COMBA TELECOM SYSTEMS HOLDINGS LIMITED
京信通信系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2342)

Interim results announcement
for the six months ended 30 June 2018

FINANCIAL HIGHLIGHTS

- Revenue decreased by 8.4% to HK$2,494 million
- Gross profit: HK$709 million
- Gross profit margin: 28.4%
- Profit attributable to shareholders: HK$21 million
- Basic earnings per share: HK0.86 cents (2017: HK3.85 cents)

RESULTS

The board of directors (the "Board" or the "Directors") of Comba Telecom Systems Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018, together with the comparative figures for the same period in 2017. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
REVENUE	5	**2,493,733**	2,721,948
Cost of sales		**(1,784,821)**	(1,952,116)
Gross profit		**708,912**	769,832
Other income and gains	5	**66,560**	55,756
Research and development costs		**(141,820)**	(120,800)
Selling and distribution expenses		**(254,031)**	(260,075)
Administrative expenses		**(305,565)**	(246,210)
Other expenses		**(20,785)**	(22,652)
Finance costs	7	**(29,299)**	(23,116)
Share of losses of:			
A joint venture		**–**	(916)
An associate		**–**	(811)
PROFIT BEFORE TAX	6	**23,972**	151,008
Income tax expense	8	**(16,417)**	(57,191)
PROFIT FOR THE PERIOD		**7,555**	93,817
Attributable to:			
Owners of the parent		**21,028**	94,205
Non-controlling interests		**(13,473)**	(388)
		7,555	93,817
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**HK0.86 cents**	HK3.85 cents
Diluted		**HK0.86 cents**	HK3.85 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	For the six months ended 30 June 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
PROFIT FOR THE PERIOD	**7,555**	93,817
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(77,760)**	129,058
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(77,760)**	129,058
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(77,760)**	129,058
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(70,205)**	222,875
Attributable to:		
Owners of the parent	**(52,555)**	221,434
Non-controlling interests	**(17,650)**	1,441
	(70,205)	222,875

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	**30 June 2018 (Unaudited)** *HK$'000*	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,031,690**	1,106,877
Prepaid land lease payments		**123,850**	126,935
Goodwill		**253,077**	253,077
Deferred tax assets		**126,479**	123,538
Intangible assets		**868,838**	848,418
Available-for-sale investments		**–**	19,247
Equity instruments at fair value through profit or loss		**31,899**	–
Restricted bank deposits		**116,922**	99,221
Other non-current asset		**9,250**	–
Total non-current assets		**2,562,005**	2,577,313
CURRENT ASSETS			
Inventories	*11*	**1,622,348**	1,360,255
Trade receivables	*12*	**4,531,488**	4,522,757
Notes receivable		**73,883**	85,447
Tax recoverable		**65,569**	48,693
Prepayments, deposits and other receivables		**965,203**	886,365
Restricted bank deposits		**166,608**	234,769
Cash and cash equivalents		**1,012,251**	1,176,129
Total current assets		**8,437,350**	8,314,415
CURRENT LIABILITIES			
Trade and bills payables	*13*	**3,684,522**	3,682,536
Other payables and accruals		**822,858**	1,063,016
Interest-bearing bank borrowings	*14*	**1,812,840**	1,088,489
Provisions for product warranties		**72,299**	69,838
Total current liabilities		**6,392,519**	5,903,879
NET CURRENT ASSETS		**2,044,831**	2,410,536
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,606,836**	4,987,849

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2018

	Note	**30 June 2018 (Unaudited)** *HK$'000*	31 December 2017 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*14*	**269,261**	493,891
Deferred tax liabilities		**163,391**	162,468
Total non-current liabilities		**432,652**	656,359
Net assets		**4,174,184**	4,331,490
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**241,937**	246,958
Treasury shares		**(22,818)**	(22,818)
Reserves		**3,407,536**	3,542,171
		3,626,655	3,766,311
Non-controlling interests		**547,529**	565,179
Total equity		**4,174,184**	4,331,490

NOTES

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The head office and principal place of business of the Company is located at 611 East Wing, No. 8 Science Park West Avenue, Hong Kong Science Park, Tai Po, Hong Kong.

During the period, the Group was principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment, the provision of related engineering services and the provision of telecommunication services and their value added services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the period.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28
Amendments to HKAS 40	*Transfers of investment property*

Other than as further explained below, the Directors do not anticipate that the application of the new and revised HKFRSs above will have a material effect on these interim condensed consolidated financial statements and the disclosure.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The standard introduces new requirements for classification and measurement and impairment. The Group adopted HKFRS 9 retrospectively with the initial application date of 1 January 2018 and the Group selected not to adjust the comparative information for the period beginning 1 January 2017. The impacts relate to the classification and measurement and the impairment requirements are summarized as follows:

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortized cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instrument's contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI" criterion).

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortized cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, amount due from joint ventures/associates and financial assets included in prepayments, deposits and other receivables.

– Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instruments were classified as available-for-sale investments.

– Financial assets at FVPL include quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. Under HKAS 39, the Group's quoted equity securities were classified as available-for-sale investments.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The statement of financial position as at 1 January 2018 was restated, resulting in increases in equity instruments at FVPL and retained earnings amounting to HK$171,000 and decreases in equity instruments at FVOCI and fair value reserve of equity instruments at FVOCI amounting to HK$7,240,000.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 3 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The statement of financial position as at 1 January 2018 was restated, resulting in decrease in trade receivables, other receivables and retained earnings amounting to HK$10,203,000, HK$6,347,000 and HK$16,550,000, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(a) Wireless telecommunications network system equipment

(b) Telecommunication services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax.

Period ended 30 June 2018	**Wireless telecommunications network system equipment** *HK$'000*	**Telecommunication services** *HK$'000*	**Total** *HK$'000*
Revenue	**2,393,289**	**100,444**	**2,493,733**
Profit/(loss) before tax	**50,818**	**(26,846)**	**23,972**
Segment assets	**9,770,003**	**1,525,315**	**11,295,318**
Elimination			**(295,963)**
Total assets			**10,999,355**
Segment liabilities	**6,807,318**	**313,816**	**7,121,134**
Elimination			**(295,963)**
Total liabilities			**6,825,171**

Period ended 30 June 2017	Wireless telecommunications network system equipment *HK$'000*
Revenue	2,721,948
Profit before tax	151,008
Total assets	9,353,408
Total liabilities	5,645,969

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Mainland China	**1,501,195**	2,218,686
Other countries/areas in Asia Pacific	**654,977**	246,522
Americas	**207,054**	140,960
European Union	**87,091**	91,930
Middle East	**40,092**	22,394
Other countries	**3,324**	1,456
	2,493,733	2,721,948

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Mainland China	**1,322,291**	1,268,606
Lao People's Democratic Republic	**1,212,398**	1,271,836
Other countries/regions	**27,316**	36,871
	2,562,005	2,577,313

Information about major customers

Revenue of approximately HK$681,214,000 (six months ended 30 June 2017: HK$670,341,000), HK$392,901,000 (six months ended 30 June 2017: HK$840,663,000) and HK$208,891,000 (six months ended 30 June 2017: HK$406,022,000) was derived from 3 major customers, which accounted for 27.3% (six months ended 30 June 2017: 24.6%), 15.8% (six months ended 30 June 2017: 30.9%) and 8.4% (six months ended 30 June 2017: 14.9%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered during the period, net of value-added tax (the "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:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**2,348,238**	2,688,155
Maintenance services	**45,051**	33,793
Provision of telecommunication services	**100,444**	–
	2,493,733	2,721,948
Other income and gains		
Bank interest income	**4,891**	4,510
Government subsidies#	**25,239**	22,766
VAT refunds*	**3,666**	11,451
Gain on bargain purchase	**–**	7,342
Gain on disposal of items of property, plant and equipment	**75**	458
Gross rental income	**9,338**	2,684
Gain on equity instruments at fair value through profit or loss	**20,661**	–
Others	**2,690**	6,545
	66,560	55,756

The government subsidies represent various cash payments and subsidies provided by the government authorities to the Group as encouragement to its technological innovation, intellectual property and investment of research and development. There are no unfulfilled conditions or contingencies relating to these subsidies.

* During the periods ended 30 June 2017 and 2018, Comba Software Technology (Guangzhou) Limited ("Comba Software"), being designated as a software enterprise, was 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.

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**1,682,183**	1,855,415
Depreciation	**88,160**	31,341
Recognition of prepaid land lease payments	**1,455**	1,417
Amortization of computer software, technology and operating license	**17,718**	1,881
Research and development costs:		
Deferred expenditure amortized^	**42,561**	43,007
Current period expenditure	**141,820**	120,800
	184,381	163,807
Minimum lease payments under operating leases	**33,999**	23,207
Employee benefit expense (including directors' remuneration):		
Salaries and wages	**440,390**	380,156
Staff welfare expenses	**40,846**	34,757
Equity-settled share option expense	**7,592**	10,585
Pension scheme contributions (defined contribution scheme)#	**43,812**	42,603
	532,640	468,101
Gain on bargain purchase	**–**	(7,342)
Loss on remeasurement of the previously held interest in an associate	**–**	20,112
Exchange loss, net*	**14,138**	3,471
Provision for product warranties^	**10,058**	20,153
Write-down of inventories to net realizable value^	**1,431**	30,309
Impairment of trade receivables	**3,912**	–
Impairment of other receivables	**230**	–
Gain on disposal of items of property, plant and equipment	**(75)**	(458)
Gain on equity instruments at fair value through profit or loss	**(20,661)**	–

^ The amortization of deferred development costs, provision for product warranties and write-down of inventories to net realizable value for the period were included in "Cost of sales" in the condensed consolidated statement of profit or loss.

At 30 June 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2017: Nil).

* Exchange loss for the period was included in "Administrative expenses" in the condensed consolidated statement of profit or loss.

7. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**29,299**	23,116

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – charge for the period		
Hong Kong	**693**	2,284
Mainland China	**3,801**	25,238
Elsewhere	**15,622**	5,257
Deferred	**(3,699)**	24,412
Total tax charge for the period	**16,417**	57,191

Under the relevant income tax law, the subsidiaries in Mainland China are subject to corporate income tax at a statutory rate of 25% on their respective taxable income during the period.

Comba Telecom Technology (Guangzhou) Limited, Comba Telecom Systems (China) Limited and Comba Software were entitled to the preferential tax rate of 15% for the period ended 30 June 2018 based on the designation as High-New Technology Enterprises by the Guangdong Provincial Department of Science and Technology which remained effective for the period ended 30 June 2018.

9. DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final – Nil (2016: HK0.8 cents) per ordinary share	**–**	19,692
Interim – Nil (six months ended 30 June 2017: Nil) per ordinary share	**–**	–

No dividend per ordinary share was declared in respect of the year ended 31 December 2017 (six months ended 30 June 2017: a final dividend of HK0.8 cents per ordinary share was declared and paid for the year ended 31 December 2016) to shareholders during 1 January 2018 to 30 June 2018 (the "Current Period").

The Directors recommended that not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,452,934,000 (six months ended 30 June 2017: 2,444,616,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, 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.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2018 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**21,028**	94,205

	Number of shares For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**2,452,934,000**	2,444,616,000

11. INVENTORIES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Raw materials	**311,949**	283,378
Project materials	**163,406**	92,956
Work in progress	**77,745**	93,350
Finished goods	**639,186**	473,768
Inventories on site	**430,062**	416,803
	1,622,348	1,360,255

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain overseas customers which are granted with a longer credit term. Credit term is extendable to over 1 year depending on the credit worthiness of customers. The balances also include retention money of approximately 10% to 20% of the total contract sum of each project, and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years 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 minimize the credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances.

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 3 months	**1,639,371**	1,916,966
4 to 6 months	**191,452**	293,207
7 to 12 months	**997,171**	802,015
More than 1 year	**1,874,638**	1,672,950
	4,702,632	4,685,138
Provision for impairment	**(171,144)**	(162,381)
	4,531,488	4,522,757

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Neither past due nor impaired	**1,933,206**	2,994,778
Less than 1 year past due	**764,204**	736,849
1 to 2 years past due	**250,126**	228,726
More than 2 years past due	**468,868**	532,754
	3,416,404	4,493,107

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.

13. 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:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 3 months	**1,630,956**	1,913,780
4 to 6 months	**780,740**	564,563
7 to 12 months	**634,021**	599,709
More than 1 year	**638,805**	604,484
	3,684,522	3,682,536

The trade payables are non-interest-bearing and are normally settled within a period of 3 months and are extendable to a longer period.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Analyzed into:		
Within 1 year	**1,812,840**	1,088,489
In the 2nd to 3rd years, inclusive	**269,261**	493,891
	2,082,101	1,582,380

As at 30 June 2018, loans denominated in Hong Kong dollars, RMB and EURO amounted to HK$1,646,103,000 (31 December 2017: HK$1,239,228,000), HK$435,593,000 (31 December 2017: HK$343,152,000) and HK$405,000 (31 December 2017: Nil), respectively.

The Company and three of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited and Comba Telecom Limited, were parties to the bank loans acting as guarantors, to guarantee punctual performance of the obligations under the loan facilities.

Bank loans as at 30 June 2018 bear interest at rates ranging from 1.3% to 5.0% (31 December 2017: from 2.1% to 5.0%) per annum.

15. EVENT AFTER THE REPORTING PERIOD

No significant events occurred after the end of the reporting period and up to the date of approval of the financial statements.

BUSINESS AND FINANCIAL REVIEW

In the first half of 2018, global economy maintained a mild increase but the momentum has weakened. Subject to various uncertainties including trade conflict and monetary policies, the growth of China's economy slowed down. The fact that leading telecommunications operators in China delayed their investment in network construction to some extent had a negative impact on the development of telecommunications industry. However, with the explosive growth of per capita mobile data traffic in China, the promotion of accelerating information infrastructure investment at the national policy level, and the approaching of 5G network, the scale of investment in the communications industry will be gradually increased and the development of the communications industry will be gradually promoted.

REVENUE

The Group reported revenue of HK$2,493,733,000 (2017: HK$2,721,948,000) in the Current Period, representing a decline of 8.4% compared to the six months ended 30 June 2017 (the "Prior Period"). The decrease was mainly because the leading mobile network operators in mainland China reduced their capital expenditure in developing 4G network and delayed their investment in network construction.

By Customers

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") increased by 1.6% over the Prior Period to HK$681,214,000 (2017: HK$670,341,000), accounting for 27.3% of the Group's revenue in the Current Period, compared to 24.6% in the Prior Period.

Revenue generated from China United Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Unicom Group") decreased by 48.6% over the Prior Period to HK$208,891,000 (2017: HK$406,022,000), accounting for 8.4% of the Group's revenue in the Current Period, compared to 14.9% in the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") decreased by 53.3% over the Prior Period to HK$392,901,000 (2017: HK$840,663,000), accounting for 15.8% of the Group's revenue in the Current Period, compared to 30.9% in the Prior Period.

Revenue generated from other customers, mainly including China Tower Corporation Limited ("China Tower") and specialized government and enterprise network customers, decreased by 1.5% over the Prior Period to HK$164,965,000 (2017: HK$167,543,000) and represented 6.6% (2017: 6.2%) of the Group's revenue in the Current Period. The Group will continue to develop new products for China Tower to create new growth driver. In the meantime, as the demand for wireless solutions from the specialized government and enterprise network continues to increase, the management is confident of the future benefits brought by the specialized government and enterprise network customers.

On the international front, revenue generated from international customers and core equipment manufacturers increased significantly by 48.3% over the Prior Period to HK$945,318,000 (2017: HK$637,379,000), accounting for 37.9% of the Group's revenue in the Current Period, compared to 23.4% in the Prior Period. Benefiting from the deepening strategic cooperation with international leading operators and core equipment manufacturers, the international business has made great breakthroughs in important regions and the performance has been greatly improved.

Revenue generated from Small and medium operator-ETL Company Limited ("ETL") of Laos was HK$100,444,000, accounting for 4.0% of the Group's revenue in the Current Period. Among which, the EBITDA from ETL was HK$32,346,000. The Group will actively boost all kinds of work to realize the improvement in its financial performance as soon as possible.

By Businesses

During the Current Period, revenue generated from the antennas and subsystems business increased by 7.5% over the Prior Period to HK$1,331,931,000 (2017: HK$1,239,508,000), accounting for 53.4% (2017: 45.5%) of the Group's revenue in the Current Period. The increase in revenue was mainly due to the launch of new products and the expansion of international business.

During the Current Period, revenue generated from the network system business (including wireless enhancement and wireless access) decreased by 36.2% over the Prior Period to HK$410,720,000 (2017: HK$643,789,000), accounting for 16.5% (2017: 23.7%) of the Group's revenue in the Current Period. Among which, revenue generated from the wireless enhancement business decreased by 34.0% over the Prior Period to HK$342,811,000 (2017: HK$519,180,000), revenue generated from the wireless access business decreased by 45.5% over the Prior Period to HK$67,909,000 (2017: HK$124,609,000). The decline was mainly due to delays in network construction projects by major operators in mainland China. In view of the rising mobile data traffic consumption, the management expects the scale of the network system business to be further expanded in the future.

During the Current Period, revenue from services decreased by 22.4% over the Prior Period to HK$575,028,000 (2017: HK$740,802,000), accounting for 23.1% (2017: 27.2%) of the Group's revenue. The decline was mainly due to the slowdown in infrastructure spending and the delays in some network system business projects in mainland China. The group will leverage its advantages to tap into the enterprise segment so as to secure new customers.

During the Current Period, revenue from other business (including wireless transmission and specialized enterprise network) decreased by 22.7% over the Prior Period to HK$75,610,000 (2017: HK$97,849,000), accounting for 3.0% (2017: 3.6%) of the Group's revenue. Among which, revenue from wireless transmission decreased 33.3%, mainly due to the shrinking of the traditional microwave business. Meanwhile, revenue from specialized enterprise network increased significantly by 40.6% over the Prior Period to HK$19,604,000 (2017: HK$13,941,000) which was mainly due to the further expansion and development of the Company's railway communications business.

GROSS PROFIT

During the Current Period, the Group's gross profit decreased by 7.9% over the Prior Period to HK$708,912,000 (2017: HK$769,832,000). The Group's gross profit margin was 28.4% in the Current Period (2017: 28.3%), a slight increase compared to the Prior Period. Despite of the saturation of 4G products, the Group has proactively developed new products and optimized production systems so as to improve gross profit margin of its products.

The Group will continue to launch new products and solutions, enhance the level of automated and intelligent production to further improve competitiveness and gross profit margin.

RESEARCH AND DEVELOPMENT ("R&D") COSTS

During the Current Period, R&D costs increased by 17.4% over the Prior Period to HK$141,820,000 (2017: HK$120,800,000), accounting for 5.7% (2017: 4.4%) of the Group's revenue. In order to keep pace with the rapid update and upgrade of mobile network, the Group has been committed to developing 5G technology and application to keep abreast of industry-leading technologies.

Through its strong commitment to R&D, the Group has realized significant achievements in creating its own solutions with proprietary intellectual property and has applied for more than 3,200 patents as at the end of the Current Period (As at 31 December 2017: approximately 2,900 patents).

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Period, S&D expenses decreased by 2.3% over the Prior Period to HK$254,031,000 (2017: HK$260,075,000), accounting for 10.2% (2017: 9.6%) of the Group's revenue. The decrease in S&D expenses was mainly due to decreased revenue and the implementation of cost control plan by the Group to further enhance its operating efficiency.

ADMINISTRATIVE EXPENSES

During the Current Period, administrative expenses increased by 24.1% over the Prior Period to HK$305,565,000 (2017: HK$246,210,000), accounting for 12.3% (2017: 9.0%) of the Group's revenue. The increase in administrative expenses was mainly due to the currency exchange loss and the newly-added operating expense from ETL.

FINANCE COSTS

During the Current Period, finance costs increased by 26.7% over the Prior Period to HK$29,299,000 (2017: HK$23,116,000), accounting for 1.2% (2017: 0.8%) of the Group's revenue. The increase in finance costs was mainly due to more bank borrowings and higher interest rates.

The management has constantly exercised prudence in managing credit risk and the level of bank borrowings as well as improving cash flow. To cope with the business growth, the management has closely monitored the latest developments of the financing market and has arranged the most appropriate financing for the Group.

In addition, the management has utilized the advantages of interest and foreign exchange rate differentiation among different countries in order to minimize finance costs. As of 30 June 2018, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a level of 18.9% compared with 14.5% as of 31 December 2017.

OPERATING PROFIT

During the Current Period, the operating profit of the Group decreased by 69.7% over the Prior Period to HK$53,271,000 (2017: HK$175,851,000). The decrease in operating profit was mainly due to the decline of revenue, operating loss from ETL and more expenses incurred in the Current Period.

TAX

During the Current Period, the Group's overall taxation charge of HK$16,417,000 (2017: HK$57,191,000) comprised an income tax expense of HK$20,116,000 (2017: HK$32,779,000) and a deferred tax credit of HK$3,699,000 (2017: deferred tax charge of HK$24,412,000). The decrease in overall taxation charge was mainly due to the decrease in operating profit of the Group.

Details of reduced tax rates enjoyed by major operating subsidiaries are set out in note 8 above.

NET PROFIT

During the Current Period, with the decline of revenue and the increase of total expenses, profit attributable to owners of the parent of the Group ("Net Profit") was HK$21,028,000 (2017: HK$94,205,000), representing a decrease of 77.7% compared to the Prior Period.

DIVIDEND

In view of the Group's operating results in the first half of 2018 and its long-term future development and flexible financial position, the Board does not recommend the payment of 2018 interim dividend (2017: Nil).

PROSPECTS

The escalating international trade friction poses a significant challenge to the recovery of global economy and also adds some uncertainties to the growth of China's economy, it's extremely urgent to transform the driving force of economic development and boost the innovation of technology and industry. During the Current Period, with increasing network terminals and high data traffic consumption, the network utilization rate of telecommunications operators rose significantly. As a result, network capacity expansion and optimization, together with construction of Internet-of-things ("IoT"), becomes the major tasks before the large-scale commercial 5G launch. Meanwhile, the 3GPP, an international organization for standardization, approved and froze the specifications for the "standalone" (SA) networking of 5G in the Current Period, representing the first global 5G standards was formally launched in the full true sense. Rising demand for networks, strong support from the government policies and evolving telecommunications technology promote the development of the industry. Therefore, during the transitional period, the Group will continue to closely monitor market changes, improve innovation capability and capture business opportunities in the industry.

NETWORK BUSINESS FOR OPERATORS

1. Antenna and base station subsystems

As a global leading enterprise in the antenna market, the Group has been named as a global Tier 1 Supplier for seven consecutive years since 2011 by EJL Wireless Research, an industry analyst firm, given its cutting-edge antenna technology for years. Meanwhile, the Group has been widely recognized by domestic and overseas operators for its advanced technology of miniaturized multi-system multi-mode shared base station antenna. Currently, the Group is a contracted antenna supplier of 9 out of top 12 mobile operators in the world and has been ranked as one of the top two base station antennas supplier since 2013.

"Innovation is the fundamental principle for the development of an enterprise". During the Current Period, the Group put great efforts in promoting the large-scale commercial use of the state-of-the-art TDD/FDD hybrid system antenna, the FDD ultra-multi ports multi-system shared antenna, the advance MIMO antenna, the RRU-integrated active antenna and the tailor-made antennas in terms of different scenarios such as the low frequency re-farming, high-speed railway coverage and dense coverage in urban areas. Meanwhile, the Group also launched the 5G Massive MIMO antenna which has been put in scale trial commercial operation.

The official release of SA networking scheme of 5G technology represents a milestone for the commercial launch of 5G. The antenna deployment of 5G will face more new challenges due to high frequency band, difficult site selection and limited location spaces. Accordingly, the Group will continue to focus on the innovation of antenna technology and strengthen its cooperation with operators, core equipment manufacturers and academic institutions to develop new technology so as to be well positioned for the commercial 5G launch and ultimately to provide products with more cost-efficiency to its customers and further consolidate its leading position in the industry.

2. Network product system solutions

The group has been a leader in network system solutions in China for many years and has been committed to the R&D and technology innovation of indoor coverage network products and launched many solutions to network product system which can not only meet the multi-service in-depth coverage requirements of residential areas and in-building scenarios, but also significantly reduce cost of construction. According to statistics from the Ministry of Industry and Information Technology of the People's Republic of China, the per capita mobile Internet access traffic data (DOU) amounted to 4.24 GB in China in June 2018, increasing by 172.8% as compared with the corresponding period last year, which is expected to explode continuously. In response to the huge challenge of capacity surge, the Group launched the innovative digital cell coverage Solutions (iCell) for small-to-medium scenarios which can effectively satisfy the in-depth coverage needs in 4G times and realize the technology upgrade to 4.5G/5G.

In the age of 5G, a large number of new business models will be introduced. In order to solve the problem of poor coverage of high frequency signals and improve users' perception of new business, network capacity must be greatly improved. Therefore, the innovative digital indoor distribution coverage network solution represented by small cell products launched by our group will face a very good development opportunity.

Meanwhile, a large number of hot spots or industrial applications will be generated as the roll-out of 5G trial network. 5G will not only meet the "human needs" in depth, but also the "connection of things". 5G will bring the comprehensive reconstruction of network architecture. The Group has been intensifying its R&D efforts in 5G indoor distributed coverage technology, such as Software-Defined Networking (SDN), Mobile Edge Computing (MEC), Network Functions Virtualization (NFV) and Open Radio Access Network (ORAN), to provide its end-customers with a variety of quality broadband, high density network and sound user experience. Underpinned by its competitive edge in indoor distributed coverage sector and sustained innovation capability, we believe the Group is able to extend its technological advantages to 5G and bring new opportunities for its business expansion.

SPECIALIZED GOVERNMENT & ENTERPRISE NETWORK CONSTRUCTION AND RAILWAY COMMUNICATIONS MARKET

The global specialized network communication begins to step into an era of intelligent specialized networks, it is anticipated that the growth rate of market size of the specialized network communications industry in China will be about 15% in the coming five years, while such growth rate will be about 10% globally. By 2023, the global market size is expected to exceed RMB190 billion, which bodes a promising prospect for the industry.

With the implementation of 2017 investment plan for fixed assets nationwide in mainland China, governments put intensified efforts into infrastructure construction. Therefore, the achievements to be made in intercity railway construction and urban rail transit construction are anticipated to be well above expectation. According to the China Association of Urban Rail Transit, operational interconnection shall be taken into consideration in the phrase of network planning for construction in progress. In this regard, the networked urban rail transit will turn out to be more intelligent, while the interconnected and fully automated operation system (CBTC) will domain the development of urban rail transit in the future.

Riding on our long-term accumulated experience in railway communications industry for many years, the Group won the tender for the Communications Integrated General Contract project of Chengdu Metro Line 17 Phase I and Line 18 Phase I & II in July, following the successful tender of Chengdu Metro Line 8 Phase I Communications Integrated General Contract Project at the end of last year. Moreover, the Group has established strategic cooperation with several enterprises to form an efficient and reusable smart rail systematic solution. The Group will continue to consolidate its leading position in railway communication industry and steer the development of the booming information-based railway communications industry.

OTHER NEW BUSINESSES

With the continuous development of the new generation of information technology, big data, industrial Internet, artificial intelligence and other new technologies, the characteristics of the digital intelligent development of the manufacturing industry are increasingly emerging. Intelligent manufacturing is the development trend of the global manufacturing industry, and the social consensus to promote intelligent manufacturing has been gradually formed.

The Group has formulated various industrial-leading solutions including flexible and automated assembly line, operation and production visualization, visual inspection, automated testing and automated packaging by proactively seizing the development opportunity generating from industrial upgrade and relying on its experience in data collection, industrial network, industrial gateway and edge computing. Meanwhile, adhering to the principles of "mutual support of advantages and joint development", the Group will strengthen its cooperation with the enterprises in vertical industries to facilitate the transformation and upgrade of digitalization and intelligentization among enterprises, create an industrial interconnecting big data platform and advance the realization of intelligentized factory, intelligentized workshop and intelligentized equipment for manufacturing enterprises, thus contributing to enhanced efficiency and cost reduction.

INTERNATIONAL BUSINESS

During the Current Period, the trend of economic growth was differentiated under the influence of global trade friction, the Federal Reserve's continuous rate hike, high debt level in emerging market countries and other uncertainties. A robust growth was witnessed in developed economies such as the America and the Europe, and a marked improvement of economic growth was seen in BRICS such as India, Brazil and etc., representing a turnaround from recession to sound growth.

During the Current Period, we have embraced new development opportunity in terms of customers and products and the international business has continued to maintain rapid growth due to economic growth of certain economies around the world and the Group is actively seeking business opportunities for its international marketing platform and strengthening strategic cooperation with leading international equipment manufacturers. For example, the Group signed a base station antenna agreement with Ooredoo Group in the Middle East, thus becoming its preferred base station antenna supplier, delivered seamless wireless coverage for the underground extension of the Bangkok Metro's Blue Line, deployed in-building wireless solutions for The Dubai Frame, a newly built landmark in Dubai and provided wireless solutions for a premium large residential and commercial development in Philippines. These projects demonstrate the Group's extensive experience in expanding international market, as well as its advanced technology in providing wireless solutions.

In the meantime, in order to seize the initiative, major operators around the world began to initiate the deployment of 5G network. The Group will continue to strengthen its strategic partnership with the leading global operators and major equipment manufacturers, and develop and offer support for 5G products to meet the demand of such applications as big bandwidth, low latency and massive access in the 5G era, and enhance its competitiveness in the international market.

SMALL AND MEDIUM OPERATOR – ETL

The Group tapped into the small and medium operator business in the second half of last year. As an integral part of China's "going abroad" strategy, communications industry is comparable to the construction of road infrastructure in terms of importance. The economic development in Laos is in line with forecast with the support of China and its surrounding countries. It is anticipated that an economic growth of 6.7% would be witnessed in the first half of 2018. In addition, the China-Laos Railway is under construction, the vigorous promotion of the "One Belt One Road" initiative in China and the establishment of the China-ASEAN Free Trade Area will lay a solid foundation for the trading relationship between China and Laos. Being one of the countries in South Eastern Asia that experiences the highest growth rate in telecommunications subscribers and the lowest telephone density, Laos is politically stable with rising growth trend at a stable pace seen in overall micro economy, and also offers taxation and system preferential policies for foreign investors, all of which has provided a favorable development environment and convenient access for the Group to carry out its telecommunications business in the region.

As a leader in communications and information solutions for many years, the Group began to tap into the new business of small operators through ETL, thereby achieving its synergistic effect with ETL and facilitating the expansion of the Company's business scale.

CONCLUSION

During the Current Period, the business environment of communications industry is challenging amid the increasing uncertainties in the global economy. With rapid growth in network demand from users, quickly evolving communication technology and tremendous government policies support, the innovative 5G technology path is emerging and the full commercial use for 5G by 2020 is approaching. The Group will continue to adhere to its customer-centered core value of "Creating Ideal Value for Customers," and continue to explore market opportunities. The Group will also step up its efforts to the research and development of 5G in order to steer the development direction of 5G era, and be committed to the innovation of new technologies and products in order to better greet the 5G era.

Lastly, the Board would like to take this opportunity to express its heartfelt thanks to all staff for their efforts and contributions to the Group. We also wish to thank our customers, suppliers, shareholders and business partners for their continuous support. The Group will step up its efforts to seize technological, product and market advantages, develop clearly new strategies, enhance operational efficiency and concentrate on operating profits to maximize its enterprise value.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 30 June 2018, the Group had net current assets of HK$2,044,831,000. Current assets comprised inventories of HK$1,622,348,000, trade receivables of HK$4,531,488,000, notes receivable of HK$73,883,000, tax recoverable of HK$65,569,000, prepayments, deposits and other receivables of HK$965,203,000, restricted bank deposits of HK$166,608,000, and cash and cash equivalents of HK$1,012,251,000. Current liabilities comprised trade and bills payables of HK$3,684,522,000, other payables and accruals of HK$822,858,000, interest-bearing bank borrowings of HK$1,812,840,000 and provisions for product warranties of HK$72,299,000.

The average receivable turnover for the Current Period was 331 days compared to 279 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain overseas customers which are granted with a longer credit term. Credit term is extendable up to over 1 year depending on the credit worthiness of customers. The balances also include retention money of approximately 10% to 20% of the total contract sum of each project, and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Period was 377 days compared to 284 days for the Prior Period. The average inventory turnover for the Current Period was 152 days compared to 127 days for the Prior Period.

As at 30 June 2018, the Group's cash and bank balances were mainly denominated in RMB, HK$ and US$ while the Group's bank borrowings were mainly denominated in RMB and HK$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group had entered into a few term loan facility agreements with certain financial institutions. Details of bank borrowings are set out in note 14 above.

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK$ and US$. In view of the anticipation of a period of volatility in RMB, the Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any arrangement as and when appropriate for hedging corresponding risks. As at 30 June 2018, the Group has not engaged in hedging activities for managing RMB exchange rate risk.

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 18.9% as at 30 June 2018 (31 December 2017: 14.5%).

MATERIAL ACQUISITIONS AND DISPOSALS

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

RESTRICTED BANK DEPOSITS

Deposit balances of HK$283,530,000 (31 December 2017: HK$333,990,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had contingent liabilities of HK$298,015,000 (31 December 2017: HK$302,276,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 7,600 staff, out of which 1,400 staff from ETL (31 December 2017: 7,900 staff, out of which 1,400 staff from ETL). The total staff costs, excluding capitalized development cost, for the Current Period were HK$532,640,000 (31 December 2017: HK$1,061,458,000). 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 employees based on the employees' performance, the Group's results, and in accordance with the share option scheme and the share award scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staff in Hong Kong, the Mainland China or elsewhere in accordance with relevant legal requirements. The Group also provides training to the staff to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

An employees incentive scheme is adopted by a subsidiary of the Company for the purpose of recognizing the contributions of its certain employees and persons.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Current Period, the Company repurchased a total of 50,752,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for an aggregate amount of HK$71,410,000 before expenses. The repurchased shares were subsequently cancelled. The Board considered that the repurchases were effected for the benefit of the Company and its shareholders as a whole to enhance the earnings per share of the Company and create value for the shareholders of the Company. Details of the share repurchases during the Current Period are as follows:

Month	Number of shares repurchased	Purchase price per share Highest *HK$*	 Lowest *HK$*	Aggregate amount paid (before expenses) *HK$*
May 2018	50,752,000	1.53	1.14	71,410,000

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board reviewed daily governance of the Company from time to time in accordance with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considered that, during the Current Period, the Company has complied with all 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 of the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions during the Current Period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), together with the management, have reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, risk management and internal control and financial reporting, including the review of the unaudited condensed consolidated interim financial statements for the Current Period. The Audit Committee has given its consent to the accounting principles, standards and practices adopted by the Company for the unaudited condensed consolidated interim financial statements for the Current Period and has not given any disagreement.

PUBLICATION OF INTERIM REPORT

2018 Interim Report containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.comba-telecom.com) in due course.

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

Hong Kong, 22 August 2018

As at the date of this announcement, the Board comprises the following executive directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. CHANG Fei Fu, Mr. ZHANG Yuan Jian, Mr. BU Binlong and Mr. WU Tielong; and the following independent non-executive directors: Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong and Mr. QIAN Ting Shuo.