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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)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **FINANCIAL HIGHLIGHTS**

Revenue increased by 39.5% to RMB1,141,615,000

Profit attributable to shareholders increased by 39.6% to RMB165,024,000

Basic earnings per share increased by 39.9% to RMB23.63 cents

Final dividend of HK5 cents per share (2008: Nil)

1 bonus share for every 10 ordinary shares held (2008: Nil)

The board of directors (the “Board”) of Centron Telecom International Holding Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009, together with the comparative figures in 2008 and the relevant explanatory notes, as set out below.

**CONSOLIDATED INCOME STATEMENT**  
**Year ended 31 December 2009**

	<i>Notes</i>	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
Revenue	4	1,141,615	818,295
Cost of sales		<u>(817,688)</u>	<u>(581,232)</u>
Gross profit		323,927	237,063
Other income	4	5,867	15,067
Selling and distribution costs		(42,986)	(42,211)
General and administrative expenses		(99,406)	(70,561)
Share of profit of a jointly-controlled entity		<u>3,492</u>	<u>694</u>
<b>PROFIT BEFORE TAX</b>	5	190,894	140,052
Income tax	6	<u>(25,870)</u>	<u>(21,861)</u>
<b>PROFIT FOR THE YEAR</b>		<u><u>165,024</u></u>	<u><u>118,191</u></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted (RMB cents)		<u><u>23.63</u></u>	<u><u>16.89</u></u>

Details of the dividend are disclosed in note 7 to the financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2009**

	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>165,024</u>	<u>118,191</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	<u>53</u>	<u>(11,267)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>165,077</u></u>	<u><u>106,924</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	<i>Notes</i>	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		210,419	217,174
Prepaid land lease payments		11,189	11,430
Deposit paid for purchase of property, plant and equipment		988	1,521
Prepayment for purchase of intangible assets		—	3,960
Intangible assets		43,221	55,395
Interest in a jointly-controlled entity		10,153	6,661
Deferred tax assets		<u>1,175</u>	<u>—</u>
Total non-current assets		<u>277,145</u>	<u>296,141</u>
<b>CURRENT ASSETS</b>			
Inventories		311,148	335,724
Trade and bills receivables	9	636,324	284,472
Entrusted loan receivable		—	75,000
Prepayments, deposits and other receivables		13,906	24,858
Available-for-sale investment		—	2,080
Due from a jointly-controlled entity		—	974
Pledged deposits		46,015	30,316
Cash and cash equivalents		<u>145,906</u>	<u>110,192</u>
Total current assets		<u>1,153,299</u>	<u>863,616</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**31 December 2009**

	<i>Notes</i>	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	137,265	102,357
Other payables and accruals		28,328	20,534
Interest-bearing bank borrowings		60,419	—
Due to a jointly-controlled entity		921	—
Tax payable		<u>7,841</u>	<u>6,273</u>
Total current liabilities		<u>234,774</u>	<u>129,164</u>
NET CURRENT ASSETS		<u>918,525</u>	<u>734,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,195,670</u>	<u>1,030,593</u>
Net assets		<u>1,195,670</u>	<u>1,030,593</u>
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital		67,993	67,993
Reserves		<u>1,127,677</u>	<u>962,600</u>
Total equity		<u>1,195,670</u>	<u>1,030,593</u>

## NOTES TO FINANCIAL STATEMENTS

### 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 principal activity of the Company is investment holding.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi (the “RMB”) and all amounts are rounded to the nearest thousand except where otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue - Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>
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	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs 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 all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters</i> <sup>2</sup>
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>4</sup>

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment - Group Cash-settled Share-based Payment Transactions</i> <sup>2</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>5</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>1</sup>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation - Classification of Rights Issues</i> <sup>3</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i> <sup>1</sup>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>5</sup>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>4</sup>
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary</i> <sup>1</sup>
HK Interpretation 4 (Revised in December 2009)	<i>Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> <sup>2</sup>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have significant impact on its results of operations and financial position.

### 3. OPERATING SEGMENT INFORMATION

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

For the year ended 31 December 2009, revenue from three of the Group's customers amounting to RMB453,848,000, RMB439,763,000 and RMB184,752,000 had individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2008, three of the Group's customers with revenue amounting to RMB354,382,000, RMB346,824,000 and RMB88,217,000 had individually accounted for over 10% of the Group's total revenue.

### 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 year, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications coverage system equipment and the provision of related engineering services	1,126,610	811,455
Sale of digital television network coverage equipment and the provision of related engineering services	<u>15,005</u>	<u>6,840</u>
	<u>1,141,615</u>	<u>818,295</u>
<b>Other income</b>		
Bank interest income	5,514	10,551
Dividend income from available-for-sale investments	10	1,087
Dividend income from financial assets at fair value through profit or loss	—	1,635
Subsidy income from the PRC government	303	1,790
Others	<u>40</u>	<u>4</u>
	<u>5,867</u>	<u>15,067</u>

## 5. PROFIT BEFORE TAX

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

	<b>2009</b>	<b>2008</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold and services provided*	817,688	581,232
Depreciation	20,718	12,139
Amortisation of prepaid land lease payments	241	241
Amortisation of intangible assets**	20,094	2,444
Minimum lease payments under operating leases in respect of land and buildings	1,113	1,689
Employee benefit expense (including directors' remuneration):		
Wages and salaries	58,097	49,482
Fees	796	801
Staff welfare expenses	8,501	7,097
Pension scheme contributions (defined contribution schemes)***	<u>47</u>	<u>51</u>
	<u>67,441</u>	<u>57,431</u>
Auditors' remuneration	1,719	1,700
Dividend income from available-for-sale investments	(10)	(1,087)
Dividend income from financial assets at fair value through profit or loss	—	(1,635)
Research and development expenditure****	32,595	16,817
Product warranty cost*****	3,772	2,183
Impairment of trade receivables**	173	1,455
Foreign exchange differences, net	<u>(23)</u>	<u>443</u>

\* The cost of inventories sold and services provided for the year includes RMB28,433,000 (2008: RMB21,729,000), relating to direct employee benefits expenses and depreciation of manufacturing activities, which are also included in the total amounts disclosed above for each of these types of expenses.

\*\* The impairment of trade receivables and the amortisation of intangible assets for the year are included in "General and administrative expenses" on the face of the consolidated income statement.

\*\*\* As at 31 December 2009, the Group had no (2008: Nil) forfeited contributions available to reduce its contributions to the pension schemes in future years.

\*\*\*\* The research and development expenditure for the year includes RMB28,104,000 (2008: RMB5,836,000) relating to operating lease rentals of land and buildings, depreciation of a research and development centre, amortisation of intangible assets and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

\*\*\*\*\* The product warranty cost for the year is included in "Selling and distribution costs" on the face of the consolidated income statement.

## 6. 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 year (2008: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates.

	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
Current tax - PRC		
Charge for the year	26,611	21,861
Underprovision in prior year	434	—
Deferred	<u>(1,175)</u>	<u>—</u>
Total tax charge for the year	<u>25,870</u>	<u>21,861</u>

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.

## 7. DIVIDEND

	<b>2009</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>
Proposed final dividend - HK5 cents (approximately RMB4.4 cents) (2008: Nil) per ordinary share	<u>30,711</u>	<u>—</u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB165,024,000 (2008: RMB118,191,000) and 698,378,000 (2008: weighted average 699,713,000) ordinary shares in issue during the year.

Since no share options were issued during the years ended 31 December 2009 and 2008, there was no potential dilutive ordinary share in existence, no adjustment has been made to the basic earnings per share amounts presented for these years.

## 9. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Trade and bills receivables	636,402	285,927
Impairment	<u>(78)</u>	<u>(1,455)</u>
	<u>636,324</u>	<u>284,472</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for four months (2008: 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 seven 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 end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 3 months	364,377	219,545
3 to 6 months	202,787	52,431
6 to 12 months	64,584	9,157
Over 1 year	<u>4,576</u>	<u>3,339</u>
	<u>636,324</u>	<u>284,472</u>

## 10. 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:

	Group	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	136,455	102,330
3 to 6 months	514	27
6 to 12 months	35	—
Over 1 year	<u>261</u>	<u>—</u>
	<u>137,265</u>	<u>102,357</u>

The trade payables are non-interest-bearing and are normally settled in two to five months (2008: two to three months) terms.

## 11. EVENT AFTER THE REPORTING PERIOD

The Board proposes to increase the share capital of the Company by capitalising the share premium of the Company, pursuant to which bonus shares will be allotted and issued to the shareholders on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders. Based on a total of 698,378,000 shares in issue as at 31 December 2009, 69,837,800 bonus shares will be issued by the Company. The share capital of the Company will increase from approximately HK\$69,838,000 to approximately HK\$76,822,000 upon completion of the bonus issue.

The bonus issue and the increase in the Company's share capital are subject to approval of the Company's shareholders at the forthcoming annual general meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and financial review

#### 1. Operating results

For the year ended 31 December 2009, the Group realised revenue of RMB1,141.6 million, an increase of RMB323.3 million or 39.5% as compared with RMB818.3 million in the previous year. The telecommunications industry of the PRC has entered into the 3G era where rapid network enhancement was expected in 2009. The telecommunications operators in the PRC made significant investment in the upgrade of 2G network and development of 3G network in 2009. The Group provided services for the telecommunications market in the PRC, the largest telecommunications market in the world. The Group actively participated in the development of 2G and 3G network construction in 2009 and realised a growth of 39.5% in revenue.

### ***By customers***

During the year, revenue from China United Network Communications Group Company Limited and its subsidiaries (“China Unicom”) was RMB453.8 million, accounting for 39.8% of the Group’s total revenue. During the year, revenue from sales to China Mobile Communications Corporation and its subsidiaries (“China Mobile”) was RMB439.8 million, accounting for 38.5% of the Group’s total revenue. During the year, revenue from China Telecommunications Corporation and its subsidiaries (“China Telecom”) was RMB184.8 million, accounting for 16.2% of the Group’s total revenue. During the year, revenue from other customers was RMB63.2 million, accounting for 5.5% of the Group’s total revenue.

### ***By business category***

During the year, revenue from 2G and 3G networks was approximately RMB1,126.6 million, representing approximately 98.7% of the Group’s total revenue.

During the year, revenue from digital TV system integration was approximately RMB15.0 million, representing approximately 1.3% of the Group’s total revenue.

## **2. Gross profit**

During the year, the Group realised gross profit of RMB323.9 million, an increase of RMB86.8 million or 36.6% over RMB237.1 million in the previous year.

During the year, gross profit margin was approximately 28.37%, down 0.60 percentage points from 28.97% in the previous year. In view of the pressure of reduction of average selling prices of all existing developed mobile telecommunication products, the Group is strive to provide various new products and solutions in time to time according to the requirements of telecommunication network operators in the PRC. As a result, the gross margin of the Group in 2009 was similar with that of 2008.

## **3. Research and development expenditure**

During the year, research and development expenditure of the Group was approximately RMB32.6 million, an increase of approximately RMB15.8 million or 94.0% over RMB16.8 million in the previous year.

The Group has increased its product development expenditure in 2009 in order to provide product and services of high quality to the telecommunication operators.

#### **4. Selling and distribution costs**

In 2009, the Group was strive to control all costs. During the year, selling and distribution cost of the Group was approximately RMB43.0 million, increased by 1.8% over RMB42.2 million in last year.

#### **5. Administrative expenses**

During the year, administrative expenses of the Group were approximately RMB99.4 million, an increase of approximately 40.9% over RMB70.6 million in last year. The increase in administrative expenses during the year was mainly attributable to increase in research and development expenditure and fixed assets depreciation.

#### **6. Finance expenses**

During the year, the Group did not incur any finance expenses.

#### **7. Taxation**

During the year, the Group incurred an income tax expense of RMB25.9 million, an increase of approximately 18.3% from RMB21.9 million in last year. As part of a tax holiday, Centron Communications Technologies Fujian Co., Ltd, a wholly-own subsidiary of the Group operating in Mainland China, 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 year, profit attributable to ordinary equity holders of the Company was RMB165.0 million, increased by 39.6% from RMB118.2 million in last year. The net profit margin accounted for 14.5% of the total revenue, which is almost the same as compared with last year.

## **Prospect**

Currently the telecommunications market of the PRC is the largest single market in the world in terms of the number of users.

The telecommunications market in the PRC has been developing rapidly. The coverage of 2G network is being expanded to cover all rural areas of the PRC. The new 3G network are being developed at a very fast pace. The new development of the telecommunications market in the PRC is the convergence of mobile communication, television broadcasting and internet and the trial run of 4G network in the Shanghai Expo. The Group believes that the telecommunications industry in the PRC is always prosperous despite the ever-changing global economy.

In 2010, the Group will continue to adopt a diversified market strategy to develop the following major businesses:

1. Wireless coverage business
2. Wireless broadcasting business
3. Wireless connection system business
4. Digital TV network coverage business

Besides, the Group will actively explore local and overseas suppliers of telecommunications product for cooperation opportunities and accelerate its expansion into overseas market.

## **Liquidity and Financial Resources and Capital Structure**

As at 31 December 2009, the Group had cash and cash equivalents of RMB 145.9 million (31 December 2008: RMB 110.2 million), most of which were denominated in Renminbi, Hong Kong dollar, or United States dollar. As at 31 December 2009, the Group had pledged deposits of RMB 46.0 million (31 December 2008: RMB 30.3 million).

As at 31 December 2009, the Group had interest-bearing bank borrowings of RMB 60.4 million (31 December 2008: Nil).

Average trade receivable turnover period was 147 days (31 December 2008: 128 days). Average inventory turnover period was 144 days (31 December 2008: 137 days). Overall, the Group maintained a current ratio of 4.91 as at 31 December 2009 (31 December 2008: 6.69).

As at 31 December 2009, the gearing ratio (defined as interest-bearing bank borrowing) divided by total equity) was 5.1% (31 December 2008: 0%)

### **Treasury Policies**

During the year ended 31 December 2009, majority of the Group's transactions was 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 best lending rates in PRC during the year ended 31 December 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**

As at 31 December 2009, the Group incurred capital expenditure of approximately RMB 22.0 million, which was financed by the Group's internal resources and the proceeds from the Initial Public Offering.

As at 31 December 2009, the Group's future capital commitments entered into but not yet provided for were approximately RMB 19.1 million, and will be paid out of the proceeds from the Initial Public Offering and the Group's cashflow from operation.

### **Contingent liabilities**

As at 31 December 2009, the Group did not have significant contingent liabilities.

### **Employee Information**

As at 31 December 2009, 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. 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 of Hong Kong Limited (the "Stock Exchange") in July 2007, after deduction of related issuance expenses, amounted to approximately RMB554 million (HK\$569 million). Proceeds of approximately RMB457.1 were utilised in accordance with the proposed applications set out in the prospectus of the Company dated 21 June 2007 (the "Prospectus"), as follows:

- approximately RMB110.6 million was used for the construction of new facility in Xunmei Industrial Park, Quanzhou, the PRC;
- approximately RMB118.7 million was used for the purchase of manufacturing and testing equipment;
- approximately RMB 45.1million was used for the long-term research and development;
- approximately RMB73.0 million was used for the expansion of domestic sales and marketing channels; and
- approximately RMB35.0 million was used for the establishment of overseas sales and marketing channels.
- approximately RMB74.7 million for general working capital purpose.

## **Dividend and bonus share**

The board proposes a final dividend for 2009 of HK5 cents per share (2008: Nil). In addition to the distribution of dividend, the board also proposes to distribute 1 bonus share for every 10 existing shares held by shareholders whose name appear on the Company's share register on 9 June 2010. The relevant resolutions will be proposed at the annual general meeting to be held on 9 June 2010.

## **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 year.

## **Corporate Governance**

The Group is committed to ensure high standards of corporate governance in the interest of its shareholders. The Directors confirm, to the best of their knowledge, the Group has complied with the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange save as the matter disclosed below throughout the financial year ended 31 December 2009:

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Dai Guoyu resigned as the chief executive officer of the Company with effect from 23 April 2010 due to his health problems but he remains an executive Director. Mr. Dai Guoliang has held the positions of the Chairman and the chief executive officer of the Company since then as he is well acquainted with the business and operation of the Group. The Board has been in the process of indentifying a suitable candidate to take the office of chief executive officer.

### **Model Code for Securities Transaction by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 throughout the year 2009.

### **Audit Committee**

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

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2009, including the accounting principles and practices adopted by the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 4 June 2010 to 9 June 2010, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for the final dividend and the bonus issue, all transfer of shares accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 June 2010.

## **ANNUAL GENERAL MEETING**

The AGM of the Company will be held on 9 June 2010. A notice of the AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange and the Company ([www.centron.com.hk](http://www.centron.com.hk)). The 2009 Annual Report of the Company will be dispatched to the shareholders of the Company as well as published on the website of the Stock Exchange and the Company in due course.

By Order of the Board  
**Dai Guoliang**  
*Chairman*

Hong Kong, 23 April 2010

*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. Hung Ee Tek, Mr Lin Yuanfang and Mr. Li Hongbin as independent non-executive directors.*