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# **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)**

### **Interim results announcement for the six months ended 30 June 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by 25.8% to HK\$3,043 million
- Gross profit margin decreased by 0.4% points to 27.8%
- Profit/(loss) attributable to shareholders: HK\$90 million (2021: HK\$(89) million)
- Basic earnings/(loss) per share: HK3.25 cents (2021: HK(3.26) cents)

#### **RESULTS**

The board (the “Board”) of directors (the “Director(s)”) 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 2022, together with the comparative figures for the same period in 2021. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee (the “Audit Committee”) of the Company.

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>REVENUE</b>	5	<b>3,042,518</b>	2,418,128
Cost of sales		<u>(2,195,392)</u>	<u>(1,737,142)</u>
Gross profit		<b>847,126</b>	680,986
Other income and gains	5	<b>81,611</b>	67,984
Research and development expenses		<b>(259,477)</b>	(256,763)
Selling and distribution expenses		<b>(265,088)</b>	(235,734)
Administrative expenses		<b>(214,880)</b>	(216,705)
Other expenses		<b>(87,574)</b>	(112,307)
Finance costs	7	<b>(21,653)</b>	(21,425)
Share of profit of a joint venture		<u>1,991</u>	<u>4,907</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>82,056</b>	(89,057)
Income tax expense	8	<u>(23,331)</u>	<u>(26,943)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u><b>58,725</b></u>	<u>(116,000)</u>
Attributable to:			
Owners of the parent		<b>90,384</b>	(89,360)
Non-controlling interests		<u>(31,659)</u>	<u>(26,640)</u>
		<u><b>58,725</b></u>	<u>(116,000)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic		<u><b>HK3.25 cents</b></u>	<u>HK(3.26) cents</u>
Diluted		<u><b>HK3.25 cents</b></u>	<u>HK(3.26) cents</u>

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>58,725</b>	(116,000)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(204,762)</u>	<u>80,085</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(204,762)</u>	<u>80,085</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	<u>(1,919)</u>	<u>10,866</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(1,919)</u>	<u>10,866</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(206,681)</b>	90,951
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>(147,956)</u></b>	<b><u>(25,049)</u></b>
Attributable to:		
Owners of the parent	(15,390)	536
Non-controlling interests	<u>(132,566)</u>	<u>(25,585)</u>
	<b><u>(147,956)</u></b>	<b><u>(25,049)</u></b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,222,201	1,347,683
Right-of-use assets		201,838	216,989
Goodwill		242,773	242,773
Deferred tax assets		212,989	225,614
Intangible assets		750,116	806,267
Equity investments designated at fair value through other comprehensive income		57,527	62,813
Equity investments designated at fair value through profit or loss		93,443	90,534
Restricted bank deposits		30,557	26,195
Time deposits		363,007	257,405
Investment in a joint venture		17,656	18,354
		3,192,107	3,294,627
<b>CURRENT ASSETS</b>			
Inventories	11	1,388,045	1,356,335
Trade receivables	12	4,126,289	4,129,136
Notes receivable		169,780	97,109
Prepayments, other receivables and other assets		498,643	626,994
Financial assets designated at fair value through profit or loss		2,291	3,102
Restricted bank deposits		115,428	107,900
Time deposits		117,099	245,148
Cash and cash equivalents		1,698,979	1,652,228
		8,116,554	8,217,952
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	4,372,787	4,544,849
Other payables and accruals		596,420	623,223
Interest-bearing bank borrowings	14	851,802	644,739
Tax payable		82,228	73,527
Provision for product warranties		73,407	75,290
		5,976,644	5,961,628
<b>NET CURRENT ASSETS</b>		<b>2,139,910</b>	<b>2,256,324</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,332,017</b>	<b>5,550,951</b>

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION***30 June 2022*

		<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
	<i>Note</i>		
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	<i>14</i>	<b>760,000</b>	800,000
Deferred tax liabilities		<b>158,687</b>	164,063
Lease liabilities		<b>44,727</b>	60,300
Redeemable preferred shares in a subsidiary		<b>325,657</b>	342,771
		<hr/>	<hr/>
Total non-current liabilities		<b>1,289,071</b>	1,367,134
		<hr/>	<hr/>
Net assets		<b>4,042,946</b>	4,183,817
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>277,955</b>	277,892
Treasury shares		<b>(22,818)</b>	(22,818)
Reserves		<b>3,529,620</b>	3,519,642
		<hr/>	<hr/>
		<b>3,784,757</b>	3,774,716
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>258,189</b>	409,101
		<hr/>	<hr/>
Total equity		<b>4,042,946</b>	4,183,817
		<hr/>	<hr/>

## 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 Act, Cap. 22 (Act 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 operator telecommunication services and their value added services.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3  
Amendments to HKAS 16  
Amendments to HKAS 37  
*Annual Improvements to  
HKFRSs 2018-2020*

*Reference to the Conceptual Framework*  
*Property, Plant and Equipment: Proceeds before Intended Use*  
*Onerous Contracts – Cost of Fulfilling a Contract*  
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples  
accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

#### 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 and services
- (b) Operator 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 2022	Wireless telecommunications network system equipment and services <i>HK\$'000</i> (Unaudited)	Operator telecommunication services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	2,946,985	95,533	3,042,518
Profit/(loss) before tax	171,336	(89,280)	82,056
Segment assets	10,631,881	1,280,811	11,912,692
Elimination			(604,031)
Total assets			<u>11,308,661</u>
Segment liabilities	7,091,413	778,333	7,869,746
Elimination			(604,031)
Total liabilities			<u>7,265,715</u>
Period ended 30 June 2021	Wireless telecommunications network system equipment and services <i>HK\$'000</i> (Unaudited)	Operator telecommunication services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	2,315,146	102,982	2,418,128
Loss before tax	(5,420)	(83,637)	(89,057)
Year ended 31 December 2021			
Segment assets	10,762,215	1,546,954	12,309,169
Elimination			(796,590)
Total assets			<u>11,512,579</u>
Segment liabilities	7,138,576	986,776	8,125,352
Elimination			(796,590)
Total liabilities			<u>7,328,762</u>



## Geographical information

### (a) Revenue from external customers

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mainland China	2,159,485	1,573,719
Other countries/areas in Asia Pacific	349,593	423,484
Americas	263,708	282,501
European Union	211,531	111,814
Middle East	28,410	11,176
Other countries	29,791	15,434
	<u>3,042,518</u>	<u>2,418,128</u>

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

### (b) Non-current assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Mainland China	1,940,433
Lao People's Democratic Republic	1,207,216	1,490,117
Other countries/regions	44,458	45,531
	<u>3,192,107</u>	<u>3,294,627</u>

## Information about major customers

Revenue of approximately HK\$846,311,000 (six months ended 30 June 2021: HK\$391,022,000), HK\$400,966,000 (six months ended 30 June 2021: HK\$194,024,000) and HK\$208,370,000 (six months ended 30 June 2021: HK\$261,793,000) was derived from 3 major customers, which accounted for 27.8% (six months ended 30 June 2021: 16.2%), 13.2% (six months ended 30 June 2021: 8.0%) and 6.8% (six months ended 30 June 2021: 10.8%) 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 is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	<b>2,946,985</b>	2,315,146
Provision of operator telecommunication services	<b>95,533</b>	102,982
	<b><u>3,042,518</u></b>	<u>2,418,128</u>

### Revenue from contracts with customers

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Type of customers</b>		
PRC state-owned telecommunication operator groups	<b>1,617,489</b>	1,061,996
Other customers	<b>1,425,029</b>	1,356,132
	<b><u>3,042,518</u></b>	<u>2,418,128</u>

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>2,946,985</b>	2,315,146
Services transferred over time	<b>95,533</b>	102,982
	<b><u>3,042,518</u></b>	<u>2,418,128</u>

An analysis of other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other income and gains</b>		
Bank interest income	17,244	12,739
Government subsidies <sup>#</sup>	37,712	31,101
Exchange gain, net	10,663	–
VAT refunds	2,649	4,963
Gross rental income	3,464	4,210
Technical services income	–	10,121
Gain on fair value change of redeemable preferred shares in a subsidiary	1,862	–
Gain on equity investment designated at fair value through profit or loss	1,134	–
Scrapped and recycled items sales income	1,112	1,407
Penalty income	2,193	1,100
Other miscellaneous income	3,578	2,343
	<u>81,611</u>	<u>67,984</u>

<sup>#</sup> 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 on research and development. There are no unfulfilled conditions or contingencies relating to these subsidies.

## 6. PROFIT/(LOSS) BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of inventories sold and services provided	2,187,776	1,685,160
Depreciation of property, plant and equipment <sup>##</sup>	105,910	102,277
Depreciation of right-of-use assets	34,207	25,086
Amortization of computer software, technology and operating license <sup>##</sup>	15,221	15,371
Research and development expenses:		
Deferred expenditure amortized	72,147	56,626
Current period expenditure	187,330	200,137
	<u>259,477</u>	<u>256,763</u>

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Employee benefit expense (including directors' remuneration):		
Salaries and wages	<b>448,626</b>	400,693
Staff welfare expenses	<b>18,801</b>	19,376
Equity-settled share option expense	<b>10,088</b>	11,481
Awarded share expenses	<b>14,574</b>	12,150
Pension scheme contributions (defined contribution scheme)#	<b>35,096</b>	34,630
	<b>527,185</b>	478,330
Exchange (gain)/loss, net*	<b>(10,663)</b>	9,293
Provision for product warranties^	<b>9,030</b>	9,928
Write-down of inventories to net realizable value^	<b>283</b>	41,667
Impairment of trade receivables and notes receivable###	<b>18,047</b>	18,503
Reversal of impairment of financial assets included in prepayments, other receivables and other assets###	<b>(2,187)</b>	(2,900)
Loss on disposal of items of property, plant and equipment###	<b>899</b>	5,985
Loss on fair value change of financial assets designated at fair value through profit or loss###	<b>1,748</b>	1,923
(Gain)/loss on fair value change of redeemable preferred shares in a subsidiary###	<b>(1,862)</b>	11,116
(Gain)/loss on equity investments designated at fair value through profit or loss###	<b>(1,134)</b>	926

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

# As at 30 June 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (as at 30 June 2021: Nil).

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

## The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK\$55,905,000 (six months ended 30 June 2021: HK\$62,206,000) and HK\$11,661,000 (six months ended 30 June 2021: HK\$11,661,000) are included in "Other expenses" in the consolidated statement of profit or loss.

### These items are included in "Other expenses" and "Other income and gains" in the consolidated statement of profit or loss, respectively.

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings	20,617	19,630
Interest on factored trade receivables	–	84
Interest on lease liabilities	1,036	1,699
Others	–	12
Total	<u>21,653</u>	<u>21,425</u>

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	–	–
Mainland China	11,036	9,703
Elsewhere	13,642	11,373
Current – underprovision in prior periods	217	–
Deferred	(1,564)	5,867
Total tax charge for the period	<u>23,331</u>	<u>26,943</u>

Under the relevant income tax law, the subsidiaries in Mainland China are subject to corporate income tax at a statutory rate of 25%, except for certain subsidiaries that entitled to the preferential tax rate of 15% based on the designation as High-New Technology Enterprises, on their respective taxable income during the period.

## 9. DIVIDENDS

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Final dividend declared and paid	–	–
Interim dividend – HK1 cent per ordinary share	<u>27,795</u>	<u>–</u>

*Note:*

On 25 August 2022, the Board declared an interim dividend of HK1 cent (six months ended 30 June 2021: Nil) per ordinary share, amounting to a total of approximately HK\$27,795,000 (six months ended 30 June 2021: Nil).

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,779,232,000 (six months ended 30 June 2021: 2,737,662,000) in issue during the period.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) 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.

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	<b>90,384</b>	(89,360)
	<b>2,779,232,000</b>	2,737,662,000
	<b>2,064,000</b>	–
	<b>2,781,296,000</b>	2,737,662,000
	<b>2,779,232,000</b>	2,737,662,000

## 11. INVENTORIES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Raw materials	416,672	395,762
Project materials	39,756	54,534
Work in progress	61,959	58,570
Finished goods	477,847	493,566
Inventories on site	391,811	353,903
	<b>1,388,045</b>	<b>1,356,335</b>

## 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 customers which are granted with a longer credit term. The balances also include retention money, which is for assurance that the product and services comply with agreed-upon specifications, 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. The credit terms for major customers are reviewed regularly by senior management of the Group. 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 of the Group. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 3 months	1,776,485	2,137,743
4 to 6 months	340,754	533,755
7 to 12 months	1,134,976	609,352
More than 1 year	1,567,629	1,571,782
	<b>4,819,844</b>	4,852,632
Provision for impairment	<b>(693,555)</b>	(723,496)
	<b>4,126,289</b>	<b>4,129,136</b>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., geography, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty or there is no realistic prospect of future recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2022	Current	Past due			Total
		Less than 1 year	1-2 years	Over 2 years	
Expected credit loss rate	1.57%	7.22%	16.60%	71.56%	
Gross carrying amount (HK\$'000)	3,274,448	470,441	293,172	781,783	4,819,844
Expected credit losses (HK\$'000)	51,449	33,976	48,664	559,466	693,555
As at 31 December 2021					
	Current	Less than 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	1.67%	6.75%	16.84%	72.33%	
Gross carrying amount (HK\$'000)	3,320,692	349,435	379,761	802,744	4,852,632
Expected credit losses (HK\$'000)	55,302	23,583	63,956	580,655	723,496

### 13. TRADE AND BILLS PAYABLES

An ageing 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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 3 months	2,445,755	2,429,952
4 to 6 months	770,519	695,099
7 to 12 months	558,518	576,699
More than 1 year	597,995	843,099
	<b>4,372,787</b>	<b>4,544,849</b>

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	<b>851,802</b>	644,739
In the 2nd year	<b>360,000</b>	160,000
In the 3rd to 5th years, inclusive	<b>400,000</b>	640,000
	<b><u>1,611,802</u></b>	<b><u>1,444,739</u></b>

As at 30 June 2022, loans denominated in Hong Kong dollars and RMB amounted to HK\$1,273,196,000 (31 December 2021: HK\$1,255,975,000) and HK\$338,606,000 (31 December 2021: HK\$188,764,000), respectively.

The Company and nine of its wholly-owned subsidiaries 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 2022 bear interest at rates ranging from 1.69% to 3.92% (31 December 2021: from 1.45% to 3.80%) 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.

## **RECORD DATE FOR INTERIM DIVIDEND**

The record date for determination of entitlements under the interim dividend will be on 9 September 2022. Shareholders (the “Shareholders”) of the Company whose names appear on the register of members of the Company on 9 September 2022 will be entitled to receive the interim dividend. In order to qualify for the interim dividend, 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 9 September 2022. Dividend warrants will be despatched to the Shareholders on 21 September 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

Entering 2022, the macro environment remained uncertain. Nonetheless, various countries across the globe continued to steadily advance digital technology. In particular, the new infrastructure strategy adopted by the Chinese government encouraged major domestic telecom operators to continue developing 5G network capital projects. Moreover, a number of countries and regions have constructed 5G networks in an orderly manner and are committed to intensive development. This expanding information infrastructure has laid a solid foundation for a booming digital economy. Riding on this, the Group has recorded a significant increase in the revenue for the results in the first half of 2022, thereby achieving a turnaround from loss to profit.

### **REVENUE**

The Group reported interim revenue of HK\$3,042,518,000 (2021: HK\$2,418,128,000) for the six months ended 30 June 2022 (the “Current Period”), representing a 25.8% increase compared to the six months ended 30 June 2021 (the “Prior Period”). The increase in revenue was mainly attributed to the Group’s successful tender for centralized procurement of antenna – related products for China’s three major telecom operators in the second half of 2021 and a substantial increase in orders for base station – related antenna products compared to the Prior Period, which reported a record-high result.

### **BY CUSTOMERS**

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries increased by 116.4% over the Prior Period to HK\$846,311,000 (2021: HK\$391,022,000), accounting for 27.8% of the Group’s revenue in the Current Period, compared to 16.2% in the Prior Period.

Revenue generated from China United Telecommunications Corporation and its subsidiaries increased by 106.7% over the Prior Period to HK\$400,966,000 (2021: HK\$194,024,000), accounting for 13.2% of the Group’s revenue in the Current Period, compared to 8.0% in the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries decreased by 20.4% over the Prior Period to HK\$208,370,000 (2021: HK\$261,793,000), accounting for 6.8% of the Group's revenue in the Current Period, compared to 10.8% in the Prior Period.

Revenue generated from China Tower Corporation Limited decreased by 24.8% over the Prior Period to HK\$161,841,000 (2021: HK\$215,157,000), accounting for 5.3% of the Group's revenue in the Current Period, compared to 8.9% in the Prior Period.

During the Current Period, revenue from other customers in Mainland China decreased by 8.1% over the Prior Period to HK\$313,697,000 (2021: HK\$341,435,000) and represented 10.3% (2021: 14.1%) of the Group's revenue.

On the international front, during the Current Period, revenue generated from international customers and core equipment manufacturers increased by 11.4% over the Prior Period to HK\$1,015,799,000 (2021: HK\$911,715,000), accounting for 33.4% of the Group's revenue in the Current Period, compared to 37.7% in the Prior Period. This increase was mainly due to expanding the overseas business by the Group during the Current Period and achieving satisfactory sales for its base station antenna products in particular.

During the Current Period, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and partly-owned subsidiary of the Group, decreased by 7.2% over the Prior Period to HK\$95,533,000 (2021: HK\$102,982,000), accounting for 3.1% of the Group's revenue in the Current Period (2021: 4.3%). This decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 22.2% during the Current Period.

## **BY BUSINESSES**

During the Current Period, revenue from base station antennas and subsystems business increased by 123.5% over the Prior Period to HK\$1,615,546,000 (2021: HK\$722,931,000), accounting for 53.1% (2021: 29.9%) of the Group's revenue in the Current Period. This significant increase in revenue was mainly due to the Group winning the centralized procurement projects for 5G antenna products from major PRC telecom operators since the second half of 2021 and completing the phased launch and delivery of these projects on schedule.

During the Current Period, revenue generated from the network system business, including wireless enhancement and wireless access, decreased by 26.8% over the Prior Period to HK\$491,910,000 (2021: HK\$671,699,000), accounting for 16.2% (2021: 27.8%) of the Group's revenue in the Current Period. This decline in revenue was mainly due to delay in the launch and implementation of centralized procurement projects for 5G extended small cells by major Mainland China telecom operators arising from the COVID-19 pandemic. The management expects that with the centralized procurement of related projects commencing and delivering in the second half of the year, its network system product business will thrive in the future.

During the Current Period, revenue from services decreased by 9.8% over the Prior Period to HK\$706,502,000 (2021: HK\$782,882,000), accounting for 23.2% (2021: 32.4%) of the Group's revenue. This decrease in revenue was mainly due to the Group investing resources in projects with a higher gross profit margin in line with its strategy to focus on high-quality construction projects.

During the Current Period, revenue from other businesses (including wireless transmission) decreased by 3.3% over the Prior Period to HK\$133,027,000 (2021: HK\$137,634,000), accounting for 4.4% (2021: 5.6%) of the Group's revenue. Among them, revenue from the wireless transmission business decreased by 2.5% to HK\$132,983,000 (2021: HK\$136,384,000).

## **GROSS PROFIT**

During the Current Period, the Group's gross profit increased by 24.4% to HK\$847,126,000 (2021: HK\$680,986,000) as compared with the Prior Period. The gross profit margin of the Group was 27.8% in the Current Period (2021: 28.2%), down slightly by 0.4 percentage points compared with the Prior Period. During the Current Period, the gross profit margin of the Group's core products remained stable. The slight decrease in gross profit margin during the Current Period was mainly due to the undertaking of certain construction projects with lower gross profit but sound cash flows by the service business segment. In order to enhance the overall gross profit margin, the Group will continue to optimize the product portfolio, improve production efficiency and strengthen the cost control of service engineering projects.

## **RESEARCH AND DEVELOPMENT ("R&D") EXPENSES**

During the Current Period, R&D expenses increased by 1.1% over the Prior Period to HK\$259,477,000 (2021: HK\$256,763,000), representing 8.5% (2021: 10.6%) of the Group's revenue. As 5G technology enters the in-depth stage of development, it is creating opportunities for new applications and models. To enhance the competitiveness of its new 5G products, the Group invested resources in relevant R&D activities and embraced continuous innovation to capture business opportunities arising from the digitalization of the mobile telecommunications industry.

Through its strong commitment to R&D, the Group has made significant advances in creating its own solutions with proprietary intellectual property, applying for approximately 5,500 patents by the end of the Current Period (31 December 2021: approximately 5,400 patents).

## **SELLING AND DISTRIBUTION ("S&D") EXPENSES**

During the Current Period, S&D expenses increased by 12.5% over the Prior Period to HK\$265,088,000 (2021: HK\$235,734,000), representing 8.7% (2021: 9.7%) of the Group's revenue. During the Current Period, this increase was mainly due to the Group expanding its business which led to an increase in related expenses such as the transportation and distribution expenses. However, the proportion of S&D expenses within the Group's revenue improved compared with the Prior Period. This was mainly due to the Group's strategy of upgrading its business expansion to focus on more profitable projects, thereby making its investment in resources more cost-effective.

## **ADMINISTRATIVE EXPENSES**

During the Current Period, administrative expenses decreased by 0.8% over the Prior Period to HK\$214,880,000 (2021: HK\$216,705,000), accounting for 7.1% (2021: 9.0%) of the Group's revenue. The Group is committed to optimizing its management and organizational structure, thereby enhancing operational efficiency.

## **FINANCE COSTS**

During the Current Period, finance costs increased slightly by 1.1% to HK\$21,653,000 (2021: HK\$21,425,000) as compared with the Prior Period, representing 0.7% (2021: 0.9%) of the Group's revenue. The flat-off of these finance costs were mainly due to the Group further optimizing its loan portfolio during the Current Period.

The management has prudently managed credit risk and bank borrowings levels and improved cash flows. To meet ongoing business development, the management will closely monitor the current trends in the financing market, interest rate changes and financial policies on the market, and arrange the best financing for the Group to improve its debt structure and thereby reduce financing costs.

The management has also leveraged the difference between the interest and foreign exchange rates among different countries to minimize finance costs. As of 30 June 2022, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 14.3% compared with 12.5% as of 31 December 2021.

## **OTHER EXPENSES**

During the Current Period, other expenses decreased by 22.0% over the Prior Period to HK\$87,574,000 (2021: HK\$112,307,000), representing 2.9% (2021: 4.6%) of the Group's revenue. This was mainly due to the turnaround from loss to gain on fair value change of redeemable preferred shares in a subsidiary of the Group during the Current Period.

## **TAX**

During the Current Period, the Group's overall taxation charge of HK\$23,331,000 (2021: HK\$26,943,000) comprised an income tax expense of HK\$24,895,000 (2021: HK\$21,076,000) and a deferred tax credit of HK\$1,564,000 (2021: deferred tax charge of HK\$5,867,000). This decrease in the overall tax charge was due to the increase in the Group's deferred tax credit during the Current Period.

Details of the preferential tax rate enjoyed by major operating subsidiaries of the Company are set out in note 8 to these interim condensed consolidated financial statements.

## **NET PROFIT/LOSS**

In summary, due to significant increases in revenue and gross profit of the Group for the Current Period, as well as reduction in the operating expenses ratio resulting from effective cost and expenses control measures implemented by the Group, overall efficiency has substantially increased. During the Current Period, the profit attributable to owners of the parent of the Group was HK\$90,384,000 (2021: loss attributable to owners of the parent of the Group of HK\$89,360,000).

## **DIVIDEND**

Given the Group's operating results in the Current Period and considering its long-term future development and the interests of the Shareholders, particularly those of minority Shareholders, the Board proposes the payment of an interim dividend for the year of HK\$1.0 cent per ordinary share (the "Share(s)") of the Company (2021: nil). The total dividend payout ratio, on the basis of basic earnings per Share, is 30.8% (2021: N/A).

## **PROSPECTS**

The Group believes that 5G technology can empower both consumer terminals, and also vertical industries through the 5G key technology, which is characterised by full coverage, low latency, and high capacity and reliability, thereby adding fresh momentum to the digital transformation of different businesses and industries. Looking ahead, as more countries and regions continue to promote the 5G construction and develop wider indoor coverage and penetrate multiple commercial uses, the Group will seize opportunities arising from operators constructing indoor 5G networks to promote the development of integration with vertical industries to the next level.

## **PRODUCTS AND SOLUTIONS**

### **BASE STATION ANTENNA AND SUBSYSTEMS**

Leveraging its extensive experience in mobile telecommunication network construction and its superior technology in the integrating and miniaturising multi-frequency and multisystem antennae developed over many years, the Group has long enjoyed a leadership position in the base station antenna market. Widely recognized by numerous domestic and overseas telecommunication network operators, equipment manufacturers and integrators, its antenna business has a presence in more than 100 countries and regions globally.

As a low- to mid-frequency collaborative networking is applied in the 5G wireless network, and co-constructing and sharing of antenna location spaces are required, it has raised the bar for antenna. With the technology evolving towards multi-frequency and multi-mode, integration becoming smaller and lighter, the Group has continued to explore and develop base station antenna solutions for different 5G applications, which formed six major product categories such as active 5G Massive MIMO antennas, the 4G/5G convergent antenna product series, FDD ultra-multi-port multi-system shared antennas, and "A+P" integrated convergent antenna. In particular, the main 4G/5G (8TR) convergent antenna has become a mainstream demand for operators worldwide in the construction of 5G networks.

Operators around the world have paid great attention to the concepts of low-carbon and environmental protection. Given the pressing demands for low-cost and high-efficiency network construction, the Group has launched the “green and innovative antenna and subsystem solution” with lower loss rates and higher efficiency by promoting innovation in terms of design, materials and manufacturing processes. Operators should conserve around 18 million kWh of electricity annually per 10 thousand of base stations, representing an 18,000-tonne reduction in carbon emissions. The Group expects that energy-saving and low-carbon products with low consumption will gradually become mainstream.

Adhering to the “scenario-based coverage” principle, the Group also introduced its “innovative antenna solutions for broad indoor coverage” and “innovative antenna and subsystem solution for 5G rail transit coverage”. The Group has recently launched the “innovative antenna and subsystem solution for 5G sea routes coverage”. The abovementioned products have commenced large-scale commercial application or commercial trials, which will contribute to the growth of the Group’s result.

## **NETWORK PRODUCT SYSTEM SOLUTIONS**

Comba Network Systems Company Limited (“Comba Network”), an indirect subsidiary of the Company, principally engages in the manufacture and sales of wireless telecommunications network system equipment and provision of related engineering services. It currently focuses on R&D and the manufacture and sales of network system products including macro cells, small cells, extended & in-depth coverage solutions and Open RAN products as well as providing network solutions for 5G vertical industry.

A pioneer in small cells, Comba Network offers fully-independent R&D capabilities in software and hardware that meet internationally-agreed specifications for 4G/5G network access. Comba Network’s diverse product range covers every application for high-power cells, micro cells, pico cells and femto cells for mobile telecommunication. Offering comprehensive coverage in cities and wide coverage in rural areas, it provides highly-cost efficient solutions. 5G small cell products have commenced commercial trials in more than ten provinces. The value and advantages of our rapid and high-efficiency 5G network construction are well recognized by customers. In August 2022, the Group achieved a satisfactory result in the centralized procurement of 5G extended small cells for China Mobile. In addition, the Group will actively participate in centralized procurement of small cells in the future.

In the area of Open RAN, drawing on years of experience in the design, development and deployment of radio frequency-related products for mobile telecommunications, Comba Network launched its standardized, platform-based high-powered remote radio unit (Open RAN RRU) product series that support advanced technologies such as multi-carrier and multi-mode, high efficiency and high capacity. This product series adopts ORAN Alliance’s standard fronthaul interface and thereby fulfils inter-connection and compatibility with the globally advanced manufacturers of base-band. Furthermore, Comba Network has entered into strategic partnerships with the industry’s leading integrators. During the Current Period, Comba Network launched the industry’s first multi-mode Open RAN remote radio units (RRU) which adopt dual-frequency and tri-frequency designs, thereby maintaining its technological lead in the industry. ORAN has introduced a highly-efficient technical structure comprising general-purpose processing hardware as well as decoupling technology for software and hardware, which provides a more open application for commercial use and satisfies the demands of operators for construction of new network and maintenance of the existing networks in the era of 4G/5G co-existence, thereby providing great market potential.

In respect of 5G vertical industries, Comba Network developed FLeX5, an intelligent computing platform that fully connects with “5G network + broad internet of things + MEP + AI” engines, to provide fundamental network and platform solutions that meet the target industries’ specific needs and applications. The goal is to provide customers with integrated smart solutions, promote the application and implementation of 5G in vertical industries such as the industrial, mining, energy, medical and education sectors, and empower smart upgrades within the industry.

## **MARKET EXPANSION**

### **OPERATOR BUSINESS IN CHINA**

The three domestic major operators in China will continue to make deployment for low- and medium-band network construction in respect of 5G macro cells in an effort to promote sustainable development with multiple spectrums and modes through co-construction and sharing, hence raising the technological entry barrier of its products on a continuous basis. In response to the national low-carbon and environmental protection strategy and the low-cost network construction philosophy of the operators, the Group innovatively proposed the low-loss high-efficiency green antenna and integrated high-power cell remote coverage solution, and achieved major technological breakthroughs and completed the product development through its R&D investments. Leveraging its leading product competitiveness and comprehensive strengths in services, the Group has successively won the bid for antenna product projects from certain major telecom operators in Mainland China and secured considerable market shares since the second half of 2021. The Group is also actively planning for centralized procurement bidding for antenna products in the next few years.

In respect of broad indoor coverage, large-scale construction projects have been launched by domestic operators successively. With the upsurge in the number of construction projects in 2022, it is believed that the total number of projects will grow at a faster pace in 2023. Both the Group’s active indoor coverage network and equipment products and passive indoor coverage antenna and subsystem products achieved satisfactory results in the centralized procurement projects. The Group will continue to give full rein to its technological R&D strengths which were developed over many years. It will also continue to provide its customers with comprehensive support for their indoor coverage business.

### **INTERNATIONAL BUSINESS**

The Group’s international marketing platform is expanding into overseas markets by actively exploring customer needs, developing target markets, creating new products and maintaining the competitiveness of its products. The Group achieved satisfactory results in its international business during the year by capitalizing on its comprehensive strengths in products and technology. The Group will continue to partner with international mobile operators and world-leading manufacturers of core telecom equipment to construct networks in key regions. Aside from offering advanced 5G application solutions to customers globally, it will tap into the massive demand for 4G network construction in various countries and regions with unbalanced network development, thereby strengthening its global market position. At the same time, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore new sales channels and conduct joint product R&D to grow its Open RAN business.



## **NEW BUSINESS**

The three major applications for 5G – enhancing mobile broadband, large-scale internet of things, and ultra-reliable, low latency communications – will transform current production modes and everyday lifestyles in the coming years. During the Current Period, the Group continued to explore areas such as “5G + vertical industry applications” and promoted the integration of 5G technology with various aspects of intelligent manufacturing, including intelligent workshops, flexible production lines, and intelligent robotic arms. For example, the Group made technological advances in the “5G + Mobile Robot” product series, established the AGV mainstream car model series and initiated related pilot projects. Looking ahead, the Group will develop the relevant innovative businesses in a bid to contribute to its business results.

## **CONCLUSION**

The Group will continue to focus on the wireless communication sector and collaborate with business partners in upstream and downstream ecosystems in the industry to jointly promote 5G integration and applications. While actively developing new 5G technologies, the Group will conduct research into advanced technologies and innovative products in the post-5G era to further develop the digital economy and create value for customers.

## **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 2022, the Group had net current assets of HK\$2,139,910,000. The current assets of the Group as at 30 June 2022 comprised inventories of HK\$1,388,045,000, trade receivables of HK\$4,126,289,000, notes receivable of HK\$169,780,000, prepayments, other receivables and other assets of HK\$498,643,000, financial assets designated at fair value through profit or loss of HK\$2,291,000, restricted bank deposits of HK\$115,428,000, time deposits of HK\$117,099,000 and cash and cash equivalents of HK\$1,698,979,000. The current liabilities of the Group as at 30 June 2022 comprised trade and bills payables of HK\$4,372,787,000, other payables and accruals of HK\$596,420,000, interest-bearing bank borrowings of HK\$851,802,000, tax payable of HK\$82,228,000 and provision for product warranties of HK\$73,407,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Period was 248 days compared to 312 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 customers which are granted with longer credit term. The balances also include retention money, which is for assurance that the product and service comply with agreed-upon specifications, 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. The average payable turnover for the Current Period was 371 days compared to 419 days for the Prior Period. The average inventory turnover for the Current Period was 114 days compared to 141 days for the Prior Period.

As at 30 June 2022, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United State dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. 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 also entered into 3-year term loan facility agreements with certain financial institutions during the Current Period. Details of the Group's bank borrowings are set out in note 14 above.

The Group's revenue and expenses, assets and liabilities are mainly denominated in Renminbi, Hong Kong dollars and United State dollars. As at 30 June 2022, the Group has outstanding non-deliverable foreign currency option contracts in respect of Renminbi, Indian Rupee and Thai Baht with notional amount of RMB175,000,000, US\$8,000,000 and nil respectively (31 December 2021: RMB175,000,000, US\$10,000,000 and US\$4,000,000 respectively).

The Group will also closely monitor the fluctuation of exchange rate in other currencies and will consider hedging such foreign currency should the need arise.

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 14.3% as at 30 June 2022 (31 December 2021: 12.5%).

In spite of the global outbreak of the COVID-19 pandemic, the Group's financial position remains sound with sufficient working capital.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group has not conducted any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Period.

## **USE OF PROCEEDS**

On 28 April 2020, the top-up placing of a total of 282,000,000 Shares of a nominal value of HK\$0.10 each at a placing price of HK\$3.05 per Share to not less than six placees (who were professional, institutional and/or individual investors), together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert (as defined in the Code on Takeovers and Mergers) and not connected with the Company or its connected persons (as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) (the "Placing") was completed.

On 8 May 2020, 150,000,000 and 80,000,000 new Shares of a nominal value of HK\$0.10 each were issued and allotted to Prime Choice Investments Limited and Wise Logic Investments Limited, the substantial Shareholders (as defined under the Listing Rules), respectively at a subscription price of HK\$3.05 per Share (the "Subscription").

The Placing and the Subscription were undertaken to supplement the Group's long-term funding of its expansion and growth plan and to provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company. The market price as stated in the daily quotations sheet issued by the Stock Exchange on 24 April 2020, being the date of execution of the agreement regarding the Placing and the Subscription, was HK\$3.17 per Share.

The net proceeds from the Placing and the Subscription as disclosed in the announcements of the Company dated 23 April 2020, 24 April 2020, 28 April 2020 and 8 May 2020 were approximately HK\$686,235,000 (after deducting the related costs and expenses) and the net subscription price of each Share was approximately HK\$2.98 (after deducting the related costs and expenses). As at 30 June 2022, details of the amount of the utilized and unutilized said net proceeds are set out as follows:

Net proceeds raised HK\$'000	Intended use of the net proceeds	Amounts utilized as at 31 December 2021 HK\$'000	Amounts utilized during the Current Period HK\$'000	Amounts unutilized as at 30 June 2022 HK\$'000	Expected timeline for utilizing the residual amount of net proceeds*
515,390	(a) R&D of 5G small cells and Open RAN, 5G antenna development and filter, and development of 5G+ vertical applications	205,272	58,882	251,236	by 30 June 2023
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	66,019	10,597	94,229	by 30 June 2023
<u>686,235</u>		<u>271,291</u>	<u>69,479</u>	<u>345,465</u>	

\* The expected timeline for utilizing the residual amount of the net proceeds is based on the best estimation of the future market conditions made by the Group and will be subject to change based on future development of market conditions.

## RESTRICTED BANK DEPOSITS

Deposit balances of HK\$145,985,000 (31 December 2021: HK\$134,095,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

## CONTINGENT LIABILITIES

As at 30 June 2022, the Group had contingent liabilities of HK\$283,080,000 (31 December 2021: HK\$276,836,000), which mainly included guarantees given to banks in respect of performance bonds.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had approximately 5,400 staffs, out of which 1,300 staffs were from ETL (31 December 2021: 5,500 staffs, out of which 1,300 staffs were from ETL). The total staff costs, excluding capitalized development cost, for the Current Period were HK\$527,185,000 (30 June 2021: HK\$478,330,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares (including incentive shares) and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share option scheme, share award scheme and share incentive scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, Mainland China or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs 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.

As at 24 March 2022, being the date of the annual report of the Company for the year ended 31 December 2021, the total number of securities available for issue under the share option scheme (the "Share Option Scheme") of the Company adopted on 3 June 2013 was 271,449,986 Shares, which represented approximately 9.77% of the Company's issued share capital as at that date.

As at the date of this announcement, the total number of securities available for issue under the Share Option Scheme was 271,014,986 Shares, representing approximately 9.75% of the Company's issued share capital.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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 Part 2 of Appendix 14 of 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, together with the management of the Company, 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 interim condensed consolidated 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 interim condensed consolidated financial statements for the Current Period and has not given any disagreement.

## **PUBLICATION OF INTERIM REPORT**

2022 Interim Report containing all information required by the Listing Rules will be despatched to the Shareholders 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, 25 August 2022

*As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. XU Huijun, Mr. CHANG Fei Fu, Mr. BU Binlong and Ms. HUO Xinru; the following non-executive Director: Mr. WU Tielong; and the following independent non-executive Directors: Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong, Ms. NG Yi Kum and Ms. WONG Lok Lam.*