Comba

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 2011

FINANCIAL HIGHLIGHTS

- Revenue increased by 22.4% to HK$6,354 million
- Gross profit margin decreased by 0.8% point to 36.6%
- Profit attributable to ordinary equity holders of the parent decreased by 9.0% to HK$659 million
- Net profit margin decreased by 3.6% points to 10.4%
- Basic earnings per share decreased by 12.8% to HK43.99 cents
- Final dividend of HK7 cents per share (2010: HK8 cents per share)
- Net asset value per share increased by 17.9% to HK$2.63, as compared to HK$2.23 (restated) as at 31 December 2010

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 2011, together with the comparative figures for the same period in 2010.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	3	**6,354,218**	5,191,358
Cost of sales		**(4,027,521)**	(3,251,658)
Gross profit		**2,326,697**	1,939,700
Other income and gains	3	**110,269**	44,499
Research and development costs		**(361,914)**	(210,912)
Selling and distribution costs		**(437,088)**	(265,622)
Administrative expenses		**(830,714)**	(627,514)
Other expenses		**(1,331)**	(2,631)
Finance costs	5	**(29,403)**	(20,790)
PROFIT BEFORE TAX	4	**776,516**	856,730
Income tax expense	6	**(121,772)**	(119,540)
PROFIT FOR THE YEAR		**654,744**	737,190
Attributable to:			
Owners of the parent		**659,084**	724,326
Non-controlling interests		**(4,340)**	12,864
		654,744	737,190
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(HK cents)*	8		
Basic		**43.99**	50.43 (restated)
Diluted		**42.95**	48.55 (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 2011

	2011 *HK$'000*	2010 *HK$'000*
PROFIT FOR THE YEAR	**654,744**	737,190
OTHER COMPREHENSIVE INCOME		
Gains on property revaluation	**27,646**	15,516
Income tax effect	**(4,004)**	(2,348)
	23,642	13,168
Cash flow hedge:		
Effective portion of changes in fair value of hedging instrument arising during the year	**2,275**	(2,973)
Reclassification adjustments included in the consolidated income statement	**344**	758
Income tax effect	**(250)**	366
	2,369	(1,849)
Exchange differences on translation of foreign operations	**139,075**	114,502
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**165,086**	125,821
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**819,830**	863,011
Attributable to:		
Owners of the parent	**821,286**	848,185
Non-controlling interests	**(1,456)**	14,826
	819,830	863,011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**828,546**	537,488
Prepaid land lease payments		**31,374**	14,175
Goodwill		**28,571**	28,571
Long-term trade receivables	10	**118,648**	—
Deferred tax assets		**136,309**	131,219
Intangible assets		**28,216**	9,142
Restricted bank deposits		**7,033**	10,249
Total non-current assets		**1,178,697**	730,844
CURRENT ASSETS			
Inventories	9	**2,421,044**	1,731,457
Trade receivables	10	**4,268,084**	2,895,568
Notes receivable		**68,472**	49,035
Prepayments, deposits and other receivables		**450,810**	372,184
Restricted bank deposits		**79,813**	10,439
Cash and cash equivalents		**1,114,412**	1,472,899
Total current assets		**8,402,635**	6,531,582
CURRENT LIABILITIES			
Trade and bills payables	11	**2,981,163**	2,155,090
Other payables and accruals		**1,186,559**	947,419
Derivative financial instrument		**698**	2,973
Interest-bearing bank borrowings		**719,272**	118,563
Tax payable		**119,001**	189,495
Provisions for product warranties		**69,232**	57,038
Total current liabilities		**5,075,925**	3,470,578
NET CURRENT ASSETS		**3,326,710**	3,061,004
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,505,407**	3,791,848

	2011	2010
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**404,743**	474,252
Deferred tax liabilities	**17,840**	8,571
Total non-current liabilities	**422,583**	482,823
Net assets	**4,082,824**	3,309,025
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**152,620**	132,305
Treasury shares	**(9,661)**	—
Reserves	**3,764,271**	2,948,453
Proposed dividends	**106,834**	158,766
	4,014,064	3,239,524
Non-controlling interests	**68,760**	69,501
Total equity	**4,082,824**	3,309,025

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and derivative financial instruments, 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

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. 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.

Total comprehensive income within a subsidiary is 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.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs *issued in May 2010*

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in Improvements to HKFRSs 2010 (Include other standards as appropriate), 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) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 Business Combinations: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	*Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2015

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 operating segment.

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:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network enhancement system equipment and provision of related engineering services	**6,108,832**	5,028,114
Maintenance services	**245,386**	163,244
	6,354,218	5,191,358
Other income and gains		
Bank interest income	**9,364**	5,690
Exchange gain, net	**9,776**	4,620
Government subsidy	**7,741**	18,464
VAT refunds*	**25,411**	9,918
Gain on bargain purchase	**48,426**	—
Others	**9,551**	5,807
	110,269	44,499

* During the years ended 31 December 2011 and 2010, 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):

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**3,925,108**	3,169,126
Depreciation	**98,402**	77,460
Recognition of prepaid land lease payments	**563**	358
Amortisation of intangible assets	**5,109**	2,236
Minimum lease payments under operating leases in respect of land and buildings	**90,495**	67,376
Auditors' remuneration	**2,816**	2,776
Employee benefit expense (including directors' emoluments):		
Salaries and wages	**842,693**	741,220
Staff welfare expenses	**72,600**	56,339
Equity-settled share option expenses	**15,790**	14,301
Awarded share expense	**145,028**	—
Pension scheme contributions[#]	**73,025**	48,228
	1,149,136	860,088
Exchange gain, net	**(9,776)**	(4,620)
Write-off of inventories	**—**	10,341
Write-down of inventories to net realisable value	**27,254**	—
Provisions for product warranties	**45,401**	45,402
Loss on disposal of items of property, plant and equipment	**844**	1,964
Gain on bargain purchase[*]	**48,426**	—
Bank interest income	**(9,364)**	(5,690)

[#] At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

[*] Gain on bargain purchase is included in "Other income and gains" in the consolidated income statement.

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**29,403**	19,531
Interest on added confirmation of documentary credits	**—**	1,259
	29,403	20,790

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 (2010: 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.

	2011	2010
	HK$'000	*HK$'000*
Current year provision:		
Mainland China	**118,890**	116,089
Overseas	**2,070**	8,112
Deferred tax	**812**	(4,661)
Total tax charge for the year	**121,772**	119,540

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. The qualification of Comba Technology being designated as a High-New Technology Enterprise was renewed on 23 August 2011. Being the High-New Technology Enterprises, Comba Guangzhou and Comba Technology are entitled to the preferential tax rate of 15% for the year of 2011.

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises, Comba Telecom Systems (China) Limited ("Comba China"), 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 1 January 2008 to 31 December 2009 and thereafter was entitled to a 50% reduction in PRC corporate income tax for the subsequent three years from 1 January 2010 to 31 December 2012. Moreover, as Comba China is located in Guangzhou Economic and Technology Development Zone, it is subject to transitional income tax rate from 2008 to 2012. Therefore, the applicable income tax rate for Comba China in 2008, 2009, 2010, 2011 and 2012 is 0%, 0%, 11%, 12% and 12.5%, respectively.

7. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim — HK5 cents (2010: HK6 cents) per ordinary share	**75,743**	71,569
Proposed final — HK7 cents (2010: HK8 cents) per ordinary share	**106,834**	105,844
Proposed special — Nil (2010: HK4 cents) per ordinary share	**—**	52,922
	182,577	230,335

The proposed final dividend was declared by a board resolution on 21 March 2012.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and if passed, will be paid on 30 May 2012.

No deduction or withholding tax will be imposed on the payments 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 1,498,279,000 (2010 (restated):1,436,356,000) 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 potential dilutive ordinary shares relating arising from share options and awarded shares granted by the Company into ordinary shares.

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**659,084**	724,326

	Number of shares	
	2011	2010
		(restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,498,279,000**	1,436,356,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**20,117,000**	55,672,000
Awarded shares	**16,262,000**	—
	1,534,658,000	1,492,028,000

9. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	**210,640**	155,964
Project materials	**149,682**	118,884
Work in progress	**229,129**	148,052
Finished goods	**484,349**	305,413
Inventories on site	**1,347,244**	1,003,144
	2,421,044	1,731,457

10. TRADE RECEIVABLES AND LONG-TERM TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**4,404,188**	2,912,261
Impairment	**(17,456)**	(16,693)
	4,386,732	2,895,568
Current portion	**(4,268,084)**	(2,895,568)
Long term portion	**118,648**	—

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of three months and is extendable up to two years depending on the customer's credit worthiness. The balance also include retention money of approximately 10% to 20% of the total contract sum of each project, and is generally receivable after final certification of products by customers, which would be performed six to twelve months after sale, or upon completion of the one to two year warranty periods granted to customers. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management.

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

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**2,334,378**	1,696,941
4 to 6 months	**424,407**	358,029
7 to 12 months	**728,759**	409,904
More than 1 year	**916,644**	447,387
	4,404,188	2,912,261
Provision for impairment	**(17,456)**	(16,693)
	4,386,732	2,895,568
Current portion	**(4,268,084)**	(2,895,568)
Long term portion	**118,648**	—

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

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**16,693**	16,152
Exchange realignment	**763**	541
	17,456	16,693

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:

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,133,158**	2,822,207
Less than 1 year past due	**109,822**	73,361
	4,242,980	2,895,568

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:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**1,811,429**	1,243,947
4 to 6 months	**614,598**	445,204
7 to 12 months	**415,022**	374,671
More than 1 year	**140,114**	91,268
	2,981,163	2,155,090

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. EVENT AFTER THE REPORTING PERIOD

On 12 January 2012, a total of 40,000,000 share options were granted to individuals in respect of their services to the Group in the forthcoming year. The closing price of the Company's shares at the date of grant was HK$5.66 per share. These share options shall have a validity period of 3 years from 12 January 2012 to 11 January 2015, both dates inclusive. 50% of the share options shall be vested on the date falling the first anniversary of the date of grant and exercisable from 12 January 2013 to 11 January 2015. The remaining 50% of the share options shall be vested on the date falling the second anniversary of the date of grant and exercisable from 12 January 2014 to 11 January 2015.

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

For the purposes of determining the eligibility of the Company's shareholders to attend and vote at the forthcoming annual general meeting (the "AGM"), and the entitlement to the final dividend, the details of the record date and the closure of register of members are set out below:

(i) For determining eligibility to attend and vote at the forthcoming AGM:

Latest time to lodge transfer documents for registration	4:30pm on Tuesday, 15 May 2012
Closure of register of members, no transfer of shares will be registered	Wednesday, 16 May 2012 to Thursday, 17 May 2012 (both days inclusive)
Record date	Thursday, 17 May 2012

(ii) For determining eligibility to the entitlements to the final dividend:

Latest time to lodge transfer documents for registration	4:30pm on Tuesday, 22 May 2012
Record date	Tuesday, 22 May 2012

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 the aforementioned latest time.

Dividend warrants are expected to be despatched on Wednesday, 30 May 2012, subject to shareholders' approval at the Company's forthcoming AGM. Details of the forthcoming AGM will be disclosed in a circular to be despatched as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Driven by the continuously increasing number of mobile subscribers, growing concern on network quality, availability of more affordable smartphones and a stunning growth in the volume of data traffic, the Group reported a 22.4% revenue growth amounting to HK$6,354,218,000 (2010: HK$5,191,358,000) for the year ended 31 December 2011 (the "Current Year") as compared to the year ended 31 December 2010 (the "Prior Year").

Revenue

By customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries ("China Mobile Group") increased by 32.8% to HK$3,582,584,000 (2010: HK$2,696,890,000) and accounted for 56.4% of the Group's revenue in the Current Year, compared to 52.0% for the Prior Year.

Revenue generated from China United Telecommunications Corporation and its subsidiaries ("China Unicom Group") increased slightly by 6.6% to HK$1,333,343,000 (2010: HK$1,250,247,000) and accounted for 21.0% of the Group's revenue in the Current Year, compared to 24.1% in the Prior Year.

Revenue generated from China Telecom Corporation and its subsidiaries ("China Telecom Group") decreased slightly by 6.0% to HK$426,195,000 (2010: HK$453,432,000) and accounted for 6.7% of the Group's revenue in the Current Year, compared to 8.7% in the Prior Year.

Among these revenue streams, revenue generated from the PRC's 3G mobile networks increased by 38.1% to HK$2,045,000,000 (2010: HK$1,481,000,000) and accounted for 32.2% of the Group's revenue in the Current Year, compared to 28.5% in the Prior Year.

Benefited by the solid demand for wireless enhancement solutions from emerging markets and some South-East Asian countries, revenue generated from international customers and core equipment manufacturers also increased by 23.3% to HK$851,238,000 (2010: HK$690,603,000) and accounted for 13.4% of the Group's revenue in the Current Year, compared to 13.3% in the Prior Year.

By businesses

As a result of the shifting of focus on quality network by some mobile operators, thus increasing more resources allocated to network enhancement, revenue generated from wireless enhancement business in the Current Year increased by 13.2% to HK$1,948,091,000 (2010: HK$1,720,333,000) and accounted for 30.7% of the Group's revenue, compared to 33.1% in the Prior Year.

Driven by the faster-than-expected replacement cycle of antennas for the improvement of network quality and the continuous network buildouts by some mobile operators, revenue generated from antennas and subsystems business in the Current Year increased by 25.1% to HK$1,795,136,000 (2010: HK$1,434,758,000) and accounted for 28.2% of the Group's revenue, compared to 27.6% in the Prior Year.

Benefited by the ambitious WLAN deployment plans by the PRC mobile operators, revenue generated from the wireless access business in the Current Year increased by 22.6% to HK$495,474,000 (2010: HK$404,092,000) and accounted for 7.8% of the Group's revenue, compared to 7.8% in the Prior Year.

Demand from services, including consultation, commissioning, network optimization, project management, and after-sales maintenance services, has been trending up as a result of the booming increase of data traffic and growing complexity of network systems, consequently, revenue from services increased by 29.6% to HK$2,115,517,000 (2010: HK$1,632,175,000) in the Current Year, and accounted for 33.3% of the Group's revenue, compared to 31.5% in the Prior Year.

Gross profit

During the Current Year, the gross profit increased by 20.0% to HK$2,326,697,000 (2010: HK$1,939,700,000). The Group's gross profit margin was 36.6% in the Current Year compared to 37.4% in the Prior Year. The slight decrease in gross profit margin was mainly due to the increase of labor costs and inflation in the PRC, but partially offset by some new products and solutions with higher gross profit margins. During the Current Year, a stock provision of HK$27,254,000 (2010: Nil) for the obsolete stock was recorded.

The Group has implemented various cost control measures including streamlining the manufacturing process, optimizing the product design through advanced research and development technology, improving logistics management, and negotiating with suppliers for better terms of delivery. The Group has also been continuously expanding its market coverage and broadening 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 intends to continue its focus on developing advanced products adding high value to customers.

Gain on bargain purchase

On 20 June 2011, the Group entered into an agreement to acquire 100% interest in the subsidiaries, which are engaged in the research and development, manufacturing and sales of telecommunications products with a view to expanding the Group's market share in the telecommunications equipment industry. The Group paid a cash consideration of HK$84 million, which resulted in a gain on bargain purchase of HK$48 million, mainly arising from an appreciation of the land and buildings.

Research and development costs

During the Current Year, the research and development ("R&D") costs increased significantly by 71.6% to HK$361,914,000 (2010: HK$210,912,000), representing 5.7% (2010: 4.1%) of the Group's revenue. The Group has always been attaching great importance in R&D as the management strongly believes innovation technology is the major factor driving the future growth of the Group to achieve greater success. During the Current Year, the increase in R&D costs was mainly attributable to 1) expansion of the R&D teams; 2) continuous investment in the development and expansion of product offerings; and 3) investment in improvement of product quality for higher operational efficiency and greater cost effectiveness.

With its continuous investment in R&D, the Group achieved significant accomplishments in creating solutions with intellectual property rights and has applied for more than 940 patents (As at 31 December 2010: more than 680 patents) as at the end of the Current Year.

Selling and distribution costs

During the Current Year, selling and distribution costs increased by 64.6% to HK$437,088,000 (2010: HK$265,622,000), representing 6.9% (2010: 5.1%) of the Group's revenue. The increase in selling and distribution costs was mainly due to the increases in the sales staff salaries and their related awarded share expenses, and consultancy fees as a result of the increased consolidated revenue and global expansion of the sales and service networks for the Group.

Administrative expenses

During the Current Year, administrative expenses increased by 32.4% to HK$830,714,000 (2010: HK$627,514,000), representing 13.1% (2010: 12.1%) of the Group's revenue. The increase in administrative expenses was mainly due to increases in administration staff salaries and their related awarded share expenses, and office expenses as a result of the enlarged support teams for the global operations.

Awarded shares expenses

On 12 April 2011, the Board resolved to award 26,000,000 shares to 365 selected persons under the share award scheme adopted on 25 March 2011, by way of issue and allotment of new shares pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 24 May 2010. These awarded shares will be held in trust for the selected persons by the trustee appointed by the Company until the end of each vesting periods. For these awarded shares, there were 4 vesting dates, which are 12 July 2011, 12 April 2012, 12 April 2013, and 12 April 2014. Upon each vesting, those awarded shares will be transferred at no cost to the selected persons.

The fair value of the 26,000,000 awarded shares was HK$226 million, measured at the closing market price of HK$9.32 per share at the date of grant and amortized over each of the vesting period up to 12 April 2014. During the Current Year, the awarded shares expenses amounted to HK$145 million. For the full years of 2012, 2013 and 2014, the awarded shares expenses are estimated at HK$54 million, HK$23 million and HK$4 million respectively.

Finance costs

During the Current Year, finance costs increased by 41.4% to HK$29,403,000 (2010: HK$20,790,000), representing 0.5% (2010: 0.4%) of the Group's revenue. The increase in finance costs was mainly due to increases in the interest rate and 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. As of 31 December 2011, the gross gearing ratio, defined as total interest-bearing borrowings divided by total assets, of the Group stood at a healthy level of 11.7% compared to 8.2% as of 31 December 2010.

Operating profit

During the Current Year, the operating profit decreased slightly by 8.2% to HK$805,919,000 (2010: HK$877,520,000) as compared with the Prior Year. During the Current Year, as a consequence of the expense incurred due to the share award scheme and an increase in R&D costs, the operating profit margin decreased by 4.2% points to 12.7% in the Current Year, as compared with 16.9% in the Prior Year.

Tax

During the Current Year, excluding those major non-taxable items of gain on bargain purchase and awarded share expenses, taxation charges increased by 1.9% to HK$121,772,000 (2010: HK$119,540,000), comprising profits tax charge of HK$120,960,000 (2010: HK$124,201,000) and deferred tax charge of HK$812,000 (2010: deferred tax credit of HK$4,661,000). During the Current Year, effective tax rate was 15.7% (2010: 14.0%). The increase in overall taxation charge was mainly due to the reversal of deferred tax credit arising from a reduced unrealized profit on intra-group transactions during the Current Year as compared with the Prior Year.

Net profit

During the Current Year, profit attributable to shareholders ("Net Profit") decreased by 9.0% to HK$659,084,000 (2010: HK$724,326,000), representing 10.4% (2010: 14.0%) of the Group's revenue. The decrease in Net Profit was mainly due to: 1) a slight decrease of gross profit margin by 0.8% point including a stock provision of HK$27 million, 2) an increase of R&D costs by HK$151 million (including expenses of HK$15 million arising from the awarded shares granted to R&D staff), and 3) awarded shares expenses of HK$145 million. However, excluding the exceptional items of the increase of R&D costs, stock provision, awarded shares expenses and gain on bargain purchase arising from acquisition, the Group's Net Profit would be HK$919 million, representing 14.5% of the Group's revenue.

Dividend

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 a final dividend for 2011 of HK7 cents (2010: HK8 cents) per ordinary share. Together with the interim dividend of HK5 cents (2010 interim: HK6 cents) per ordinary share paid on 19 September 2011, the total dividends for the whole year is HK12 cents (2010: HK18 cents) per ordinary share, and the total payout ratio, on the basis of basic EPS, is 27.3% (2010: 32.4%, based on the number of shares issued as at 31 December 2010), in which the payout ratio for final dividend is 15.9% (2010: 14.4%, based on the number of shares issued as at 31 December 2010), and for interim dividend is 11.4% (2010: 10.8%, based on the number of shares issued as at 31 December 2010).

PROSPECT

The US and some European countries have recently been getting through the economic trough, banks have tightened the bank borrowings, and the mobile operators are getting more cautious in their capital expenditure planning. Thus, it is expected that the international telecommunications industry may experience some difficulties in the short run.

Despite the looming economic uncertainties, the management believes that the industry fundamentals for longer term development remain positive. The telecommunications industry is relatively less susceptible to economic swings as mobile devices become an integral part of peoples' daily lives, evidenced by the continuous upward trends of global mobile device penetration and subscribers over the years. Globally, the number of mobile connections reached over 6 billion in 2011. The growth in mobile connections and users is expected to continue with 3G and 4G connections driving the development. Particularly in the PRC, telecommunications is one of the pillar industries and has been experiencing a healthy growth under the strong support from the Government in boosting the development of telecommunications technology. The PRC currently has the largest number of mobile subscriber base reaching 986 million with further growth expected.

More importantly, the changes in the habits of mobile users have tremendously influenced the development of the telecommunications industry. People are adopting more advanced mobile devices that enable connectivity anytime and anywhere, data traffic is growing rapidly at an astonishing rate driven by the continued strong momentum for smartphone uptake in all regions. Mobile operators are recording larger revenue contribution from data services leading to increasing focus on enhanced network quality and efficiency. As such, the Group believes that the demand for network enhancement remains intact and the long-term prospects continue to be promising.

In respect to the mobile technology, 2G continues to be the lead given its substantial large customer base built over the years in different regions, while 3G networks are gaining the importance as a result of the proliferation of affordable smartphone. Given that the mobile subscribers are more network quality-concerned, and mobile operators have to divert more investment in optimization of both 2G and 3G networks with the aim to provide better user experience.

After years of development, 4G LTE network rollouts are increasing and expected to accelerate in the future. The number of commercial LTE networks globally has reached 50 networks in 20 countries and is expected to be in excess of 200 networks in 70 countries by 2016. LTE is expected to be the fastest growing segment with over 500 million LTE connections globally by 2016. In addition, China's home-grown 4G technology, TD-LTE, has become future direction of the industry. LTE ecosystem development has been proceeding in full speed ahead. Second phase of a bigger TD-LTE trial network in the PRC will kick off in the near future. The management believes that the evolution of new networks will be beneficial to many telecom equipment and solutions providers including Comba.

In fact, the Group has already demonstrated its unsurpassed capabilities as one of the leading enablers of next generation LTE networks for mobile operators in some Asian regions. Last year, the Group supplied a wide portfolio of LTE compatible equipment including repeaters, indoor antennas, and combiners amongst other items to the mobile operator for their 4G network buildout. With a firm grasp of core technologies, the Group will capitalize on its solid experience and technical expertise in LTE to seize the huge opportunities arising from the anticipated commercial launch of the 4G network in the future.

Wireless Access

The Group always dedicate to unveil new product offerings and solutions that enable unequalled network performance. In addition to expanding the depth and breadth of its existing product offerings, flattening wireless access systems, femtocell, launched by the Group, were tested by the mobile operators and received positive responses. Femtocell access system will provide a new access solution to the 2G, 3G and the 4G networks of the mobile operators. It is the best and higher cost-effective solution to address the imminent problems of the mobile operators with respect to the accuracy, depth and capacity of the coverage, the convenience of access and the environmental protection issues. The management believes that this new solutions will unlock its true value in the near future, and will become a key driver to bring the Group to a new stage of growth.

In respect to WLAN business, the hotspot deployment in the PRC is still at the initial stage. WLAN business is believed to be a new area of growth which not only provides a new revenue model to mobile operators, and more importantly, play a vital role in increasing mobile operators' capacity by offloading some of the booming data traffic on the current mobile network.

Hotspot deployments are flexible, scalable, easy to upgrade and maintain. They represent a highly cost-effective and instant solution for in-door network coverage and have thus been welcomed by many mobile operators. In addition, more laptops, smartphones and consumer electronics devices are embedded with a WLAN function. WLAN is gaining momentum, and the WLAN market has entered a new stage of rational growth.

Wireless Enhancement

In 2012, the management expects demand for wireless enhancement will remain solid and the contribution from wireless enhancement will continue to grow. The Group always emphasizes that network enhancement is an on-going process for both existing and new networks alike. Demand of network optimization not only depends on the network (2G/3G/4G/WLAN) technology development and its maturity of the network, but even more so on the subscriber number, traffic pattern, changes in the habits of mobile device users, urban planning and infrastructure etc. With an increasing population, a burgeoning middle class, and urbanization, it is obvious that mobile subscribers, new buildings and infrastructures continue to increase around the world, and these factors will inevitably drive the demand for network enhancement.

With mobile communications evolving along a 2G/3G/4G continuum, multi-mode smartphones are enjoying a rapid and widespread take-up. Today, mobile phone is not only a tool for voice communication but is also a portable device for data applications. The rapidly growing popularity of the multi-mode smartphones and the emergence of various software applications have led to the surge of data traffic with a tremendous impact on the existing mobile network which in turn drives the demand for wireless enhancement solutions. In addition to the basic requirements for quality coverage, such demand has also posed two new challenges, i.e. multi-mode application (GSM+TD-SCDMA+WLAN; GSM+WCDMA+WLAN; CDMA+WLAN, etc), and high-speed data streaming.

In order to accommodate the market demand, the Group introduced various new products such as the MDAS series in 2011 which enable multi-mode coverage as well as high-speed data transfer. These products are well received by the customers with sales increased rapidly. The Group believes that such products will continue to exert influence which in turn contributes to the Group's revenue.

During the Current Year, the Group successfully completed a number of milestone network optimization projects including Qingdao Jiaozhou Bay Bridge, Wuhan International Conference and Exhibition Center, Indoor Building Solution Project for Etisalat in Middle East, Costanera-center, the highest in South America etc. Going forward in 2012, the Group has more potential projects in the pipeline and will strive to provide a wider range of premium quality and differentiating offerings to its customers in order to deliver better results. The combination of leadership in innovative technology, end-to-end solutions, professional services and support gives Comba an unrivalled capability to support our customers, and the management is confident that the Group can maintain our leadership in the PRC wireless enhancement market in the future.

Antennas & Subsystems

The Group has been the market leader in the PRC for antennas and subsystems as well as one of the top antenna suppliers in the world to many of the major multinational mobile operators over the years. The Group has continuously expanded its product portfolio by adding various multi-mode, highly-efficient and, environmentally-friendly antennas to meet customer-specific requirements.

The Group expects that antennas and subsystems will continue to provide a stable revenue contribution as the mobile operators gradually replace the old-model antennas in order to maintain and enhance network quality. Moreover, the Group successfully implemented its strategy as a turnkey solution provider which in turn drives the demand for indoor antennas.

Globally, mobile operators are facing challenges in scarcity of physical space on cell sites and towers as they roll out new systems. Seeking to optimize site acquisition investments, operators are increasingly loading up new system equipment on existing sites resulting in a plethora of equipment such as base station antennas on cell sites and towers. As such, the Group has developed a series of co-siting solutions and that enables multiple system coverage on a single antenna, thereby reducing the overall footprint and maintenance costs for the operator. These solutions have gained market acceptance and the Group expects this to gain further traction in the future.

Wireless Transmission

In respect to Digital Microwave Systems ("DMS") business, DMS are deployed by mobile operators as a last mile mobile backhaul solution and increasingly becoming attractive with the growth of data demands on networks. Since network capacity, reliability and speed is dependent on mobile backhaul, DMS is an attractive alternative to wireline based backhaul solutions. During the Current Year, the Group continued to invest in the development of its DMS in terms of technology and form factor. In particular, the Group's IP-based solutions have seen good uptake in the market and is confident of continued growth in the future. The Group expects the growth in LTE and therefore associated increased backhaul requirements for the LTE small cell will act as a further driver of revenue growth of the DMS.

Even though DMS business has remained inactive in the Current Year as the Indian market continued to show no significant improvement, the management has diverted more efforts in promoting the DMS sales from India to several south-east Asian countries, and has realized significant progress during the Current Year. The Group will adhere to this strategy to expand revenue sources and to offset the negative impact from the Indian market.

In addition, in respect of satellite emergency communication, it has achieved rapid development and played a major role in major events and contingencies as strong emphasis has been laid upon disaster relief in the PRC in recent years. Under the State's policy of strengthening and innovating social management set forth in the outline of the national "Twelfth Five-Year Plan", the Central Government will fully enhance and optimize the public security system by making improvements on the mechanism of precaution and prevention as well as contingencies response system for accidents, disasters, public hygiene, food safety and social security. In the Prior Year, the Group successfully extended its product portfolio to satellite emergency communication system which provides strong and reliable communication for users in emergency occasions such as earthquake, flooding, fire, etc. The Group believes that such products will become a new driver for its future growth.

Services

The Group expects the contribution from services will continue to be our growth driver. The services provided by the Group include network design and optimization, 3G mobile network modification and upgrade, system installation and after-sales maintenance, etc. With increasing complexity of network systems, the ability to provide end-to-end and reliable services becomes an important factor considered by customers. Rather than pure cost-conscious, customers are more concerned about long-term benefits, product sophistication and reliability, services flexibility, and after-sales maintenance availability — areas in which the Group excels in.

Recognizing the raising importance of quality of service, the Group continues to expand its presence across the globe in a prudent manner. Currently, its sales and engineering team comprising over 6,000 engineers covers the PRC, some emerging markets, and several southeast Asian countries. Equipped with extensive expertise and industry experience, its professional team understands thoroughly the requirements of a wide range of customers, and is committed to delivering the best end-to-end service, unique value and the highest customer satisfaction.

Conclusion

The management remains optimistic about the long-term fundamentals of the Group. From the beginning of repeater vendor, Comba has successfully demonstrated to the market that its efforts to achieve innovation have made a series of remarkable breakthroughs. As a result, the Group has now become a leading player in the wireless enhancement market. This year is set to become another transformative year for the Group during which its business is extending to beyond wireless enhancement.

Innovative mobile device cannot unlock their true potential without a quality and reliable network. Network enhancement solutions are the keys to maintain a quality and reliable network. Comba has been displaying its strength in providing these keys and building the most trusted brand in the market, evidencing by its continuing market leadership over the years. Within its traditional business, the Group is adhering to its mission to provide superior solutions to our customers enabling them to solve their greatest challenges, which in turn will drive greater value for customers while solidifying its leadership position in the market. To develop new business, the Group is determined to make great leaps forward in exploring new areas of growth capitalizing on femtocell and other innovative solutions in accordance with its strategic and visionary planning. Aiming to reach new heights, the Group will allocate more human resources and a greater investment in R&D. The management is confident that the seeds the Group is sowing today will yield the fruit of greater success in the future.

The Group will never rest content with its leadership position in the PRC. Moving forward, the PRC market will continue to be the Group's major focus, whereas, the Group will make strides towards securing a foothold overseas by capitalizing on its long-term partnerships with successful mobile operators. Currently, the Group has already established its presence in the Americas, Asia, and Europe, and will further extend its reach whenever appropriate opportunities arise.

All in all, the Group is firmly committed to delivering long-term value to its customers, business partners, shareholders, employees, and the society with the target "Staying Ahead Through Innovation In Technology, Pursuing Excellence Through Effective Management".

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances for its operations from cashflow generated internally and bank borrowings. As at 31 December 2011, the Group had net current assets of HK$3,326,710,000. Current assets comprised inventories of HK$2,421,044,000, trade receivables of HK$4,268,084,000, notes receivable of HK$68,472,000, prepayments, deposits and other receivables of HK$450,810,000, restricted bank deposits of HK$79,813,000 and cash and cash equivalents of HK$1,114,412,000. Current liabilities comprised trade and bills payables of HK$2,981,163,000, other payables and accruals of HK$1,186,559,000, derivative financial instrument of HK$698,000, interest-bearing bank borrowings of HK$719,272,000, tax payable of HK$119,001,000 and provisions for product warranties of HK$69,232,000.

The average receivable turnover for the Current Year was 209 days compared to 176 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 233 days compared to 221 days for the Prior Year. The average inventory turnover for the Current Year was 188 days compared to 187 days for the Prior Year.

As at 31 December 2011, 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$ and HK$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, on 5 July 2010, the Group had entered into a three-year term loan facility agreement (the "Facility Agreement"), amounted to US$130,000,000, 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 2011, the Group had fully utilized the facility of US$130,000,000 and repaid US$26,000,000.

As at 31 December 2011, the Group held an interest rate swap contract designated as hedges in respect of expected interest payments for the above-mentioned US$ 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 11.7% as at 31 December 2011 (31 December 2010: 8.2%).

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the "Business and Financial Review" under the heading "Gain on bargain purchase", the Group has not conducted any material acquisitions and disposals of subsidiaries and associated companies during the Current Year.

CHARGE ON ASSETS

Refer to the acquisition as disclosed in the "Business and Financial Review" under the heading "Gain on bargain purchase", the newly acquired subsidiary has pledged its own property for a bank facility up to approximately HK$97,500,000 prior to the completion of the acquisition. As at 31 December 2011, the aforesaid charge has been discharged. Save as disclosed herein, there was no other charge on the Group's assets (31 December 2010: Nil).

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had contingent liabilities of HK$93,776,000 (31 December 2010: HK$39,225,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had approximately 11,500 staff. The total staff costs for the Current Year were HK$1,149,136,000. 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, awarded shares 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

On 21 July 2011, the Board of the Company resolved to budget a sum of HK$20 million (the "Budgeted Sum") for the purchase of shares of the Company from the market under the share award scheme which adopted on 25 March 2011 (the "Scheme"). The trustee of the Scheme (the "Trustee") applied approximately HK$7,690,000 out of the Budgeted Sum to purchase an aggregate of 1,062,500 shares at the prevailing market price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period from 21 July 2011 to 22 July 2011 in accordance with the terms of the Scheme. Save as disclosed herein, neither the Company, nor any of its subsidiaries purchased, redeemed or sold on 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 (the "Corporate Governance Code") 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 2011 to the date of this annual results announcement, the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. Since 1 October 2011, Mr. Fok Tung Ling, chairman of the Board has ceased to be the president of the Company. Mr. Zhang Yue Jun has been re-designated as the vice chairman, president and executive director of the Company. It enabled the Company to comply with the corporate governance of separating the roles of chairman and chief executive officer under the Corporate Governance Code. It would enhance corporate governance and further boost investors' confidence in the Group, which were in the best interests of the Company and the shareholders as a whole. Save as disclosed above, the Company has fully complied with the Code Provisions.

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 the required standard as set out in the Model Code throughout the Current Year and up to the date of this annual 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 Company, 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 Company for the audited consolidated financial statements for the Current Year.

PUBLICATION OF ANNUAL REPORT

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 official website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.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

Hong Kong, 21 March 2012

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, Mr. YEUNG Pui Sang, Simon and Mr. ZHANG Yuan Jian; and the following independent non-executive Directors: Mr. YAO Yan, Mr. LAU Siu Ki, Kevin and Mr. LIU Cai.