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Centron Telecom International Holding Limited

星辰通信国际控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1155)

INTERIM RESULTS ANNOUNCEMENT for the 6 months ended 30 June 2009

FINANCIAL HIGHLIGHTS

Revenue increased by 52.5% to RMB563.5 million

Profit attributable to shareholders increased by 56.8% to RMB83.4 million

Basic earnings per share increased by 57.1% to RMB11.94 cents

The board of directors (the “Board”) of Centron Telecom International Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008. These condensed consolidated interim financial statements 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 2009

		For the six months ended	
		30 June	
	Notes	2009	2008
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
REVENUE	4	563,530	369,432
Cost of sales		(406,892)	(265,888)
Gross profit		156,638	103,544
Other income and gains	4	5,003	5,348
Selling and distribution costs		(25,508)	(19,529)
General and administrative expenses		(44,476)	(27,666)
Share of profit of a jointly-controlled entity		1,174	—
PROFIT BEFORE TAX	5	92,831	61,697
Tax	6	(9,469)	(8,529)
PROFIT FOR THE PERIOD		83,362	53,168
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		83,362	53,168
DIVIDEND	7	—	—
Earnings per share attributable to ordinary equity holders of the Company			
Basic (RMB cents)	8	11.94	7.60
Diluted (RMB cents)		—	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<u>83,362</u>	<u>53,168</u>
Other comprehensive income		
Exchange differences on translation of foreign operations	<u>102</u>	<u>(13,016)</u>
Total comprehensive income for the period	<u><u>83,464</u></u>	<u><u>40,152</u></u>
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u><u>83,464</u></u>	<u><u>40,152</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	<i>Notes</i>	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		208,231	217,174
Prepaid land lease payments		11,309	11,430
Deposit paid for purchase of property, plant and equipment		6,297	1,521
Prepayment for purchase of intangible assets		3,960	3,960
Intangible assets		45,660	55,395
Interest in a jointly-controlled entity		7,835	6,661
Deferred tax assets		3,661	—
Total non-current assets		286,953	296,141
CURRENT ASSETS			
Inventories		367,915	335,724
Trade receivables	9	549,133	284,472
Entrusted loan receivable		—	75,000
Prepayments, deposits and other receivables		13,308	24,858
Available-for-sale investments		—	2,080
Due from a jointly-controlled entity		571	974
Pledged deposits		36,302	30,316
Cash and bank balances		100,291	110,192
Total current assets		1,067,520	863,616
CURRENT LIABILITIES			
Trade and bills payables	10	212,029	102,357
Other payables and accruals		23,701	20,534
Tax payables		4,686	6,273
Total current liabilities		240,416	129,164
NET CURRENT ASSETS		827,104	734,452
TOTAL ASSETS LESS CURRENT LIABILITIES		1,114,057	1,030,593
Net assets		1,114,057	1,030,593
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		67,993	67,993
Reserves		1,046,064	962,600
Total equity		1,114,057	1,030,593

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 except for the adoption of new and revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA as disclosed in note 2.1 below.

2.1. Impact of new and revised Hong Kong Financial Reporting Standards

During the six months ended 30 June 2009, the Group has adopted, for the first time, the following new and revised HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for annual periods beginning on or after 1 January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) - Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement - Embedded Derivatives</i>
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs issued in October 2008 contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

The adoption of the new HKFRSs, except for HKAS 1 (Revised) as described below, has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.2. Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the condensed consolidated interim financial statements.

HKFRSs Amendments	Improvements to HKFRSs October 2008 ¹
HKFRSs Amendments	Improvements to HKFRSs May 2009 ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ³
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ³
HKFRS 3 (Revised)	Business Combinations ³
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ³

¹ Amendment to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

³ Effective for annual periods beginning on or after 1 July 2009.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it is expected that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services, and the sale of digital television network coverage equipment. 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 operating segment.

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

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
<u>Revenue</u>		
Manufacture and sale of wireless telecommunications coverage system equipment and provision of related engineering services	561,767	369,432
Sale of digital television network coverage equipment	1,763	—
	<u>563,530</u>	<u>369,432</u>
<u>Other income and gains</u>		
Bank interest income	4,954	4,145
Dividend income from financial assets at fair value through profit or loss and available-for-sale investments	10	1,203
Others	39	—
	<u>5,003</u>	<u>5,348</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009 <i>(Unaudited)</i> RMB'000	2008 <i>(Unaudited)</i> RMB'000
Cost of inventories sold	406,892	265,888
Depreciation	10,027	3,517
Amortisation of intangible assets	9,735	353
Amortisation of prepaid land lease payments	121	121

6. 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 (2008: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

For the period ended 30 June 2009, share of the jointly-controlled entity's tax is RMB42,000 (30 June 2008: Nil).

	For the six months ended 30 June	
	2009 <i>(Unaudited)</i> RMB'000	2008 <i>(Unaudited)</i> RMB'000
Current tax – PRC		
Charge for the period	13,130	8,529
Deferred tax	(3,661)	—
Tax charge for the period	9,469	8,529

Centron Communications Technologies Fujian Co., Ltd. ("Fujian Centron"), a wholly-owned subsidiary of the Group operating in Mainland China, was exempted from the PRC corporate income tax for the two years commencing from its first profit-making year from 2006 and thereafter is entitled to a 50% reduction in the PRC corporate income tax for the three years from 1 January 2008 to 31 December 2010 (the "Existing Tax Holiday").

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the new PRC Corporate Income Tax Law (the "Corporate Income Tax Law") was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the notice on the Implementation Rules for Grandfather Policy under the Corporate Income Tax Law issued by the State Council of the PRC on 26 December 2007, effective from 1 January 2008, the Existing Tax Holiday enjoyed by Fujian Centron will not change. Upon expiry of the Existing Tax Holiday, Fujian Centron will be subject to the applicable tax rate of 25%.

7. DIVIDEND

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the profit attributable to equity holders of the Company of RMB83,362,000 (30 June 2008: RMB53,168,000) and the number of ordinary shares in issue during the six months ended 30 June 2009 of 698,378,000 (30 June 2008: 700,000,000)

Since no share options were issued during the six months periods ended 30 June 2009 and 2008, there was no potential dilutive ordinary share in existence and, accordingly, no diluted earnings per share amount has been presented for these periods.

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for three months. A longer credit term of twelve months may be extended to customers with a long-term business relationship and a good payment history. The balances are non-interest-bearing and include retention money which is generally receivable after final verification of products by customers, performed within four to five months after signing the sale and purchase contract, or upon completion of the warranty period of one to two years granted to customers.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 3 months	284,632	219,545
3 to 6 months	229,619	52,431
6 to 12 months	33,616	9,157
Over 1 year	1,266	3,339
	<u>549,133</u>	<u>284,472</u>

10. TRADE AND BILLS PAYABLES

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

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 3 months	211,175	102,330
3 to 6 months	795	27
6 to 12 months	59	—
	<u>212,029</u>	<u>102,357</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

1. Operating results

For the six months ended 30 June 2009 (the reporting period), the Group realized revenue of RMB563.5 million, representing an increase of RMB194.1 million or 52.5% from RMB369.4 million over the same period last year.

By customers

During the reporting period, revenue from China United Telecommunications Corporation Limited and its subsidiaries (China Unicom) was RMB243.4 million, representing 43.2% of revenue of the Company and an increase of RMB95.0 million over the same period last year. Revenue from sales to China Mobile Communications Corporation and its subsidiaries (China Mobile) was RMB249.5 million, representing 44.3% of revenue of the Company and an increase of RMB67.7 million over the same period last year. Revenue from China Telecom and other customers was RMB70.7 million, representing 12.6% of revenue of the Company and an increase of RMB31.5 million or 80.3% over the same period last year.

By business category

During the reporting period, revenue from 2G and 3G networks was approximately RMB561.8 million, representing approximately 99.7% of revenue and an increase of RMB192.3 million or 52.1% from RMB369.4 million over the same period last year.

2. Gross profit

During the reporting period, the Group realized gross profit of RMB156.6 million, representing an increase of RMB53.1 million or 51.3% from RMB103.5 million over the same period last year.

During the reporting period, gross profit margin was approximately 27.8%, representing a decrease of 0.2% from 28.0% in the same period last year. As revenue from 3G products, antenna-feeder systems, tower mounted amplifiers and system integration, project construction, after-sales services increased and accounted for a larger proportion of the total revenue, we expect that gross margin will improve in the future.

3. Research and development expenditure

During the reporting period, research and development expenditure of the Group was approximately RMB13.2 million, representing approximately 2.3% of total revenue.

4. Selling costs

During the reporting period, selling cost of the Group was approximately RMB25.5 million, increased by 30.6% from RMB19.5 million over the same period last year. Percentage of selling cost to the total revenue is slightly below the same ratio as compared with the corresponding period of the last year.

5. Administrative expenses

During the reporting period, administrative expenses were approximately RMB44.5 million, representing an increase of approximately 60.8% from RMB27.7 million over the same period last year. The increase was mainly attributable to the increase in amortization of intangible assets and depreciation of fixed assets.

6. Finance expenses

During the reporting period, the Group did not incur any finance expenses.

7. Taxation

During the reporting period, the income tax payable by the Group was RMB13.1 million, representing an increase of approximately 53.9% from RMB8.5 million over the same period last year. The taxation charge was offset by deferred tax credit of RMB3.7 million while nil over the same period last year. As part of a tax holiday, the Group enjoyed two years of tax free holiday and started the 50% income tax holiday at the rate of 12.5% from 1 January 2008 to 31 December 2010.

8. Net profit

During the reporting period, profit attributable to shareholders (net profit) was RMB83.36 million, increased by 56.8% from RMB53.2 million over the same period last year. The net profit margin was 14.8% of the total revenue, representing an increase of 0.4% from 14.4% of corresponding period of the last year.

PROSPECTS

The Board is pleased to report a significant improvement in the results of the Company in the first half of 2009 as compared with the corresponding period last year. The Company is taking advantage of the market opportunities and accelerating its research and development and market expansion to achieve continued fast growth and maximize returns for the shareholders.

- Market outlook

1. 3G/2G/2.5G and rural connection wireless coverage market

With the successful restructuring of and the grant of 3G licences to the three largest telecommunication operators in Mainland China, the telecom market has entered an era of expansion again with major network build-out by all operators. The network expansions include not only three separate nationwide 3G telecommunication networks, but also major improvement of the current 2G and 2.5G networks and continued efforts to provide coverage to every village in the rural areas in the next five years.

In the next three years, the total investment amount of China's major telecom operators will exceed RMB400 billion. Part of the Chinese government's RMB4 trillion economic stimulus package to tackle global financial crisis will be used to fund the establishment of the mobile telecommunication networks in China.

2. Digital TV market

During the year, the PRC government has launched programs of the replacement of analog TV transmission by digital TV transmission in the urban area and the digital TV coverage to every village in the rural areas. The demand for the digital TV transmission coverage from the Departments of Broadcasting, Film and TV Administration ("SARFT") throughout China is increasing rapidly. In addition, the China Mobile Multimedia Broadcasting ("CMMB") Standards have been implemented. By the end of June of 2009, the construction of CMMB transmitters has been completed in over 200 cities in China. About 20 provinces have started the encoding CMMB transmission and mobile TV broadcasting since June 2009. This expansion has fueled the strong demand from SARFT for digital TV transmission network coverage throughout China. It is estimated that the total investment by SARFT in digital transmission coverage equipment will top RMB100 billion in the next three years. Moreover, the Chinese government has also identified the establishment of the digital TV network as one of the major projects in the economic stimulus package to tackle global financial crisis.

3. Dedicated wireless telecommunication network market

With the economic development and increased security requirements, many industries in China such as forestry, river navigation, petroleum refineries and transmission pipes, harbors and warehousing yards, public security, fire prevention and large enterprises are demanding a new generation of dedicated wireless network to replace the existing analog communication channels. The dedicated wireless telecom network will enable mobile and visual on-site communication, coordination and monitoring. The Company believes this is an area of promising future growth.

- Company business outlook

With the specific analysis of the market outlook and the Group's strengths, the Company is adopting a diversified market strategy. Our previous efforts paved the way for us to develop the following major markets:

1. Wireless coverage market.

The Company will launch a dozen new wireless coverage equipments with strong demand and higher margins in the second half of the year. They include the new generation of digital and optical fiber broadcast stations, coverage equipment with ICS anti-isolation technology, new wireless and tower mounted amplifiers and high-efficiency indoor coverage systems. The launching of these new products shall gradually replace those products of relatively lower margins to enhance competitiveness and market share in the 3G market.

2. Wireless broadcasting business.

The wireless broadcasting business is an integral part of the establishment of mobile telecommunication network and has huge market potential. At present, there are only a few enterprises engaging in the development and manufacturing of such products. The Company began its research and development in this field in the second half of last year. In the first half of this year, all research and development and trial production have been completed. Currently, our self-developed microwave point-to-point distant transmission equipment is under trial run in the mobile telecommunication network of various regions. Once the trial run networks have been completed, this business will be one of our new growth areas.

3. Wireless connection system.

This category includes products for dedicated wireless telecommunication networks. They include the base stations, signal coverage equipment and visual telecommunication systems. During the year, the Company has substantially completed the research and development and trial production of these products and has commenced construction of two trial networks in Shaanxi Province and Fujian Province recently. Following the approval of the trial run, this will become another new growth area for the Company.

4. Digital TV network coverage.

The Company took the lead and entered into the digital TV network coverage market last year. We have completed the research and trial production of 1,000W and 500W high power TV transmitters, and developed various direct broadcasting stations for professional, home and vehicle uses in the first half of the year. The Company will grasp at the opportunity to develop the digital TV network coverage market.

5. Overseas market.

Last year, the Company secured an order for nationwide mobile communications network coverage project of approximately US\$18 million from a telecom operator in Laos through tender. Currently, the project is still under construction and we have not recognized the revenue in the first half of the year. Meanwhile, the Company has also received new orders from Vietnam, Nepal and Philippines.

6. Processing and manufacturing facilities.

The Company used RMB8.5 million of the fund raised in 2007 for the construction of a processing centre which is involved in the production of major parts of the Company's products. The facility has been under operation in the first half of the year. In the second half of the year, the Company will enhance the utilisation rate of the related equipment and focus on producing high end products. This helps to cut our production cost and increase our competitiveness.

- Conclusion

The major markets that the Company focuses on are all high growth markets in the telecom market. We are confident that we will be able to increase sales and market share, thus deliver shareholders' value by taking advantage of the market opportunities, improving productivity and implementing our diversified sales strategy efficiently.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2009, the Group had cash and bank balances of RMB 100.3 million (31 December 2008: RMB 110.2 million), most of which were denominated in US dollars, Hong Kong dollars or Renminbi.

As at 30 June 2009, the Group had pledged deposits of RMB 36.3 million (31 December 2008: RMB 30.3 million).

As at 30 June 2009, the Group had no interest-bearing bank borrowings (31 December 2008: Nil).

Average trade receivable turnover period was 136 days (31 December 2008: 128 days). Average inventory turnover period was 158 days (31 December 2008: 137 days). Overall, the Group maintained a current ratio of 4.44 as at 30 June 2009 (31 December 2008: 6.69).

As at 30 June 2009, the gearing ratio (as defined as total borrowings (except for account payables in the ordinary course of business) divided by total equity) was 0% (31 December 2008:0%)

Treasury Policies

During the six months ended 30 June 2009, the majority of the Group's transactions were denominated in Renminbi. There has not been any significant foreign exchange exposure. In addition, for the interest rates applicable to the Group, the management did not encounter any material rise in the lending rates in PRC during the six months ended 30 June 2009. Accordingly, the Group did not enter into hedging instruments on foreign exchange and interest rate. However, the management closely monitors the Group's exposure to any potential foreign exchange and interest rate risks and will enter into appropriate financial instruments for hedging purpose when necessary.

Capital Expenditure

During the six months ended 30 June 2009, the Group incurred capital expenditure of approximately RMB1.2 million, which was financed by the Group's internal resources and the proceeds of its initial public offering. As at 30 June 2009, the Group's future capital commitment entered into but not yet provided for was approximately RMB 35.0 million, and will be paid out of the proceeds from its initial public offering and the Group's cashflow operation.

Contingent liabilities

As at 30 June 2009, the Group did not have significant contingent liabilities.

Employee Information

As at 30 June 2009, the Group had approximately 1,600 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 has adopted a share option scheme, pursuant to which the Company can grant options to the employees of the Group to subscribe for shares of the Company. Since the adoption of the share option scheme, no share option has been granted by the Company.

Use of Proceeds

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK\$569 million). Proceeds of approximately RMB422.2 were utilized in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus"), as follows:

- approximately RMB108.4 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, the Peoples Republic of China;
- approximately RMB101.0 million was used for the purchase of manufacturing and testing equipment;
- approximately RMB 45.1 million was used for the long-term research and development;
- approximately RMB61.9 million was used for the expansion of domestic sales and marketing channels;
- approximately RMB31.1 million was used for the establishment of overseas sales and marketing channels; and
- approximately RMB74.7 million was used for general working capital purpose.

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009.

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 of 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 Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the reporting period.

Model Code for Securities Transaction by Directors

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

Audit Committee

The Audit Committee comprises three independent directors, namely Miu Hon-Kit, Lin Yuanfang and Li Hongbin. The chairman of the Audit Committee is Miu Hon-Kit.

The Audit Committee reviewed the Group’s condensed interim financial statements for the six months ended 30 June 2009 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.

Publication of Interim Report on the websites of the Stock Exchange and the Company

A copy of interim report containing all information required by relevant paragraphs of Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.centron.com.hk>) in due course.

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 2009.

By Order of the Board
Dai Guoliang
Chairman

Hong Kong, 18 September 2009

As at the date of this announcement, the Board comprises Mr. Dai Guoliang, Mr. Guo Zeli, Mr. Dai Guoyu and Mr. Yi Zhangtao as executive directors and Mr. Paul Steven Wolansky and Mr. Leung Ping-chung, Hermann as non-executive directors and Mr. Miu Hon-kit, Mr Lin Yuanfang and Mr. Li Hongbin as independent non-executive directors.