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 2017

FINANCIAL HIGHLIGHTS

- Revenue decrease by 6.6% to HK$5,564 million
- Gross profit: HK$1,437 million
- Gross profit margin: 25.8%
- Profit attributable to shareholders: HK$27 million
- Net cash flows from operating activities: HK$322 million

RESULTS

The board (the "Board") of directors (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 2017, together with the comparative figures for the same period in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	3	**5,563,725**	5,954,328
Cost of sales		**(4,126,697)**	(4,225,937)
Gross profit		**1,437,028**	1,728,391
Other income and gains	3	**123,027**	173,689
Research and development costs	4	**(331,328)**	(227,608)
Selling and distribution expenses		**(510,499)**	(544,071)
Administrative expenses		**(575,677)**	(709,647)
Other expenses		**(41,456)**	(119,126)
Finance costs	5	**(47,861)**	(47,040)
Share of losses of:			
A joint venture		**(935)**	(139)
An associate		**(1,481)**	(2,332)
PROFIT BEFORE TAX	4	**50,818**	252,117
Income tax expense	6	**(29,185)**	(99,726)
PROFIT FOR THE YEAR		**21,633**	152,391
Attributable to:			
Owners of the parent		**27,373**	152,257
Non-controlling interests		**(5,740)**	134
		21,633	152,391
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK1.12 cents**	HK6.23 cents
Diluted		**HK1.12 cents**	HK6.23 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
PROFIT FOR THE YEAR	**21,633**	152,391
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**288,054**	(312,870)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**288,054**	(312,870)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**288,054**	(312,870)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**309,687**	(160,479)
Attributable to:		
Owners of the parent	**320,012**	(156,685)
Non-controlling interests	**(10,325)**	(3,794)
	309,687	(160,479)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,106,877**	537,970
Prepaid land lease payments		**126,935**	121,264
Goodwill		**253,077**	28,571
Deferred tax assets		**123,538**	109,409
Intangible assets		**848,418**	209,259
Investment in a joint venture		**–**	5,575
Investment in an associate		**–**	21,683
Available-for-sale investments		**19,247**	7,241
Prepayments		**–**	397,636
Restricted bank deposits		**99,221**	29,168
Total non-current assets		**2,577,313**	1,467,776
CURRENT ASSETS			
Inventories	*9*	**1,360,255**	1,357,700
Trade receivables	*10*	**4,522,757**	3,842,680
Notes receivable		**85,447**	46,919
Prepayments, deposits and other receivables		**886,365**	641,440
Tax recoverable		**48,693**	–
Restricted bank deposits		**234,769**	178,230
Cash and cash equivalents		**1,176,129**	1,420,214
Total current assets		**8,314,415**	7,487,183
CURRENT LIABILITIES			
Trade and bills payables	*11*	**3,682,536**	2,893,459
Other payables and accruals		**1,063,016**	1,105,620
Interest-bearing bank borrowings	*12*	**1,088,489**	693,660
Tax payable		**–**	11,159
Provisions for product warranties		**69,838**	70,571
Total current liabilities		**5,903,879**	4,774,469
NET CURRENT ASSETS		**2,410,536**	2,712,714
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,987,849**	4,180,490
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*12*	**493,891**	673,152
Deferred tax liabilities		**162,468**	14,189
Total non-current liabilities		**656,359**	687,341
Net assets		**4,331,490**	3,493,149

	2017	2016
	HK$'000	*HK$'000*
Net assets	**4,331,490**	3,493,149
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**246,958**	246,106
Treasury shares	**(22,818)**	(22,818)
Reserves	**3,542,171**	3,214,399
	3,766,311	3,437,687
Non-controlling interests	**565,179**	55,462
Total equity	**4,331,490**	3,493,149

NOTES

31 December 2017

1.1 CORPORATE AND GROUP 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 year, 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.

1.2 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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 derecognizes (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 recognizes (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 recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

1.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

2. 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.

Year ended 31 December 2017	**Wireless telecommunications network system equipment**	**Telecommunication services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	5,470,700	93,025	5,563,725
Profit/(loss) before tax	73,985	(23,167)	50,818
Segment assets	9,625,966	1,552,850	11,178,816
Elimination			(287,088)
Total assets			10,891,728
Segment liabilities	6,535,933	311,393	6,847,326
Elimination			(287,088)
Total liabilities			6,560,238

Year ended 31 December 2016	**Wireless telecommunications network system equipment**
	HK$'000
Revenue	5,954,328
Profit before tax	252,117
Total assets	8,954,959
Total liabilities	5,461,810

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**4,376,466**	5,031,822
Other countries/areas in Asia Pacific	**645,581**	432,775
Americas	**315,260**	263,651
European Union	**170,007**	186,702
Middle East	**49,856**	35,481
Other countries	**6,555**	3,897
	5,563,725	5,954,328

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

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**1,268,606**	1,436,253
Lao People's Democratic Republic	**1,271,836**	–
Other countries/regions	**36,871**	31,523
	2,577,313	1,467,776

Information about major customers

Revenue of approximately HK$1,662,626,000 (2016: HK$1,756,149,000), HK$1,287,415,000 (2016: HK$1,178,199,000) and HK$820,260,000 (2016: HK$1,536,667,000) was derived from 3 major customers, which accounted for 29.9% (2016: 29.5%), 23.1% (2016: 19.8%) and 14.7% (2016: 25.8%) of the total revenue of the Group, respectively.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered during the year, 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:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**5,383,189**	5,726,945
Maintenance services	**87,511**	227,383
Provision of telecommunication services	**93,025**	–
	5,563,725	5,954,328
Other income and gains		
Bank interest income	**11,691**	7,921
Exchange gain, net	**–**	69,458
Government subsidies#	**55,692**	67,136
VAT refunds*	**22,664**	14,012
Gain on disposal of an associate	**16,321**	–
Gross rental income	**6,623**	6,086
Others	**10,036**	9,076
	123,027	173,689

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 years ended 31 December 2016 and 2017, 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.

4. PROFIT BEFORE TAX

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

	Note	**2017** **HK$'000**	2016 HK$'000
Cost of inventories sold and services provided		**3,869,082**	4,053,089
Depreciation		**108,293**	76,552
Recognition of prepaid land lease payments		**2,948**	2,753
Amortization of computer software and technology and operating licence		**13,800**	3,520
Research and development costs:			
Deferred expenditure amortized*		**97,920**	62,135
Current year expenditure		**331,328**	227,608
		429,248	289,743
Minimum lease payments under operating leases		**53,671**	53,215
Auditor's remuneration		**3,646**	3,768
Employee benefit expense (including directors' remuneration)^:			
Salaries and wages		**888,658**	978,975
Staff welfare expenses		**71,627**	72,318
Equity-settled share option expense		**17,093**	11,732
Pension scheme contributions (defined contribution schemes)#		**84,080**	75,957
		1,061,458	1,138,982
Exchange loss/(gain), net##		**22,694**	(69,458)
Write-down of inventories to net realizable value		**86,040**	83,587
Impairment of trade receivables	*10*	**26,053**	46,568
Provision for product warranties		**29,494**	17,787
Loss on financial instrument at fair value through profit or loss, net		**–**	59,559
Loss on disposal of items of property, plant and equipment		**1,011**	3,676

* The amortization of deferred development costs for the year was included in "Cost of sales" in the consolidated statement of profit or loss.

^ Staff costs capitalized into deferred development costs amounting to HK$129,277,000 (2016: HK$61,113,000) have not been included in the employee benefit expense.

At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).

Net exchange loss and net exchange gain are included in "Administrative expenses" and "Other income" in the consolidated statement of profit or loss, respectively.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans	**47,861**	47,040

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charged for the year	**1,064**	7,976
Underprovision in prior years	**1,121**	–
Current – Mainland China		
Charged for the year	**21,984**	64,095
Overprovision in prior year	**–**	(6,142)
Current – Elsewhere	**14,576**	11,700
Deferred	**(9,560)**	22,097
Total tax charge for the year	**29,185**	99,726

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 year.

Comba Telecom Technology (Guangzhou) Limited, Comba Telecom Systems (China) Limited, Comba Software Technology (Guangzhou) Limited and Comba Telecom Systems (Guangzhou) Limited were entitled to the preferential tax rate of 15% for the year ended 31 December 2017 based on the designation as High-New Technology Enterprises by the Guangdong Provincial Department of Science and Technology which remained effective for the year ended 31 December 2017.

7. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim – Nil (2016: HK1.5 cents) per ordinary share	**–**	33,557
Proposed final – Nil (2016: HK0.8 cents) per ordinary share	**–**	19,688
	–	53,245

8. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,448,729,000 (2016: 2,444,321,000) in issue during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2017 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**27,373**	152,257

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**2,448,729,000**	2,444,321,000

9. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**283,378**	185,317
Project materials	**92,956**	168,005
Work in progress	**93,350**	61,666
Finished goods	**473,768**	388,741
Inventories on site	**416,803**	553,971
	1,360,255	1,357,700

10. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**4,685,138**	3,989,253
Impairment	**(162,381)**	(146,573)
	4,522,757	3,842,680

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:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**1,916,966**	1,412,098
4 to 6 months	**293,207**	298,888
7 to 12 months	**802,015**	631,684
More than 1 year	**1,672,950**	1,646,583
	4,685,138	3,989,253
Provision for impairment	**(162,381)**	(146,573)
	4,522,757	3,842,680

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

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**146,573**	93,315
Impairment losses recognized	**26,053**	46,568
Amount written off as uncollectible	**(10,585)**	(3,705)
Exchange realignment	**340**	10,395
	162,381	146,573

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$162,381,000 (2016: HK$146,573,000) with a carrying amount before provision of HK$192,031,000 (2016: HK$146,573,000).

The individually impaired trade receivables relate to customers that were in default in payments and only a portion of the receivables is expected to be recovered.

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,994,778**	2,342,668
Less than 1 year past due	**736,849**	712,726
1 to 2 years past due	**228,726**	295,102
More than 2 years past due	**532,754**	492,184
	4,493,107	3,842,680

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.

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:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**1,913,780**	1,458,277
4 to 6 months	**564,563**	641,136
7 to 12 months	**599,709**	372,124
More than 1 year	**604,484**	421,922
	3,682,536	2,893,459

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

12. INTEREST-BEARING BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Analyzed into:		
Within 1 year or on demand	**1,088,489**	693,660
In the 2nd to 3rd years, inclusive	**493,891**	673,152
	1,582,380	1,366,812

As at 31 December 2017, loans denominated in Hong Kong dollars, RMB, United States dollars and EURO amounted to HK$1,239,228,000 (2016: HK$890,000,000), HK$343,152,000 (2016: HK$454,770,000), Nil (2016: HK$21,389,000) and Nil (2016: HK$653,000), respectively.

The carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values.

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 31 December 2017 bear interest at rates ranging from 2.1% to 5.0% (2016: from 1.3% to 4.5%) per annum.

13. EVENTS 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.

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the Company will be held at 11:00 a.m. on 28 May 2018 at 611 East Wing, No. 8 Science Park West Avenue, Hong Kong Science Park, Tai Po, Hong Kong.

For the purpose of determining shareholders' entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 23 May 2018 to 28 May 2018 (both days inclusive), during which period no transfer of shares will be registered. The record date for determination of entitlements of the shareholders to attend and vote at the AGM will be on 28 May 2018. Shareholders whose names appear on the register of members of the Company on 28 May 2018 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents 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 for registration no later than 4:30 p.m. on 21 May 2018. The Notice of AGM will be 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.

BUSINESS AND FINANCIAL REVIEW

Revenue

Comba Telecom Systems Holdings Limited (the "Company" or "Comba Telecom") and its subsidiaries (collectively referred to as the "Group") reported revenue amounting to HK$5,563,725,000 (2016: HK$5,954,328,000) for the year ended 31 December 2017 (the "Current Year"), representing a decrease of 6.6% over the year ended 31 December 2016 (the "Prior Year"). The decrease was mainly affected by the relative macro-economic slowdown of growth in mainland China and the saturation of 4G investment as well as 5G network deployment still being in the incubation period, thus the leading operators in Mainland China reduced their capital expenditures and overall investment subsequently decreased.

By Customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") was HK$1,662,626,000 (2016: HK$1,756,149,000), representing a decrease of 5.3% over the Prior Year, accounting for 29.9% of the Group's revenue in the Current Year, compared with 29.5% in the Prior Year.

During the Current Year, revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as the "China Unicom Group") decreased by 46.6% over the Prior Year to HK$820,260,000 (2016: HK$1,536,667,000), accounting for 14.7% of the Group's revenue in the Current Year, compared with 25.8% in the Prior Year.

During the Current Year, revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased by 9.3% over the Prior Year to HK$1,287,415,000 (2016: HK$1,178,199,000), accounting for 23.1% of the Group's revenue in the Current Year, compared with 19.8% in the Prior Year.

During the Current Year, revenue from other customers, mainly including China Tower Corporation Limited ("China Tower") and specialized government and enterprise network customers, slightly decreased by 3.2% to HK$381,362,000 (2016: HK$393,821,000) and represented 6.9% (2016: 6.6%) of the Group's revenue. The revenue declined due to decreasing demand for the indoor coverage system by China Tower in the Current Year despite growing demand for wireless solutions for specialized government and enterprise networks. The management has full confidence in the revenue contribution by specialized government and enterprise network customers in the future.

On the international front, revenue generated from international customers and core equipment manufacturers increased by 21.1% in aggregate to HK$1,319,037,000 (2016: HK$1,089,492,000), accounting for 23.7% (2016: 18.3%) of the Group's revenue in the Current Year. Benefitting from the global economic recovery as well as further deepening strategic cooperation with leading international operators and core equipment manufacturers, revenue generated from international customers and core equipment manufacturers increased substantially and the business had a significant breakthrough in important regions which resulted in a greater improvement in performance.

At the end of July of the Current Year, the Group has completed the acquisition of 51% equity interests in ETL Company Limited ("ETL"), the third largest state-owned telecommunication operator in Laos. Revenue from ETL was HK$93,025,000, accounting for 1.7% of the Group's revenue in the Current Year, among which, the EBITDA from ETL was HK$28,502,000. Since the acquisition of ETL, the Group has actively initiated its network and investment planning, with an aim to commence businesses in Laos as soon as possible so as to achieve better performance and further penetrate that market.

By Businesses

During the Current Year, revenue generated from the antennas and subsystems business slightly decreased by 4.2% over the Prior Year to HK$2,396,884,000 (2016: HK$2,501,516,000), accounting for 43.1% (2016: 42.0%) of the Group's revenue in the Current Year. The decrease in revenue was mainly due to overall declining market demand as 4G network build-outs were basically completed in Mainland China. However, the Group has continued to develop new products and technologies, and strengthen expansion of its markets overseas while continuing to actively develop the domestic market. The management has full confidence in the stable operation and sustainable development of the antennas business.

During the Current Year, revenue generated from the network system business (including wireless enhancement and wireless access) decreased by 7.1% over the Prior Year to HK$1,005,010,000 (2016: HK$1,081,887,000), accounting for 18.1% (2016: 18.2%) of the Group's revenue. Among which, revenue generated from the wireless enhancement business decreased by 19.3% over the Prior Year to HK$714,111,000 (2016: HK$885,040,000).

However, revenue generated from the wireless access business increased significantly by 47.8% over the Prior Year to HK$290,899,000 (2016: HK$196,847,000), especially the revenue from Small Cell products which greatly increased by 53.2% over the Prior Year to HK$275,483,000 (2016: HK$179,791,000). With enrichment of the content of mobile Internet applications, the demand for data traffic from mobile users has experienced exponential growth. Thus the management expects that the scale of the network system business, especially the wireless access business, will gradually expand.

During the Current Year, revenue from services declined 14.3% over the Prior Year to HK$1,847,466,000 (2016: HK$2,155,189,000), accounting for 33.2% (2016: 36.2%) of the Group's revenue. In view of the increasingly competitive market environment, the Group will continue to secure new customers in the industry while developing the operators' market, thereby strengthening the Company's position in the industry and boosting its market share. As more and more applications will be developed on a customized basis in the future, the management expects that the services business will bring a new source of profit growth for the Group.

Gross Profit

During the Current Year, the Group's gross profit decreased by 16.9% over the Prior Year to HK$1,437,028,000 (2016: HK$1,728,391,000). The gross profit margin was 25.8% in the Current Year (2016: 29.0%), down by 3.2 percentage points compared with the Prior Year. The decrease in gross profit margin was mainly due to the reduced capex from leading operators and the decrease of prices arisen from the saturation of 4G products despite the management of the Group has taken many measures to reduce the costs. Besides, the Group will proactively take measures to enhance production efficiency and reduce production costs by optimizing production systems, enhancing the level of automated and intelligent production, so as to improve gross profit margin of its products.

The Group will continue to enhance the production capabilities optimize the product mix and ramp up the scale of new products and new businesses in order to further improve the gross profit margin.

Research and Development ("R&D") Costs

During the Current Year, R&D costs substantially increased by 45.6% over the Prior Year to HK$331,328,000 (2016: HK$227,608,000), representing 6.0% (2016: 3.8%) of the Group's revenue. With rapid development of information and telecommunications technologies and applications as well as acceleration of 5G development globally, in order to better develop 5G solutions and keep abreast of technological advances in the industry, the Group has considerably increased its R&D investments, and continuously fosters innovation and enhances its competitiveness in order to capture business opportunities amidst the digitalization of the mobile telecommunications industry.

On top of its own R&D investments, the Group has also sought to expand its strategic collaboration with other enterprises. During the Current Year, Comba Telecom has officially joined the China Mobile 5G Joint Innovation Centre to work with industry partners in order to explore innovative solutions and future development trends and undertake joint efforts to accelerate the development of the 5G industry.

In addition, the "Zhongce – Top 100 Enterprise Patented Innovators in China in 2017" (《2017中策－中國企業專利創新百強榜》) was announced on 31 August during the Current Year. Based on an outstanding integrated patented innovation track record, Comba Telecom ranked 49th among the Top 100 Enterprise Patented Innovators in China in 2017, and ranked 12th and 2nd among enterprises in Guangdong and Guangzhou respectively.

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 2,900 patents as at the end of the Current Year (As at 31 December 2016: approximately 2,400 patents).

Selling and Distribution ("S&D") Expenses

During the Current Year, S&D expenses decreased by 6.2% over the Prior Year to HK$510,499,000 (2016: HK$544,071,000), representing 9.2% (2016: 9.1%) of the Group's revenue. The Group is further boosting business efficiency in order to maintain such selling and distribution expenses at an optimal level.

Administrative Expenses

During the Current Year, administrative expenses decreased by 18.9% over the Prior Year to HK$575,677,000 (2016: HK$709,647,000), representing 10.3% (2016: 11.9%) of the Group's revenue. The decline in the administrative expenses was mainly due to the Group's continuous efforts to optimize its operating structure and human resources.

Finance Costs

During the Current Year, finance costs slightly increased by 1.7% over the Prior Year to HK$47,861,000 (2016: HK$47,040,000), representing 0.9% (2016: 0.8%) of the Group's revenue. The increase in finance costs was mainly due to an increase in bank borrowings during the Current Year over the Prior Year.

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, development expansion and R&D, 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 31 December 2017, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a healthy level of 14.5% compared with 15.3% as of 31 December 2016.

Operating Profit

During the Current Year, the operating profit of the Group decreased by 66.5% to HK$101,095,000 (2016: HK$301,628,000). The decrease in the operating profit was mainly attributable to the decrease in gross profit during the Current Year.

Tax

During the Current Year, the Group's overall taxation charge of HK$29,185,000 (2016: HK$99,726,000) comprised an income tax expense of HK$38,745,000 (2016: HK$77,629,000) and a deferred tax credit of HK$9,560,000 (2016: deferred tax charge of HK$22,097,000). The decrease in the 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 6 above.

Net Profit

During the Current Year, with the decline of operating profit of the Group, profit attributable to owners of the parent ("Net Profit") was HK$27,373,000 (2016: HK$152,257,000), representing a decrease of 82.0% compared with the Prior Year.

Dividend

In view of the Group's operating results for the Current Year and taking into consideration its long-term future development and flexibility of its financial position, the board of directors (the "Board") does not recommend the payment of 2017 final dividend (2016: HK0.8 cents).

PROSPECTS

During the Current Year, China's gross domestic product (GDP) grew 6.9% year-on-year as compared with a global economic growth of 3.6%. With growth accelerating in most economies around the world, the global economy gradually entered a new cycle of recovery, while China's economy has become an important driver for global economic growth.

Looking ahead to 2018, the global economy is expected to further recover after many years of fluctuation at low levels. The mobile telecommunications industry is an important pillar of the national economy and an integral foundation for the entire social and economic operation system. Despite construction of 4G networks approaching completion in Mainland China, the number of mobile telecommunications end users and the volume of mobile telecommunications traffic are increasing, which will lead to demand for broader wireless telecommunications coverage and better wireless network telecommunications quality. Meanwhile, the rapid development of mobile telecommunications will further accelerate the launch of 5G networks. Therefore, the Group remains optimistic about the prospects for its business development and growth. Furthermore, the Group will closely monitor market changes and adjust strategies in a timely manner.

Network business for operators

1. *Antenna and base station subsystems*

   The Group has a long-established leading position in the antenna market and has been named as a global Tier 1 Supplier for six consecutive years since 2011 by EJL Wireless Research, an industry analyst firm. With increasingly fierce market competition, the Group has actively strengthened its self-development capabilities, and has a wide antenna products portfolio ranging from single-frequency to multi-frequency and single-system to multi-system solutions covering all frequencies and standards, which can meet the various requirements of different customers.

   During the Current Year, the Group has launched the smallest cross-section 4+4 port antenna in the industry, which is currently the mainstream model for narrow-band Internet-of-things projects in Mainland China. The Group has also launched a state-of-the-art miniaturized "4488 antenna" in the industry, which can support all current coverage bands of China Mobile (900/1800/TD-LTE) and realize the coordinated deployment of narrow-band Internet-of-things and TD-LTE networks, with the ability to subsequently evolve to FDD 4T4R.

   In the meantime, pursuant to the schedule of the International Telecommunication Union (ITU) and 3GPP, each being an organization for standardization, the Standards for 5G will be gradually completed in 2018, and the deployment of 5G networks will soon follow. As such, the Group is undertaking the intense development of 5G antennas through cooperation with operators, industry partners, scientific and research institutions and universities. The introduction of these advanced technologies will help upgrade the value of the antenna. The Group will continue to allocate more resources to develop the latest technology, and continue to advance its R&D capabilities and innovation by proactively allocating resources so as to thoroughly prepare for 5G development, and extend its competitive advantages to 5G technology.

2. *Network product system solutions*

   With evolution of technologies in the mobile telecommunications industry, the volume of data traffic of users has shown explosive growth driven by various Internet applications, such as video streaming, games and WeChat social media. According to industry analysis and forecast, based on the current growth rate, the proportion of data consumption is expected to exceed 80% in 2018. In order to meet the demand of mobile users, improved network quality and expanded network coverage will benefit relevant industries.

Meanwhile, the construction plan appears to be clearer with the gradual deployment for the trial of 5G in Mainland China, either for high-speed download application of enhanced mobile broadband (eMBB), Internet-of-things application of massive machine type communications (mMTC) or Internet-of-vehicles application of ultra-reliable and low latency communications (uRLLC). The mobile telecommunications network will continue to bring in additional mobile data traffic based on these hotspots or industry applications in the future. In addition, the high-frequency band signal used by the 5G telecommunication network has poor penetration capability despite its advanced features, leading to relatively small network coverage. In order to expand coverage, the demand for innovative indoor coverage network products will rise.

The Group has been committed to the R&D and technological innovation of indoor coverage network products for many years. In particular, the technological innovation of the wireless access products represented by its Small Cell series has been at the forefront of the industry. The Small Cell solutions provided by the Group have been put into commercial and trial use in a number of provinces across China. In the meantime, the Group has also launched several network product system solutions including a Small-Cell based Densified Networking System, Innovative Indoor Coverage System, MDAS (Multi-Service Fiber Optic Distributed Access System) and DAS (Distributed Antenna System), among others.

In-building deployment is a main scenario of mobile Internet applications. The innovative indoor coverage network system solutions of the Group provide large data traffic access for areas with weak or non-existent coverage, and it expects scalable promotion of these solutions to gradually commence in Mainland China. Meanwhile, the Group will proactively invest in 5G indoor coverage technology and applications, and develop Software Defined Network (SDN) and Network Function Virtualization (NFV) technologies. The Group believes that its indoor coverage network products and solutions will be widely utilised in network build-outs in the future, especially after the launch of 5G, and provide a good network experience to end customers.

Specialized Government and Enterprise Network Construction and New Business

With rapid development across various sectors, the market scale for the specialized enterprise network communication industry has demonstrated a rising trend. It is forecast that the global specialized network communication market will continue to maintain stable growth to reach RMB110 billion in 2018 and increase in the future.

In the meantime, specialized network communications are experiencing transformation driven by increasing digitalization and deployment of broadband. During the Current Year, the Group has made important breakthroughs in the specialized railway communications market, secured a number of railway projects and successfully passed the LTE-M broadband cluster test for railway communications. The Group will continue to strengthen the railway communications business, explore the specialized railway communications market and further improve and expand the industrial layout in the specialized network communications market.

During the Current Year, the Group has also strived to promote the maritime Internet-of-vessels business. The Group will strengthen the market competition analysis and customer research of end customers and undertake greater efforts in marketing, so as to provide more and better products and solutions to maritime users.

In addition, the application of the Internet-of-things has changed considerably, and vertical applications represented by the expanding smart cities, intelligent manufacturing, etc., are under comprehensive development, which further promotes the information technology construction in the telecommunications industry. With a determined focus, the Group has grasped the social and industry development trends, and successfully joined the "Industrial Internet Industry Ecological Supply Pool in Guangdong Province" (廣東省工業互聯網產業生態供給資源池) during the Current Year. Moreover, the Group has strengthened the development of new technologies for vertical applications such as smart community and intelligent manufacturing, and developed integrated information, communications and intelligent solutions, so as to provide customized and more diversified professional services based on the different applications of customers.

International Business

According to statistics, mobile phone subscribers exceeded 5 billion during the Current Year, while the population access to the mobile Internet only accounted for approximately 50% of the total population in the world. The globally imbalanced development of mobile telecommunications services between developed regions and less developed regions brings about a large number of potential users. As such, the network construction in countries or regions without advanced 4G networks and with a smaller proportion of the population having access to the mobile Internet is expected to be a potential source of growth for the telecommunications industry.

During the Current Year, the international business has grown rapidly due to global economic recovery and the Group is actively seeking business opportunities for its international marketing platform and strengthening strategic cooperation with leading international equipment manufacturers. The Group has made significant breakthroughs in important areas, e.g. cooperating with a leading telecoms operator in India to participate in its national wireless network enhancement, providing base station antenna products to the largest telecoms operator in Brazil to expand its 4G LTE network coverage, reaching major agreements with a Turkish telecoms operator on antennas and network products to accelerate its network connection, and concluding a cooperation agreement with an Australian telecoms operator to provide wireless network enhancement throughout that country. These projects demonstrate the Group's advanced technology and extensive experience in wireless solutions, as well as its capabilities and leading position in global business expansion.

In the meantime, telecoms operators are actively preparing for the new era of 5G by actively expanding and improving network coverage. The Group will also strengthen its strategic partnership with the leading global major telecoms operators and core equipment manufacturers, and work closely with them to develop 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 Business

At the end of July in the Current Year, the Group has completed the acquisition of 51% equity interest in ETL, the third-largest state-owned operator in Laos, successfully completed the handover of ETL's management, and approved the investment plan for building up its own 4G LTE network at the end of the Current Year.

Located in the center of the Indochina peninsula and Lancang River-Mekong River Cooperation Basin, Laos is one of the major countries and strategic fulcrums along the regions covered by China's "One Belt One Road" strategic initiative with prominent geographical advantages. As one of the countries with the fastest economic growth rates in Southeast Asia, the Laotian economy has maintained rapid development in recent years with an average GDP growth rate of approximately 7.5% and steadily rising per capita consumption expenditure, establishing a good development base and environment for the telecommunications industry in the future. In particular, the completion of construction of the China-Laos Railway will substantially improve the traffic conditions in Laos and strengthen its position in regional economic cooperation. With the vigorous promotion of the "One Belt One Road" initiative in China and the establishment of the China-ASEAN Free Trade Area, on the one hand, it lays a solid foundation for the trading relationship between China and Laos. On the other hand, it provides a favorable development environment and convenient access for the Group to carry out its telecommunications business in the region.

ETL holds a full set of licenses required for telecoms operations and a nationwide optical network in Laos with a diversified customer base, including government organs and leading business enterprises in Laos. The Group has mainly provided products and services to telecoms operators since its establishment, and now is gradually expanding to enter small-and-medium operators business through transformation. Since the completion of the acquisition of ETL during the Current Year, with years of competitive advantages and abundant experience, the Group has rapidly commenced work in a variety of areas such as network analysis, network planning, market layout in key regions, etc. to accelerate the network construction in the telecommunications market within Laos. The Group aims to develop ETL as a leading operator in terms of scale, efficiency and competitiveness as soon as possible to provide telecommunication network, telecommunication services and other value-added services in the telecommunications market in Laos, and continuously enhance the Group's performance and profitability. The Group has high expectations for the business prospects and development of ETL.

CONCLUSION

In today's fast-moving environment, despite the rising growth trend at a stable pace in the global economy, there are still many difficulties and challenges in economic operation, and change is unavoidable, particularly in the mobile telecommunications industry. Enterprises need to be innovative in their business, articulate new strategies, strengthen strategic management, enhance operational efficiency, concentrate on operating profits and reasonably allocate resources. The management will continue to mobilize the Group's reform engine by maintaining strong execution capabilities to advance the overall business to new.

The Group will continue to adhere to its customer-centered core value of "creating ideal value for customers," continue to explore market opportunities, and actively formulate and implement overall business objectives. The Group will remain committed to the development of new 5G technologies and products, making great efforts to create value for its customers, and striving to achieve its business objectives and strategic goals.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2017, the Group had net current assets of HK$2,410,536,000. Current assets comprised inventories of HK$1,360,255,000, trade receivables of HK$4,522,757,000, notes receivable of HK$85,447,000, tax recoverable of HK$48,693,000, prepayments, deposits and other receivables of HK$886,365,000, restricted bank deposits of HK$234,769,000, and cash and cash equivalents of HK$1,176,129,000. Current liabilities comprised trade and bills payables of HK$3,682,536,000, other payables and accruals of HK$1,063,016,000, interest-bearing bank borrowings of HK$1,088,489,000 and provisions for product warranties of HK$69,838,000.

The average receivable turnover for the Current Year was 274 days compared to 239 days for the Prior Year. 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. Those retention money 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 Year was 291 days compared to 266 days for the Prior Year. The average inventory turnover for the Current Year was 120 days compared to 133 days for the Prior Year.

As at 31 December 2017, 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 12 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 31 December 2017, 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 14.5% as at 31 December 2017 (31 December 2016: 15.3%).

MATERIAL ACQUISITIONS AND DISPOSALS

During the Current Year, the Group has completed the acquisition of 51% interest in ETL, which holds a full license of telecom operations and is the third largest telecom operator in Laos.

For details of the acquisition, please refer to the announcements of the Company dated 1 September 2016 and 17 October 2016.

RESTRICTED BANK DEPOSITS

Deposit balances of HK$333,990,000 (31 December 2016: HK$207,398,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had contingent liabilities of HK$302,276,000 (31 December 2016: HK$209,426,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 7,900 staff, out of which 1,400 staff from ETL which was acquired during the Current Year (31 December 2016: 7,000 staff). The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,061,458,000 (31 December 2016: HK$1,138,982,000). 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

The Company has not redeemed any of its shares during the Current Year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board reviewed the corporate governance practice of the Company and considered that, during the Current Year, the Company has complied with all the Code Provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 the 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 during the Current Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), together with the management and the external auditors, 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 annual results for the Current Year. The Audit Committee has given its consent to the accounting principles, standards and practices adopted by the Company for the audited consolidated financial statements for the Current Year and has not given any disagreement.

PUBLICATION OF ANNUAL REPORT

2017 Annual Report containing all information required by the Listing Rules will be despatched to 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 March 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. ZHENG Guo Bao, Mr. YEUNG Pui Sang, Simon and Mr. ZHANG Yuan Jian; and the following independent non-executive Directors: Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong and Mr. QIAN Ting Shuo.