COMBA TELECOM SYSTEMS HOLDINGS LIMITED
京信通信系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2342)

Final results announcement for the year ended 31 December 2009

FINANCIAL HIGHLIGHTS

- Revenue increased by 75.8% to HK$4,440 million
- Gross profit increased by 77.8% to HK$1,682 million
- Profit attributable to shareholders increased by 148.1% to HK$565 million
- Basic earnings per share increased by 145.3% to HK54.09 cents
- Operating cash inflow increased by 125.9% to HK485 million
- The Group was in a net cash position of HK$706,780,000 as at 31 December 2009, increased by 69.5%
- Final dividend of HK8 cents per share (2008: HK7 cents per share) and special dividend of HK4 cents per share (2008: nil), total dividend for the year is HK18 cents per share (2008: HK7 cents per share)
- 1 bonus share for every 10 ordinary shares held (2008: 1 bonus share for every 10 ordinary shares held)
- Net asset value per share increased by 23.3% to HK$2.4

RESULTS

The board of directors (the "Board" or the "Directors") of Comba Telecom Systems Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009, together with the comparative figures for the same period in 2008.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	3	**4,439,991**	2,525,895
Cost of sales		**(2,758,068)**	(1,579,861)
Gross profit		**1,681,923**	946,034
Other income and gains	3	**38,807**	19,083
Research and development costs		**(167,024)**	(132,253)
Selling and distribution costs		**(234,153)**	(185,811)
Administrative expenses		**(544,051)**	(370,112)
Other expenses		**(10,171)**	(3,554)
Finance costs	5	**(12,722)**	(13,405)
PROFIT BEFORE TAX	4	**752,609**	259,982
Income tax expense	6	**(142,291)**	(27,493)
PROFIT FOR THE YEAR		**610,318**	232,489
Attributable to:			
Owners of the parent		**564,500**	227,512
Minority interests		**45,818**	4,977
		610,318	232,489
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK cents)	8		
Basic		**54.09**	22.05 *(restated)*
Diluted		**51.23**	21.97 *(restated)*

Details of the dividends payable and proposed for the year are disclosed in note 7 to this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**610,318**	232,489
OTHER COMPREHENSIVE INCOME		
Gain/(loss) on property revaluation	**7,864**	(2,030)
Income tax effect	**(159)**	913
	7,705	(1,117)
Exchange differences on translation of foreign operations	**12,592**	99,096
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**20,297**	97,979
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**630,615**	330,468
Attributable to:		
Owners of the parent	**584,797**	324,601
Minority interests	**45,818**	5,867
	630,615	330,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**436,860**	344,805
Prepaid land lease payments		**14,030**	14,376
Goodwill		**28,571**	29,187
Deferred tax assets		**121,773**	100,001
Intangible assets		**8,129**	7,999
Restricted bank deposits		**1,064**	1,090
Total non-current assets		**610,427**	497,458
CURRENT ASSETS			
Inventories		**1,601,992**	1,052,458
Trade receivables	*9*	**2,112,331**	1,272,861
Notes receivable		**34,801**	35,467
Prepayments, deposits and other receivables		**204,208**	121,819
Restricted bank deposits		**15,391**	4,168
Cash and cash equivalents		**1,145,957**	468,166
Total current assets		**5,114,680**	2,954,939
CURRENT LIABILITIES			
Trade and bills payables	*10*	**1,776,021**	922,708
Other payables and accruals		**711,904**	400,871
Interest-bearing bank borrowings		**90,835**	47,494
Tax payable		**159,350**	53,803
Provisions for product warranties		**39,533**	28,531
Total current liabilities		**2,777,643**	1,453,407
NET CURRENT ASSETS		**2,337,037**	1,501,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,947,464**	1,998,990
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**348,342**	3,750
Deferred tax liabilities		**6,007**	6,233
Total non-current liabilities		**354,349**	9,983
Net assets		**2,593,115**	1,989,007

	Note	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**106,547**	84,735
Reserves		**2,301,938**	1,830,489
Proposed final and special dividends	7	**127,857**	59,315
		2,536,342	1,974,539
Minority interests		**56,773**	14,468
Total equity		**2,593,115**	1,989,007

Notes

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when 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. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

1.2 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. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs interpretations and amendments has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and* HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
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*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (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).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellation*s

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instrument*s

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The adoption of the amendments has had no material impact on the disclosures of financial statements.

(d) HKFRS 8 *Operating Segments*

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. As the Group's operating activities are principally attributable to a single operating segment, no analysis in operating segment is presented.

(e) HKAS 1 (Revised) *Presentation of 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.

(f) Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS *32 Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue — Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. 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 is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- HKAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method had been removed. Except for the golf club membership, the Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate. Owing to the indefinite useful life of the golf club membership, the Group reviewed the estimated useful life of the golf club annually and determined that indefinite life assessment continues to be supportable.

1.3 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)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[4]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[3]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

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.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 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. So far, the Group considers these new and revised HKFRs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. OPERATING 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 year, 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:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	**4,307,913**	2,416,782
Warranty services	**132,078**	109,113
	4,439,991	2,525,895
Other income and gains		
Bank interest income	**1,529**	2,205
Exchange gain, net	**5,626**	—
Government subsidy	**9,076**	2,494
VAT refunds*	**18,408**	4,481
Recovery of bad debts	**—**	4,953
Others	**4,168**	4,950
	38,807	19,083

* *During the years ended 31 December 2009 and 2008, Comba Software Technology (Guangzhou) Limited ("Comba Software"), being a designated software enterprise, was entitled to VAT refunds on the excess of the effective VAT rate of 3%, after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.*

4. PROFIT BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**2,624,635**	1,472,995
Depreciation	**63,035**	54,740
Recognition of prepaid land lease payments	**346**	346
Amortisation of intangible assets	**2,719**	3,620
Minimum lease payments under operating leases in respect of land and buildings	**56,322**	46,398
Auditors' remuneration	**2,596**	2,499
Employee benefit expense (including directors' emoluments):		
Salaries and wages	**584,743**	393,141
Staff welfare expenses	**45,460**	33,981
Equity-settled share option expense	**13,758**	10,807
Pension scheme contributions#	**39,079**	28,472
	683,040	466,401
Exchange (gain)/loss, net	**(5,626)**	8,323
Write-off of inventories	**60,851**	—
Write-down of inventories to net realisable value	**18,960**	9,791
Provisions for product warranties	**40,373**	28,024
Loss on disposal of items of property, plant and equipment	**650**	746
Bank charges	**24,470**	2,580
Bank interest income	**(1,529)**	(2,205)

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

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**10,277**	9,094
Interest on added confirmation of documentary credits	**2,445**	4,311
	12,722	13,405

6. INCOME 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 year (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009	2008
	HK$'000	*HK$'000*
Current year provision:		
Mainland China	**153,951**	52,963
Overseas	**10,092**	857
Deferred tax	**(21,752)**	(26,327)
Total tax charge for the year	**142,291**	27,493

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%. Comba Telecom Systems (Guangzhou) Limited ("Comba Guangzhou"), being a manufacturing foreign invested enterprise ("FIE"); located in Guangzhou Science City, 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. In addition, Comba Guangzhou was designated as a High-New Technology Enterprise by Guangdong Science and Technology Department on 14 December 2009. Being a High-New Technology Enterprise, Comba Guangzhou is entitled to the preferential tax rate of 15% for another three years from 1 January 2010 to 31 December 2012.

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. On 16 December 2007, Comba Technology was designated as an Advance technology FIE by Guangzhou Foreign Trade and Economic Cooperation Bureau, and was entitled to the preferential tax rate of 10% from 1 January 2008 to 31 December 2009. On 16 December 2008, Comba Technology was designated as a High-New Technology Enterprise by Guangdong Science and Technology Department, and was entitled to the preferential tax rate of 15% from 1 January 2010 to 31 December 2011.

7. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim — HK6 cent (2008: Nil) per ordinary share	**57,771**	—
Proposed final — HK8 cents (2008: HK7 cents) per ordinary share	**85,238**	59,315
Proposed special — HK4 cents (2008: Nil) per ordinary share	**42,619**	—
	185,628	59,315

The special dividend is non-recurring in nature. Both the proposed final and special dividends were declared by a board resolution on 31 March 2010.

The proposed final and special dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and will be paid on 1 June 2010, if passed.

No deduction or withholding tax will be imposed on the payment of dividends by the Company to its shareholders.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,043,601,000 (2008 (restated): 1,031,842,000) in issue during the year, as adjusted to reflect the bonus issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**564,500**	227,512

	Number of shares	
	2009	2008
Shares		*(restated)*
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,043,601,000**	1,031,842,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**58,229,000**	3,533,000
	1,101,830,000	1,035,375,000

9. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**2,128,483**	1,289,013
Impairment	**(16,152)**	(16,152)
	2,112,331	1,272,861

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. The balance also include retention money of approximately 10% to 20% of the total contract sum of each project, and is 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 year warranty periods granted to customers. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the end of the reporting period based on the invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**1,213,439**	660,816
4 to 6 months	**287,330**	149,900
7 to 12 months	**326,793**	186,478
More than 1 year	**300,921**	291,819
	2,128,483	1,289,013
Impairment	**(16,152)**	(16,152)
	2,112,331	1,272,861

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**1,040,486**	709,727
4 to 6 months	**490,781**	126,072
7 to 12 months	**212,291**	49,162
More than 1 year	**32,463**	37,747
	1,776,021	922,708

The trade payables are non-interest-bearing and are mainly settled for a period of three months and are extendable up to two years.

11. POST BALANCE SHEET EVENT

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 1,065,475,095 shares in issue as at 31 December 2009, 106,547,510 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$106,547,000 to HK$117,202,000 upon completion of the bonus issue.

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

12. COMPARATIVE AMOUNTS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 20 May 2010 to Monday, 24 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, special 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, 19 May 2010. Dividend warrants will be dispatched on Tuesday, 1 June 2010 and the bonus shares will be issued and alloted to the shareholders on Tuesday, 1 June 2010, both subject to shareholders' approval at the Company's forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

The Group's revenue for the year ended 31 December 2009 (the "Current Year") was HK$4,439,991,000 (2008: HK$2,525,895,000), representing a sharp increase of approximately 75.8% over the revenue for the year ended 31 December 2008 (the "Prior Year"). The increase was due to the strong growth of the revenue from PRC mobile operators.

The Group has benefited from the continuous enhancement of the existing 2G mobile networks and the 3G network build-outs since the restructuring of the telecommunications industry and the issuance of the 3G licenses in the PRC.

By customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries ("China Mobile Group") increased by 31.4% to HK$1,859,958,000 (2008: HK$1,415,344,000 and accounted for 41.9% of the Group's revenue in the Current Year, compared to 56.0% in the Prior Year.

Revenue generated from China United Telecommunications Corporation and its subsidiaries ("China Unicom Group") increased significantly by 248.3% to HK$1,224,545,000 (2008: HK$351,555,000) and accounted for 27.6% of the Group's revenue in the Current Year, compared to 13.9% in the Prior Year.

Revenue generated from China Telecom Corporation and its subsidiaries ("China Telecom Group") increased significantly by 189.0% to HK$357,729,000 (2008: HK$123,767,000) and accounted for 8.1% of the Group's revenue in the Current Year, compared to 4.9% in the Prior Year.

Among which, revenue generated from the PRC 3G mobile networks increased significantly by 1,090.1% to HK$1,440,000,000 (2008: HK$121,000,000) and accounted for 32.4% of the Group's revenue in the Current Year, compared to 4.8% in the Prior Year.

Revenue generated from OEM manufacturers and international customers also increased significantly by 32.8% to HK$642,536,000 (2008: HK$483,826,000) and accounted for 14.5% of the Group's revenue in the Current Year, compared to 19.2% in the Prior Year. The increase in revenue was mainly due to the increases in global demand and market share of wireless access equipment.

By businesses

Revenue generated from wireless enhancement business in the Current Year increased by 37.7% to HK$1,377,802,000 (2008: HK$1,000,603,000) and accounted for 31.0% of the Group's revenue, compared to 39.6% in the Prior Year.

Revenue generated from antennas and subsystems business in the Current Year increased significantly by 68.9% to HK$1,424,875,000 (2008: HK$843,385,000) and accounted for 32.1% of the Group's revenue, compared to 33.4% in the Prior Year. The increase in revenue was mainly due to the increases in base-station antennas for the PRC 3G mobile network build-outs.

Revenue generated from the wireless access business in the Current Year increased also significantly 252.3% to HK$466,050,000 (2008: HK$132,296,000) and accounted for 10.5% of the Group's revenue, compared to 5.2% in the Prior Year.

Revenue from services, including consultation, commissioning, network optimization, project management, and after-sales maintenance services in the Current Year, increased significantly by 113.1% to HK$1,171,264,000 (2008: HK$549,611,000) and accounted for 26.4% of the Group's revenue, compared to 21.8% in the Prior Year. The increase in revenue from services was from installation services, network enhancement services, network upgrade, and after-sales maintenance services on more equipment and larger coverage area.

Gross profit

Despite of the continuous pressure on average selling prices for the traditional products, the Group's gross profit margin was kept stable to 37.9% in the Current Year, compared with 37.5% in the Prior Year. During the Current Year, the gross profit increased by 77.8% to HK$1,681,923,000 (2008: HK$946,034,000, compared with the Prior Year. The Group has continuously launched new products and solutions into the markets in order to maintain the stable gross profit margin.

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

Research and development costs

During the Current Year, the research and development ("R&D") costs increased by 26.3% to HK$167,024,000 (2008: HK$132,253,000), representing 3.8% (2008: 5.2%) of the Group's revenue. As a consequence of increasing revenue and future business growth, the increase in R&D costs was mainly due to: 1. expanding our product portfolio for the global markets and the continuous development of new 3G products to capture the huge global, especially the PRC, 3G network build-out business opportunities; 2. developing new products for the next generation's mobile networks; 3. streamlining the manufacturing process for higher efficiency.

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 its leadership in the industry, the Group has to maintain an advanced R&D team at the current level. With its continuous investment in R&D, the Group has achieved significant accomplishment in intellectual property rights, having applied for over 530 patents as at the end of the Current Year.

Selling and distribution costs

During the Current Year, selling and distribution costs increased by 26.0% to HK$234,153,000 (2008: HK$185,811,000), representing 5.3% (2008: 7.4%) of the Group's revenue. The increase in selling and distribution costs was mainly due to the increase in the sales staff salaries and commission, entertainment, and travelling expenses as a consequence of increasing the Group's consolidated revenue.

Administrative expenses

During the Current Year, administrative expenses increased by 47.0% to HK$544,051,000 (2008: HK$370,112,000), representing 12.3% (2008: 14.7%) of the Group's revenue. The increase in administrative expenses was mainly due to increases in administration staff salaries, allowances and pension scheme contributions, rental expenses, and motor car expenses, as a consequence of enlarging the support teams for the PRC and international businesses.

Finance costs

During the Current Year, finance costs decreased slightly by 5.1% to HK$12,722,000 (2008: HK$13,405,000), representing 0.3% (2008: 0.5%) of the Group's revenue. The decrease in finance costs was mainly due to decreases in bank borrowings in the PRC and interest rate of bank borrowings in Hong Kong.

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

During the current ever-changing economics situation, the management monitors extremely closely on the credit risk of individual customers and may take corrective actions to ensure the recoverability of receivables.

Tax

During the Current Year, taxation charges increased significantly by 417.6% to HK$142,291,000 (2008: HK$27,493,000), representing 3.2% (2008: 1.1%) of the Group's revenue. During the Current Year, effective tax rate was 18.9% (2008: 10.6%). The substantial increase in taxation charge was the net result of 1) profits tax on assessable profits increased to HK$164,043,000 (2008: HK$53,820,000), which was mainly due to significant increase in profit before taxation; and 2) deferred tax credit decreased to HK$21,752,000 (2008: HK$26,327,000) because of a reversal of deferred tax credit arising from a decrease in profits tax rate of the subsidiary in the PRC. The management has taken and will continue to take certain tax planning measures to minimize the taxation charges.

Net profit

During the Current Year, profit attributable to shareholders ("Net Profit") increased significantly by 148.1% to HK$564,500,000 (2008: HK$227,512,000), representing 12.7% (2008: 9.0%) of the Group's revenue. The increase in Net Profit was mainly due to the increase of the Group's revenue, steady gross profit margin, and scale benefits while partly offset by the increase in taxation charges.

Dividend and Bonus Share

The Group has put much emphasis on the return and interests of shareholders, in particular the interests of minority shareholders. To balance the shareholders' return and the Group's future long-term development, the Board proposes dividends for 2009 of HK12 cents per share, in which HK8 cents and HK4 cents will be distributed by final dividend and special dividend respectively. Together with the interim dividend of HK6 cents (2008 interim: nil) per share paid on 19 October 2009, the total dividend for the whole year is HK18 cents (2008: HK7 cents) per share, representing a substantial increase of 157.1%, and the total pay-out ratio is 33.3% (2008: 26.2%, calculation based on number of shares issued as at 31 December 2008), in which the pay-out ratio for final dividend and special dividend is 14.8% (2008: 26.2%, calculation based on number of shares issued as at 31 December 2008) and 7.4% (2008:nil) respectively.

During the Current Year, the Group recorded net profit and net cash at historic level. The Board would like to take this opportunity to share the achievement over the last year with shareholders and declares special dividend for the first time. In future, the Board will, whenever the business allows, maximize the pay-out ratio to reward shareholders for their support to the Group.

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 24 May 2010. The relevant resolutions will be proposed at the annual general meeting held on 24 May 2010 and, if duly passed by shareholders, the dividend warrants, together with the share certificate for the bonus shares will be dispatched on 1 June 2010.

PROSPECT

Following the stimulus measures adopted by various governments in rescuing the economy, the global economy resumed to stability. However, the management considers that uncertainties still prevail in the global economy with the exit of various central governments from the market and the increase of interest rate.

2010 is a critical year for the Group and is a year in which China's economy will grow steadily, the telecommunications network will be further enhanced and the number of telecommunications users will continue to grow. With the continually completion of the telecommunications network construction, the telecommunications industry of the PRC has entered into an era where rapid network enhancement is expected. Besides, the requirement for network enhancement of 3G network is higher than 2G network. Leveraging on the Group's leading product technologies and good service network, the management is highly confident that the Group will achieve growth in the business in 2010.

In addition, the Group is committed to develop innovative products and service network. The management will continue to expand the three existing product lines and commit further resources for production innovation with a view to bringing novel concepts to communication products in the coming year and bringing new hopes to the Group's development.

The Group has successfully grown its business to become a global equipment supplier including markets such as the Americas, EMEA and within Asia Pacific. Similarly, relationships with the international core equipment vendors continue to deepen with the Group gaining international recognition and approval status from those vendors corresponding to the supply of products in a number of global projects including the PRC market. In addition, the portfolio of offerings to these vendors continues to expand.

The Group made several achievements in the international market and further diversified its customer base, thereby gaining a wider installed base for its products and solutions in the international market. In addition, the Group's business in India is expected to achieve significant growth with the anticipated issuance of 3G licenses in the country.

Internationally, the outlook is positive with indications that the global economy is beginning to recover along with the telecommunications industry. The pent-up expenditure on wireless infrastructure that began to be realized in late 2009 is expected to continue in 2010 and beyond. In particular, data demands on network and LTE expenditure in the developed markets will continue to gather pace and the Group is well positioned to address these demands with focused R&D programs and newly released solutions. Emerging markets will power overall industry growth, with rural connectivity and 3G network deployments being hotspots. The Group is optimistic that it has the experience and solutions to address these opportunities advantageously.

Wireless Enhancement

The management expects that the demand for wireless enhancement solution will increase significantly in 2010 as driven by the enormous opportunities from 3G network enhancement and the growth in 2G network enhancement. The Group has become one of the few major communication equipment and service providers for various domestic milestones projects, such as World Expo 2010 Shanghai and Wuhan-Guangzhou High Speed Rail Line.

Against the backdrop of the recent publication of the expected number of 3G users in the PRC, the Group has endeavored to offer more cost-efficient solutions to all mobile network operators and has acquired significant orders for network enhancement. The Group will continue to undertake research and development on the new generation of wireless enhancement products, targeting to bring cost efficiency to customers through our leading technologies and to achieve win-win situation.

At present, the number of mobile phone users in China has exceeded 740 million and more than 99% of which are 2G users. Besides, the network coverage in rural area is lower than in urban area in China. The Group will be definitely benefited under the national policy of developing rural areas.

On a global scale, 2G remains dominant, whilst 3G user numbers is growing rapidly. With the largest number of 2G subscribers in the world, the demand for wireless enhancement solutions continues to grow unabated in the PRC with operations striving to provide ubiquitous indoor and outdoor coverage in urban areas. Similarly, wireless enhancement plays a key role in network extensions to rural areas — one of the fastest growing subscriber bases in PRC and indeed in the other megamarket, India.

For 3G activities, the Group is engaged in network upgrades and enhancements. These wireless enhancement activities include long-term coverage extension and capacity optimization projects that often spans multiple years. Given the issuance of 3G licenses in PRC in 2009 and the imminent 3G licensing in India, the Group has experienced and anticipates strong demand for its 3G solutions.

The Group is well prepared for the expected surge in demand for its 2G and 3G wireless enhancement solutions and has developed and deployed a range of solutions for 2G and 3G (TD-SCDMA, WCDMA, CDMA2000) such as microwave repeater solutions, and digital repeater solutions that resolves wireless coverage issues for high-speed railways and large areas for example. In addition, approved supplier status for certain repeater models at several multinational operators will help the impetus for adoption of Comba's wireless solutions.

Antennas & Subsystems

With the roll-out of China's 3G network, antennas and subsystem segment has, for the first time, become the one which earns the highest revenue for the year. The Group has become one of the world's largest antenna producers. During the Current Year, the Group sold over 330,000 pieces of BTS antennas and approximately 2,000,000 pieces of indoor antennas.

In 2010, notwithstanding the scale of coverage of the domestic 3G network achieved, the management expects that the demand over network enhancement and indoor coverage will increase significantly. In addition, with the recent satisfactory sales performance of the Group's subsystem, the management expects that the sales revenue of the antennas and subsystems segment will continue to grow.

Internationally the demand for antenna and subsystems remains strong, driven by 2G and 3G network build-outs and enhancements in the emerging markets as well as the nascent LTE activities in the developed markets. As such, the Group continues to invest in ongoing, focused R&D for this segment. Comba has developed a number of innovative antenna solutions in order to meet the future demand.

Wireless Access (DMS and WLAN)

In 2009, wireless access segment achieved satisfactory growth. Supported by the technologies developed by the Group in overseas, the Group has become the largest supplier of an international BTS equipment manufacturer with respect to one of its wireless transmission products.

In 2010, the Group will further its effort to expand the client base and the Group expects that more customers will be acquired and higher revenue will be generated in near future.

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.

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 Group experienced rapid growth and has gradually diversified its business and products upon the completion of the reorganization of the telecommunication industry in the PRC in the fourth quarter of 2008 and the issuance of three 3G mobile licenses to three mobile operators by the Ministry of Industry and Information Technology on 7 January 2009. The management will endeavor to control the risks of operations and enlarge the customers base, increase market and product portfolio.

The success of the Group relies on its innovative technology and solution. The Group will devote more resources on technology development with the target of "further optimizing 2G network, seizing the opportunities from 3G and getting prepared for the LTE". Meanwhile, the Group has also prepared to launch a series of innovative mobile communication equipment which is expected by the management to bring fruitful return to the Group.

The Group will make full use of the domestic resources to consolidate the businesses in PRC market while further acquiring market shares. On top of the domestic market, the Group will commit further resources to overseas markets, particularly the emerging markets and the potential target markets. The management is confident that the Group will become the world's largest network enhancement supplier in near future.

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances its operations from cashflow generated internally and bank loans. As at 31 December 2009, the Group had net current assets of HK$2,337,037,000. Current assets comprised inventories of HK$1,601,992,000, trade receivables of HK$2,112,331,000, notes receivable of HK$34,801,000, prepayments, deposits and other receivables of HK$204,208,000, restricted bank deposits of HK$15,391,000 and cash and cash equivalents of HK$1,145,957,000. Current liabilities comprised trade and bills payables of HK$1,776,021,000, other payables and accruals of HK$711,904,000, interest-bearing bank borrowings of HK$90,835,000, tax payable of HK$159,350,000 and provision for product warranties of HK$39,533,000.

The average receivable turnover for the Current Year was 139 days compared to 171 days for the Prior Year. 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 Year was 179 days compared to 170 days for the Prior Year. The average inventory turnover for the Current Year was 176 days compared to 209 days for the Prior Year.

As at 31 December 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 mainly denominated in HK$ and US$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

During the Current Year, in addition to those short-term interest-bearing facilities, the Group entered into a three-year term loan facility agreement, amounted to US$100M, (the "Facility Agreement") with a group of financial institutions. 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 at 31 December 2009, the Group utilized the facility of US$56,180,000.

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 Board currently considers 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 bank borrowings and advances) over total assets, was 7.7% as at 31 December 2009 (31 December 2008: 1.5%).

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had contingent liabilities of HK$31,878,000 (31 December 2008: HK$21,678,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had approximately 8,000 staff. The total staff costs for the Current Year were HK$683,040,000. The Group offers competitive remuneration schemes to its employees based on industry practices, legal requirements, as well as the employees' and the Group's performance. In addition, share options and discretionary bonuses are granted to eligible staff based on the performance of each such employee as well as the Group. Mandatory provident fund, or staff pension schemes are also provided to relevant staff in Hong Kong, PRC or elsewhere in accordance with relevant legal requirements. 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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise any of the Company's listed securities during the Current Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in Appendix 14 ("Code Provision(s)") to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange throughout the Current Year, 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, 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 audited annual results of the Group for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

A copy of annual report containing all information required by relevant paragraphs of Appendix 16 to 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
Comba Telecom Systems Holdings Limited
Fok Tung Ling
Chairman and President

Hong Kong, 31 March 2010

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.