications coverage system equipment business was approximately RMB684.7 million, representing approximately 86.9% of the total revenue of the Group.

Following the further network expansion of “Internet+”, the wave of promotion of 4G mobile network accelerated, network operators focused on the building up of main structure that help to construct a solid foundation for the mature 4G era. For the six months ended 30 June 2016, the Group’s revenue from wireless telecommunications coverage system equipment remained at similar level when compared with the same period of last year. The main progress of the Group during the period is to adjust the product mix. Since the 4G products of the Group met the needs and expectations of the network operators, products like multi-mode digital signal distribution system, high-performance radio frequency devices and multi-mode multi-frequency indoor distribution solution products compatible with different network operators’ specifications had maintained strong demand. Due to the advanced technology specification requirement, those products had a relatively higher gross profit margin.

Network operators had already built the 4G basic infrastructure to a certain scale while the current resources input is mainly focused on the construction of mobile telecommunications network optimization. The Group will invest in developing high-end products, concentrate on the market of high value-added products and continue to participate in providing 4G network coverage and optimization of integrated engineering and construction services to the major cities throughout China.

1. Operating results *(continued)*

Private Telecommunications Network Systems and Products

During the Reporting Period, revenue from the private telecommunications network systems and products business was approximately RMB100.7 million, representing approximately 12.8% of the total revenue.

In 2016, despite the implementation of ceasing to extend the application of analogue interphone production license had postponed to early 2018, large manufacturers continued to invest their resources in digital interphone and systems development. Private telecommunications network systems and products had become a popular choice for professional users, especially for those who are in disaster relief and emergency communications. As the Group's gradually improved technology development and product production of its private telecommunications network became more and more mature, the Group would further upgrade and improve its digital repeaters, dispatch centers, base stations and other digital cluster system products which were becoming popular in the market for commercial private telecommunications network users and industry professional telecommunications network customers. During the Period, the Group maintained the parallel sales of analogue and digital products. At the same time the Group continued to utilise its existing advantages of economies of scale and advanced technologies so as to modify, upgrade and provide excellent quality products.

Professional digital interphone as the industry private telecommunications network primary end products, the Group would continue to invest in the sales channel establishment and the internet industry private telecommunications network information digital products so that more complete digital private telecommunications network system engineering solutions could be provided to the market.

2. Gross profit

During the Reporting Period, the Group realised gross profit of RMB213.9 million, representing an increase of RMB43.9 million or 25.8% from RMB170.0 million over the same period of last year.

During the Reporting Period, the gross profit margin was 27.2%, an increase of 4.7% over the same period of last year.

The increase in the gross profit margin of the Group was primarily due to the change in sales' product mix with higher portion of higher gross profit margin products sold during the Reporting Period.

3. Research and development expenditure

During the Reporting Period, research and development (“R&D”) related expenditure of the Group was approximately RMB41.0 million (first half of 2015: RMB23.7 million), representing approximately 5.2% (first half of 2015: 3.1%) of total revenue.

The increase in R&D expenses was mainly attributable to the increase in expenditure in the software development in particular for private telecommunications network.

4. Selling and distribution expenses

During the Reporting Period, selling and distribution expenses of the Group was approximately RMB38.3 million (first half of 2015: RMB25.8 million), increased by 48.4% over the same period of last year.

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

5. General and administrative expenses

During the Reporting Period, general and administrative expenses was approximately RMB82.0 million (first half of 2015: RMB64.5 million), representing an increase of approximately 27.1% over the same period of last year.

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

6. Finance costs

During the Reporting Period, finance costs was approximately RMB20.4 million (first half of 2015: RMB17.6 million), representing an increase of approximately 15.9% over the same period of 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 of total outstanding amount of RMB837.7 million (31 December 2015: RMB789.6 million) as at 30 June 2016 of which RMB580.7 million were secured bank borrowings and RMB257.0 million were unsecured bank borrowings. Except for the bank loans of RMB192.0 million which bore a fixed interest rate, all bank loans bore floating interest rates.

As at 30 June 2016, except for a secured loan of RMB305,225,000 and RMB170,498,000 (2015: RMB311,108,000 and RMB183,490,000 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 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 RMB19.6 million (first half of 2015: RMB19.2 million), an increase of approximately 2.1% over the same period of last year.

As a High-New Technology Enterprise, Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary, is entitled to the preferential tax rate of 15% for the period ended 30 June 2016, 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 RMB1.9 million (first half of 2015: RMB1.7 million).

8. Net profit

During the Reporting Period, net profit for the period was RMB55.0 million (first half of 2015: RMB45.7 million).

The net profit margin was 7.0% (first half of 2015: 6.1%) of the total revenue.

The increase in net profit during the Reporting Period was mainly attributable to the change in sales' product mix with higher portion of higher gross profit margin products sold during the Reporting Period.

PROSPECTS

With the progress of mobile internet era, 4G network continues to enhance and develop horizontally and the exploration of the more advanced international standardized network technique have also commenced. National legislation for communication network security in the private telecommunications network commences fully. Information communication industry is at a new starting point, facing a new mission and becoming an important strategic opportunity.

WIRELESS TELECOMMUNICATIONS COVERAGE SYSTEM EQUIPMENT

Extensive use of mobile internet leads to the blowout of data traffic. It promotes not only the upgrading and expansion of the transmission network, but also promotes a substantial building of the communication infrastructure. With the full involvement of construction of the 4G network basic infrastructure, it will be the era of complete installation of the 4G network coverage optimization products in the years between 2016 and 2018. The Group will continue to impel the sales of multi-mode digital signal distribution system which are compatible with TDD-LTE/FDD-LTE multi-mode and multi-frequency indoor and outdoor signal distribution optimization solution so that the Group's advantages in network optimization and indoor coverage and resources on building network coverage engineering accumulated over the years can be better capitalised.

WIRELESS TELECOMMUNICATIONS COVERAGE SYSTEM EQUIPMENT *(continued)*

With the cross-sectors cooperation and product policies of the communications industry, communication equipment manufacturers and network service providers link their self-restructuring and development of information technology closely together with the enormous social needs so as to expand cross-sectors cooperation and realise the transformation of industry fusion.

PRIVATE TELECOMMUNICATIONS NETWORK SYSTEMS AND PRODUCTS

Year 2016 is a key year for digital interphone. Despite the ceasing of the application of analogue interphone production license had been postponed to early 2018, the trend of private network communication industry to be fully digitised remains unchanged in the coming years. Spectrum resources open to particular industries also promotes the development of digital private network communication, which in turn highlight the importance of the security of “Internet+”. Network security and defense technology will be evolved intelligently.

All the basic achievements of the Group like sales network, efficient communication channels, leading technology and multi-channels and good customer relationship forms a solid foundation for the development of private telecommunications network solutions. The Group extends from its end product, interphone, to the full range of system products including our self-developed commercial products as well as Advanced Radio Communication private system product that will launch in open market. The Group will also explore and duly adjust the various sales models and put more resources on systems product development, market expansion and gradual improvement of the sales network.

CONCLUSION

Following the end of 2015, the year of the end of “The Twelfth Five Year Plan” and the beginning of 2016, the first year of “The Thirteenth Five Year Plan”, the entire communications industry focus on promoting the optimization and upgrading of information and communications networks, which require the construction of a safe and healthy network environment effectively protecting users, enterprises and national interest. The Group will implement effective measures to further consolidate public mobile network service advantages and to meet the trend of migrating from 3G to 4G communications networks, accelerate the development of private network services and to seize the opportunities of “Internet+”, smart city; power, information security, public security, public administration and living in order to upgrade the Group’s core business and lay a solid foundation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, the Group had cash and bank balances of RMB389.2 million (31 December 2015: RMB329.4 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi.

As at 30 June 2016, the Group had pledged deposits of RMB56.1 million (31 December 2015: RMB56.5 million) and restricted bank deposits of RMB4.5 million (31 December 2015: RMB3.1 million).

As at 30 June 2016, the Group had interest-bearing bank borrowings payable within one year of RMB723.3 million (31 December 2015: RMB567.3 million).

As at 30 June 2016, the Group had interest-bearing bank borrowings payables more than one year of RMB114.4 million (31 December 2015: RMB222.3 million).

Average trade receivable turnover period was 372 days (31 December 2015: 374 days). Average inventory turnover period was 195 days (31 December 2015: 184 days). Overall, the Group maintained a current ratio of 2.60 as at 30 June 2016 (31 December 2015: 3.02).

As at 30 June 2016, 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 50.4% (31 December 2015: 48.8%).

TREASURY POLICIES

During the six months ended 30 June 2016, 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. The recent fluctuation of the exchange rates of RMB 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 would be 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 2016. 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 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 2016, the Group incurred capital expenditure of approximately RMB8.9 million, which was financed by the Group's internal resources.

PLEDGE OF ASSETS

As at 30 June 2016, certain of the Group's interest-bearing bank borrowings were guaranteed/ secured by:

- corporate guarantee of RMB35,000,000 (31 December 2015: RMB35,000,000) from Fujian Centron, a wholly-owned subsidiary;
- corporate guarantee of US\$60,000,000 (31 December 2015: 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;
- personal guarantee of RMB105,000,000 (31 December 2015: RMB85,000,000) collectively from Mr. Dai Guoliang, a director of the Company, and Mrs. Chen Shuru, spouse of Mr. Dai Guoliang;
- 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 RMB164,817,000 (31 December 2015: RMB237,426,000) as at 30 June 2016 to Nice Group;
- pledge deposits of RMB43,818,000 (31 December 2015: RMB43,345,000).

As at 30 June 2016, the Group also pledged deposits of RMB12,299,000 (31 December 2015: RMB13,171,000) for bills payable facilities.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

LITIGATION

During the period, a subsidiary of the Group was a defendant of a lawsuit brought by a bank in the PRC (the “Bank”), which alleged that the subsidiary was involved in defaulting bank loans granted by the Bank to a supplier of the Group. The amount of the bank loans involved was RMB15,200,000. Having considered the advice from the Group's legal counsel, the directors believe that the allegation is unfounded and, accordingly, the Group has not provided for any claim arising from the litigation.

EMPLOYEE INFORMATION

As at 30 June 2016, the Group had approximately 1,300 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	1,280
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 2016.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment as at 30 June 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

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 report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had 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, except for the deviations from the code provisions disclosed below.

Code Provision E.1.2 stipulates that the chairman of the board of directors should attend and invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting (the “AGM”). In their absence, he should invite another member of the committees or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at the AGM. Code Provision A.6.7 stipulates that non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

All Directors have regularly attended and actively participated in meetings and give the Board and the respective committees the benefit of their skills and expertise from their background and qualification. Mr. Lin Yuanfang, an independent non-executive Director and the chairman of the remuneration committee, and Mr. Li Hongbin, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 23 June 2016 (the “2016 AGM”) due to other business engagement. Mr. Dai Guoliang, an executive Director and the chairman of the Board, was responsible for chairing the 2016 AGM and answering questions raised by shareholders.

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 report, 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 2016 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 2016, 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:

- 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 2016. As at 30 June 2016, 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	(note1)	323	87.53
Mr. Dai Guoyu	Oriental City	Beneficial owner	(note2)	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 2016. 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 2016, 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 2016, 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

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 2016. 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.

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

Save as disclosed above, as at 30 June 2016, 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 2016.

By Order of the Board

Dai Guoliang

Chairman

Hong Kong, 29 August 2016