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COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京 信 通 信 系 統 控 股 有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2342)

Interim results announcement for the six months ended 30 June 2009

FINANCIAL HIGHLIGHTS

- Revenue increased very significantly by 111.5% to HK\$1,767 million
- Gross profit increased very significantly by 112.2% to HK\$729 million
- Profit attributable to shareholders increased very significantly by 222.7% to HK\$232 million
- Basic earnings per share increased very significantly by 223.9% to HK24.81 cents
- Operating cashflow improved very significantly from cash outflow of HK\$315 million to cash inflow of HK\$40 million
- Interim dividend of HK6 cents per share (2008: nil)
- 1 bonus share for every 10 ordinary shares held (2008: nil)

INTERIM RESULTS

The board of directors (the “Board” or the “Directors”) of Comba Telecom Systems Holdings Limited (the “Company”) is pleased to announce the unaudited 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 same 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	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
REVENUE	3	1,767,389	835,492
Cost of sales		<u>(1,038,078)</u>	<u>(491,795)</u>
Gross profit		729,311	343,697
Other income and gains	3	13,481	26,438
Research and development costs		(75,858)	(54,108)
Selling and distribution costs		(119,734)	(79,453)
Administrative expenses		(257,705)	(142,830)
Other expenses		(3,112)	(2,483)
Finance costs	5	<u>(6,495)</u>	<u>(2,050)</u>
PROFIT BEFORE TAX	4	279,888	89,211
Tax	6	<u>(16,839)</u>	<u>(14,471)</u>
PROFIT FOR THE PERIOD		<u>263,049</u>	<u>74,740</u>
Attributable to:			
Equity holders of the parent		232,221	71,970
Minority interests		<u>30,828</u>	<u>2,770</u>
		<u>263,049</u>	<u>74,740</u>
DIVIDEND	8	<u>56,673</u>	<u>Nil</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK CENTS)	7		
Basic		<u>24.81</u>	<u>7.66</u> (restated)
Diluted		<u>23.91</u>	<u>7.65</u> (restated)

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)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	263,049	74,740
OTHER COMPREHENSIVE INCOME		
Exchange differences	<u>5,196</u>	<u>97,744</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>268,245</u>	<u>172,484</u>
Attributable to:		
Equity holders of the parent	237,437	169,714
Minority interests	<u>30,808</u>	<u>2,770</u>
	<u>268,245</u>	<u>172,484</u>

Condensed Consolidated Balance Sheet

30 June 2009

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	395,127	344,805
Prepaid land lease payments	14,188	14,376
Goodwill	29,187	29,187
Deferred tax assets	162,454	100,001
Intangible assets	8,093	7,999
Restricted bank deposits	—	1,090
Total non-current assets	609,049	497,458
CURRENT ASSETS		
Inventories	1,636,205	1,052,458
Trade receivables	1,904,703	1,272,861
Notes receivable	10,443	35,467
Prepayments, deposits and other receivables	231,287	121,819
Restricted bank deposits	133,903	4,168
Cash and cash equivalents	630,894	468,166
Total current assets	4,547,435	2,954,939
CURRENT LIABILITIES		
Trade and bills payables	1,980,956	922,708
Other payables and accruals	537,808	400,871
Interest-bearing bank borrowings	197,291	47,494
Tax payable	73,575	53,803
Provisions for product warranties	37,073	28,531
Total current liabilities	2,826,703	1,453,407

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NET CURRENT ASSETS	<u>1,720,732</u>	<u>1,501,532</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,329,781</u>	<u>1,998,990</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	81,454	3,750
Deferred tax liabilities	<u>6,233</u>	<u>6,233</u>
Total non-current liabilities	<u>87,687</u>	<u>9,983</u>
Net assets	<u>2,242,094</u>	<u>1,989,007</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	94,455	84,735
Reserves	2,045,690	1,830,489
Proposed dividend	<u>56,673</u>	<u>59,315</u>
	2,196,818	1,974,539
Minority interests	<u>45,276</u>	<u>14,468</u>
Total equity	<u>2,242,094</u>	<u>1,989,007</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. ACCOUNTING POLICIES

The 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.

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.

On 1 January 2009, the Group adopted the revised HKAS 1 ‘Presentation of Financial Statements’. The revised standard aims to improve users’ ability to analyse and compare information given in financial statements. The adoption of the revised standard has no effect on the results reported in the Group’s condensed consolidated financial statements. It does, however, result in certain presentational changes, including:

- the presentation of all items of income and expenditure in two financial statements, the ‘Condensed consolidated income statement’ and the ‘Condensed consolidated statement of comprehensive income’; and
- the presentation of the ‘Condensed consolidated statement of changes in equity’.

During the period ended 30 June 2009, the Group adopted a number of amendments to standards and interpretations which had an insignificant effect on the condensed consolidated interim financial statements. These are described on pages 51 to 54 of the Annual Report 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 as discussed aforementioned.

2. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of wireless telecommunications network enhancement system equipment and the provision of related engineering services. 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 business segment.

In addition, the Group’s revenue, expenses, profit, assets and liabilities and capital expenditures are principally attributable to a single operating segment, which is located in the People’s Republic of China (the “PRC”). Therefore, no analysis in operating segment is presented.

3. 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, net of value-added tax, and after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	1,717,535	804,538
Warranty services	49,854	30,954
	<u>1,767,389</u>	<u>835,492</u>
Other income and gains		
Government subsidy	10,642	584
Bank interest income	1,064	1,041
Exchange gains, net	952	11,034
Recovery of bad debt	—	12,449
Others	823	1,330
	<u>13,481</u>	<u>26,438</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and services provided	941,703	471,237
Depreciation	30,172	25,375
Recognition of prepaid land lease payments	173	173
Amortisation of intangible assets	1,365	2,982
Minimum lease payments under operating leases in respect of land and buildings	19,040	20,280
Employee benefits expense (including directors' emoluments):		
Salaries and wages	270,188	133,047
Staff welfare expenses	17,916	16,403
Equity-settled share option expenses	9,105	3,070
Pension scheme contributions [#]	15,768	12,989
	<u>312,977</u>	<u>165,509</u>
Recovery of bad debt	—	(12,449)
Provision for product warranties	14,316	7,113
Bank interest income	(1,064)	(1,041)

[#] At 30 June 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

5. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on discounted bills	3,037	—
Interest on bank loans	2,326	2,050
Interest on added confirmation of documentary credits	1,132	—
	<u>6,495</u>	<u>2,050</u>

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the period (six months ended 30 June 2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Group	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Mainland China	78,508	21,344
Overseas	868	1,267
Deferred tax	<u>(62,537)</u>	<u>(8,140)</u>
Total tax charge for the period	<u>16,839</u>	<u>14,471</u>

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and has become effective on 1 January 2008. The New 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, which results in an adjustment of income tax rate to 25%. The effect of this change has been reflected in the calculation of deferred income tax as at 30 June 2009. Comba Telecom Systems (Guangzhou) Limited ("Comba Guangzhou"), being a manufacturing foreign invested enterprise ("FIE"), located in Guangzhou Economic and Technology Development Zone, is eligible to enjoy the transitional arrangement under the New Corporate Income Tax Law. The income tax rate of Comba Guangzhou was 20% in 2009 and will be 22%, 24% and 25% in 2010, 2011 and 2012 respectively.

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises, Comba Telecom Technology (Guangzhou) Limited ("Comba Technology"), another subsidiary of the Company established in the PRC, was entitled to an exemption from PRC corporate income tax for the two years commencing from its first profit-making year of 1 January 2003 to 31 December 2004 and thereafter was entitled to a 50% reduction in PRC corporate income tax for the subsequent three years from 1 January 2005 to 31 December 2007. In addition, Comba Technology was designated as an High-New Technology Enterprise by Guangdong Science and Technology Department on 16 December 2008. Being a High-New Technology Enterprise, Comba Technology is entitled to the preferential tax rate of 10% for another two years from 1 January 2008 to 31 December 2009.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITYHOLDERS OF THE PARENT

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the parent of HK\$232,221,000 (six months ended 30 June 2008: HK\$71,970,000), and the weighted average number of 935,965,000 (six months ended 30 June 2008 (restated): 939,582,000) ordinary shares in issue as adjusted by the bonus issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent of HK\$232,221,000 (six months ended 30 June 2008: HK\$71,970,000). The weighted average number of ordinary shares used in the calculation is the 935,965,000 (six months ended 30 June 2008 (restated): 939,582,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 35,282,000 (six months ended 30 June 2008 (restated): 967,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

8. DIVIDEND

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Proposed Interim — HK6 cents (2008: Nil) per ordinary share	56,673	—

At the board meeting held on 2 September 2009, the directors resolved to declare an interim dividend of HK6 cents per ordinary share for the six months ended 30 June 2009.

9. POST BALANCE SHEET EVENTS

(a) Facility Agreement

On 3 July 2009, Comba Telecom Systems Limited, a subsidiary of the Group, entered into a United States dollar term loan facility agreement (the “Facility Agreement”) with a group of financial institutions namely China Minsheng Banking Corporation Limited, The Hongkong and Shanghai Banking Corporation Limited, China Merchants Bank Co., Ltd, Bank of Ayudhya Public Company Limited, Bangkok Bank Public Company Limited, Cathay United Bank Co., Ltd, Xiamen International Bank, Hua Nan Commercial Bank, Ltd, Chang Hwa Commercial Bank, Ltd and Taiwan Business Bank (collectively the “Lenders”) for a facility up to a total of US\$85,000,000.

On 2 September 2009, CITIC Ka Wah Bank Limited, Hang Seng Bank Limited and the Industrial Bank of Taiwan Co., Ltd. (collectively the “Lenders”) signed an accession memorandum to accede to the Facility Agreement for an additional facility up to a total of US\$15,000,000.

Subject to the terms and conditions of the Facility Agreement, the Lenders have committed to make available to the Group a term loan facility up to a total of US\$100,000,000 in aggregate. The Facility matures in 36 months from the signing date of the Facility Agreement.

The Facility was granted for the purpose of financing the Group’s capital expenditure, permanent working capital, 3G corporate development and expansion into the international market.

Under the Facility Agreement, there is a specific performance obligation that Mr. Fok Tung Ling and Mr. Zhang Yue Jun, the controlling shareholders of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 40% of the shares (of each class) of and equity interests in the Company free from any Security (as defined by the Facility Agreement).

As at the report date, the Group has utilised the facility of US\$35,000,000.

(b) Bonus Shares

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, whose names appear on the register of member of the Company on 9 October 2009, on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders. Based on a total of 944,553,100 shares in issue as at 30 June 2009, 94,455,310 bonus shares will be issued by the Company. The share capital of the Company will increase from HK\$94,455,000 to HK\$103,901,000 upon completion of the bonus issue.

The bonus issue is subject to the Company's shareholders at the forthcoming extraordinary general meeting.

10. COMPARATIVE AMOUNTS

During the period, certain comparative amounts have been adjusted to conform with the current period's presentation.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 October 2009 to 9 October 2009, both days inclusive, during which period no transfer of shares will be effected. The record date for determination of entitlements under the interim dividend and the bonus issue will be on Friday, 9 October 2009. Shareholders whose names appear on the register of members of the Company on Friday, 9 October 2009 will be entitled to receive interim dividends and the bonus shares (if the bonus shares is approved by shareholders). In order to qualify for the interim dividend and the bonus issue, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Wednesday, 7 October 2009. Dividend warrants will be dispatched on or about Monday, 19 October 2009. The bonus shares will be issued and allotted to the shareholders on or about Monday, 19 October 2009. For the avoidance of doubt, the bonus issue will be subject to shareholders' approval at the Company's forthcoming extraordinary general meeting, while the interim dividend is not. Details of the bonus issue and the extraordinary general meeting will be disclosed in a circular to be dispatched as soon as possible.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Despite the global economy is still adversely affected by the financial tsunami, the Group is extremely pleased to record very profitable results for the six months ended 30 June 2009 (the "Current Period"). The Group has achieved a record high profitable half year period.

Revenue

The Group's revenue for the Current Period was HK\$1,767,389,000, of which revenue generated from 3G mobile networks in the PRC, for the network build-out, upgrade and modification increased by 682.3% to HK\$485,000,000 (2008: HK\$62,000,000), representing a very significant increase of 111.5% over the revenue for the six months ended 30 June 2008 (the "Prior Period"). The increase was mainly due to the full opening of the 3G network buildout in the PRC. During the Current Period, the international market recorded a slight decrease in sales due to the slowdown of the capital expenditure of the mobile operators as a consequence of the global economic downturn.

By customers

Revenue generated from the China Mobile Communications Corporation and its subsidiaries (“China Mobile Group”) increased by 35.7% to HK\$666,948,000 (2008: HK\$491,491,000) and accounted for 37.7% of the Group’s revenue in the Current Period compared to 58.8% in the Prior Period. The increase in revenue from China Mobile Group was primarily due to the continuous network build-outs in both second generation (“2G”) and third generation (“3G”) mobile networks.

During the Current Period, revenue generated from the China United Telecommunications Corporation and its subsidiaries (“China Unicom Group”) increased very significantly by 349.2% to HK\$550,344,000 (2008: HK\$122,519,000) and accounted for 31.1% of the Group’s revenue in the Current Period compared to 14.7% in the Prior Period. The increase in revenue from China Unicom Group was primarily due to the construction of the new 3G mobile network, WCDMA, in the PRC and continuous enhancement on the existing 2G mobile network.

Revenue generated from the China Telecommunications Corporation and its subsidiaries (“China Telecom Group”) increased very significantly by 561.4% to HK\$39,167,000 (2008: HK\$5,922,000) and accounted for 2.2% of the Group’s revenue in the Current Period compared to 0.7% in the Prior Period. The increase in revenue from China Telecom Group was primarily due to the continuous network build-outs in both CDMA, a 2G mobile network, and CDMA 2000, a 3G mobile network.

During the Current Period, revenue generated from the core equipment manufacturers increased very significantly by 339.6% to HK\$264,972,000 (2008: HK\$60,275,000) and accounted for 15.0% of the Group’s revenue in the Current Period compared to 7.2% in the Prior Period. The increase in revenue from the core equipment manufacturers was primarily due to the expanding customer base of the wireless transmission products and customer’s recognition of the products.

International sales decreased slightly by 2.7% to HK\$76,995,000 (2008: HK\$79,156,000) and accounted for 4.4% of the Group’s revenue in the Current Period compared to 9.5% in the Prior Period. The decrease in revenue was mainly due to the increased cautiousness on network-related capital expenditure and deferral of a number of wireless infrastructure projects of the mobile operators as a consequence of the global economic downturn. During the Current Period, the financing capacity of certain mobile operators was deteriorated which also affected the progress of network build-outs in some countries.

Revenue from other customers including fixed line operators and agents in the PRC increased very significantly by 121.9% to HK\$168,963,000 (2008: HK\$76,129,000) and accounted for 9.6% of the Group’s revenue in the Current Period compared to 9.1% in the Prior Period.

By businesses

Revenue generated from wireless enhancement business in the Current Period increased by 54.4% to HK\$513,990,000 (2008: HK\$332,792,000) and accounted for 29.1% of the Group’s revenue in the Current Period compared to 39.8% in the Prior Period. The increase in revenue was mainly due to the 3G mobile network and continuous 2G mobile network enhancement as a consequence of the increase in sales of repeaters for both 2G and 3G mobile networks.

Revenue generated from antennas and subsystems business in the Current Period increased very significantly by 155.4% to HK\$733,176,000 (2008: HK\$287,107,000) and accounted for 41.5% of the Group's revenue in the Current Period compared to 34.4% in the Prior Period. The increase in revenue was mainly due to the growth in sales of dual-band and tri-band antennas and subsystems for the 3G mobile network build-outs in the PRC.

Revenue generated from the wireless access (DMS and WLAN) ("Wireless Access") business increased very significantly by 831.1% to HK\$231,243,000 (2008: HK\$24,834,000) and accounted for 13.1% of the Group's revenue in the Current Period compared to 3.0% in the Prior Period. The increase was mainly due to the business and product expansion.

Revenue from services, including installation, network enhancement, and after-sales maintenance services, increased by 51.5% to HK\$288,980,000 (2008: HK\$190,759,000) and accounted for 16.3% of the Group's revenue in the Current Period compared to 22.8% in the Prior Period. The increase in revenue from services was from installation services, network enhancement services, and after-sales maintenance services on increasing number of equipment and larger coverage area. The Group has placed tremendous efforts in adding value to the existing product lines and garnering positive feedbacks from customers.

Gross profit

In view of the continuing pressure on average selling prices of products in the maturing 2G mobile telecommunications markets, the Group endeavored to launch new products and solutions into the markets. With the increasing percentage of revenue from the new products and solutions, the Group's gross profit margin increased slightly to 41.3% in the Current Period, compared with 41.1% in the Prior Period. During the Current Period, the gross profit increased very significantly by 112.2% to HK\$729,311,000 (2008: HK\$343,697,000) as compared with the Prior Period.

During the Current Period, the Group continues to implement stringent cost control measures including optimizing the product design through advanced research and development technology, streamlining the manufacturing process, improving the logistic management, and negotiating with suppliers for better pricing and payment terms. The Group continued to expand its market coverage and broaden its revenue sources to achieve economies of scale. The Group also provided installation, network enhancement and after-sales maintenance services to customers in order to achieve higher product sales. In order to maintain a reasonable gross profit margin, the Group will continue to focus on developing advanced products with high customers' values.

Research and development costs

During the Current Period, the research and development ("R&D") costs increased by 40.2% to HK\$75,858,000 (2008: HK\$54,108,000), representing 4.3% (2008: 6.5%) of the Group's consolidated revenue. The increase in R&D costs was due to the heavy investments in expanding our product portfolio for the global markets and the continuous development of new 3G and WLAN products to capture the huge global, especially the PRC, 3G network build-out business opportunities. The Group also invested in the long-term evolution ("LTE") technologies and will launch the products into the market as appropriate.

Telecommunications industry relies heavily on R&D on new products and advanced technology. R&D is one of the most important continuous success factors of the Group. To maintain the leadership in the industry and a comprehensive line of products, the Group enlarged the R&D team during the Current Period. With its continuous investment in R&D, the Group achieved significant accomplishment in intellectual property rights and has applied for over 420 patents as at the end of the Current Period.

Selling and distribution costs

During the Current period, selling and distribution costs increased by 50.7% to HK\$119,734,000 (2008: HK\$79,453,000), representing 6.8% (2008: 9.5%) of the Group's consolidated revenue. The increase in selling and distribution costs was due to an expansion of the sales and services networks with additional mobile networks as a consequence of increasing revenue in the PRC. The increases were mainly on staff salaries and staff traveling.

Administrative expenses

During the Current Period, administrative expenses increased by 80.4% to HK\$257,705,000 (2008: HK\$142,830,000), representing 14.6% (2008: 17.1%) of the Group's consolidated revenue. The increase in administrative expenses was due to an expansion of the administrative teams in order to support the expansion of sales and services networks. The increases were mainly on office, travelling, and rental expenses.

Finance costs

During the Current Period, finance costs increased by 216.8% to HK\$6,495,000 (2008: HK\$2,050,000), representing 0.4% (2008: 0.2%) of the Group's consolidated revenue. The increase in finance costs was mainly due to the increase in financing activities as a consequence of increasing revenue.

The management is always prudent on managing the credit risk and improving the cash flow in order to lower the bank borrowing level. To cope with the growth of the business, the management closely monitored the latest development of the financing market and arranged the most appropriate financing for the Group. The management also utilized the advantages of interest and foreign exchange rates differentiation among different countries in order to minimize the finance costs.

Tax

During the Current Period, effective tax rate was reduced to 6.0% (2008: 16.2%). The taxation charge of HK\$79,376,000 (2008: HK\$22,611,000) was offset by an increase in deferred tax credit from HK\$8,140,000 to HK\$62,537,000.

Net profit

During the Current Period, profit attributable to shareholders ("Net Profit") was HK\$232,221,000 (2008: HK\$71,970,000), representing 13.1% (2008: 8.6%) of the Group's consolidated revenue. The substantial increase in Net Profit was mainly due to the increase of revenue and tight controls on operating overheads.

AWARDS AND RECOGNITION

The Group has been ranked 14th in the first “Top 100 Information Technology Companies in the PRC” award, co-organized by “CEOCIO China” and “Business Next” of Taiwan. The ranking was authorized by the “InfoTech 100” listings of Business Week. The rankings and positions were evaluated based on enterprises’ overall competitiveness, including revenue, growth rate, shareholder return and return on equity. The short-listed candidates were 224 listed tech companies in Shenzhen, Shanghai, Hong Kong, New York, and NASDAQ with on-going business concerns in PRC.

MAJOR CAPEX PLANS

Since the beginning of the year, due to the extremely high volume of business, the manufacturing orders exceeded the Group’s production capacity in the existing premises. The Group therefore constructed a new production building on the existing site in Guangzhou, the PRC, and the new production building is expected to commence production in October 2009. With the new production building, the production area and capacity could be doubled. The investment cost including machinery is estimated at approximately HK\$80 million.

In addition, due to the increase of the R&D engineers and administrative staff, the Group planned to construct a new R&D and office building on another existing site in Guangzhou, the PRC. The construction will begin in 4th quarter of 2009 and is expected to complete by the end of 2010. The investment cost including equipment is estimated at approximately HK\$150 million.

PROSPECT

With the completion of the PRC telecommunications industry restructuring in last year and the issuance of the 3G mobile network licenses in the PRC on 7 January 2009, the high growth period of telecommunications industry has come. All mobile operators are spending lots of resources on building new 3G mobile networks as well as improving the existing 2G mobile networks. The Group strongly believes that 2G and 3G mobile networks, which target at different customers and usages, will co-exist in the industry.

Ministry of Industry and Information of PRC Government (“MIIT”) has recently estimated that the total capital expenditure on 3G mobile network will be increased to RMB450 billion for 2009 to 2011. MIIT has also recently set a target of 50 million to 80 million 3G subscribers for each mobile operator in three years. By 2012, the total number of 3G subscribers is expected to reach 150 million to 240 million in the PRC. Given all these positive indicators from the industry, the Group is very confident to continue the strong growth and maintain the leading position in the market.

In the PRC, the rural market is another strong growth area that the Group also has the dominant market share. The mobile operators reiterated the importance of the market and stated their intention to explore the market. With a combination of product segments, the Group could provide a series of solutions to capture the additional business growth opportunity.

The Group continues to make inroads into core equipment manufacturers. The Group successfully grew this business by supplying equipments to the PRC manufacturers operating in the global

markets. In addition, relationships with the international core equipment manufacturers were deepened further with the Group's gaining international recognition and approval status from vendors corresponding to the supply of products in a number of global projects. The growing customer base with the tier one core equipment manufacturers will allow us to grow our business in this market segment.

Internationally, the outlook is positive with the economy showing signs of recovery and pent-up expenditure on wireless infrastructure being released in the second half of 2009. The Group has already signed a number of major projects in the global markets including the supply of a series of in-building solutions and a key metro coverage solution for operators.

Antennas and Subsystems

Antennas and subsystems has become one of the major business segment of the Group. After the issuance of 3G licenses in the PRC, the 3G network build-outs have started. Mobile operators purchased a large volume of antennas for the wireless coverage and enhancement. The Group is proud to be one of the major antenna suppliers and obtained a dominant position in the high-end product category in the PRC.

Internationally the demand for antenna and subsystems remains strong. With the successful delivery of the tower top solutions in India in 2008, the Group has secured a considerable number of antenna orders around the world.

Wireless Enhancement

Wireless enhancement remains one of the major business segments of the Group. As the macro economy in the PRC continues to grow, mobile phone subscribers increased to over 700 million, of which over 99% of the subscribers are using 2G mobile networks. The 2G mobile network is still the dominant mobile network while the 3G mobile network is growing rapidly.

With the largest number of 2G subscribers in the world, the demand for wireless enhancement solutions continues to grow in the PRC. Wireless enhancement is crucial for both indoor and outdoor coverage in order to provide good mobile networks. In the 2G market, the Group always provides advanced solutions with invocative products to overcome the coverage difficulties of the mobile operators. The digital repeaters is one of the very successful products to resolve the problems of high-speed railway and large area coverage.

In the 3G market, the Group has engaged in network upgrades and enhancements. The wireless enhancement projects usually last for years with the coverage area enlarging and subscriber number increasing. They are always on long-term and on-going basis. Given the strong growth in number of subscribers in three years, the wireless enhancement demand on 3G mobile network will increase significantly. Currently, the Group has a comprehensive range of 3G solutions for all three mobile networks, TD-SCDMA, WCDMA, and CDMA2000.

Internationally, the Group recently has obtained a considerable amount of orders for solutions around the world. Being an approved supplier of the major mobile operators, the Group is confident to sustain a high growth in the near future.

Wireless Access (DMS and WLAN)

Wireless Access has become one of the major business segments of the Group. During the Current Period, the market demand for mobile networks have increased substantially. With operators extending existing networks and new network build-outs in the PRC and overseas, there will be a significant increase in demand for radio access solutions that the Group's Wireless Access division will be able to leverage on. While broadening its product range, the Group is actively expanding its customer base to sustain high growth.

Services

Services has become one of the major business segments of the Group. After years of providing overall solutions and engineering services, the Group has a strong services team in wireless enhancement sector to cover the whole PRC. The Group provides different kinds of service, such as network design and optimization, 3G mobile network modification and upgrade, system installation and after-sales maintenance, etc.

Services help increase the equipment sales, and vice versa. The Group is confident that the services and equipment sales can help each other boost the revenue and achieve a multiple effect in the future. In addition, the Group believes that services will continue to be an important business segment globally and will actively look for potential business opportunities around the world.

Conclusion

The directors are optimistic about the future of the global telecommunications industry. The development of the PRC market is clear although there are still some uncertainties in the international market. The directors truly believe that the demand in the international market is still strong. As the global economy situation improves, the directors are confident that international market will become the Group's high growth area.

After years of heavy spending in R&D, the Group has competitive advantage in technology. With various new innovations and technology having obtained patents, the R&D team maintains to be the Group's impetus to development and core resources. The Directors believe that continuous investment in R&D will benefit the gross profit margin and sales growth.

With all the effective cost control measures, the Group is enjoying a lot of economies of scale benefits. Percentages of major overheads on total Group's revenue will continue to decrease. Cost control is always the top priority of the management, and the Group is always looking ways to reduce overheads.

Even with all the positive market developments, directors are sensitive to risk management in the Group. Directors truly believe that risk management and business development are equally important. In order to maximize the shareholders' value, the Group has to be successful in both business development and risk management areas.

The Board of Directors would like to thank all staff for their dedicated commitment and contribution, and the customers, suppliers, shareholders, and business associates for their support. The Group will strive unremittingly for achieving better performance.

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances its operations from cashflow generated internally and bank loans. As at 30 June 2009, the Group had net current assets of HK\$1,720,732,000. Current assets comprised inventories of HK\$1,636,205,000, trade receivables of HK\$1,904,703,000, notes receivable of HK\$10,443,000, prepayments, deposits and other receivables of HK\$231,287,000, restricted bank deposits of HK\$133,903,000 and cash and cash equivalents of HK\$630,894,000. Current liabilities comprised trade and bills payables of HK\$1,980,956,000, other payables and accruals of HK\$537,808,000, interest-bearing bank borrowings of HK\$197,291,000, tax payable of HK\$73,575,000 and provision for product warranties of HK\$37,073,000.

The average receivable turnover for the Current Period was 164 days compared to 269 days for the Prior Period. The decrease in receivable turnover days was mainly due to the faster repayments from customers. The management closely monitors the trade receivables and will accelerate the customers' repayment. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of three months and is extendable up to two years depending on the customer's credit worthiness, except for those retention money generally receivable after final certification of products by customers, which would be performed six to twelve months after sale, or upon completion of the one to two years warranty periods granted to customers. The average payable turnover for the Current Period was 255 days compared to 233 days for the Prior Period. The average inventory turnover for the Current Period was 236 days compared to 330 days for the Prior Period. The decrease in inventory turnover days was mainly due to the speeding up of project inspections and strict inventory control.

As at 30 June 2009, the Group's cash and bank balances were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK\$") and United States dollars ("US\$") while the Group's bank borrowings were denominated in HK\$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates. The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK\$ and US\$. As the Group's revenue is substantially denominated in RMB, the Directors consider that the appreciation of RMB should have a mildly favourable impact on the Group's business.

The Group's gearing ratio, calculated as total interest-bearing debts (including interest-bearing bank borrowings) over total assets, was 5.4% as at 30 June 2009 (31 December 2008: 1.5%).

CHARGE ON ASSETS

As at 30 June 2009, there was no charge on the Group's assets (31 December 2008: Nil).

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had contingent liabilities of HK\$33,332,000 (31 December 2008: HK\$21,678,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Group had over 7,000 staff. The total staff costs for the Current Period was HK\$312,977,000. The Group offers competitive remuneration schemes to its employees based on industry practices as well as the employees' and the Group's performance. In addition, share options and discretionary bonuses are also granted to eligible staff based on the performance of each such employee as well as the Group. The Group also provides training to staff to improve their skills and develop their respective expertise.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Current Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in Appendix 14 to the Listing Rules throughout the Current Period, except for the deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company currently has not complied with Code Provision A.2.1 as the Company considers that through the supervision of its board of Directors, a balancing mechanism exists so that the interests of the shareholders are fairly represented. Nevertheless, the Company will be reviewing its situation regularly and will comply with this code at an appropriate time in the future should it consider appropriate and necessary.

AUDIT COMMITTEE

The unaudited interim results of the Group for the six months ended 30 June 2009 have been reviewed by the audit committee of the Company.

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.comba-telecom.com>) in due course.

By order of the Board
Fok Tung Ling
Chairman and President

Hong Kong, 2 September 2009

As at the date of this announcement, the Board comprises the following executive Directors: Mr FOK Tung Ling, Mr ZHANG Yue Jun, Mr. TONG Chak Wai, Wilson, Mr WU Jiang Cheng, Mr YAN Ji Ci, Mr ZHENG Guo Bao and Mr YEUNG Pui Sang, Simon; and the following independent non-executive Directors: Mr YAO Yan, Mr LAU Siu Ki, Kevin and Mr LIU Cai.