COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京 信 通 信 系 統 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2342)

Final results announcement for the year ended 31 December 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 16.9% to HK$5,191 million
- Gross profit increased by 15.3% to HK$1,940 million
- Operating profit margin decreased by 0.3% points to 16.9%
- Profit attributable to ordinary equity holders of the parent increased by 28.3% to HK$724 million
- Net profit margin increased by 1.3% points to 14.0%
- Basic earnings per share increased by 24.1% to HK55.47 cents
- Operating cash inflow decreased by 2.9% to HK$471 million
- The Group was in a net cash position of HK$880 million as at 31 December 2010, increased by 24.5%
- Final dividend of HK8 cents per share (2009: HK8 cents per share) and special dividend of HK4 cents per share (2009: HK4 cents per share), total dividends for the year are HK18 cents per share (2009: HK18 cents per share)
- Proposed 1 bonus share for every 10 ordinary shares held (final) and issued 1 bonus share for every 10 ordinary shares held (interim) (2009: Proposed 1 bonus share for every 10 ordinary shares held (final) and issued 1 bonus share for every 10 ordinary shares held (interim))
- Net asset value per share increased by 24.4% to HK$2.45, as compared to HK$1.97 (restated) as at 31 December 2009

RESULTS

The board of directors (the "Board" or the "Directors") of Comba Telecom Systems Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, together with the comparative figures for the same period in 2009.

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	3	**5,191,358**	4,439,991
Cost of sales		**(3,251,658)**	(2,758,068)
Gross profit		**1,939,700**	1,681,923
Other income and gains	3	**44,499**	38,807
Research and development costs		**(210,912)**	(167,024)
Selling and distribution costs		**(265,622)**	(234,153)
Administrative expenses		**(627,514)**	(544,051)
Other expenses		**(2,631)**	(10,171)
Finance costs	5	**(20,790)**	(12,722)
PROFIT BEFORE TAX	4	**856,730**	752,609
Income tax expense	6	**(119,540)**	(142,291)
PROFIT FOR THE YEAR		**737,190**	610,318
Attributable to:			
Owners of the parent		**724,326**	564,500
Non-controlling interests		**12,864**	45,818
		737,190	610,318
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(HK cents)*	8		
Basic		**55.47**	44.70 (restated)
Diluted		**53.40**	42.34 (restated)

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**737,190**	610,318
OTHER COMPREHENSIVE INCOME		
Gains on property revaluation	**15,516**	7,864
Income tax effect	**(2,348)**	(159)
	13,168	7,705
Cash flow hedge:		
Effective portion of changes in fair value of hedging instrument arising during the year	**(2,973)**	—
Reclassification adjustments for losses included in the consolidated income statement	**758**	—
Income tax effect	**366**	—
	(1,849)	—
Exchange differences on translation of foreign operations	**114,502**	12,592
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**125,821**	20,297
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**863,011**	630,615
Attributable to:		
Owners of the parent	**848,185**	584,797
Non-controlling interests	**14,826**	45,818
	863,011	630,615

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**537,488**	436,860
Prepaid land lease payments		**14,175**	14,030
Goodwill		**28,571**	28,571
Deferred tax assets		**131,219**	121,773
Intangible assets		**9,142**	8,129
Restricted bank deposits		**10,249**	1,064
Total non-current assets		**730,844**	610,427
CURRENT ASSETS			
Inventories	9	**1,731,457**	1,601,992
Trade receivables	10	**2,895,568**	2,112,331
Notes receivable		**49,035**	34,801
Prepayments, deposits and other receivables		**372,184**	204,208
Restricted bank deposits		**10,439**	15,391
Cash and cash equivalents		**1,472,899**	1,145,957
Total current assets		**6,531,582**	5,114,680
CURRENT LIABILITIES			
Trade and bills payables	11	**2,155,090**	1,776,021
Other payables and accruals		**947,419**	711,904
Derivative financial instrument		**2,973**	—
Interest-bearing bank borrowings		**118,563**	90,835
Tax payable		**189,495**	159,350
Provisions for product warranties		**57,038**	39,533
Total current liabilities		**3,470,578**	2,777,643
NET CURRENT ASSETS		**3,061,004**	2,337,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,791,848**	2,947,464

	2010	2009
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**474,252**	348,342
Deferred tax liabilities	**8,571**	6,007
Total non-current liabilities	**482,823**	354,349
Net assets	**3,309,025**	2,593,115
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**132,305**	106,547
Reserves	**2,948,453**	2,301,938
Proposed dividends	**158,766**	127,857
	3,239,524	2,536,342
Non-controlling interests	**69,501**	56,773
Total equity	**3,309,025**	2,593,115

Notes

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and derivative financial instrument, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	*Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), HKFRS 2 Amendments, amendments to HKFRS 8, HKAS 7 and HKAS 17 included in *Improvements* to HKFRSs 2009 and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 The *Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of an entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions.*

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(c) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 8 *Operating Segments:* Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. Upon the adoption of the amendment, the Group no longer discloses segment asset information as it is not currently reviewed by the chief operating decision maker.

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 Leases included in Improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in the Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in the Mainland China remained as operating leases. As the Group has no land lease in Hong Kong, the Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* does not have any financial impact on the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyper-inflation and Removal of Fixed Dates for First-time Adopters*[4]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

2. OPERATING SEGMENT INFORMATION

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

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

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered during the year, net of value-added tax ("VAT"), 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:

	2010 ***HK$'000***	2009 *HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	**5,028,114**	4,307,913
Maintenance services	**163,244**	132,078
	5,191,358	4,439,991
Other income and gains		
Bank interest income	**5,690**	1,529
Exchange gain, net	**4,620**	5,626
Government subsidy	**18,464**	9,076
VAT refunds*	**9,918**	18,408
Others	**5,807**	4,168
	44,499	38,807

* During the years ended 31 December 2010 and 2009, Comba Software Technology (Guangzhou) Limited ("Comba Software") being designated software enterprises, were entitled to VAT refunds on the effective VAT rate in excess of 3% after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.

4. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**3,169,126**	2,624,635
Depreciation	**77,460**	63,035
Recognition of prepaid land lease payments	**358**	346
Amortisation of intangible assets	**2,236**	2,719
Minimum lease payments under operating leases in respect of land and buildings	**67,376**	56,322
Auditors' remuneration	**2,855**	2,596
Employee benefit expense (including directors' emoluments):		
Salaries and wages	**739,631**	583,477
Staff welfare expenses	**56,339**	45,460
Equity-settled share option expenses	**14,301**	13,758
Equity-settled share expenses	**1,589**	1,266
Pension scheme contributions[#]	**48,228**	39,079
	860,088	683,040
Exchange gain, net	**(4,620)**	(5,626)
Write-off of inventories	**10,341**	60,851
Write-down of inventories to net realisable value	**—**	18,960
Provisions for product warranties	**45,402**	40,373
Fair value losses, net:		
Cash flow hedges (transferred from equity)	**758**	—
Loss on disposal of items of property, plant and equipment	**1,964**	650
Bank charges	**17,689**	24,470
Bank interest income	**(5,690)**	(1,529)

[#] At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**19,531**	10,277
Interest on added confirmation of documentary credits	**1,259**	2,445
	20,790	12,722

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the year (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.

	2010	2009
	HK$'000	*HK$'000*
Current year provision:		
Mainland China	**116,089**	153,951
Overseas	**8,112**	10,092
Deferred tax	**(4,661)**	(21,752)
Total tax charge for the year	**119,540**	142,291

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 a 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

	2010	2009
	HK$'000	*HK$'000*
Interim — HK6 cents (2009: HK6 cents) per ordinary share	**71,569**	57,771
Proposed final — HK8 cents (2009: HK8 cents) per ordinary share	**105,844**	85,238
Proposed special — HK4 cents (2009: HK4 cents) per ordinary share	**52,922**	42,619
	230,335	185,628

The special dividend is non-recurring in nature. Both the proposed final and special dividends were declared by a board resolution on 25 March 2011.

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting and if passed, will be paid on 31 May 2011.

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,305,778,000 (2009 (restated): 1,262,757,000) in issue during the year, as adjusted to reflect the bonus issue during the year.

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

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

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**724,326**	564,500

	Number of shares	
	2010	2009
		(restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,305,778,000**	1,262,757,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**50,611,000**	70,457,000
	1,356,389,000	1,333,214,000

9. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Raw materials	**155,964**	158,499
Project materials	**118,884**	111,427
Work in progress	**148,052**	129,954
Finished goods	**305,413**	263,923
Inventories on site	**1,003,144**	938,189
	1,731,457	1,601,992

10. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**2,912,261**	2,128,483
Provision for impairment	**(16,693)**	(16,152)
	2,895,568	2,112,331

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of three months and is extendable up to two years depending on the customer's credit worthiness. The balance also include retention money of approximately 10% to 20% of the total contract sum of each project, and is generally receivable after final certification of products by customers, which would be performed six to twelve months after sale, or upon completion of the one to two 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:

	2010 *HK$'000*	2009 *HK$'000*
Within 3 months	**1,696,941**	1,213,439
4 to 6 months	**358,029**	287,330
7 to 12 months	**409,904**	326,793
More than 1 year	**447,387**	300,921
	2,912,261	2,128,483
Provision for impairment	**(16,693)**	(16,152)
	2,895,568	2,112,331

The movements in the provision for impairment of trade receivables are as follow:

	2010 *HK$'000*	2009 *HK$'000*
At 1 January	**16,152**	16,152
Exchanged realignment	**541**	—
	16,693	16,152

The impaired trade receivables relate to customers who have not settled the sales invoices when they fall due and it is expected that a portion of the receivables might not be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2010 *HK$'000*	2009 *HK$'000*
Neither past due nor impaired	**2,822,207**	2,053,630
Less than 1 year past due	**73,361**	58,701
	2,895,568	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.

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:

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**1,243,947**	1,040,486
4 to 6 months	**445,204**	490,781
7 to 12 months	**374,671**	212,291
More than 1 year	**91,268**	32,463
	2,155,090	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.

12. EVENTS AFTER THE REPORTING PERIOD

The Board proposes to increase the share capital of the Company by capitalising the share premium of the Company, pursuant to which bonus shares will be allotted and issued to the shareholders, whose names appear on the register of members of the Company on 23 May 2011, on the basis of 1 bonus share for every 10 ordinary shares held by the shareholders. Based on a total of 1,323,051,235 shares in issue as at 31 December 2010, 132,305,123 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$132,305,000 to HK$145,536,000 upon completion of the bonus issue. The amount HK$13,231,000 will be capitalised from the Company's share premium account.

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

13. COMPARATIVE AMOUNTS

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2011 to Monday, 23 May 2011, both days inclusive, during which period no transfer of shares will be effected. The record date for determination of entitlements under the final dividend, the special dividend and the bonus issue will be on Monday, 23 May 2011. Shareholders whose names appear on the register of members of the Company on Monday, 23 May 2011 will be entitled to receive the final dividend, the special dividend and the bonus shares (subject to shareholders' approval at the Company's forthcoming annual general meeting). In order to qualify for the final dividend, the special 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, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Thursday, 19 May 2011. Dividend warrants will be despatched on Tuesday, 31 May 2011 and the bonus shares will be issued and allotted to the shareholders on Tuesday, 31 May 2011, both subject to shareholders' approval at the Company's forthcoming annual general meeting. Details of the bonus issue and the annual general meeting will be disclosed in a circular to be despatched as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Revenue

The Group's revenue for the year ended 31 December 2010 (the "Current Year") was HK$5,191,358,000 (2009: HK$4,439,991,000), representing an increase of 16.9% over the revenue for the year ended 31 December 2009 (the "Prior Year"). The increase was mainly due to the continuous strong growth of the revenue from the PRC mobile operators.

Since the restructuring of the telecommunications industry and the issuance of the 3G licenses in the PRC, the Group has benefited from the continuous wireless enhancement of the existing 2G and 3G mobile networks.

By customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries ("China Mobile Group") increased significantly by 30.4% to HK$2,696,890,000 (2009: HK$2,068,756,000) and accounted for 52.0% of the Group's revenue in the Current Year, compared to 46.6% in the Prior Year.

Revenue generated from China United Telecommunications Corporation and its subsidiaries ("China Unicom Group") decreased slightly by 1.0% to HK$1,250,247,000 (2009: HK$1,263,405,000) and accounted for 24.1% of the Group's revenue in the Current Year, compared to 28.5% in the Prior Year.

Revenue generated from China Telecom Corporation and its subsidiaries ("China Telecom Group") increased significantly by 15.1% to HK$453,432,000 (2009: HK$394,009,000) and accounted for 8.7% of the Group's revenue in the Current Year, compared to 8.9% in the Prior Year.

Among which, revenue generated from the PRC 3G mobile networks increased slightly by 2.9% to HK$1,481,000,000 (2009: HK$1,440,000,000) and accounted for 28.5% of the Group's revenue in the Current Year, compared to 32.4% in the Prior Year.

Revenue generated from international customers and core equipment manufacturers also increased by 6.7% to HK$690,603,000 (2009: HK$647,204,000) and accounted for 13.3% of the Group's revenue in the Current Year, compared to 14.6% in the Prior Year. The increase in revenue was mainly due to the increases in global demand and market share while offset by the decrease in wireless access equipment.

By businesses

Revenue generated from wireless enhancement business in the Current Year increased by 24.9% to HK$1,720,333,000 (2009: HK$1,377,802,000) and accounted for 33.1% of the Group's revenue, compared to 31.0% in the Prior Year.

Revenue generated from antennas and subsystems business in the Current Year increased slightly by 0.7% to HK$1,434,758,000 (2009: HK$1,424,875,000) and accounted for 27.6% of the Group's revenue, compared to 32.1% in the Prior Year.

Revenue generated from the wireless access (DMS and WLAN) business in the Current Year decreased by 13.3% to HK$404,092,000 (2009: HK$466,050,000) and accounted for 7.8% of the Group's revenue, compared to 10.5% in the Prior Year.

Revenue from services, including consultation, commissioning, network optimization, project management, and after-sales maintenance services in the Current Year, increased significantly by 39.4% to HK$1,632,175,000 (2009: HK$1,171,264,000) and accounted for 31.5% of the Group's revenue, compared to 26.4% in the Prior Year. The increase in revenue from services provided to clients was from installation services, network enhancement services, network upgrade, and after-sales maintenance services on more equipment and larger coverage area.

Gross profit

Despite the continuous pressure on average selling prices of the old and traditional products, the Group's gross profit margin has been kept stable at 37.4% in the Current Year, compared to 37.9% in the Prior Year. During the Current Year, the gross profit increased by 15.3% to HK$1,939,700,000 (2009: HK$1,681,923,000). With the advanced technology, the Group has continuously launched new products and solutions into the markets in order to maintain a stable gross profit margin.

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

Research and development costs

During the Current Year, the research and development ("R&D") costs increased by 26.3% to HK$210,912,000 (2009: HK$167,024,000), representing 4.1% (2009: 3.8%) of the Group's revenue. In view of the increased revenue and future business growth, R&D costs have increased in order to: 1. expand our product portfolio for global markets and continuously develop new 3G products and solutions to capture the huge global, especially the PRC, 3G network build-out business opportunities; 2. develop new products for the next generation's mobile networks; 3. enhance the products quality and streamline the manufacturing process for higher efficiency.

Telecommunications industry relies heavily on R&D on new products and advanced technology. R&D is one of the most important continuous success factors of the Group. To maintain its leadership position in the industry, the Group has to continuously enlarge its advanced R&D team. With its continuous investment in R&D, the Group has achieved significant accomplishment in intellectual property rights, having applied for over 680 patents as at the end of the Current Year.

Selling and distribution costs

During the Current Year, selling and distribution costs increased by 13.4% to HK$265,622,000 (2009: HK$234,153,000), representing 5.1% (2009: 5.3%) of the Group's revenue. The increase in selling and distribution costs was mainly due to the increase in the sales staff salaries, sales commission and travelling expenses as a result of the increased consolidated revenue of the Group.

Administrative expenses

During the Current Year, administrative expenses increased by 15.3% to HK$627,514,000 (2009: HK$544,051,000), representing 12.1% (2009: 12.3%) of the Group's revenue. The increase in administrative expenses was mainly due to increases in administration staff salaries and office expenses as a result of the enlarged support teams for the global operations.

Finance costs

During the Current Year, finance costs increased by 63.4% to HK$20,790,000 (2009: HK$12,722,000), representing 0.4% (2009: 0.3%) of the Group's revenue. The increase in finance costs was mainly due to increases in bank borrowings as a consequence of the increasing business activities.

The management is always prudent to manage the credit risk and improve 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.

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

Tax

During the Current Year, taxation charges decreased by 16.0% to HK$119,540,000 (2009: HK$142,291,000), representing 2.3% (2009: 3.2%) of the Group's revenue. During the Current Year, effective tax rate was 14.0% (2009: 18.9%). The decrease in taxation charge was the combined result of decreases in both PRC corporate income tax and deferred tax credit.

During the Current Year, PRC subsidiaries executed a tax planning so that profits were more evenly allocated to each major PRC subsidiaries. As a result, tax losses in previous years could be utilized to offset current year PRC corporate income tax. During the Current Year, the Group recorded a net PRC corporate income tax charge of HK$116,089,000 (2009: HK$153,951,000).

Accordingly, unrealized profit arising from intra-group transactions decreased as compared to the Prior Year and thus resulted in a reversal of deferred tax credit of HK$29,223,000 in the Current Year. Such reversal was also offset by deferred tax credit of HK$26,272,000 and HK$7,612,000, which represented by different PRC tax treatment adopted in accruals and provisions for product warranties respectively. The management has taken and will continue to take reasonable tax planning measures.

Net profit

During the Current Year, profit attributable to shareholders ("Net Profit") increased by 28.3% to HK$724,326,000 (2009: HK$564,500,000), representing 14.0% (2009: 12.7%) of the Group's revenue. The increase in Net Profit was mainly due to the increase of the Group's revenue, scale benefits as a result of the increased sales volume, and a decrease in taxation charges while partially offset by the slight decrease in gross profit margin.

Dividend and bonus share

The Group has put much emphasis on the return and interests of shareholders, in particular the interests of minority shareholders. To balance the shareholders' return and the Group's future long-term development, the Board proposes dividends for 2010 of HK12 cents per share, in which HK8 cents and HK4 cents will be distributed by final dividend and special dividend respectively. Together with the interim dividend of HK6 cents (2009 interim: HK6 cents) per share paid on 8 October 2010, the total dividends for the whole year is HK18 cents (2009: HK18 cents) per share, and the total payout ratio, on the basis of basic EPS, is 32.4% (2009: 33.3%, based on the number of shares issued as at 31 December 2009), in which the payout ratios for final dividend and special dividend are 14.4% (2009: 14.8%, based on the number of shares issued as at 31 December 2009) and 7.2% (2009: 7.4%, based on the number of shares issued as at 31 December 2009) respectively, and for interim dividend is 10.8% (2009: 11.1%, based on the number of shares issued as at 31 December 2009).

During the Current Year, the Group recorded both net profit and net cash (defined as cash and cash equivalents plus restricted bank deposits less interest-bearing bank borrowings) at historic level. The Board would like to take this opportunity to share the achievement over the last year with shareholders and declares special dividend for the second time. In future, the Board will, whenever the business allows, increase the dividend payout ratio to reward shareholders for their support to the Group.

In addition to the distribution of dividend, the Board also proposes to distribute 1 bonus share for every 10 existing shares held by shareholders whose name appear on the Company's share register on 23 May 2011. The relevant resolutions will be proposed at the annual general meeting held on 23 May 2011 and, if duly passed by shareholders, the dividend warrants, together with the share certificates for the bonus shares will be dispatched on 31 May 2011.

PROSPECT

2011 is a crucial year for the Group and is a year in which the global economy is expected to continue to grow steadily. In the developing countries where our major markets locate, the management expects their GDP will have a strong growth in 2011. The global telecommunications network will be further enhanced, and the number of telecommunications users will continue to grow considerably. Meanwhile, the mobile data usage and the number of smart phone users have increased strongly which create a huge demand for wireless enhancement of the mobile networks on an on-going basis.

Since the rollout of 3G networks in the PRC in 2010, the PRC 3G market has evolved into the next stage of wireless enhancement, where the demand has widened from cell sites installations to include wireless extensions, hot spot coverage and indoor wireless systems. Per expectations, many wireless project tenders from the three PRC mobile operators came into fruition in the latter part of 2010 and beyond, of which the Group will benefit from a number of these.

The Group continues to see strong growth in the 2G market in PRC — which remains the dominant with the majority of subscribers on this standard. The initiatives to connect the rural areas to the wireless communications networks continues apace and the Group has successfully positioned itself as a key partner to the operators enabling connectivity to these segments of the market. The Group will benefit from the persistent expansion of capacity and the optimization of the 2G network.

Internationally, the markets have begun to recover, and the management has expectation for the recovery path to continue in 2011 and beyond. The Group has made significant gains in the international markets and has deepened its business with the international operators and core equipment vendors which have driven sales in the latter part of 2010. The Group has also secured several major long term projects and entered into agreements with these international customers which will lay a solid foundation for future international growth.

In addition, the Group is committed to developing innovative network solutions. The management will continue to enlarge the existing three product lines and allocate further resources for product innovation with a view to bringing novel concepts to communication products in the coming year and bringing new hopes to the Group's development. The Group has also successfully launched new products carrying functions across different product lines.

Wireless Enhancement

The management expects that there will be a robust demand for wireless enhancement solution in 2011 driven by the enormous opportunities from 3G network enhancement and the growth in 2G network enhancement. The Group has become one of the few major telecommunication equipment and service providers for various domestic milestones projects, such as Expo 2010 Shanghai China, Asian Games, and high-speed train systems.

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

At present, the number of mobile phone users in China has exceeded 860 million and approximately 5% of which are 3G users. The management expects the 2G and 3G subscriber number continues to grow, which creates a strong demand for the products. Besides, the network coverage in the rural area is lower than in the urban area in China. The Group will continuously benefit under the national policy of developing rural areas.

On a global scale, 2G remains dominant, whilst 3G user number is growing rapidly. With the largest number of 2G subscribers in the world, the demand for wireless enhancement solutions continues to grow unabatedly 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 mega markets such as South America and India.

For 3G activities, the Group is engaged in network upgrades and enhancements. These wireless enhancement activities include long-term coverage extension and capacity optimization projects often spanning multiple years. Given the issuance of 3G licenses in a number of countries, the Group has experienced and anticipates strong demand for its 3G solutions.

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

Globally, operators are facing spectrum allocation issues and time to market for new 3G network rollouts. The Group has anticipated the need for operators to re-use their existing spectrum to upgrade to 3G and to also maximize their existing network investments. As such, the Group has launched a series of spectrum refarming solutions that has seen good market acceptance with successful deployments.

Earlier in 2010, a portfolio of environmentally green solutions were released to the market that continues to see positive market response and is expected to continue doing so. Going forward, the Group has developed a full range of products with LTE ("Long-term evolution") technology and closely monitored the business opportunities for the network in the PRC and other countries. The management anticipates that the trial LTE networks will be launched shortly.

Antennas & Subsystems

After a huge build-out of the 3G networks in the PRC in 2010, the BTS antenna demand has diminished in 2010. In fact, with the strong demand of the antennas for wireless enhancement and base-station subsystems, the Group still maintained the same revenue contribution level as in the Prior Year.

The Group is a market leader in the PRC for antennas and subsystems and has grown to become one of the top antenna suppliers in the world to many of the major multinational operators. The Group's investment in the research and development over the product lines and the persistent improvement in quality have not only benefited the Group, but also substantially enhanced the prestige of the Group's products. Besides, the management is pleased to report that it has been recognized by industry analysts as one of the major base station antenna suppliers and TMA vendors in the world.

For future growth, the Group has developed a portfolio of LTE antennas and subsystems that is being deployed successfully in a number of LTE trials around the globe. The management is optimistic that this and other developments in new technologies will provide a solid foundation for future growth.

Wireless Access (DMS and WLAN)

In 2010, one of the major products in digital microwave system ("DMS") was seriously affected by the policy on the telecommunications in the Indian market. Since the second quarter in the Current Year, the DMS sales was affected by the policy. After the cancellation of policy, the customer orders have been normalized. The Group has actively explored business opportunities in other countries in order to decentralize the geographical customers and maximize the returns.

The Group is proud to be the largest supplier in the WLAN products in the PRC. The Group has won a leading position in the recent tendering of the WLAN products. During the Current Year, the revenue from the WLAN products has increased very substantially. In the future, the management is optimistic about WLAN sales. Taking into account the building of over millions of hotspots in the PRC in the next few years, the management expects that WLAN will remain one of the revenue growth drivers for the Group.

Services

The services provided by the Group include network design and optimization, 3G mobile network modification and upgrade, system installation and after-sales maintenance, etc.

The Group has been providing overall solutions and engineering services for years and has developed a strong services team in wireless enhancement sector to cover the whole PRC and a few emerging markets. The Group has also become a major wireless enhancement services provider in the PRC. To cope with the strong growth, the Group has increased the number of service engineers and technical support staff as well as branch offices.

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

Conclusion

After a few years' of network build-out in the PRC, the number of subscribers is increasing continuously. The increase in subscribers has created big challenges for the network traffic and coverage. With more mobile data subscribers, the network has become over-loaded. To face the challenges, wireless enhancement is an efficient and cost saving tool.

Pursuant to the Twelfth Five-year Plan promulgated by Central Government at the National Peoples' Congress, information, communication and technology industry is one of the major beneficial industries. Besides, the high-speed train build-outs create a huge demand for telecommunications systems of which the Group is a market leader and will continue to offer cost-efficient solutions.

In the future, LTE technology will become popular and will be applied in the next generation of mobile network. The Group will pay more attention to the technology development and application of LTE. The management is confident that the Group will benefit from the launch of LTE technology.

Going forward, there will be more 2G and 3G mobile networks in the world. The management foresees that both 2G and 3G mobile networks as well as LTE and WLAN mobile networks will all co-exist in the long term due to different functionalities and demand from subscribers.

The Group has experienced rapid growth and gradually diversified its business and products upon the reorganization of the telecommunications industry in the PRC and the issuance of 3G licenses. The management will strive to control the risks of operations and enlarge the customer base, increase market and product portfolio.

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

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

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances its operations from cashflow generated internally and bank borrowings. As at 31 December 2010, the Group had net current assets of HK$3,061,004,000. Current assets comprised inventories of HK$1,731,457,000, trade receivables of HK$2,895,568,000, notes receivable of HK$49,035,000, prepayments, deposits and other receivables of HK$372,184,000, restricted bank deposits of HK$10,439,000 and cash and cash equivalents of HK$1,472,899,000. Current liabilities comprised trade and bills payables of HK$2,155,090,000, other payables and accruals of HK$947,419,000, derivative financial instrument of HK$2,973,000, interest-bearing bank borrowings of HK$118,563,000, tax payable of HK$189,495,000 and provisions for product warranties of HK$57,038,000.

The average receivable turnover for the Current Year was 176 days compared to 139 days for the Prior Year. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of three months and is extendable up to two years depending on the customer's credit worthiness, except for those retention money generally receivable after final certification of products by customers, which would be performed six to twelve months after sale, or upon completion of the one to two years warranty periods granted to customers. The average payable turnover for the Current Year was 221 days compared to 179 days for the Prior Year. The average inventory turnover for the Current Year was 187 days compared to 176 days for the Prior Year.

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

During the Current Year, in addition to those short-term interest-bearing facilities, the Group had entered into a three-year term loan facility agreement, amounted to US$130,000,000, (the "Facility Agreement") with a group of financial institutions. The facility was granted for the purpose of financing the Group's capital expenditure, research and development initiatives, additional working capital as well as for the purpose of refinancing the outstanding loan drawn under the old three-year term loan facility agreement dated 3 July 2009. Under the Facility Agreement, there is a specific performance obligation that Mr. Fok Tung Ling who is a controlling shareholder and Mr. Zhang Yue Jun who is a substantial shareholder of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 35% of the entire issued shares (of each class) of and equity interests in the Company free from any security. As at 31 December 2010, the Group utilized the facility of US$76,180,000.

At 31 December 2010, the Group held an interest rate swap contract designated as hedges in respect of expected interest payments for the above-mentioned USD floating rate loan under the Facility Agreement.

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 8.2% as at 31 December 2010 (31 December 2009: 7.7%).

CHARGE ON ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had contingent liabilities of HK$39,225,000 (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 31 December 2010, the Group had approximately 9,400 staff. The total staff costs for the Current Year were HK$860,088,000. 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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise any of the Company's listed securities during the Current Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Current Year, 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 the date of this results announcement, 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 the Company is currently holding the office of chief executive officer during the Current Year. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. 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 throughout the Current Year and up to the date of this results announcement.

AUDIT COMMITTEE

The Company has established the audit committee in accordance with the Listing Rules. The Audit Committee, together with the management, has reviewed the accounting principles, standards and methods adopted by the Group, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the annual results for the Current Year. The Audit Committee has given its consent to the accounting principles, standards and methods adopted by the Group for the audited consolidated financial statements for the Current Year.

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

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

By order of the Board
Comba Telecom Systems Holdings Limited
Fok Tung Ling
Chairman and President

Hong Kong, 25 March 2011

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