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 2008

FINANCIAL HIGHLIGHTS

- Revenue increased by 7.4% to HK$835 million
- Gross profit increased by 6.5% to HK$344 million
- Profit attributable to shareholders decreased by 5.8% to HK$72 million
- Basic earnings per share decreased by 7.3% to HK8.43 cents
- Net asset value per share increased by 7.0% to HK$2.13

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 2008, together with the comparative figures for the same period in 2007. 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 2008

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**835,492**	777,821
Cost of sales		**(491,795)**	(455,182)
Gross profit		**343,697**	322,639
Other income and gains	3	**26,438**	11,087
Research and development costs		**(54,108)**	(46,521)
Selling and distribution costs		**(79,453)**	(63,832)
Administrative expenses		**(142,830)**	(117,705)
Other expenses		**(2,483)**	(12,144)
Finance costs	5	**(2,050)**	(3,949)
PROFIT BEFORE TAX	4	**89,211**	89,575
Tax	6	**(14,471)**	(13,989)
PROFIT FOR THE PERIOD		**74,740**	75,586
Attributable to:			
Equity holders of the parent		**71,970**	76,386
Minority interests		**2,770**	(800)
		74,740	75,586
DIVIDEND	8	**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(HK cents)*	7		
Basic		**8.43**	9.09
Diluted		**8.42**	8.96

Condensed Consolidated Balance Sheet

30 June 2008

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**319,311**	293,700
Prepaid land lease payments	**14,573**	13,853
Goodwill	**30,110**	30,110
Deferred tax assets	**81,643**	68,997
Other intangible assets	**6,335**	7,124
Restricted bank deposits	**2,409**	1,616
Total non-current assets	**454,381**	415,400
CURRENT ASSETS		
Inventories	**1,039,616**	754,766
Trade receivables	**1,380,970**	1,099,643
Notes receivable	**20,581**	29,385
Prepayments, deposits and other receivables	**147,526**	81,402
Restricted bank deposits	**967**	4,250
Cash and cash equivalents	**190,468**	374,496
Total current assets	**2,780,128**	2,343,942
CURRENT LIABILITIES		
Trade and bills payables	**718,840**	548,469
Other payables and accruals	**382,762**	341,696
Interest-bearing bank loans	**236,571**	88,794
Tax payable	**25,795**	28,606
Provisions for product warranties	**31,180**	40,066
Total current liabilities	**1,395,148**	1,047,631
NET CURRENT ASSETS	**1,384,980**	1,296,311
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,839,361**	1,711,711
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**6,761**	6,761
Net assets	**1,832,600**	1,704,950

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Net assets	**1,832,600**	1,704,950
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**85,537**	85,389
Reserves	**1,737,599**	1,561,634
Proposed dividend	**—**	51,233
	1,823,136	1,698,256
Minority interests	**9,464**	6,694
Total equity	**1,832,600**	1,704,950

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 2007.

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 2007.

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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	**835,492**	777,821
Other income and gains		
Bank interest income	**1,041**	1,824
Exchange gains, net	**11,034**	8,323
Recovery of bad debt	**12,449**	—
Others	**1,914**	940
	26,438	11,087

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**471,237**	440,917
Depreciation	**25,375**	19,592
Recognition of prepaid land lease payments	**173**	156
Amortisation of intangible assets	**2,982**	1,819
Minimum lease payments under operating leases in respect of land and buildings	**20,280**	15,951
Employee benefits expense (including directors' emoluments):		
Salaries and wages	**133,047**	118,117
Staff welfare expenses	**16,403**	10,066
Equity-settled share option expenses	**3,070**	5,953
Pension scheme contributions#	**12,989**	10,414
	165,509	144,550
Impairment of trade receivables**	**—**	6,265
Write-down of inventories to net realisable value*	**—**	15,404
Provision for product warranties*	**7,113**	14,265

At 30 June 2008, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within one year	**2,050**	3,949

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the period (six months ended 30 June 2007: 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.

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision:		
Mainland China	**21,344**	13,877
Overseas	**1,267**	365
Deferred tax	**(8,140)**	(253)
Total tax charge for the period	**14,471**	13,989

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and approved by the relevant tax authorities, Comba Telecom Systems (Guangzhou) Limited ("Comba Guangzhou"), a wholly-owned subsidiary of the Company operating in Mainland China was exempted from PRC corporate income tax for the two years commencing from its first profit-making year from 1 January 2000 to 31 December 2001 and thereafter was entitled to a 50% reduction in the PRC corporate income tax for the subsequent three years from 1 January 2002 to 31 December 2004.

In addition, 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 18%.

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 became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises, which results in an adjustment of income tax rate to 25%. The effect of this change has been reflected in the calculation of deferred income tax as at 30 June 2008. Comba Guangzhou, being a manufacturing Foreign Invested Enterprise ("FIE"), located in Guangzhou Economic and Technology Development Zone, is eligible to enjoy transitional arrangement under the New Corporate Income Tax Law. The income deferred tax rate of Comba Guangzhou for the period is 18%. (2007: 18%)

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$71,970,000 (six months ended 30 June 2007: HK$76,386,000), and the weighted average number of 854,165,000 (six months ended 30 June 2007: 840,536,000) 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$71,970,000 (six months ended 30 June 2007: HK$76,386,000). The weighted average number of ordinary shares used in the calculation is the 854,165,000 (six months ended 30 June 2007: 840,536,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 879,000 (six months ended 30 June 2007: 11,672,000) 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 5 September 2008, the Directors resolved not to pay any interim dividend to shareholders (six months ended 30 June 2007: Nil).

9. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 21 July 2008, a total of 30,000,000 share options were granted to certain directors and employees of the Company in respect of their services to the Group in the forthcoming year. These share options vest on 21 July 2009 and have exercise price of HK$2.16 per share and an exercise period ranging from 21 July 2009 to 20 July 2011. The price of the Company's shares at the date of grant was HK$2.16 per share.

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2008 (the "Current Period") was HK$835,492,000, representing an increase of approximately 7.4% over the revenue for the six months ended 30 June 2007 (the "Prior Period"). The increase was mainly due to the growth of international sales (including sales to PRC core equipment manufacturers). During the Current Period, the growth of the PRC market was not significant due to awaiting the outcome of the industry restructuring of the mobile phone operators.

By customers

Revenue generated from the China Mobile Communications Corporation and its subsidiaries ("China Mobile Group") decreased slightly by 9.4% to HK$491,491,000 (2007: HK$542,627,000) and accounted for 58.8% of the Group's revenue in the Current Period compared to 69.8% in the Prior Period. The decrease in revenue from China Mobile Group was primarily due to the delay of capital expenditure by the China Mobile Group. During the Current Period, the revenue generated from TD-SCDMA for upgrade and modification was HK$62,000,000 (2007: Nil).

During the Current Period, revenue generated from the China United Telecommunications Corporation and its subsidiaries ("China Unicom Group") decreased by 3.0% to HK$122,519,000 (2007: HK$126,275,000) and accounted for 14.7% of the Group's revenue in the Current Period compared to 16.2% in the Prior Period. The decrease in revenue from China Unicom Group was primarily due to decrease in sales of products for the GSM network, as a consequence of awaiting the outcome of the industry restructuring.

International sales (including sales to PRC core equipment manufacturers) increased significantly by 115.8% to HK$139,431,000 (2007: HK$64,598,000) and accounted for 16.7% of the Group's revenue in the Current Period compared to 8.3% in the Prior Period. The increase in revenue was mainly due to the significant growth in sales of products to the PRC core equipment manufacturers and a satisfactory growth in its global sales network. The Group has received huge amounts of orders for 2G & 3G wireless enhancement solutions from overseas mobile phone operators and provided several indoor solutions in the global market including huge equipment installation in Asia Pacific & Middle East areas.

Revenue from other customers including fixed line operators and agents in the PRC was increased by 85.1% to HK$82,051,000 (2007: HK$44,321,000) and accounted for 9.8% of the Group's revenue in the Current Period compared to 5.7% in the Prior Period.

By businesses

Revenue generated from wireless enhancement business in the Current Period decreased by 24.4% to HK$332,792,000 (2007: HK$440,142,000) and accounted for 39.8% of the Group's revenue in the Current Period compared to 56.6% in the Prior Period. The decrease in revenue was mainly due to the decrease in overall sales of repeaters as a consequence of the decrease in prices.

Revenue generated from antennas and subsystems business in the Current Period increased by 36.9% to HK$287,107,000 (2007: HK$209,671,000) and accounted for 34.4% of the Group's revenue in the Current Period compared to 27.0% in the Prior Period. The increase in revenue was mainly due to the growth in sales of new products with high customers' values.

Revenue generated from the wireless transmission business increased by 36.9% to HK$24,834,000 (2007: HK$18,146,000) and accounted for 3.0% of the Group's revenue in the Current Period compared to 2.3% in the Prior Period. The increase was mainly due to higher demand in certain countries in the global market, and the feedback on the products is positive. Hence the Group has received a considerable market share.

Revenue from services, including installation, network enhancement, and after-sales maintenance services, increased significantly by 73.6% to HK$190,759,000 (2007: HK$109,862,000) and accounted for 22.8% of the Group's revenue in the Current Period compared to 14.1% in the Prior Period. The increase in revenue from services was from installation services, network enhancement services, and after-sales maintenance services on more equipment and larger coverage area. The Group has placed a tremendous amount of effort on adding value to the existing product lines and garnered positive feedback from customers.

Gross profit

In view of the continuing pressure on average selling prices for the maturing 2G mobile telecommunications market in the PRC, the Group's gross profit margin slightly decreased to 41.1% in the Current Period, compared with 41.5% in the Prior Period. During the Current Period, the gross profit increased by 6.5% to HK$343,697,000 (2007: HK$322,639,000), compared with the Prior Period.

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

Research and development costs

During the Current Period, the research and development ("R&D") costs increased by 16.3% to HK$54,108,000 (2007: HK$46,521,000), representing 6.5% (2007: 6.0%) of the Group's consolidated revenue. The increase in R&D costs was due to the heavy investments in expanding our product portfolio for the global markets and the continuous development of new 3G products to capture the huge global, especially PRC, 3G network buildout business opportunities.

Telecommunications industry relies heavily on R&D on new products and advanced technology. R&D is one of the most important continuous success factors of the Group. To maintain the leadership in the industry, the Group has to maintain a considerable R&D team at the current level. With its continuous investment in R&D, the Group has achieved significant accomplishment in intellectual property rights, having applied for over 380 patents as at the end of the Current Period.

Selling and distribution costs

During the Current Period, selling and distribution costs increased by 24.5% to HK$79,453,000 (2007: HK$63,832,000), representing 9.5% (2007: 8.2%) of the Group's consolidated revenue. The increase in selling and distribution costs was mainly due to the increase in the staff salaries and travelling expenses as a consequence of increasing revenue in international market.

Administrative expenses

During the Current Period, administrative expenses increased by 21.3% to HK$142,830,000 (2007: HK$117,705,000), representing 17.1% (2007: 15.1%) of the Group's consolidated revenue. The increase in administrative expenses was mainly due to increases in office, travelling, and rental expenses.

Finance costs

During the Current Period, finance costs decreased by 48.1% to HK$2,050,000 (2007: HK$3,949,000), representing 0.2% (2007: 0.5%) of the Group's consolidated revenue. The sharp decrease in finance costs was mainly due to the decrease in financing activities as a consequence of the Group's improved liquidity.

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

Tax

During the Current Period, effective tax rate was 16.2% (2007: 15.6%).

Net profit

During the Current Period, profit attributable to shareholders ("Net Profit") was HK$71,970,000 (2007: HK$76,386,000), representing 8.6% (2007: 9.8%) of the Group's consolidated revenue. The decrease in Net Profit was mainly due to the increase of selling and distribution costs and administrative costs as a consequence of investing heavily on the sales and distribution network.

PROSPECT

Wireless enhancement

Wireless enhancement remains the major business segment of the Group. As the macroeconomy in PRC continues to grow, mobile phone users increase rapidly, 3G starts to buildout, it is anticipated that telecommunications industry continues to grow steadily within a period of time. It is generally anticipated that both 2G and 3G mobile networks will co-exist in the long term. In the PRC market, the demand for wireless enhancement products and solutions for 2G mobile networks remains strong whilst the demand for 3G mobile networks is expected to be a key driver. In 2005, the implementation of the central procurement programs by PRC mobile phone operators have brought benefits to the Group, but also downward pressure on average selling prices. The Group has successfully launched a series of new high customers' valued products and solutions to meet different market needs in order to maintain high profitability.

In the PRC market, the implementation of TD-SCDMA mobile networks will indubitably create substantial demand for network infrastructure including wireless enhancement. According to subscriber targets of the mobile phone operators for the next few years, the 3G market is expected to grow substantially. In addition to solutions for TD-SCDMA, the Group has long been involved in solutions for WCDMA and CDMA2000 standards, hence has a full range of products and solutions for all 3G standards. The Group could benefit from any 3G standard.

To date, cost efficient solutions have been utilized in certain major projects for mobile phone operators including Beijing Tianjin High Speed Railway which is the first railway operates over 300 Km/h in PRC. The railway system adapts the Group's solutions for the signal coverage with outstanding performance. The Group is successful in several projects and offers different high value solution. The Directors expects adoption of solutions to increase, with significant revenue contribution in the second half of the year.

In the international market, the Group continues to make major inroads. Globally, it is increasing its recognition with the major global operators and vendors with approved supplier status gained for Vodafone and Telefonica globally and Telecom Italia Mobile within the Europe. The recognition benefits the Group from the future market development.

Antennas and Subsystems

Antennas and subsystems recorded substantial growth in the PRC and international markets. With the increasing contribution to the Group's revenue, antennas and subsystems was one of the main business segments of the Group. Sales of antennas and subsystems of the Group in recent years recorded a breakthrough in both markets and the Group continued to secure a considerable number of on-going orders, including an order for tower top solutions from a sizable overseas operator. Sales of antennas and subsystems were expected to continue to grow rapidly in the future. To meet the increasing demand, the Group has established lots of logistic centers around the world, reorganized relevant resources in its production bases worldwide and enhanced the production capacity for antennas and subsystems. As 3G networks such as TD-SCDMA continue to put into operation in the PRC, the demand for antennas and subsystems of the Group will be stronger than ever.

Wireless Transmissions — Digital Microwave Systems ("DMS")

The Group has achieved a satisfactory growth in DMS with orders around the world. The Group has worked closely with leading core equipment manufacturers to provide a series of DMS with high efficiency. The Group believes that a considerable amount of purchase orders will be placed over the next few years. The Directors strongly believe that DMS will become one of the major business segments of the Group in the next years.

Services

Services were the business segment with the fastest growth during the Current Period. During years of providing overall solutions and engineering services, the Group has built up a strong service team, gained lots of experience in providing technical supports and developed a series of systemic and comprehensive integrated solutions. This helped the Group to grasp more opportunities to provide services under the business mode in the PRC of bulk purchase and to introduce its services to the overseas. The Group expects that revenue from this segment will continue to increase.

Conclusion

On 24 May 2008, the Ministry of Industry and Information, the National Development and Reform Commission and the Ministry of Finance of the PRC Government jointly issued the announcement on deepening the reform of the structure of the telecommunications sector. The reform introduces competition and encourages the formation of three market operators which has nationwide network resources, relatively comparative strength and scale and full service operation capabilities so that the allocation of telecommunications resources will be further optimized with a more competitive structure. The three 3G licences will be issued after the restructuring is completed.

The Directors believe the restructuring will be completed within the 4th quarter of 2008. After which, the 3G licences will be granted to the operators. To prepare for the new business opportunities, the mobile phone operators are expected to spend a tremendous amount of capital expenditure to build and enhance their networks. In the following years, the telecommunications industry in the PRC will move into a high growth period. Besides, the Group has well developed a full range of 3G products including TD-SCDMA, WCDMA, and CDMA2000 standards.

China Mobile Group has recently been approved to build a nationwide commercial trial network based on TD-SCDMA technology. The expansion of the trial TD-SCDMA network will unleash large numbers of purchase orders to telecommunications equipment vendors. China Mobile has announced to launch the second phrase of TD-SCDMA network by June 2009. The total covered cities will be 38 provincial cities.

China Unicom Group has announced a budgeted capital expenditure plan of RMB100 billion and plans to launch its 3G network in more than 50 cities over the next two years. For 2G, the expenditure will be spent on improving the existing GSM infrastructure and service quality. The GSM network will become the concrete foundation for China Unicom to develop the 3G market. Most of the expenditure will be spent on developing 3G business in order to ultimately gain a one-third share of the 3G market.

China Telecommunications Corporation has also announced to invest RMB80 billion, in the next 3 years, in the CDMA business in order to obtain 100 million users representing 15% of the market share. The expenditure will be spent on improving the quality and capacity of the CDMA network in rural and mainly urban areas.

In addition, the Group's international market continues to grow. With the huge amount of secured customers' orders on hand, the Directors are confident that the Group could double the revenue from the international market in 2008. The Directors are very optimistic about the growth of the international business and expect it to become a major growth driver for the entire group revenues in the future.

With all the positive market developments, the Directors are confident that the Group is able to sustain a continuous growth in the next years. In addition, the Group will endeavor 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 2008, the Group had net current assets of HK$1,384,980,000. Current assets comprised inventories of HK$1,039,616,000, trade receivables of HK$1,380,970,000, notes receivable of HK$20,581,000, prepayments, deposits and other receivables of HK$147,526,000, restricted bank deposits of HK$967,000 and cash and cash equivalents of HK$190,468,000. Current liabilities comprised trade and bills payables of HK$718,840,000, other payables and accruals of HK$382,762,000, interest-bearing bank loans of HK$236,571,000, tax payable of HK$25,795,000 and provision for product warranties of HK$31,180,000.

The average receivable turnover for the Current Period was 269 days compared to 215 days for the Prior Period. The increase in receivable turnover days was mainly due to the slower repayment of some customers. The management closely monitors the trade receivables and will accelerate the customers' repayment. The Group's trading terms with its customers are mainly on credit. The 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 233 days compared to 203 days for the Prior Period. The average inventory turnover for the Current Period was 330 days compared to 262 days for the Prior Period. The increase in inventory turnover days was mainly due to the increased raw materials and spare parts inventory for fulfilling the expected increase in customers' orders in the second half of the year.

As at 30 June 2008, 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 and HK$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates. The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK$ and US$. As the Group's revenue is substantially denominated in RMB, the Directors consider that the appreciation of RMB should have a mildly favourable impact on the Group's business.

The Group's gearing ratio, calculated as total interest-bearing debts (including interest-bearing bank loans) over total assets, was 7.3 % as at 30 June 2008 (31 December 2007: 3.2%).

CHARGE ON ASSETS

As at 30 June 2008, there was no charge on the Group's assets (31 December 2007: Nil).

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had contingent liabilities of HK$3,376,000 (31 December 2007: HK$5,866,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group had approximately 4,900 staff. The total staff costs for the Current Period was HK$165,509,000. 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 2008 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, 5 September 2008

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