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)

Interim results announcement for the six months ended 30 June 2007

FINANCIAL HIGHLIGHTS

- Revenue increased by 32% to HK$778 million
- Gross profit increased by 28% to HK$323 million
- Profit attributable to shareholders increased by 68% to HK$76 million
- Basic earnings per share increased by 66% to HK9.09 cents

INTERIM RESULTS

The board of directors (the "Board" or the "Directors") of Comba Telecom Systems Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007, together with the comparative figures for the same period in 2006. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
REVENUE	3	**777,821**	589,490
Cost of sales		**(455,182)**	(336,702)
Gross profit		**322,639**	252,788
Other income and gains	3	**11,087**	4,467
Research and development costs		**(46,521)**	(33,379)
Selling and distribution costs		**(63,832)**	(55,779)
Administrative expenses		**(117,705)**	(99,598)
Other expenses		**(12,144)**	(9,032)
Finance costs	5	**(3,949)**	(7,868)
PROFIT BEFORE TAX	4	**89,575**	51,599
Tax	6	**(13,989)**	(6,656)
PROFIT FOR THE PERIOD		**75,586**	44,943
Attributable to:			
Equity holders of the parent		**76,386**	45,561
Minority interests		**(800)**	(618)
		75,586	44,943
DIVIDEND	8	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(HK cents)*	7		
Basic		**9.09**	5.46
Diluted		**8.96**	5.41

Condensed Consolidated Balance Sheet
30 June 2007

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 (Audited) *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**267,809**	257,724
Prepaid land lease payments	**13,467**	13,220
Goodwill	**30,110**	21,916
Deferred tax assets	**35,543**	34,232
Other intangible assets	**4,074**	5,250
Restricted bank deposits	**674**	1,629
Total non-current assets	**351,677**	333,971
CURRENT ASSETS		
Inventories	**700,547**	617,789
Trade receivables	**1,009,739**	840,426
Notes receivable	**6,521**	33,754
Prepayments, deposits and other receivables	**112,727**	97,395
Restricted bank deposits and short term time deposits	**5,176**	480
Cash and cash equivalents	**265,238**	492,737
Total current assets	**2,099,948**	2,082,581
CURRENT LIABILITIES		
Trade and bills payables	**518,211**	500,776
Other payables and accruals	**244,600**	307,756
Interest-bearing bank loans	**122,180**	152,908
Tax payable	**10,093**	22,214
Provision for product warranties	**28,581**	26,039
Total current liabilities	**923,665**	1,009,693
NET CURRENT ASSETS	**1,176,283**	1,072,888
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,527,960**	1,406,859
Net assets	**1,527,960**	1,406,859

	30 June 2007 (Unaudited) *HK$'000*	31 December 2006 (Audited) *HK$'000*
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**85,283**	84,041
Reserves	**1,435,735**	1,277,258
Proposed dividend	**—**	37,818
	1,521,018	1,399,117
Minority interests	**6,942**	7,742
Total equity	**1,527,960**	1,406,859

Notes to the Condensed Consolidated Financial Statements

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

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 2006, except for the adoption of the new and revised Hong Kong Financial Reporting Standards and interpretations as noted below.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of wireless telecommunications network enhancement system equipment and the provision of related engineering services. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single business segment.

In addition, the Group's revenue, expenses, profit, assets and liabilities and capital expenditures are principally attributable to a single geographical region, which is the People's Republic of China (the "PRC"). Therefore, no analysis in business or geographical segment is presented.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered during the period, net of value-added tax, and after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	**777,821**	589,490
Other income and gains		
Bank interest income	**1,824**	2,549
Exchange gains, net	**8,323**	—
Others	**940**	1,918
	11,087	4,467

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**440,917**	326,288
Depreciation	**19,592**	16,712
Recognition of prepaid land lease payments	**156**	146
Amortisation of intangible assets	**1,819**	1,779
Minimum lease payments under operating leases in respect of land and buildings	**15,951**	15,015
Employee benefits expense (including directors' emoluments):		
Salaries and wages	**118,117**	77,334
Staff welfare expenses	**10,066**	10,291
Pension scheme contributions#	**10,414**	7,977
Equity-settled share option expenses	**5,953**	8,691
	144,550	104,293
Provision for product warranties*	**14,265**	10,414
Provision for impairment of trade receivables**	**6,265**	6,373
Provision for obsolete inventories*	**15,404**	7,688

\# At 30 June 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

* These amounts are included in "Cost of sales" on the face of the condensed consolidated income statement.

** These amounts are included in "Other expenses" on the face of the condensed consolidated income statement.

5. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**3,949**	5,104
Interest on finance leases	**—**	10
Finance costs on the factored trade receivables	**—**	2,754
	3,949	7,868

6. TAX

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision:		
— Mainland China	**13,877**	13,135
— Overseas	**365**	—
Deferred tax	**(253)**	(6,479)
Total tax charge for the period	**13,989**	6,656

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Comba Telecom Systems (Guangzhou) Limited ("Comba Guangzhou") was designated as an advanced technology foreign investment enterprise by the Guangzhou Foreign Trade and Economic Cooperation Bureau in August 2004. Under the current PRC tax legislation, upon expiry of its tax holiday, a foreign investment enterprise of advanced technology is entitled to the preferential tax rate at 50% of the applicable standard rate, subject to a minimum rate of 10%, for another three years. During the period, provision for the PRC corporate income tax for Comba Guangzhou has been made at the applicable reduced tax rate of 10%.

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.

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 will 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 at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law on the Group cannot be reasonably estimated at this stage. The Group will further evaluate the impact on its operating results and financial position of future periods as more detailed requirements are issued.

7. 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 equity holders of the parent of HK$76,386,000 (six months ended 30 June 2006: HK$45,561,000), and the weighted average number of 840,536,000 (six months ended 30 June 2006: 834,705,000) ordinary shares in the issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent of HK$76,386,000 (six months ended 30 June 2006: HK$45,561,000). The weighted average number of ordinary shares used in the calculation is the 840,536,000 (six months ended 30 June 2006: 834,705,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 11,672,000 (six months ended 30 June 2006: 7,541,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

8. DIVIDEND

At a meeting of the Board held on 6 September 2007, the Directors resolved not to pay any interim dividend to shareholders (six months ended 30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2007 (the "Current Period") was HK$777,821,000, representing an increase of approximately 31.9% over the revenue for the six months ended 30 June 2006 (the "Prior Period"). During the Current Period, the Group benefited from continuous growth in demand in the global telecom market. In particular, the Group recorded remarkable revenue growth in new businesses such as base transceiver station ("BTS") antennas and subsystems as well as in international markets during the Current Period.

By customers

Revenue generated from China Mobile Communications Corporation and its subsidiaries (the "China Mobile Group") increased remarkably by 41.3% and accounted for 69.8% of the Group's revenue in the Current Period compared to 65.2% in the Prior Period. Such strong growth is primarily due to continued increase in wireless enhancement capital expenditure by the China Mobile Group for network optimisation amid strong subscriber growth and rural expansion. The Group's broadened product and solution portfolio also contributed to increased revenue generated from the China Mobile Group. During the Current Period, revenue generated from China United Telecommunications Corporation and its subsidiaries (the "China Unicom Group") decreased slightly by 2.4% and accounted for 16.2% of the Group's revenue in the Current Period compared to 21.9% in the Prior Period.

International sales (including sales to core equipment manufacturers) increased by 52.2% and accounted for 8.3% of the Group's revenue in the Current Period compared to 7.2% in the Prior Period. Revenue from other customers including fixed line operators and agents in the PRC accounted for 5.7% of the Group's revenue in the Current Period, same percentage as the Prior Period.

By businesses

Revenue generated from wireless enhancement business in the Current Period increased by 27.9% over the Prior Period. It accounted for 68.7% of the Group's revenue in the Current Period, compared to 70.9% in the Prior Period. Products managed by this business unit include repeaters, boosters, tower mounted boosters, etc. Revenue reported under this business unit includes the service revenue associated with, and the cables used in, the related turnkey projects. In general, the Group continued to benefit from the wireless enhancement capital expenditure by the mobile operators around the world.

Revenue generated from antennas and subsystems business in the Current Period grew by 53.3% over the Prior Period. It accounted for 27.0% of the Group's revenue in the Current Period, compared to 23.2% in the Prior Period. Products managed by this business unit include antennas and passive accessories used in the wireless enhancement solutions, BTS antennas, camouflaged antennas, etc. Out of which, revenue from BTS antennas more than tripled in the Current Period.

Revenue generated from the wireless transmissions business decreased by 28.4% over the Prior Period and accounted for 2.0% of the Group's revenue in the Current Period, compared to 3.6% in the Prior Period. Such decrease was mainly due to slower deployment of wireless transmission solutions from existing customers.

In addition, revenue from extended maintenance services grew by 31.9% and accounted for 2.0% of the Group's revenue in the Current Period, same percentage as the Prior Period. Such growth reflected the Group's increasing efforts in successfully negotiating maintenance services contracts upon expiry of free warranty period of its turnkey projects.

Gross profit

The Group has been facing continued pressure on the average selling price and hence gross profit margin of its products and solutions for the maturing 2G mobile communications market in the PRC, especially after the central procurement programme initiated by the China Mobile Group in mid 2005. In view of this, the Group has implemented various measures to mitigate this downward trend. It expanded its market coverage and broadened its revenue sources to achieve economies of scale. The Group also took advantage of its leading technology, streamlining its product portfolio by focusing on cost effective products and optimising the product design. It continued to negotiate better pricing for materials and controlled other costs effectively. Also, the products of the three business units of the Group are sold to its customers through its global sales platform, taking advantage of resources sharing, thereby reducing costs. In addition, the Group improved its logistics management, thereby enhancing production efficiency and lowering costs. All of these efforts helped sustain the gross profit margin at a healthy level, being 41.5% in the Current Period, compared to 42.9% in the Prior Period. Gross profit of the Group for the Current Period was HK$322,639,000, representing an increase of 27.6% over the Prior Period.

Research and development costs

The Group has continued to allocate its resources appropriately in the research and development ("R&D") of its products and solutions including those related to 3G in order to enable it to meet current and future market demand. R&D costs increased by 39.4% to HK$46,521,000 and accounted for 6.0% of revenue in the Current Period compared to 5.7% in the Prior Period. This demonstrates that the Group's R&D efforts are very focused and can cater to the market needs. With its continuous investment in R&D, the Group achieved significant accomplishment in intellectual property rights, having applied for over 220 patents as at the end of the Current Period.

Selling and distribution costs

Selling and distribution costs were HK$63,832,000 in the Current Period, representing an increase of 14.4% over the Prior Period. With more focused sales and marketing efforts on markets with high demand and a broader product portfolio supported by an established sales platform, the Group achieved better efficiency in selling and distribution costs which accounted for 8.2% of the Group's revenue in the Current Period, compared to 9.5% in the Prior Period.

Administrative expenses

Administrative expenses were HK$117,705,000 in the Current Period, representing an increase of 18.2% over the Prior Period, and accounted for 15.1% of the Group's revenue in the Current Period, compared to 16.9% in the Prior Period. This improvement was primarily a result of the Group's strengthened budgetary control. Secondly, economies of scale were also achieved amid strong revenue growth in the Current Period. Over the years, the Group has established an experienced and seasoned management team who is capable of managing the Group's resources effectively and efficiently.

Finance costs

Finance costs were HK$3,949,000 in the Current Period, representing a decrease of 49.8% over the Prior Period. In view of rising interest rates, the Group was successful in improving its cash cycle, thereby reducing the bank borrowing level for working capital purposes during the Current Period.

Tax

Effective tax rate was 15.6% in the Current Period, compared to 12.9% in the Prior Period.

Net profit

Profit attributable to shareholders ("Net Profit") for the Current Period was HK$76,386,000, representing an increase of 67.7% over the Prior Period. Net profit margin was 9.8% in the Current Period compared to 7.7% in the Prior Period. Such increase was a result of strong revenue growth, healthy gross profit margin, efficient utilization of the Group's resources and better economies of scale described above.

Prospect

Wireless enhancement

The Directors remain optimistic about the demand for wireless enhancement products and solutions in the 2G market around the world. Demand for 2G services remains strong globally, especially in various developing countries and emerging markets. This will drive the continuous growth in global demand for wireless enhancement. In particular, given the strong subscriber growth achieved by the mobile operators in the PRC, coupled with their rural expansion strategy, the wireless enhancement market in the PRC looks promising as certain operators recently increased the budgeted capital expenditure for the year of 2007. Despite the decreasing trend in average selling price of its products, the Group expects to continue to deliver revenue growth in 2007 on the back of increasing volume demand for the Group's products and improving services revenue structure. In order to drive revenue growth further, the Group has been broadening its product portfolio and launching innovative products steadily.

The Directors believe that 2G and 3G mobile networks will co-exist for a long time. As a newer mobile standard, 3G services and applications will increasingly be adopted as the demand of subscribers increases. This will broaden the application areas of the Group's wireless enhancement products and solutions. The Group is well prepared for the global 3G network deployment as it has developed a series of different 3G products and wireless enhancement solutions, some of which have successfully been deployed.

In the recent central procurement programme for TD-SCDMA carried out in the PRC, the Group has successfully qualified as an approved vendor of wireless enhancement equipment. The Group has already started TD indoor upgrade projects in certain cities in the PRC. Given the strong business relationship with the mobile operators in the PRC, the Group is poised to benefit from its TD-SCDMA wireless enhancement investment in 2007 and beyond. Nevertheless, the Group's revenue from TD-SCDMA is not expected to be substantial in 2007 as only a few cities are involved in the trial networks. There would be more opportunities in the event of a nationwide rollout. Moreover, the Group has developed TD Remote Radio Units ("RRUs") for a leading core equipment manufacturer in the PRC and has recently started delivering TD RRUs to that customer. Typically deployed in combination with base transceiver stations, The Group's RRUs enable mobile operators to roll out TD-SCDMA networks effectively and rapidly while maximising capacity and coverage. In addition, the Group has also qualified as an approved vendor in the China Telecommunications Corporation's tendering programme for indoor distribution systems.

The international market continues to be one of the focal growth points for the Group with the increasing investment in wireless infrastructure around the world. Capital expenditure in 2G network rollouts and enhancements remains strong in both developing and developed regions. In particular, developing countries continue to have new 2G network buildouts to cover its city areas and increasingly to extend coverage to rural areas. The Group has witnessed 2G investments by mobile operators within the mature markets to focus primarily on enhancing their network coverage to include in-building solutions as well as wireless solutions in the rural areas.

Internationally, 3G network deployment continues to be strong and the Group has a comprehensive range of WCDMA and CDMA2000 wireless enhancement solutions that is capitalizing on this trend. In particular, deployment activities are centered about demand for 3G network infill requirements for both indoor and outdoor coverage. As well as developing 3G products, the group is also offering solutions for the growing demand of multi band/operators solutions to enable its customers to integrate 2G and 3G services. To date, such solutions have been well received by the market and have been deployed by various operators around the world.

Antennas and Subsystems

The Group has actively expanded its capabilities on antennas and subsystems. The Group's continuous investment in R&D has enabled it to develop a complete product portfolio including smart antennas, multi-band antennas with 3G capabilities, camouflaged antennas and a full range of tower top solutions to address the global operators market.

The Group's monthly production capacity for BTS antennas has doubled since the second half of 2006 in order to cope with the anticipated demand. In the recent central procurement programmes for BTS antennas by the China Mobile Group and the China Unicom Group, the Group qualified as one of the approved vendors. This is expected to drive the demand for the Group's antennas and subsystems in the PRC further. The Group has also developed TD-SCDMA BTS antennas and has started delivering the BTS antennas to a leading Chinese core equipment manufacturer. In addition to using its own sales network, the Group is also selling its BTS antennas in the overseas market through leading Chinese core equipment manufacturers. This once again demonstrates the Group's technical leadership in this market segment which, the Directors believe, is going to provide strong growth momentum for the Group.

On a global level, the demand from RF conditioning solutions from core equipment manufacturers and mobile operators has increased substantially. One of the drivers for this demand includes the rollout of new 3G networks and upgrades. Corresponding to these network buildouts, the Group has experienced an increasing requirement for its multi-system solutions that combines both 2G and 3G networks into a single footprint.

Wireless Transmissions — Digital Microwave Systems ("DMS")

In addition to selling DMS to mobile operators in the global market, during the Current Period, the Group successfully qualified as an approved vendor of outdoor units ("ODUs"), which is an essential part of DMS, with a leading core equipment manufacturer in the PRC. It is expected that this customer will be placing orders for the Group's ODUs by the end of 2007.

On the other hand, the Directors believe that the continuous investment in the global wireless and wireline telecom infrastructure will provide good growth potential for the Group's DMS products. Its products provide a quick and cost effective solution for operators in their high speed data and backhaul services especially in the developing countries. The Group therefore endeavours to expand its geographic coverage in the global market for its DMS products in order to achieve growth. In addition, the forthcoming launch of 3G services in the PRC is another growth opportunity for DMS as there will be a huge demand in BTS backhaul services.

Operations

In order to facilitate continuous growth of its existing businesses while providing growth and support for new products and global expansion strategy, the Group implemented in 2006 a corporate-wide resources realignment exercise thereby creating three separate business units to support the sales platforms in the global market in all aspects. The new structure has been functioning well and it helped deliver a set of good results in the Current Period. The Directors are confident that the well coordinated structure will allow the Group to provide an excellent overall support platform for its global customers and allow the Group to grow and become a leading player in the global telecom market.

Mobile operators in the PRC have increasingly adopted the practice of central procurement in order to streamline their supply chain management as well as to save costs. Inevitably, the average selling price of the existing wireless products is expected to be trending downwards and gross profit margin is expected to be under pressure. The Group will continue to develop innovative products, improve its operations efficiency, and expand its market coverage in order to mitigate this trend.

Conclusion

The global 2G market is expected to continue to grow in the next few years, especially in the emerging markets. As a result, cost effective products and solutions are expected to be in great demand in the next few years. As for 3G, the Group has already developed products for all three 3G standards, namely, TD-SCDMA, WCDMA and CDMA2000. Different 3G products and solutions have been deployed in various countries around the world. In the PRC, the Directors remain cautiously optimistic about the revenue from the TD-SCDMA rollout in the next couple of years, given the various types of TD products developed by the Group and its involvement in the trial networks. The State government is determined to open up the mobile market, thereby allowing more operators to provide mobile services. This may drive the demand for wireless enhancement solutions as mobile subscribers may demand better services from an increasing number of mobile operators in the PRC.

The Group believes that the key for its long term development and continuous growth is to enhance and maintain its core technical competency and to broaden its product portfolio. The global market expansion and the development of BTS antennas and subsystems and DMS products for wireless transmissions are all important diversification strategies to fuel its long term growth. The Group will continue to enhance its technical innovation and product development, and to launch new products which can meet market needs, in order to achieve the Group's objective of diversified market development, so as to strengthen the Group's market leading position.

The Directors believe that the wireless communications industry is growing steadily and technologies are evolving rapidly. The Group needs to follow diligently the industry trend and new technology development, and analyse market risks and threats to maintain its leadership position as new disruptive technologies can appear at any time. To cope with the ever changing market needs, the Group will continue to invest in products and technology based R&D. With the opening of the new R&D platform in 2006, the Group provides an inspiring working environment and state of the art equipment for new ideas and products. In addition, the Group has an expanded production platform that allows it to meet the future demand for its products and solutions. Capital expenditure of the Group is expected to be funded by various means of financing. Finally, the Group will endeavour to maintain a solid and healthy financial position and consolidate its leading market position, while pursuing a balanced and carefully planned growth strategy in order to maximize the shareholders' value.

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances its operations from cashflow generated internally and bank loans. As at 30 June 2007, the Group had net current assets of HK$1,176,283,000. Current assets comprised inventories of HK$700,547,000, trade receivables of HK$1,009,739,000, notes receivable of HK$6,521,000, prepayments, deposits and other receivables of HK$112,727,000, restricted bank deposits and short term time deposits of HK$5,176,000 and cash and cash equivalents of

HK$265,238,000. Current liabilities comprised trade and bills payables of HK$518,211,000, other payables and accruals of HK$244,600,000, interest-bearing bank loans of HK$122,180,000, tax payable of HK$10,093,000 and provision for product warranties of HK$28,581,000.

The average receivable turnover for the Current Period was 215 days compared to 233 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The contractual credit period is generally for a period of three to six months except for those retention money receivables with payment ranging from six to twenty-four months. The average payable turnover for the Current Period was 203 days compared to 221 days for the Prior Period. The average inventory turnover for the Current Period was 262 days compared to 339 days for the Prior Period.

As at 30 June 2007, 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 RMB, HK$ and US$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates. The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK$ and US$. Since the exchange fluctuations among these currencies are low, the Directors consider that there is no significant exchange risk.

The Group's gearing ratio, calculated as total interest-bearing debts (including bank loans and advances, and finance lease payables) over total assets, was 5.0% as at 30 June 2007 (31 December 2006: 6.3%).

CHARGE ON ASSETS

As at 30 June 2007, there was no charge on the Group's assets (31 December 2006: Nil).

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had contingent liabilities of HK$7,066,000 (31 December 2006: HK$2,109,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had approximately 4,300 staff. The total staff costs for the Current Period was HK$144,550,000. The Group offers competitive remuneration schemes to its employees based on industry practices as well as the employees' and the Group's performance. In addition, share options and discretionary bonuses are also granted to eligible staff based on the performance of each such employee as well as the Group. The Group also provides training to staff to improve their skills and develop their respective expertise.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

The unaudited interim results of the Group for the six months ended 30 June 2007 have been reviewed by the audit committee of the Company.

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

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

By order of the Board
Fok Tung Ling
Chairman and President

Hong Kong, 6 September 2007

As at the date of this announcement, the Board comprises the following executive Directors: Mr FOK Tung Ling, Mr ZHANG Yue Jun, Mr CHAN Kai Leung, Clement, 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.