

# Comba

京信通信系統控股有限公司  
Comba Telecom Systems Holdings Limited  
股份編號 Stock Code : 2342

**INNOVATIVE IMPLEMENTATION  
BALANCED DEVELOPMENT**  
創新進步 均衡發展

**2010** 中期報告  
Interim Report



## FINANCIAL HIGHLIGHTS

- Revenue increased by 13.3% to HK\$2,002 million
- Gross profit increased by 10.4% to HK\$805 million
- Operating profit margin increased by 1.5% points to 17.7%
- Profit attributable to ordinary equity holders of the parent increased by 20.1% to HK\$279 million
- Basic earnings per share increased by 15.4% to HK23.7 cents
- Interim dividend of HK6 cents per share (2009: HK6 cents per share)
- 1 bonus share for every 10 ordinary shares held (2009: 1 bonus share for every 10 ordinary shares held)
- Net asset value per share increased by 6.9% to HK\$2.31, as compared to HK\$2.16 (restated) as at 31 December 2009

# Corporate Information

## **BOARD OF DIRECTORS**

### **Executive Directors**

Fok Tung Ling (*Chairman & President*)

Zhang Yue Jun

Tong Chak Wai, Wilson

Wu Jiang Cheng

Yan Ji Ci

Zheng Guo Bao

Yeung Pui Sang, Simon

### **Independent Non-Executive Directors**

Yao Yan

Lau Siu Ki, Kevin

Liu Cai

## **COMPANY SECRETARY**

Tong Chak Wai, Wilson

## **AUDIT COMMITTEE AND REMUNERATION COMMITTEE**

Lau Siu Ki, Kevin

Yao Yan

Liu Cai

## **AUTHORIZED REPRESENTATIVES**

Fok Tung Ling

Tong Chak Wai, Wilson

## **REGISTERED OFFICE**

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

611 East Wing

No. 8 Science Park West Avenue

Hong Kong Science Park

Tai Po, Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 609

Grand Cayman KY1-1107

Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor  
Services Limited

Shops 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

# Management Discussion and Analysis

## **BUSINESS AND FINANCIAL REVIEW**

The Group is proud to be a leading mobile network turkey solution provider in many major reputable projects, such as Expo 2010 Shanghai China, Wuhan-Guangzhou High Speed Railway, etc. The Group maintains its leadership in the industry and continues to expand its product and customer portfolios.

Despite there are many uncertainties in the global economy and a reduction in the capital expenditure ("capex") on the mobile network infrastructure in the PRC, the Group is pleased to record profitable results and a growth in revenue for the six months ended 30 June 2010 (the "Current Period"). The Group has achieved another record high profitable half year period.

### **Revenue**

The Group's revenue for the Current Period was HK\$2,002,261,000 (2009: HK\$1,767,389,000), of which revenue generated from third generation ("3G") mobile networks in the PRC, for the network build-out and enhancement decreased by 28.2% to HK\$348,000,000 (2009: HK\$485,000,000), accounting for 17.4% of the Group's revenue in the Current Period, compared to 27.4% over the revenue for the six months ended 30 June 2009 (the "Prior Period"). The decrease was mainly due to the delay of the major 3G mobile network build-out and enhancement in the PRC. The management expects that the capex of the PRC mobile operators in this year will be more back-end loaded than in the previous years, and more revenue from both second generation ("2G") and 3G mobile networks will be recorded in the second half traditional peak season. During the Current Period, in the international market, the direct sales recorded a strong growth while the indirect sales recorded a decrease due to the safety inspection of telecommunications equipment in India.

### ***By customers***

Revenue generated from the China Mobile Communications Corporation and its subsidiaries ("China Mobile Group") increased significantly by 41.8% to HK\$945,882,000 (2009: HK\$666,948,000) and accounted for 47.2% of the Group's revenue in the Current Period compared to 37.7% in the Prior Period. The increase in revenue from China Mobile Group was primarily due to the continuous network enhancement in the 2G mobile network.

## Management Discussion and Analysis (Cont'd)

During the Current Period, revenue generated from the China United Telecommunications Corporation and its subsidiaries ("China Unicom Group") decreased by 18.7% to HK\$447,201,000 (2009: HK\$550,344,000) and accounted for 22.3% of the Group's revenue in the Current Period compared to 31.1% in the Prior Period. The decrease in revenue from China Unicom Group was primarily due to the delay of some build-out and enhancement projects of the 3G mobile network in the PRC. In fact, during the Current Period, the Group recorded a strong growth of revenue from the continuous 2G enhancement projects from China Unicom Group.

Revenue generated from the China Telecommunications Corporation and its subsidiaries ("China Telecom Group") increased very significantly by 63.3% to HK\$177,903,000 (2009: HK\$108,970,000) and accounted for 8.9% of the Group's revenue in the Current Period compared to 6.2% in the Prior Period. The increase in revenue from China Telecom Group was primarily due to the network enhancement in both CDMA, a 2G mobile network, and CDMA 2000, a 3G mobile network.

During the Current Period, revenue generated from international customers and core equipment manufacturers decreased by 30.5% to HK\$237,817,000 (2009: HK\$341,967,000) and accounted for 11.9% of the Group's revenue in the Current Period compared to 19.4% in the Prior Period. The decrease in revenue was primarily due to the safety inspection of telecommunications equipment in the Indian market, which seriously affected the indirect sales of the international operations. Despite this, revenue from direct channels showed positive growth and particular, direct sales efforts to operators showed good returns and have shown good growth already in the first half of 2010. The management sees good momentum in our order bookings that drives good international direct sales results for the rest of 2010.

Revenue from other customers including fixed line operators and services agents in the PRC increased very significantly by 95.1% to HK\$193,458,000 (2009: HK\$99,160,000) and accounted for 9.7% of the Group's revenue in the Current Period compared to 5.6% in the Prior Period. The increase in revenue was due to the higher demand of the mobile network related services in the PRC.

## Management Discussion and Analysis (Cont'd)

### *By businesses*

Revenue generated from wireless enhancement business in the Current Period increased significantly by 34.9% to HK\$693,173,000 (2009: HK\$513,990,000) and accounted for 34.6% of the Group's revenue in the Current Period compared to 29.1% in the Prior Period. The increase in revenue was mainly due to the continuous 2G mobile network enhancement as a consequence of the increase in sales of both repeaters and remote radio units.

Revenue generated from antennas and subsystems business in the Current Period decreased slightly by 5.4% to HK\$693,519,000 (2009: HK\$733,176,000) and accounted for 34.6% of the Group's revenue in the Current Period compared to 41.5% in the Prior Period. The decrease in revenue was mainly due to the delay of the mobile network build-outs in the PRC market as a consequence of the decrease in sales of base transceiver station ("BTS") antennas.

Revenue generated from the wireless access including digital microwave system ("DMS") and wireless local area network ("WLAN") (collectively "Wireless Access") business decreased by 60.1% to HK\$92,183,000 (2009: HK\$231,243,000) and accounted for 4.6% of the Group's revenue in the Current Period compared to 13.1% in the Prior Period. The decrease was due to the safety inspection of the telecommunications equipment in India. In fact, during the Current Period, the Group recorded a strong growth of revenue from WLAN business in the PRC. The management anticipates that WLAN will be a high growth product category.

Revenue from services, including installation, network optimization, network enhancement, and after-sales maintenance services, increased significantly by 81.1% to HK\$523,386,000 (2009: HK\$288,980,000) and accounted for 26.2% of the Group's revenue in the Current Period compared to 16.3% in the Prior Period. The increase in revenue from services was from installation services, network enhancement services, and after-sales maintenance services on the 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.

# Management Discussion and Analysis (Cont'd)

## Gross profit

In view of the continuing pressure on average selling prices of products in the maturing product categories, the Group endeavored to launch new products and solutions into the markets. With the stably increasing percentage of revenue from the new products and solutions while offsetting by the continuous pricing pressure, the Group's gross profit margin decreased slightly by 1.1% points to 40.2% in the Current Period, compared with 41.3% in the Prior Period. For the year ended 31 December 2009, the gross profit margin was 37.9%.

During the Current Period, the gross profit increased by 10.4% to HK\$805,119,000 (2009: HK\$729,311,000) as compared with the Prior Period. The management has been trying to maintain a stable gross profit margin by launching state-of-the-art products and solutions.

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 optimization, 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 slightly by 2.9% to HK\$78,041,000 (2009: HK\$75,858,000), representing 3.9% (2009: 4.3%) of the Group's revenue. The increase in R&D costs was due to the continuous investments in expanding our product portfolio for the global markets and the development of new 2G, and 3G, and WLAN related products to capture the huge global, especially the 3G network build-out business opportunities in the PRC. The Group has also invested in the long-term evolution ("LTE") technologies and is ready to launch the products into the market.

## Management Discussion and Analysis (Cont'd)

Telecommunications industry relies heavily on R&D on new products and advanced technology. R&D is one of the most important 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 600 (As at 31 December 2009: over 530) patents as at the end of the Current Period.

### Selling and distribution costs

During the Current period, selling and distribution costs increased slightly by 1.2% to HK\$121,140,000 (2009: HK\$119,734,000), representing 6.1% (2009: 6.8%) of the Group's revenue. Selling and distribution costs were incurred for an expansion of the sales and services networks with additional mobile networks as a consequence of increasing revenue in the PRC, South America, and the United States.

### Administrative expenses

During the Current Period, administrative expenses remained stable at HK\$258,634,000 (2009: HK\$257,705,000), representing 12.9% (2009: 14.6%) of the Group's revenue. Administrative expenses were incurred to support the expansion of global sales and services networks.

### Finance costs

During the Current Period, finance costs increased by 25.2% to HK\$8,134,000 (2009: HK\$6,495,000), representing 0.4% (2009: 0.4%) of the Group's 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.

# Management Discussion and Analysis (Cont'd)

## Operating profit

During the Current Period, the operating profit increased by 23.9% to HK\$354,900,000 (2009: HK\$286,383,000) as compared with the Prior Period. During the Current Period, with the operating leverage, the operating profit margin increased by 1.5% points to 17.7% in the Current Period, as compared with 16.2% in the Prior Period.

## Tax

During the Current Period, effective tax rate was increased to 16.6% (2009: 6.0%). The overall taxation charge of HK\$57,592,000 (2009: HK\$16,839,000) was composed of profits tax charge of HK\$51,418,000 (2009: HK\$79,376,000) and deferred tax charge of HK\$6,174,000 (2009: deferred tax credit of HK\$62,537,000). The increase in overall taxation charge was mainly due to the reversal of deferred tax credit arising from less increment of unrealized profit on intra-group transactions during the Current Period as compared with the Prior Period.

## Net profit

During the Current Period, profit attributable to shareholders ("Net Profit") was HK\$278,989,000 (2009: HK\$232,221,000), representing 13.9% (2009: 13.1%) of the Group's revenue. The increase in Net Profit was mainly due to the increase of revenue and operating leverages on overheads.

## 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 proposed an interim dividend of HK6 cents (2009: HK6 cents) per share. The payout ratio, on the basis of basic EPS, is 25.4% (2009: 24.2% based on the number of shares issued as at 30 June 2009).

## Management Discussion and Analysis (Cont'd)

In addition to the distribution of dividend, the Board also proposed to distribute 1 bonus share for every 10 existing shares (2009: 1 bonus share for every 10 existing shares) held by shareholders whose names appear on the Company's register of members on 29 September 2010.

### Closure of register of members

The register of members of the Company will be closed from Tuesday, 28 September 2010 to Wednesday, 29 September 2010, 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 Wednesday, 29 September 2010. Shareholders whose names appear on the register of members of the Company on Wednesday, 29 September 2010 will be entitled to receive interim dividend 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 share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Monday, 27 September 2010. Dividend warrants will be despatched on Friday, 8 October 2010. The bonus shares will be issued and allotted to the shareholders on Friday, 8 October 2010. For the avoidance of doubt, only the bonus issue will be subject to shareholders' approval at the Company's forthcoming extraordinary general meeting. Details of the bonus issue and the extraordinary general meeting will be disclosed in a circular dated 13 September 2010.

### AWARDS AND RECOGNITION

The Group has for the first time been honored for our excellence in FinanceAsia's 10th annual Asia's Top Companies poll. The Group was ranked one of the top 10 companies in China, in five categories, namely "Best Mid-Cap", "Best Managed Company", "Best Investor Relations", "Best Corporate Governance", and "Most Committed to a Strong Dividend Policy".

## Management Discussion and Analysis (Cont'd)

In addition, the Group won the “Honors Award” for its 2009 Annual Report in the 2010 International ARC Awards Competition, the world’s largest competition recognizing excellence in annual reports. The 2010 International ARC Awards, which is considered the “Oscar” of annual report, is a highly respected international industry award.

The management will continue to increase the transparency of the Group and enhance communications with the investor community in order to continue to be a widely recognized company.

### **MAJOR CAPEX PLANS**

To be in line with the Group’s R&D policy, the Group has increased the headcount of R&D engineers and technical staff. Two new R&D buildings and a testing laboratory are being constructed in the existing headquarter area in Guangzhou, the PRC. The new facilities are expected to complete and commence operations by June 2012. The investment cost including the purchase of equipment is estimated below HK\$150,000,000.

### **PROSPECT**

Last year the 3G mobile network build-out was started in the PRC. As the 3G networks are getting mature, there is a high demand of network enhancement in order to build a good mobile network with sizable subscribers. The management has noticed that the business for wireless enhancement, for both 2G and 3G mobile network, has increased substantially.

Although the total capex is decreasing in the PRC market, the management strongly believes that the capex will be switching from BTS related areas to wireless enhancement related areas. Wireless enhancement, which has been the largest revenue contribution to the Group since its establishment, is always on long-term and ongoing basis. In other words, the Group’s addressable market continues to grow. Besides, the capex spending will be more back-end loaded in this year as there are some delays of several major network build-out projects. Currently there are several major tendering from all 3 mobile operators, and the tendering will be concluded soon. The management is confident to obtain a leading position in all tendering.

## Management Discussion and Analysis (Cont'd)

The management is still very confident that the Group's revenue will continue to grow. The main growth driver will be wireless enhancement and related businesses, such as remote radio units, indoor antennas, services, etc. Besides, the 2G mobile network is still the dominant mobile network in the PRC. Over 99% of subscribers are using the network. The management anticipates that both 2G and 3G mobile networks will co-exist in the long term.

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

The Group remains optimistic in its prospects for growth in international markets for the future. The continuing demand for 2G solutions and upsurge in demand that corresponds with 3G licensing in emerging markets will create further opportunities for growth. Thus, the Group has made successful inroads into OEM market with equipment supplied to core equipment vendors globally and increasing direct business with operators and deepening of relationships.

### Wireless Enhancement

Wireless enhancement remains one of the largest business segments of the Group. On a global scale, 2G remains dominant, while 3G subscriber number 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 operators 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 the PRC and indeed in the other megamarkets, such as India, South America, and the U.S.

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. 3G licensing in PRC and emerging international markets means that demand for the Group's solutions will remain strong in the coming years.

## Management Discussion and Analysis (Cont'd)

The Group has also successfully launched a series of cost-saving and environmentally protected equipment into the markets. The customers' feedback is very positive, and customers are looking forward to more similar products. By adapting those products in the solutions, customers can save both the capex and operating costs for running the mobile networks.

### Antennas and Subsystems

With more mobile network build-out in the second half of the year, the antenna business, especially in the PRC market, is growing strongly. The Group is also a market leader and worldwide supplier in both antennas and subsystems.

Internationally the demand for antenna and subsystems remains strong, driven by 2G and 3G network buildout and enhancements in the emerging markets as well as the nascent LTE activities in the developed markets. Already, the Group has seen successes in 2010 including preferred supplier status for major operators and increased penetration in our strategic markets and regions.

The Group has received an increasing number of BTS antenna orders. Besides, subsystems business is also growing rapidly. The management is confident that the Group is able to record a growth in this business segment in this year.

### Wireless Access (DMS and WLAN)

After the recent lift on the safety inspection of telecommunications equipment in India, the management expects that DMS business will recover in the fourth quarter in this year. The Group is one of the major suppliers and leader of DMS equipment in the global market. The Group is confident that DMS business will become normal in the short term.

In addition, the management anticipates that WLAN business will continue to grow and could become one of the major business segments within a few years. By building WLAN, the mobile operators could not only save the building cost but also offload the mobile network. In the developed markets, LTE and high speed packet access ("HSPA") are signaling a transformation to an internet protocol ("IP") world, hence offering the Group business opportunities for Wireless Access division such as its IP Radio Solution.

## Management Discussion and Analysis (Cont'd)

### Services

The revenue from services has increased rapidly and 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. With nearly 5,000 technical engineers and support staff spreading all over the PRC, the Group provides different kinds of services, 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 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 Group will continue its decentralization policy on both markets and products. The PRC market remains the largest market while the international market becomes more important. As the global economy situation improves further, 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 advantages in technology. With various new innovations and technology having obtained patents, the R&D team remains 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.

After a dramatic growth last year, the Group is consolidating its resources in different business units. The management is as usually conservative and has taken some effective cost control measures to ensure that the Group is enjoying economies of scale benefits. Percentages of major operating costs 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 control costs and operating overheads.

## Management Discussion and Analysis (Cont'd)

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 borrowings. As at 30 June 2010, the Group had net current assets of HK\$2,445,779,000. Current assets comprised inventories of HK\$1,693,041,000, trade receivables of HK\$2,757,560,000, notes receivable of HK\$90,275,000, prepayments, deposits and other receivables of HK\$320,946,000, restricted bank deposits of HK\$27,176,000 and cash and cash equivalents of HK\$518,351,000. Current liabilities comprised trade and bills payables of HK\$1,659,753,000, other payables and accruals of HK\$723,515,000, interest-bearing bank borrowings of HK\$351,202,000, tax payable of HK\$176,155,000 and provisions for product warranties of HK\$50,945,000.

The average receivable turnover for the Current Period was 222 days compared to 164 days for the Prior Period. 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 262 days compared to 255 days for the Prior Period. The average inventory turnover for the Current Period was 251 days compared to 236 days for the Prior Period.

As at 30 June 2010, 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.

## Management Discussion and Analysis (Cont'd)

During the Current Period, in addition to those short-term interest-bearing facilities, the Group had a three-year term loan facility agreement, amounted to US\$100,000,000, (the "Existing 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 Existing Facility Agreement, there is a specific performance obligation that Mr. Fok Tung Ling and Mr. Zhang Yue Jun, the controlling shareholder and the substantial shareholder of the Company respectively, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 40% of the entire issued shares (of each class) of and equity interests in the Company free from any security. As at 30 June 2010, the Group utilized the facility of US\$56,180,000, which was subsequently refinanced by another three-year term loan facility agreement of US\$130,000,000 entered into on 5 July 2010.

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 gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings and advances) over total assets, was 10.2% as at 30 June 2010 (31 December 2009: 7.7%).

### **CHARGE ON ASSETS**

As at 30 June 2010, there was no charge on the Group's assets (31 December 2009: Nil).

## Management Discussion and Analysis (Cont'd)

### **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group has not conducted any material acquisitions and disposals of subsidiaries and associated companies during the Current Period.

### **CONTINGENT LIABILITIES**

As at 30 June 2010, the Group had contingent liabilities of HK\$30,780,000 (31 December 2009: HK\$31,878,000), which mainly included guarantees given to banks in respect of performance bonds.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2010, the Group had approximately 8,300 staff. The total staff costs for the Current Period were approximately HK\$326,132,000. 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 such employees 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**

Save as disclosed herein, 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 Period.

## Management Discussion and Analysis (Cont'd)

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### Long positions in ordinary shares of the Company:

Name of Director	Notes	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation			
Mr. Fok Tung Ling ("Mr. Fok")	(a)	14,262,996	455,509,826	469,772,822	39.64	
Mr. Zhang Yue Jun ("Mr. Zhang")	(b)	—	133,081,366	133,081,366	11.23	
Mr. Tong Chak Wai, Wilson ("Mr. Tong")		2,687,000	—	2,687,000	0.23	
Mr. Wu Jiang Cheng ("Mr. Wu")		5,616,820	—	5,616,820	0.47	
Mr. Yan Ji Ci ("Mr. Yan")		4,738,360	—	4,738,360	0.40	
Mr. Zheng Guo Bao ("Mr. Zheng")		2,808,410	—	2,808,410	0.24	
Mr. Yeung Pui Sang, Simon ("Mr. Yeung")		3,826,020	—	3,826,020	0.32	
		33,939,606	588,591,192	622,530,798	52.53	

# Management Discussion and Analysis (Cont'd)

## Long positions in share options of the Company:

<b>Name of Director</b>	<b>No. of options directly beneficially owned</b>
Mr. Tong	3,374,000
Mr. Wu	3,943,500
Mr. Yan	4,513,300
Mr. Zheng	665,500
Mr. Yeung	6,388,800
	<hr/>
	18,885,100

Notes:

- (a) 454,447,688 shares and 1,062,138 shares are beneficially owned by Prime Choice Investments Limited ("Prime Choice") and Total Master Investments Limited ("Total Master") respectively. By virtue of his 100% shareholding in each of Prime Choice and Total Master, Mr. Fok is deemed or taken to be interested in the total of 455,509,826 shares owned by Prime Choice and Total Master.
- (b) These shares are beneficially owned by Wise Logic Investments Limited ("Wise Logic"). By virtue of his 100% shareholding in Wise Logic, Mr. Zhang is deemed or taken to be interested in the 133,081,366 shares owned by Wise Logic.

Certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as aforesaid and save for Mr. Zheng beneficially holding 32% equity interest in WaveLab Holdings Limited (a non wholly-owned indirect subsidiary of the Company), none of the Directors has any beneficial interest in any debt or equity securities of the subsidiaries of the Company.

Save as disclosed above, as at 30 June 2010, none of the directors had registered an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Management Discussion and Analysis (Cont'd)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and the heading "Share Option Scheme" below, at no time during the Current Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

The Company operates a share option scheme, detailed in note 13 to the condensed consolidated financial statements, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Prime Choice Investments Limited		Beneficial Owner	454,447,688	38.35
Mdm. Chen Jing Na ("Mdm. Chen")	(a)	Interest of spouse	469,772,822	39.64
Wise Logic Investments Limited		Beneficial owner	133,081,366	11.23
Mdm. Cai Hui Ni ("Mdm. Cai")	(b)	Interest of spouse	133,081,366	11.23

## Management Discussion and Analysis (Cont'd)

Notes:

- (a) Mdm. Chen is the spouse of Mr. Fok and is deemed to be interested in the 469,772,822 shares in which Mr. Fok is deemed or taken to be interested for the purposes of the SFO.
- (b) Mdm. Cai is the spouse of Mr. Zhang and is deemed to be interested in the 133,081,366 shares in which Mr. Zhang is deemed or taken to be interested for the purposes of the SFO.

There are duplications of interests in the issued share capital of the Company in respect of:

- (i) 454,447,688 shares between Prime Choice Investments Limited and Mdm. Chen; and
- (ii) 133,081,366 shares between Wise Logic Investments Limited and Mdm. Cai.

Save as disclosed above, as at 30 June 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the Current Period, the Board reviewed daily governance of the Group in accordance with the code provisions (the "Code Provision(s)") of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considered that, from 1 January 2010 to 30 June 2010, the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Company has complied with the Code Provisions, 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 their divisions of responsibility should be clearly established and set out in writing. Mr. Fok Tung Ling, chairman of the board of directors of the Company, is currently holding the office of chief executive officer during the Current Period. Accordingly, the Company currently has not complied with Code Provision A.2.1 as the Company considers that through the supervision of the 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.

Moreover, the Company has appointed not less than three independent non-executive Directors during the Current Period.

## Management Discussion and Analysis (Cont'd)

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the Current Period.

### **DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES**

Comba Telecom Systems Limited, an indirect subsidiary of the Company, entered into a United States dollars term loan facility agreement dated 3 July 2009 and an accession memorandum dated 2 September 2009, which contain covenants requiring performance obligations of the controlling shareholder and the substantial shareholder of the Company. Details of loan agreements with covenants relating to specific performance of the controlling shareholder and the substantial shareholder are set out above under the heading "Liquidity, Financial Resources & Capital Structure".

### **UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES**

Mr. Lau Siu Ki, Kevin, an independent non-executive director of the Company, has resigned as an independent non-executive director of Greenfield Chemical Holdings Limited and Proview International Holdings Limited with effect from 11 June 2010 and 24 August 2010 respectively (both companies are listed on the Stock Exchange).

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **AUDIT COMMITTEE**

The Company has established the audit committee which currently comprises three independent non-executive Directors, in accordance with the Listing Rules. The Audit Committee, together with the management, has reviewed the accounting principles, accounting standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, and reviewed the unaudited accounts for the Current Period. The Audit Committee has given its consent to the financial accounting principles, standards and methods adopted by the Company for the unaudited condensed consolidated interim financial statements for the Current Period and has not given any disagreement.

# Condensed Consolidated Income Statement

For the six months ended 30 June 2010

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 referred to as the "Group") for the six months ended 30 June 2010, together with the comparative figures for the same period in 2009. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

		<b>For the six months ended 30 June</b>	
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Unaudited)
	Notes	<b>HK\$'000</b>	HK\$'000
<b>REVENUE</b>	3	<b>2,002,261</b>	1,767,389
Cost of sales		<b>(1,197,142)</b>	(1,038,078)
Gross profit		<b>805,119</b>	729,311
Other income and gains	3	<b>8,807</b>	13,481
Research and development costs		<b>(78,041)</b>	(75,858)
Selling and distribution costs		<b>(121,140)</b>	(119,734)
Administrative expenses		<b>(258,634)</b>	(257,705)
Other expenses		<b>(1,211)</b>	(3,112)
Finance costs	5	<b>(8,134)</b>	(6,495)
<b>PROFIT BEFORE TAX</b>	4	<b>346,766</b>	279,888
Income tax expense	6	<b>(57,592)</b>	(16,839)
<b>PROFIT FOR THE PERIOD</b>		<b>289,174</b>	263,049

## Condensed Consolidated Income Statement (Cont'd)

For the six months ended 30 June 2010

		<b>For the six months ended 30 June</b>	
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Unaudited)
	Note	<b>HK\$'000</b>	HK\$'000
<hr/>			
Attributable to:			
Owners of the parent		<b>278,989</b>	232,221
Minority interests		<b>10,185</b>	30,828
		<hr/>	
		<b>289,174</b>	263,049
		<hr/>	
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (HK cents)</b>			
	8		
Basic		<b>23.66</b>	20.50
			(restated)
		<hr/>	
Diluted		<b>22.68</b>	19.76
			(restated)

Details of the dividends payable and proposed for the period are disclosed in note 7 to the condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>289,174</b>	263,049
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	<b>33,397</b>	5,196
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>322,571</b>	268,245
Attributable to:		
Owners of the parent	<b>311,649</b>	237,437
Minority interests	<b>10,922</b>	30,808
	<b>322,571</b>	268,245

# Condensed Consolidated Statement of Financial Position

30 June 2010

		<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>459,801</b>	436,860
Prepaid land lease payments		<b>13,856</b>	14,030
Goodwill		<b>28,571</b>	28,571
Deferred tax assets		<b>116,886</b>	121,773
Intangible assets		<b>7,552</b>	8,129
Restricted bank deposits		—	1,064
<b>Total non-current assets</b>		<b>626,666</b>	610,427
<b>CURRENT ASSETS</b>			
Inventories	9	<b>1,693,041</b>	1,601,992
Trade receivables	10	<b>2,757,560</b>	2,112,331
Notes receivable		<b>90,275</b>	34,801
Prepayments, deposits and other receivables		<b>320,946</b>	204,208
Restricted bank deposits		<b>27,176</b>	15,391
Cash and cash equivalents		<b>518,351</b>	1,145,957
<b>Total current assets</b>		<b>5,407,349</b>	5,114,680
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	<b>1,659,753</b>	1,776,021
Other payables and accruals		<b>723,515</b>	711,904
Interest-bearing bank borrowings		<b>351,202</b>	90,835
Tax payable		<b>176,155</b>	159,350
Provisions for product warranties		<b>50,945</b>	39,533
<b>Total current liabilities</b>		<b>2,961,570</b>	2,777,643

## Condensed Consolidated Statement of Financial Position (Cont'd)

30 June 2010

		<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
	Notes		
<b>NET CURRENT ASSETS</b>		<b>2,445,779</b>	2,337,037
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,072,445</b>	2,947,464
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>261,256</b>	348,342
Deferred tax liabilities		<b>6,007</b>	6,007
Total non-current liabilities		<b>267,263</b>	354,349
Net assets		<b>2,805,182</b>	2,593,115
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	12	<b>118,500</b>	106,547
Reserves	14	<b>2,547,530</b>	2,301,938
Proposed dividends		<b>71,100</b>	127,857
Minority interests		<b>2,737,130</b>	2,536,342
		<b>68,052</b>	56,773
Total equity		<b>2,805,182</b>	2,593,115

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the parent											Minority interests	Total equity	
	Issued capital	Share			Asset			Exchange		Retained profits	Proposed dividend			Total
		premium account	Share option reserve	Capital reserve	revaluation reserve	Statutory reserve	fluctuation reserve	HK\$'000	HK\$'000					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2009	84,735	374,146	51,030	44,442	29,684	74,290	272,620	984,277	59,315	1,974,539	14,468	1,989,007		
Total comprehensive income for the period	-	-	-	-	-	-	5,216	232,221	-	237,437	30,808	268,245		
Final 2008 dividend declared	-	-	-	-	-	-	-	-	(59,904)	(59,904)	-	(59,904)		
Issue of new shares	1,162	43,641	(9,634)	-	-	-	-	-	-	35,169	-	35,169		
Issue of bonus shares	8,558	(8,558)	-	-	-	-	-	-	-	-	-	-		
Equity-settled share option expenses	-	-	9,105	-	-	-	-	-	-	9,105	-	9,105		
Adjustment arising from lapse of share options	-	-	(434)	-	-	-	-	434	-	-	-	-		
Share options cancelled at expiry date	-	-	(24,210)	-	-	-	-	24,210	-	-	-	-		
Amortisation of share transfer into salary cost	-	-	-	472	-	-	-	-	-	472	-	472		
Under-provision of final 2008 dividend	-	-	-	-	-	-	-	(589)	589	-	-	-		
Proposed interim 2009 dividend	-	-	-	-	-	-	-	(56,673)	56,673	-	-	-		
At 30 June 2009	94,455	409,229	25,857	44,914	29,684	74,290	277,836	1,183,880	56,673	2,196,818	45,276	2,242,094		

	Attributable to owners of the parent											Minority interests	Total equity	
	Issued capital	Share			Asset			Exchange		Retained profits	Proposed dividend			Total
		premium account	Share option reserve	Capital reserve	revaluation reserve	Statutory reserve	fluctuation reserve	HK\$'000	HK\$'000					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2010	106,547	455,669*	18,945*	43,756*	37,389*	90,351*	285,212*	1,370,616*	127,857	2,536,342	56,773	2,593,115		
Total comprehensive income for the period	-	-	-	-	-	-	32,660	278,989	-	311,649	10,922	322,571		
Final 2009 dividend declared	-	-	-	-	-	-	-	-	(129,154)	(129,154)	-	(129,154)		
Issue of new shares	1,190	17,566	(3,906)	-	-	-	-	-	-	14,850	-	14,850		
Issue of bonus shares	10,763	(10,763)	-	-	-	-	-	-	-	-	-	-		
Equity-settled share option expenses	-	-	3,006	-	-	-	-	-	-	3,006	-	3,006		
Adjustment arising from lapse of share options	-	-	(1)	-	-	-	-	1	-	-	-	-		
Share options cancelled at expiry date	-	-	(56)	-	-	-	-	56	-	-	-	-		
Amortisation of share transfer into salary cost	-	-	-	437	-	-	-	-	-	437	357	794		
Under-provision of final 2009 dividend	-	-	-	-	-	-	-	(1,297)	1,297	-	-	-		
Proposed interim 2010 dividend	-	-	-	-	-	-	-	(71,100)	71,100	-	-	-		
At 30 June 2010	118,500	462,472*	17,988*	44,193*	37,389*	90,351*	317,872*	1,577,265*	71,100	2,737,130	68,052	2,805,182		

\* These reserve accounts comprise the consolidated reserves of HK\$2,547,530,000 (31 December 2009: HK\$2,301,938,000) in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(645,242)</b>	40,391
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(66,604)</b>	(78,479)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>50,843</b>	196,272
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(661,003)</b>	158,184
Cash and cash equivalents at beginning of period	<b>1,145,957</b>	468,166
Effects of foreign exchange rate changes, net	<b>33,397</b>	4,544
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>518,351</b>	630,894
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>518,351</b>	630,894

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

## 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 Group’s annual financial statements for the year ended 31 December 2009.

During the period ended 30 June 2010, 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 59 to 63 of the Annual Report 2009.

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 2009.

## 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.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 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:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	<b>1,933,949</b>	1,717,535
Warranty services	<b>68,312</b>	49,854
	<b>2,002,261</b>	1,767,389
<b>Other income and gains</b>		
Bank interest income	<b>2,985</b>	1,064
Government subsidy	<b>2,706</b>	10,642
Exchange gain, net	<b>—</b>	952
Others	<b>3,116</b>	823
	<b>8,807</b>	13,481

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 4. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
Note	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>1,164,983</b>	941,703
Depreciation	<b>34,549</b>	30,172
Recognition of prepaid land lease payments	<b>173</b>	173
Amortisation of intangible assets	<b>935</b>	1,365
Minimum lease payments under operating leases in respect of land and buildings	<b>32,678</b>	19,040
Employee benefit expense (including directors' emoluments):		
Salaries and wages	<b>276,201</b>	270,188
Staff welfare expenses	<b>26,586</b>	17,916
Equity-settled share option expenses	<b>3,006</b>	9,105
Pension scheme contributions*	<b>20,339</b>	15,768
	<b>326,132</b>	312,977
Exchange loss/(gain), net	<b>43</b>	(952)
Provisions for product warranties	<b>21,376</b>	14,316
Loss on disposal of items of property, plant and equipment	<b>1,020</b>	190
Bank interest income	<b>(2,985)</b>	(1,064)

\* At 30 June 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2009: Nil).

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 5. FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	7,965	2,326
Interest on discounted bills	89	3,037
Interest on added confirmation of documentary credits	80	1,132
	<b>8,134</b>	6,495

### 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 period (six months ended 30 June 2009: 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.

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Mainland China	51,193	78,508
Overseas	225	868
Deferred tax charge/(credit)	6,174	(62,537)
Total tax charge for the period	<b>57,592</b>	16,839

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 6. INCOME TAX (Cont'd)

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") and Comba Telecom Technology (Guangzhou) Limited ("Comba Technology"), being the manufacturing foreign invested enterprises, located in Guangzhou, the PRC, are eligible to enjoy the transitional arrangement under the New Corporate Income Tax Law. In addition, Comba Guangzhou and Comba Technology were designated as a High-New Technology Enterprise by Guangdong Science and Technology Department on 14 December 2009 and 16 December 2008 respectively. Being the High-New Technology Enterprises, Comba Guangzhou and Comba Technology are entitled to the preferential tax rate of 15% for the year of 2010.

## 7. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Proposed interim – HK6 cents		
(2009: HK6 cents) per ordinary share	<b>71,100</b>	56,673

At the board meeting held on 23 August 2010, the directors resolved to declare an interim dividend of HK6 cents per ordinary share for the six months ended 30 June 2010.

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

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

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

The calculation of basic earnings per share for the period is based on the profit attributable to ordinary equity holders of the parent of HK\$278,989,000 (six months ended 30 June 2009: HK\$232,221,000), and the weighted average number of 1,179,283,000 (six months ended 30 June 2009 (restated): 1,132,518,000) ordinary shares in issue as adjusted by the bonus issues during the period from 1 July 2009 to 30 June 2010.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the parent of HK\$278,989,000 (six months ended 30 June 2009: HK\$232,221,000). The weighted average number of ordinary shares used in the calculation is the 1,179,283,000 (six months ended 30 June 2009 (restated): 1,132,518,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 50,969,000 (six months ended 30 June 2009 (restated): 42,691,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

## 9. INVENTORIES

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Raw materials	<b>170,598</b>	158,499
Project materials	<b>113,077</b>	111,427
Work in progress	<b>139,211</b>	129,954
Finished goods	<b>329,126</b>	263,923
Inventories on site	<b>941,029</b>	938,189
	<b>1,693,041</b>	1,601,992

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 10. TRADE RECEIVABLES

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 balances also include retention money of approximately 10% to 20% of the total contract sum of each project, and are 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 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:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 3 months	<b>1,190,313</b>	1,213,439
4 to 6 months	<b>338,032</b>	287,330
7 to 12 months	<b>797,183</b>	326,793
More than 1 year	<b>448,352</b>	300,921
	<b>2,773,880</b>	2,128,483
Provision for impairment	<b>(16,320)</b>	(16,152)
	<b>2,757,560</b>	2,112,331

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 10. TRADE RECEIVABLES (Cont'd)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Neither past due nor impaired	<b>2,693,676</b>	2,053,630
Less than 1 year past due	<b>63,884</b>	58,701
	<b>2,757,560</b>	2,112,331

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 11. 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:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 3 months	<b>806,861</b>	1,040,486
4 to 6 months	<b>304,082</b>	490,781
7 to 12 months	<b>476,882</b>	212,291
More than 1 year	<b>71,928</b>	32,463
	<b>1,659,753</b>	1,776,021

The trade payables are non-interest bearing and are mainly settled for a period of three months and are extendable up to two years. At 30 June 2010, the Group had endorsed commercial notes of approximately HK\$77,464,000 (31 December 2009: Nil) to suppliers with recourse as settlement of the payable balance. The settlement to the relevant suppliers of approximately HK\$77,464,000 (31 December 2009: Nil) were recognised as liabilities and included in the above balance.

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 12. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorised:			
1 January 2009, 31 December 2009, 1 January 2010 and 30 June 2010		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
At 1 January 2009		847,351,500	84,735
Share options exercised		36,262,035	3,626
Bonus issues of shares		181,861,560	18,186
At 31 December 2009 and 1 January 2010			
		1,065,475,095	106,547
Share options exercised	(a)	11,893,278	1,190
Bonus issue of shares	(b)	107,628,126	10,763
At 30 June 2010			
		1,184,996,499	118,500

During the period, the movements in share capital were as follows:

- (a) The subscription rights attaching to 11,893,278 share options were exercised at the subscription prices ranged from HK\$0.525 to HK\$2.380 per share, resulting in issue of 11,893,278 shares of HK\$0.10 each for a total cash consideration, before expenses of HK\$14,850,000.
- (b) Pursuant to the annual general meeting held on 24 May 2010, bonus issue of shares on the basis of one share for every ten shares held was approved. 107,628,126 bonus shares were issued under the bonus issue and the amount of HK\$10,763,000 was capitalised from the Company's share premium account. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 13. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors (including independent non-executive directors), employees, holders of any securities, business or joint venture partners, contractors, agents or representatives, persons or entities that provide research, development or technological support or any advisory, consultancy, professional services for the business of the Group, investors, vendors, suppliers, developers or licensors and customers, licensees, wholesalers, retailers, traders or distributors of goods or services of the Group, the Company's controlling shareholder or companies controlled by a Company's controlling shareholder. The Scheme became effective on 20 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 13. SHARE OPTION SCHEME (Cont'd)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$10 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of: (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the Current Period:

	<b>2010</b>		2009	
	<b>Weighted</b>		Weighted	
	<b>average</b>		average	
	<b>exercise</b>		exercise	
	<b>price of</b>		price of	
	<b>share</b>		share	
	<b>options*</b>	<b>Number of</b>	options**	Number of
	<b>HK\$</b>	<b>share</b>	HK\$	share
	<b>per share</b>	<b>options*</b>	per share	options**
At 1 January	<b>1.15</b>	<b>65,908,143</b>	2.07	112,829,200
Forfeited during the period	<b>1.10</b>	<b>(294,635)</b>	2.76	(460,000)
Exercised during the period	<b>1.14</b>	<b>(12,973,895)</b>	2.82	(12,466,450)
Expired during the period	<b>2.16</b>	<b>(99,022)</b>	3.57	(20,796,600)
<b>At 30 June</b>	<b>1.14</b>	<b>52,540,591</b>	1.56	79,106,150

\* The weighted average exercise price of share options per share and number of share options had been adjusted as a result of the bonus issue of shares approved on 24 May 2010 (the "Bonus Issue").

\*\* The weighted average exercise price of share options per share and number of share options had been adjusted as a result of the bonus issue of shares approved on 2 June 2009.

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 13. SHARE OPTION SCHEME (Cont'd)

The weighted average share price at the date of exercise for share options exercised during the Current Period was HK\$9.44 (six months ended 30 June 2009: HK\$3.60).

Name or category of participant	Number of share options							Date of grant of share options*	Exercise period of share options	Exercise price of share options ** HK\$ per share
	At 1 January 2010	Granted during the period	Adjusted during the period <sup>†</sup>	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2010			
Directors										
Mr. Tong	2,420,000	–	242,000	–	–	–	2,662,000	21 Jul 2008	21 Jul 2009– 20 Jul 2011	1.623
	1,210,000	–	82,000	(580,000)	–	–	712,000	4 Nov 2008	4 Nov 2009– 3 Nov 2011	0.525
	<u>3,630,000</u>	<u>–</u>	<u>324,000</u>	<u>(580,000)</u>	<u>–</u>	<u>–</u>	<u>3,374,000</u>			
Mr. Wu	1,573,000	–	157,300	–	–	–	1,730,300	21 Jul 2008	21 Jul 2009– 20 Jul 2011	1.623
	2,662,000	–	201,200	(650,000)	–	–	2,213,200	4 Nov 2008	4 Nov 2009– 3 Nov 2011	0.525
	<u>4,235,000</u>	<u>–</u>	<u>358,500</u>	<u>(650,000)</u>	<u>–</u>	<u>–</u>	<u>3,943,500</u>			
Mr. Yan	1,683,000	–	168,300	–	–	–	1,851,300	21 Jul 2008	21 Jul 2009– 20 Jul 2011	1.623
	2,420,000	–	242,000	–	–	–	2,662,000	4 Nov 2008	4 Nov 2009– 3 Nov 2011	0.525
	<u>4,103,000</u>	<u>–</u>	<u>410,300</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,513,300</u>			
Mr. Zheng	1,210,000	–	60,500	(605,000)	–	–	665,500	21 Jul 2008	21 Jul 2009– 20 Jul 2011	1.623
Mr. Yeung	2,420,000	–	242,000	–	–	–	2,662,000	22 Dec 2005	22 Dec 2006– 21 Dec 2010	1.972
	1,815,000	–	181,500	–	–	–	1,996,500	21 Jul 2008	21 Jul 2009– 20 Jul 2011	1.623
	1,573,000	–	157,300	–	–	–	1,730,300	4 Nov 2008	4 Nov 2009– 3 Nov 2011	0.525
	<u>5,808,000</u>	<u>–</u>	<u>580,800</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,388,800</u>			
Other employees in aggregate	5,280,235	–	215,620	(3,351,020)	–	(70,000)	2,074,835	22 Dec 2005	22 Dec 2006– 21 Dec 2010	1.972
	621,170	–	–	(531,150)	(90,020)	–	–	8 Mar 2007	8 Mar 2008– 7 Mar 2010	2.380
	14,072,790	–	1,352,084	(911,508)	–	(48,400)	14,464,966	21 Jul 2008	21 Jul 2009– 20 Jul 2011	1.623
	20,956,300	–	1,574,045	(5,264,600)	–	(150,055)	17,115,690	4 Nov 2008	4 Nov 2009– 3 Nov 2011	0.525
	<u>40,930,495</u>	<u>–</u>	<u>3,141,749</u>	<u>(10,058,278)</u>	<u>(90,020)</u>	<u>(268,455)</u>	<u>33,655,491</u>			
	<u>59,916,495</u>	<u>–</u>	<u>4,875,849</u>	<u>(11,893,278)</u>	<u>(90,020)</u>	<u>(268,455)</u>	<u>52,540,591</u>			

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 13. SHARE OPTION SCHEME (Cont'd)

- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- \*\* The exercise prices of the share options were adjusted as a result of the Bonus Issue.
- \*\*\* The weighted average closing price of the Company's share immediately before the exercise dates of the share options was HK\$9.25.
- \* The options were adjusted as a result of the Bonus Issue, the total number of ordinary shares falling to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 48,758,505 options granted under the Scheme was adjusted from 48,758,505 ordinary shares of HK\$0.1 each to 53,634,354 ordinary shares of HK\$0.1 each, and the adjusted exercise prices of all outstanding options ranged from HK\$0.525 (six months ended 30 June 2009: HK\$0.636) to HK\$1.972 (six months ended 30 June 2009: HK\$2.386) per ordinary share, both effective from 24 May 2010.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

<b>30 June 2010 Number of share options</b>	<b>Exercise price of share options* HK\$ per share</b>	<b>Exercise period</b>
<b>4,736,835</b>	1.972	22 December 2006 to 21 December 2010
<b>23,370,566</b>	1.623	21 July 2009 to 20 July 2011
<b>24,433,190</b>	0.525	4 November 2009 to 3 November 2011
<b>52,540,591</b>		

- \* The exercise prices of the share options had been adjusted as a result of the Bonus Issue.

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 13. SHARE OPTION SCHEME (Cont'd)

<b>30 June 2009 Number of share options</b>	<b>Exercise price of share options** HK\$ per share</b>	<b>Exercise period</b>
1,606,000	3.318	7 November 2004 to 6 October 2009
10,719,950	2.386	22 December 2006 to 21 December 2010
3,010,200	2.618	8 March 2008 to 7 March 2010
33,000,000	1.964	21 July 2009 to 20 July 2011
30,770,000	0.636	4 November 2009 to 3 November 2011
<b>79,106,150</b>		

\*\* The exercise prices of the share options had been adjusted as a result of the bonus issue of shares approved on 2 June 2009.

The expense recognised in the condensed consolidated income statement for employee services received during the period is approximately HK\$3,006,000 (six months ended 30 June 2009: approximately HK\$9,105,000).

Despite of options adjustments arising from the Bonus Issue, the 11,893,278 share options exercised during the Current period resulted in the issue of 11,893,278 ordinary shares of the Company and new share capital of HK\$1,190,000 and share premium of HK\$17,566,000.

At the end of the reporting period, the Company had 52,540,591 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 52,540,591 additional ordinary shares of the Company and additional share capital of HK\$5,254,000 and share premium of HK\$54,845,000 (before issue expenses).

At the date of approval of these condensed consolidated interim financial statements, the Company had 79,234,438 share options outstanding under the Scheme, which represented approximately 6.7% of the Company's shares in issue as at that date.

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 14. RESERVES

The amounts of the Group's reserves and the movements therein for the period are presented in the condensed consolidated statement of changes in equity.

## 15. CONTINGENT LIABILITIES

At the end of reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Guarantees given to banks in respect of performance bonds	<b>30,780</b>	31,878

## 16. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office premises, warehouses, motor vehicles and staff dormitories under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to ten years.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within one year	<b>38,721</b>	29,315
In the second to fifth years, inclusive	<b>54,035</b>	33,181
After five years	<b>13,542</b>	15,941
	<b>106,298</b>	78,437

## Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

### 17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments for the buildings and the procurement of production facilities and furniture and fixture at the end of reporting period:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for	<b>23,629</b>	14,595

### 18. RELATED PARTY TRANSACTIONS

- (a) The Group had no significant related party transactions during the period and has no significant outstanding balances with related parties as at the period end.
- (b) Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June 2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
Short term employee benefits	<b>8,685</b>	10,168
Pension scheme contributions	<b>103</b>	102
Equity-settled share option expenses	<b>920</b>	2,651
Total compensation paid to key management personnel	<b>9,708</b>	12,921

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 19. EVENTS AFTER THE REPORTING PERIOD

### (a) New Facility Agreement

On 5 July 2010, Comba Telecom Systems Limited, an indirect subsidiary of the Company (the "Borrower"), entered into a facility agreement (the "New Facility Agreement") with a group of financial institutions namely The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Australia and New Zealand Banking Group Limited, Hang Seng Bank Limited, Svenska Handelsbanken AB (publ), Hong Kong Branch, Bank of Ayudhya Public Company Limited, Hong Kong Branch, DBS Bank (Hong Kong) Limited, Bangkok Bank Public Company Limited, Hong Kong Branch, Cathay United Bank Company, Limited, Hong Kong Branch, Bank SinoPac, Hong Kong Branch, Chang Hwa Commercial Bank, Ltd., Hong Kong Branch, Industrial Bank of Taiwan, Hong Kong Branch, Taiwan Business Bank Hong Kong Branch and Hua Nan Commercial Bank, Ltd., Hong Kong Branch as lenders ("Lenders") and HSBC as the mandated lead arranger and agent ("Agent") (each of the Lenders and the Agent being a third party independent of the Company and its connected persons), whereby the Lenders agreed, inter alia, to grant the Borrower a United States dollar term loan facility of US\$130,000,000 (the "Facility").

The Facility matures in 36 months from the signing date of the New Facility Agreement. The Facility was granted for general corporate purpose of the Group, including for the purpose of financing the Group's capital expenditure for new R&D center and office construction, research and development initiatives, additional working capital as well as for the purpose of refinancing the outstanding loan of US\$56,180,000 under the existing facility agreement dated 3 July 2009 to reduce interest expense.

Under the New Facility Agreement, there is a specific performance obligation that Mr. Fok Tung Ling and Mr. Zhang Yue Jun, the controlling shareholder and the substantial shareholder of the Company respectively, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 35% of the shares (of each class) of and equity interests in the Company free from any Security (as defined by the New Facility Agreement).

At the date of approval of these condensed consolidated interim financial statements, the Group utilised the Facility of US\$66,180,000.

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 19. EVENTS AFTER THE REPORTING PERIOD (Cont'd)

### (b) Grant of Share Options

On 22 July 2010, a total of 30,000,000 share options were granted to certain independent non-executive directors and employees of the Company in respect of their services to the Group in the forthcoming year. 50% of the share options shall be vested on 22 July 2011 and the remaining 50% of the share options shall be vested on 22 July 2012. They have exercise price of HK\$7.95 per share and an exercise period ranging from 22 July 2011 to 21 July 2013. The price of the Company's shares at the date of grant was HK\$7.89 per share.

### (c) 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 on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders. Based on a total of 1,184,996,499 shares in issue as at 30 June 2010, 118,499,650 bonus shares will be issued by the Company. The share capital of the Company will increase from HK\$118,500,000 to HK\$130,350,000 upon completion of the bonus issue.

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

## 20. COMPARATIVE AMOUNTS

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

# Notes to the Condensed Consolidated Financial Statements (Cont'd)

For the six months ended 30 June 2010

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of directors on 23 August 2010.

By order of the Board

**COMBA TELECOM SYSTEMS HOLDINGS LIMITED**

**Fok Tung Ling**

*Chairman and President*

Hong Kong, 23 August 2010

The logo for Comba, featuring the word "Comba" in a bold, blue, sans-serif font. The background of the entire page is a vibrant blue sky with white clouds and several diagonal, overlapping bands of light blue, green, and yellow, suggesting a sense of motion and technology.

京信通信系統控股有限公司  
Comba Telecom Systems Holdings Limited

香港大埔香港科學園科技大道西8號東翼611

611 East Wing, No.8 Science Park West Avenue, Hong Kong Science Park, Tai Po, Hong Kong

電話 Tel : +852 2636 6861

傳真 Fax : +852 2637 0966

網址 Website : [www.comba-telecom.com](http://www.comba-telecom.com)