

Comba

京信通信系統控股有限公司
Comba Telecom Systems Holdings Limited

股份代號 Stock Code : 2342

Persistent • Focus
繼往開來 • 凝心聚力

Innovation • Brilliant
創新發展 • 再創輝煌



2020

INTERIM REPORT 中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Fok Tung Ling (*Chairman*)

Zhang Yue Jun (*Vice Chairman*)

Xu Huijun (*President*)

Chang Fei Fu

Bu Binlong

Huo Xinru

Non-Executive Director

Wu Tielong

Independent Non-Executive Directors

Lau Siu Ki, Kevin

Lin Jin Tong

Ng Yi Kum

Leung Hoi Wai

COMPANY SECRETARY

Chan Siu Man

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lau Siu Ki, Kevin (*Chairman*)

Lin Jin Tong

Ng Yi Kum

Leung Hoi Wai

NOMINATION COMMITTEE

Lin Jin Tong (*Chairman*)

Lau Siu Ki, Kevin

Ng Yi Kum

Leung Hoi Wai

AUTHORIZED REPRESENTATIVES

Fok Tung Ling

Chang Fei Fu

REGISTERED OFFICE

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Cayman Islands

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Tai Po

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Entering into 2020, the sudden outbreak of the coronavirus disease 2019 (the “COVID-19”) had a certain impact on most of the industries in a short term. The global 5G construction has been delayed to a certain extent. However, the development of telecommunication network is an important condition for promoting overall social progress, the 5G construction will continue to forge ahead in the medium and long run, and will further stress that telecommunication is playing an important role in economic construction and all aspects of people’s daily life.

REVENUE

Comba Telecom Systems Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) reported the interim revenue of HK\$2,238,485,000 (2019: HK\$2,751,224,000) for the six months ended 30 June 2020 (the “Current Period”), representing a decrease of 18.6% compared to the six months ended 30 June 2019 (the “Prior Period”). The decrease in revenue was mainly due to the global outbreak of the COVID-19, and a certain delay in the construction of 5G networks.

BY CUSTOMERS

During the Current Period, affected by the COVID-19 outbreak in Mainland China in the first quarter, the major mobile operators in China focused on emergency communication network coverage and recovery in epidemic areas, and there was a certain delay in 5G network construction. With the improvement of the epidemic situation in Mainland China, 5G deployment is being carried out in an orderly manner. At the same time, the co-constructing and sharing deployment in the different network frequency spectrum and the different network modes is also expected to bring growth to the Group’s business.

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries decreased by 36.0% over the Prior Period to HK\$509,935,000 (2019: HK\$797,019,000), accounting for 22.8% of the Group’s revenue in the Current Period, compared to 29.0% in the Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue generated from China United Telecommunications Corporation and its subsidiaries decreased by 59.0% over the Prior Period to HK\$186,635,000 (2019: HK\$455,551,000), accounting for 8.3% of the Group's revenue in the Current Period, compared to 16.6% in the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries decreased by 12.8% over the Prior Period to HK\$232,693,000 (2019: HK\$266,997,000), accounting for 10.4% of the Group's revenue in the Current Period, compared to 9.7% in the Prior Period.

During the Current Period, revenue generated from China Tower Corporation Limited ("China Tower") significantly increased by 63.4% over the Prior Period to HK\$173,281,000 (2019: HK\$106,029,000). Due to the increasing demand for the indoor coverage business by China Tower, the Group will strengthen its cooperation with China Tower group and continue to provide high-quality products and solutions that meet customer requirements.

During the Current Period, revenue from other customers decreased by 8.9% over the Prior Period to HK\$246,945,000 (2019: HK\$271,184,000) and represented 11.0% (2019: 9.9%) of the Group's revenue. Among these, revenue generated from Rail Transit Communication customers decreased by 17.6% over the Prior Period to HK\$78,244,000 (2019: HK\$94,977,000). The Group will also strengthen the related services of Rail Transit Communication wireless solutions to lay a foundation for the development of Rail Transit Communication business.

On the international front, during the Current Period, revenue generated from international customers and core equipment manufacturers increased by 4.9% over the Prior Period to HK\$812,237,000 (2019: HK\$774,153,000), accounting for 36.3% of the Group's revenue in the Current Period, compared to 28.1% in the Prior Period. The increase was mainly due to further development of the Group's existing customers by the continuous strengthened cooperation with international core equipment manufacturers and progress achieved to a certain extent, as well as due to the climbing demand for network construction in some regions (such as Europe and India). The Group will continue to further deepen the strategic cooperation with international leading operators and core equipment manufacturers to actively expand the international market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

During the Current Period, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and non-wholly-owned subsidiary of the Group, decreased by 4.4% over the Prior Period to HK\$76,759,000 (2019: HK\$80,291,000), accounting for 3.4% of the Group's revenue in the Current Period (2019: 2.9%). The decrease in revenue was mainly due to ETL's delay in acquiring new customers, affected by the COVID-19 epidemic, during the period. ETL will gradually strengthen online and offline sales capabilities and increase sales channels in the second half of the year. Revenue is expected to improve when the local epidemic status improves.

BY BUSINESS

During the Current Period, revenue generated from the antennas and subsystems business decreased by 45.0% over the Prior Period to HK\$834,350,000 (2019: HK\$1,516,423,000), accounting for 37.3% (2019: 55.1%) of the Group's revenue in the Current Period. The decrease in revenue was mainly due to the global and domestic delay in partial demands affected by the COVID-19 outbreak as well as decrease in demands of direct procurement by domestic operators during the period.

During the Current Period, revenue generated from the network system business increased by 7.8% over the Prior Period to HK\$405,616,000 (2019: HK\$376,098,000), accounting for 18.1% (2019: 13.7%) of the Group's revenue in the Current Period. With the scale deployment of 5G construction, the large-scale commercial use of new digital indoor coverage, represented by small cells, will be gradually implemented. The network system market will enter a new phase.

During the Current Period, revenue from services increased by 11.6% over the Prior Period to HK\$724,470,000 (2019: HK\$649,249,000), accounting for 32.4% (2019: 23.6%) of the Group's revenue. The increase in revenue was mainly due to the optimization of the service team for undertaking a wider range of projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

During the Current Period, revenue from other business (including wireless transmission and comprehensive solutions) increased by 52.7% over the Prior Period to HK\$197,290,000 (2019: HK\$129,163,000), accounting for 8.8% (2019: 4.7%) of the Group's revenue. Among which, revenue from the wireless transmission business largely increased by 248.2% to HK\$119,046,000 (2019: HK\$34,186,000), mainly due to the product upgrade and market expansion of microwave business. Revenue from Rail Transit Communication business dropped by 17.6% over the Prior Period to HK\$78,244,000 (2019: HK\$94,977,000) which was mainly because Rail Transit Communication business is affected by the domestic epidemic, to some extent.

GROSS PROFIT

During the Current Period, the Group's gross profit decreased by 16.7% over the Prior Period to HK\$726,610,000 (2019: HK\$872,351,000). The Group's gross profit margin was 32.5% in the Current Period (2019: 31.7%), an increase of 0.8 percentage points compared to the Prior Period. The Group has been proactively optimizing production systems and developing new products so as to continue to improve gross profit margin of its products. The Group will continue to launch new products and solutions, enhance the level of automated and intelligent production to further improve competitiveness and gross profit margin.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

During the Current Period, R&D expenses decreased by 16.6% over the Prior Period to HK\$174,204,000 (2019: HK\$208,816,000), accounting for 7.8% (2019: 7.6%) of the Group's revenue. In order to better master the industry-leading technology, the Group will maintain a certain level of R&D strength, build the competitiveness of existing products and accelerate the process of launch of 5G-related products.

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 4,600 patents as of the end of the Current Period (31 December 2019: approximately 4,400 patents).

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Period, S&D expenses decreased by 30.6% over the Prior Period to HK\$194,143,000 (2019: HK\$279,763,000), accounting for 8.7% (2019: 10.2%) of the Group's revenue. The decrease in S&D expenses was mainly due to further improvement of the Group's internal management.

ADMINISTRATIVE EXPENSES

During the Current Period, administrative expenses decreased by 16.5% over the Prior Period to HK\$234,605,000 (2019: HK\$280,968,000), accounting for 10.5% (2019: 10.2%) of the Group's revenue. The decrease in administrative expenses was mainly benefited from the improved operating efficiency of the Company as a result of optimization of the organizational structure and human resources of the Group.

FINANCE COSTS

During the Current Period, finance costs decreased by 23.1% over the Prior Period to HK\$41,296,000 (2019: HK\$53,679,000), accounting for 1.8% (2019: 2.0%) of the Group's revenue. The decrease in finance costs was mainly due to decrease in the bank borrowings and the lower interest rate as a result of the decrease of the market interest rate during the period.

The management has constantly exercised prudence in managing credit risk and the level of bank borrowings and at the meantime, has devoted itself to improving cash flow level. To cope with the business growth, the management has closely monitored the latest developments of the financing market change of interest rate and financial policies in the market and has arranged the most appropriate financing for the Group, in order to improve the structure of its debts and thereby reduce its financing costs.

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 at 30 June 2020, the gross gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, stood at a level of 13.5% compared with 15.7% as at 31 December 2019.

OTHER EXPENSES

During the Current Period, other expenses increased by 58.9% over the Prior Period to HK\$123,293,000 (2019: HK\$77,579,000), representing 5.5% (2019: 2.8%) of the Group's revenue. The increase in other expenses was mainly due to the increase in the provision of trade and other account receivables of HK\$31,417,000 and the increase in depreciation of ETL's equipment of HK\$14,758,000 during the period.

OPERATING PROFIT

During the Current Period, the operating profit of the Group decreased by 30.7% over the Prior Period to HK\$81,258,000 (2019: HK\$117,252,000). The decrease in operating profit was mainly due to the decrease in the Group's revenue during the Current Period.

TAX

During the Current Period, the Group's overall taxation charge of HK\$39,139,000 (2019: HK\$24,535,000) comprised an income tax expense of HK\$24,656,000 (2019: HK\$22,334,000) and a deferred tax charge of HK\$14,483,000 (2019: deferred tax charge of HK\$2,201,000). The increase in overall taxation charge was mainly due to higher tax obligation as a result of domestic business restructuring of the Group. The improvement of the management efficiency and long-term benefit by business restructuring will offset the tax expenses.

Details of preferential tax rate enjoyed by major operating subsidiaries are set out in note 9 to these interim condensed consolidated financial statements.

NET PROFIT

During the Current Period, with the decrease of revenue, profit attributable to owners of the parent of the Group was HK\$53,137,000 (2019: HK\$82,214,000), representing a decrease of 35.4% compared to the Prior Period.

DIVIDEND

In view of the Group's operating results in the first half of 2020 and taking into consideration its long-term future development and the interests of the shareholders (the "Shareholders") of the Company, particularly those of minority Shareholders, the board (the "Board") of directors (the "Director(s)") of the Company proposes an interim dividend for 2020 of HK0.7 cent per ordinary share (2019: HK1 cent). The total dividend payout ratio, on the basis of basic earnings per share, is 33.5% (2019: 29.9%).

PROSPECTS

2020 marks the year for mass construction of 5G. Following the freezing of 5G R16 standards, 5G has officially entered into Generation 1.0. The global expectation of 5G has escalated to the height of a pathway to industrial revolution, and thus 5G has become the focus of global competition. The COVID-19 outbreak across the globe in the first half of the year has affected various industries in different countries to a certain extent and various countries were under emergency lockdown of varying degrees, which has greatly impacted the globalized economy. The overall network investment has declined significantly in some regions and the worldwide 5G construction has also experienced certain delays. However, 5G development will not be disrupted overall and continue to forge ahead.

PRODUCTS AND SOLUTIONS

ANTENNA AND SUBSYSTEMS

Leveraging its extensive experience in mobile network construction and its advanced technology in lightweight multi-system multi-mode shared antenna over the years, the Group has a long-established leading position in the base station antenna market and has been named as a "Global Tier 1 Base Station Antenna Supplier" for eight consecutive years by industry analyst firm E.J.L. Wireless Research, as well as been ranked in top 2 of global shipments for seven consecutive years. The Group has been widely recognized by numerous domestic and overseas telecommunication network operators, equipment manufacturers and integrators, with its antenna business presence in more than 100 countries and regions globally.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Domestically, 4G network construction was completed last year. The AAU was the main product type in the early stage of 5G network construction. The direct purchase demand of operators dropped sharply and new demands mainly come from the partial re-building of antenna location spaces. However, with the 5G network co-built by China Mobile and China Broadcasting & Television on 700MHz and China Unicom and China Telecom on 2.1GHz, demands from operators will return. Internationally, in view of different stages of network status in various countries and mobile network construction promoted by mobile office and remote video communication, the demands for 4G and 5G antenna have maintained a sustained growth trend. In the 5G era, the demand for BSA antenna, AAS antenna and 4G/5G integrated convergent antenna will develop in a balanced manner. The Group has developed a variety of miniaturized and lightweight 5G Massive MIMO antenna, FDD ultra-multi-port multi-system shared antenna, FDD/TDD hybrid multi-system shared antenna and 4G/5G convergent antenna, as well as newly developed "A + P" tower top solution, matching the needs of customers in different application scenarios and promoting the construction of 5G networks.

During the period, despite of the global outbreak of COVID-19, the Group's antenna production and supply were stable. Among them, the three major products of AAS, AFU and CWG supporting 5G AAU were delivered in bulk supply, with an increasing market share. New products such as 4G/5G convergent antenna were commercial used in Europe and Asia Pacific, increasing the global market share and revenue of traditional antenna.

Moreover, targeting "5G broad indoor coverage", the Group also introduced market-leading innovative customized solutions of antenna for broad indoor coverage such as the new building coverage antenna addressing the demand of district and residential areas coverage, the 5G wall-mounted antenna addressing the demand of tunnel coverage, and the 3D beam forming antenna addressing the coverage demand from large venues, transportation hubs and others. These solutions have currently been shipped to certain regions. With the development of 5G indoor coverage, the importance of the new customized antennas will increase in the future.

NETWORK PRODUCT SYSTEM SOLUTIONS

The Group has been committed to R&D and technological innovation of indoor coverage of network products and also possessed leading technologies such as new digital indoor deployment solutions specially for design of indoor wireless network coverage.

In 5G construction, the daunting challenges of network capacity, the need to improve indoor efficiency, the difficulty of traditional indoor coverage to meet new demands, as well as the cost-effective network construction requirements, lead to new challenges for 5G empowering industry. Diversified network will be the trend of 5G-based network construction and the new digital indoor coverage network will play the role as same as the macro base station network in order to effectively optimize depth and capacity coverage of 5G network. The Group has also been actively engaged in 5G technology and R&D, standard formulation and industrial promotion as well as engaged in providing end-to-end 5G+ industry open platform solutions, with a view to constantly exploring broader application scenarios, seeking 5G's potential value in vertical industries as well as optimizing end-to-end products and solutions.

The first 5G open platform small cell for commercial use debuted by the Group in the industry , namely 5G Cloud Small Cell, integrates functions such as MEC and is able to provide end-to-end basic network solutions for vertical industries. The 5G Cloud Small Cell is currently being deployed and under commercial trial in more than ten provinces and cities such as Beijing, Guangdong and Zhejiang, including connection with existing core network of NSA and SA as well as compatible connection with IoT of existing 5G commercial terminals, both of which have met the requirements for commercial use. The Group has also achieved great milestones in the field of 5G+ industrial application. Following the inclusion in the first batch of "demonstration park for 5G+ industrial internet application" by the Department of Industry and Information Technology of Guangdong Province last year, the Group has currently deployed applications such as remote control, high precision indoor positioning, cloud-based machine vision and cloud-based AGV in smart factories based on 5G Cloud Small Cell + MEC.

The Group will constantly invest in R&D on integration of 5G indoor coverage with industrial internet innovation. Going forward, the Group will collaborate with industrial partners to facilitate the integration of 5G indoor coverage technology into various fields of vertical industries to explore competitive business models, with a view to creating a bright future of smart interconnection of 5G+ vertical industries.

MARKET EXPANSION

OPERATOR BUSINESS IN MAINLAND CHINA

During the COVID-19 outbreak in Mainland China since the beginning of the year and following with the stringent control launched by China, the progress of 5G construction in Mainland China was delayed to some extent. In order to contain the pandemic and stimulate the economy, China timely promulgated various policies including the development of new infrastructures. Acting as the “engine” and “accelerator” of the new infrastructures, 5G has played a critical role. During the period, in response to the call for new infrastructures, the three major operators have pushed forward the implementation of 5G in an orderly manner, actively commenced efforts such as collaboration of “co-construction and sharing” for 5G and made some progress. Now, the number of 5G users has exceeded a hundred million in China.

Following the large-scale deployment of 5G mobile network by the three major operators intensively, the construction of 5G network has entered into a new phase. The width and depth of the network coverage were considered in the network construction. The 5G construction of low frequency spectrum was gradually commenced. For example, China Mobile and China Broadcasting Network Group have announced the joint investment, construction and shared use of 700MHz 5G wireless network, thereby further enhancing the 5G network’s coverage. Progress of 5G construction has laid a concrete foundation for the new infrastructures. As such, it has paved the way for further pushing forward the structural reform of the society and industries as well as improving the quality of life.

INTERNATIONAL BUSINESS

Through deeply exploring the customer demands, the Group's international marketing platform proactively developed products catering for different regional markets so as to maintain the product competitiveness. Meanwhile, it continued to explore the international market actively and put in more resources for expanding target markets. Besides, it continued to maintain the close cooperation with global leading telecom operators and core equipment suppliers to provide advanced 5G application solutions for global customers, and thus consolidating the Group's global market status constantly.

During the period, capitalizing on its advantages in both product and technology, the Group continued to maintain stable cooperation in 5G with international mobile operators in key areas and global leading telecom core equipment suppliers. Although the 5G construction in various countries has been impacted by COVID-19 to different extent, the Group has made certain progress in some regions. In addition, the Group maintained a close cooperation with telecom core equipment suppliers. Looking forward, the Group will actively develop strategic partnership with other telecom core equipment suppliers more extensively, with a view to fostering mutual benefits through cooperation.

In addition, the Group will continue to expand the OpenRAN ecosystem, develop strategic partnership to jointly conduct R&D of products, explore sales channels, and facilitate the commercial use of products, thereby making contributions to the growth of the OpenRAN industrial alliance continuously.

NEW BUSINESS

Three major application for 5G, namely enhanced mobile broadband, large-scale internet of things, and ultra-reliable and low latency communications, will bring revolutionary changes to every industry. Industry pioneers are actively exploring business possibilities of "5G+applications" in different industries as well as in all aspects of manufacturing. During the period, the Group continued to conduct more in-depth explorations in future 5G application scenarios such as smart manufacturing, and facilitate the effective integration of 5G technology and smart manufacturing such as smart workshop, flexible production line, smart machinery, etc., so that corporate managers can operate and manage the production flow more efficiently, and hence further improving industrial efficiency.

CONCLUSION

As affected by the outbreak of epidemic around the world in the first half of 2020, although 5G network construction has been delayed to a certain extent, it is still orderly in progress. The Group's epidemic prevention work continued to be carried out in an orderly manner as a whole, with zero infections among all employees, ensuring the smooth operation of business.

The Group will continue to seize the opportunity of 5G construction, invest in 5G technological R&D, maintain the advancing edge of 5G products, and promote the sustainable development of the Group's business. At the same time, sticking to the core value of "creating ideal values for customers", the Group will boost operating efficiency and improve various operating indicators, with a view to striving to 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 2020, the Group had net current assets of HK\$2,834,378,000. Current assets comprised inventories of HK\$1,425,775,000, trade receivables of HK\$3,848,652,000, notes receivable of HK\$48,991,000, prepayments, other receivables and other assets of HK\$741,084,000, financial assets designated at fair value through profit or loss of HK\$1,560,000, restricted bank deposits of HK\$151,704,000 and cash and cash equivalents of HK\$1,772,039,000. Current liabilities comprised trade and bills payables of HK\$3,762,170,000, other payables and accruals of HK\$694,535,000, interest-bearing bank borrowings of HK\$542,845,000, tax payable of HK\$85,233,000 and provision for product warranties of HK\$70,644,000.

The average receivable turnover for the Current Period was 320 days compared to 285 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, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Period was 470 days compared to 419 days for the Prior Period. The average inventory turnover for the Current Period was 158 days compared to 128 days for the Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As at 30 June 2020, 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 3-year term loan facility agreement with certain financial institutions with the principal amount of HK\$980,000,000 on 30 January 2019 which was further increased to HK\$1,458,000,000 by way of accession. Details of bank borrowings are set out in note 15 to these interim condensed consolidated financial statements.

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK\$ and US\$. In view of the anticipation of a period of volatility in RMB, the Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any arrangement as and when appropriate for hedging corresponding risks. As at 30 June 2020, the Group has not engaged in hedging activities for managing RMB exchange rate risk. 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. As at 30 June 2020, the Group has outstanding non-deliverable foreign currency option contracts in respect of Indonesian Rupiah and Indian Rupee with notional amount of US\$3,000,000 and US\$5,000,000 respectively (31 December 2019: Nil).

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 13.5% as at 30 June 2020 (31 December 2019: 15.7%).

MATERIAL ACQUISITIONS AND DISPOSALS

During the Current Period, the Company adopted a share incentive scheme and shares of Comba Telecom Systems (China) Limited# (京信通信系統(中國)有限公司) (“Comba China”, which was an indirect wholly-owned subsidiary of the Company) were awarded to the Selected Participants (as defined below) to recognize their contributions to the Group. The acquisitions of incentive shares of Comba China by G Partnerships (as defined below) and Non-G Partnerships (as defined below) under the aforesaid share incentive scheme constituted a deemed disposal (the “Deemed Disposal”) of the Company under which the Company’s equity interest in Comba China decreased by approximately 10.43% upon completion. Comba China remains as subsidiary of the Company after the completion of the Deemed Disposal.

Comba China currently focuses on R&D, manufacturing and sales for network system products, including macro cells, small cells, related extended & in-depth coverage solutions and OpenRAN products as well as providing network solutions for 5G vertical industry.

For details of the Deemed Disposal, please refer to the announcements of the Company dated 10 June 2020 and 24 June 2020.

Save as disclosed above, the Group has not conducted any material acquisitions and disposals of subsidiaries and associated companies during the Current Period.

USE OF PROCEEDS

On 28 April 2020, the top-up placing of a total of 282,000,000 ordinary shares of the Company at a placing price of HK\$3.05 per share was completed. On 8 May 2020, a total of 230,000,000 new shares of the Company were issued and allotted at the subscription price of HK\$3.05 per share (the “Subscription”).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The net proceeds from the top-up 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 are approximately HK\$686,235,000 (after deducting the related costs and expenses). As at 30 June 2020, the Company has utilized the net proceeds, details are set out as follow:

Net proceeds raised HK\$'000	Intended use of the net proceeds	As at 30 June 2020		Expected timeline for utilizing the residual amount of net proceed*
		Amounts utilized HK\$'000	Amounts unutilized HK\$'000	
515,390	(a) R&D of 5G small cells and OpenRAN, 5G antenna development and filter, and development of 5G+ vertical applications	28,630	486,760	by 30 June 2023
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	20,690	150,155	by 30 June 2023
686,235		49,320	636,915	

* 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\$213,135,000 (31 December 2019: HK\$240,711,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had contingent liabilities of HK\$346,309,000 (31 December 2019: HK\$442,892,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had approximately 6,200 staffs, out of which 1,300 staffs from ETL (31 December 2019: 6,000 staffs, out of which 1,300 staffs from ETL). The total staff costs, excluding capitalized development cost, for the Current Period were HK\$416,274,000 (30 June 2019: HK\$581,862,000). 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 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, the Mainland China or elsewhere in accordance with relevant legal requirements in such jurisdiction. 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.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital (Approximately)
		Directly beneficially owned	Through controlled corporation	Total	
Mr. Fok Tung Ling ("Mr. Fok")	(a)	24,864,339	678,115,129	702,979,468	25.64
Mr. Zhang Yue Jun	(b)	-	228,225,410	228,225,410	8.32
Mr. Xu Huijun ("Mr. Xu")		10,000,000	-	10,000,000	0.36
Mr. Bu Binlong ("Mr. Bu")		2,350,084	-	2,350,084	0.08
Mr. Wu Tielong ("Mr. Wu")		1,842,049	-	1,842,049	0.06

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Long positions in share options of the Company:

Name of Directors	Number of share options directly beneficially owned
Mr. Xu	15,000,000
Mr. Chang Fei Fu	7,600,000
Mr. Bu	10,100,000
Ms. Huo Xinru ("Ms. Huo")	6,050,000
Mr. Wu	8,450,000
Mr. Lau Siu Ki, Kevin	510,000
Dr. Lin Jin Tong	455,000
Ms. Ng Yi Kum	200,000

Notes:

- (a) These shares are beneficially owned by Prime Choice Investments Limited. By virtue of 100% shareholding of Prime Choice Investments Limited, Mr. Fok is deemed or taken to be interested in the 678,115,129 shares owned by Prime Choice Investments Limited under the SFO.
- (b) These shares are beneficially owned by Wise Logic Investments Limited. By virtue of 100% shareholding in Wise Logic Investments Limited, Mr. Zhang Yue Jun is deemed or taken to be interested in the 228,225,410 shares owned by Wise Logic Investments Limited under the SFO.

Save as aforesaid and save for Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo beneficially holding approximately 20.96%, 10.06%, 10.06% and 10.06% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)) ("XHT No.2 Partnership"), and Mr. Wu beneficially holding approximately 14.56% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)) ("XHT No.3 Partnership"), both subsidiaries of the Company, as at 30 June 2020, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the Current Period, the Directors or chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any of such rights, required to be disclosed under the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "share option scheme, share award scheme and share incentive scheme" below and in the share option scheme and share award scheme in note 17 to these interim condensed consolidated financial statements, at no time during the Current Period were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director, the chief executive of the Company or their respective spouses or children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 17 to these interim condensed consolidated financial statements.

On 10 June 2020, the Company adopted a share incentive scheme (the "Scheme") by awarding the shares of Comba China, an indirect subsidiary of the Company, to recognize the contributions by employees and consultants to the Group. Comba Business Consulting (Guangzhou) Limited# (京信企業諮詢(廣州)有限公司) ("Comba Consulting", an indirect wholly-owned subsidiary of the Company), acts as a general partner, together with the selected participants in the Scheme (the "Selected Participants") who act as limited partners, has set up three Non-G Partnerships (as defined below) and four G Partnerships (as defined below) in the People's Republic of China.

Comba Consulting has set up XHT No.2 Partnership, Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)) (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under Non-G Partnerships consist of four Directors, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba China and its subsidiaries, the "Comba China Group") and three consultants of the Group (excluding the Comba China Group). Upon the establishment, Non-G Partnerships purchase certain existing shares of Comba China from Comba Telecom Systems Limited ("CTSL", a wholly owned subsidiary of the Company), at the total consideration of RMB57,700,000.

Comba Consulting has also set up Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)), XHT No.3 Partnership, Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)) (the “G Partnerships”) under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants in the G Partnerships consist of one Director, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba China Group. Upon the establishment, G Partnerships subscribe for and Comba China issues certain new shares at the total consideration of RMB54,400,000.

Each of the Non-G Partnerships and G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. After completion of relevant acquisitions of the incentive shares under the Scheme, the Non-G Partnerships and G Partnerships hold approximately 5.37% and 5.06% of the equity interest of Comba China, respectively.

For details of the Scheme, please refer to the announcements of the Company dated 10 June 2020 and 24 June 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following substantial Shareholders (other than a Director or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (Approximately)
Prime Choice Investments Limited		Beneficial owner	678,115,129	24.73
Madam Chen Jing Na	(a)	Interest of spouse	702,979,468	25.64
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.32
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.32

Notes:

- (a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 702,979,468 shares in which Mr. Fok is interested or deemed to be interested for the purpose of the SFO.
- (b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 228,225,410 shares in which Mr. Zhang Yue Jun is interested or deemed to be interested for the purpose of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

There are duplications of interests in the issued share capital of the Company in respect of:

- (i) 678,115,129 shares between Prime Choice Investments Limited and Madam Chen Jing Na; and
- (ii) 228,225,410 shares between Wise Logic Investments Limited and Madam Cai Hui Ni.

Save as disclosed above, as at 30 June 2020, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board reviewed daily governance of the Company from time to time in accordance with the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code contained in Appendix 14 of the 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 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.

CHANGE IN PARTICULARS OF THE DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, change of Director's particulars since the publication of the Company's 2019 Annual Report is set out below:

- (a) Dr. Lin Jin Tong, an independent non-executive Director, has been appointed as an independent director of HC SemiTek Corporation, the shares of which are listed on the Shenzhen Stock Exchange, with effect from 23 April 2020.

AUDIT COMMITTEE

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

RECORD DATE FOR INTERIM DIVIDEND

The record date for determination of entitlements under the interim dividend will be on 4 September 2020. Shareholders whose names appear on the register of members of the Company on 4 September 2020 will be entitled to receive the interim dividend. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 4 September 2020. Dividend warrants will be despatched to the Shareholders on 15 September 2020.

for identification purpose

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated and unaudited)
	Notes	(Unaudited)	
REVENUE	5	2,238,485	2,751,224
Cost of sales		(1,511,875)	(1,878,873)
Gross profit		726,610	872,351
Other income and gains	5	80,893	92,027
Research and development expenses		(174,204)	(208,816)
Selling and distribution expenses		(194,143)	(279,763)
Administrative expenses		(234,605)	(280,968)
Other expenses	7	(123,293)	(77,579)
Finance costs	8	(41,296)	(53,679)
PROFIT BEFORE TAX	6	39,962	63,573
Income tax expense	9	(39,139)	(24,535)
PROFIT FOR THE PERIOD		823	39,038
Attributable to:			
Owners of the parent		53,137	82,214
Non-controlling interests		(52,314)	(43,176)
		823	39,038
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		HK2.09 cents	HK3.35 cents
Diluted		HK2.04 cents	HK3.32 cents

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Restated and unaudited)
PROFIT FOR THE PERIOD	823	39,038
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(127,523)	(52,548)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(127,523)	(52,548)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(127,523)	(52,548)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(126,700)	(13,510)
Attributable to:		
Owners of the parent	(70,356)	34,376
Non-controlling interests	(56,344)	(47,886)
	(126,700)	(13,510)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,242,972	1,320,293
Right-of-use assets		211,245	253,261
Goodwill		253,077	253,077
Deferred tax assets		181,653	204,064
Intangible assets		877,099	859,853
Equity investments designated at fair value through other comprehensive income		13,163	13,423
Equity investments designated at fair value through profit or loss		27,992	28,473
Restricted bank deposits		61,431	71,532
Total non-current assets		2,868,632	3,003,976
CURRENT ASSETS			
Inventories	12	1,425,775	1,191,244
Trade receivables	13	3,848,652	3,997,781
Notes receivable		48,991	156,822
Prepayments, other receivables and other assets		741,084	790,901
Financial assets designated at fair value through profit or loss		1,560	–
Restricted bank deposits		151,704	169,179
Cash and cash equivalents		1,772,039	1,867,186
Total current assets		7,989,805	8,173,113
CURRENT LIABILITIES			
Trade and bills payables	14	3,762,170	4,026,068
Other payables and accruals		694,535	1,092,456
Interest-bearing bank borrowings	15	542,845	115,086
Tax payable		85,233	82,835
Provision for product warranties		70,644	73,764
Total current liabilities		5,155,427	5,390,209

INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONT'D)

30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NET CURRENT ASSETS		2,834,378	2,782,904
TOTAL ASSETS LESS CURRENT LIABILITIES		5,703,010	5,786,880
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	920,600	1,643,039
Lease liabilities		67,342	94,409
Deferred tax liabilities		148,322	152,415
Total non-current liabilities		1,136,264	1,889,863
Net assets		4,566,746	3,897,017
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	274,126	248,599
Treasury shares		(22,818)	(22,818)
Reserves	18	3,841,604	3,235,428
		4,092,912	3,461,209
Non-controlling interests		473,834	435,808
Total equity		4,566,746	3,897,017

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent											
	Issued capital H(\$'000)	Treasury shares H(\$'000)	Share premium account H(\$'000)	Share-based compensation reserve H(\$'000)	Capital reserve H(\$'000)	Asset revaluation reserve H(\$'000)	Statutory reserve H(\$'000)	Exchange fluctuation reserve H(\$'000)	Fair value reserve of equity investments at FVOCI H(\$'000)	Retained profits H(\$'000)	Non-controlling interests H(\$'000)	Total equity H(\$'000)
At 1 January 2019	241,948	(22,816)	598,797	58,710	45,480	46,634	189,104	35,188	(7,240)	2,092,350	527,461	3,885,614
Profit for the period	-	-	-	-	-	-	-	-	-	82,214	(43,176)	39,038
Other comprehensive loss for the period	-	-	-	-	-	-	-	(47,838)	-	-	(4,710)	(52,548)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(47,838)	-	-	-	(47,838)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(47,838)	-	82,214	(47,886)	(13,510)
Share option scheme	-	-	-	121,49	-	-	-	-	-	-	-	121,49
- value of services	-	-	-	(32,792)	-	-	-	-	-	-	-	(77,861)
- exercise of share options	5,869	-	104,784	-	-	-	-	-	-	-	-	110,653
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	803	-	-	-	-	-	803	-	803
Transfer to/from retained profits	-	-	-	-	-	(1,805)	16,949	-	-	(15,144)	-	-
At 30 June 2019 (unaudited)	247,817	(22,816)	703,581	37,264	45,480	44,829	206,053	(12,650)	(7,240)	2,160,223	479,575	3,882,114

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the six months ended 30 June 2020

	Attributable to owners of the parent										Total equity interests HK\$'000		
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000		Total HK\$'000	
Notes													
At 1 January 2020	248,599	(22,818)	715,772*	49,431*	45,480*	43,024*	211,071*	(23,863)*	(7,240)*	2,201,753*	3,461,209	435,808	3,897,017
Profit for the period	-	-	-	-	-	-	-	-	-	53,137	53,137	(52,314)	823
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(123,493)	(123,493)	-	-	(123,493)	(4,030)	(127,523)
Total comprehensive loss for the period	-	-	-	-	-	-	(123,493)	(123,493)	-	53,137	(70,356)	(56,344)	(126,700)
Share option scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	2,527	-	42,295	(11,786)	-	-	-	-	-	-	15,083	-	15,083
- exercise of share options	-	-	-	-	-	-	-	-	-	-	-	-	-
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(424)	-	-	-	-	-	424	-	-	-
Final 2019 dividend	-	-	-	-	-	-	-	-	-	(32,895)	(32,895)	-	(32,895)
Capital contribution from non-controlling shareholders [#]	-	-	-	-	-	-	-	-	-	-	-	94,370	94,370
Issue of shares	23,000	-	663,235	-	-	-	-	-	-	-	686,235	-	686,235
Transfer to/from retained profits	-	-	-	-	-	(1,805)	-	-	-	1,805	-	-	-
At 30 June 2020 (unaudited)	274,126	(22,818)	1,421,302*	52,904*	45,480*	41,219*	211,071*	(147,356)*	(7,240)*	2,224,224*	4,092,912	473,834	4,566,746

* These reserve accounts comprise the consolidated reserves of HK\$3,841,604,000 (31 December 2019: HK\$3,235,428,000) in the interim consolidated statement of financial position.

On 10 June 2020, the Company adopted a share incentive scheme (the "Scheme") by awarding the shares of Comba Telecom Systems (China) Limited (深信通信系統(中國)有限公司) (the "Comba China"), an indirect wholly-owned subsidiary of the Company, to recognize the contributions by our employees and consultants to the Group. Comba Business Consulting (Guangzhou) Limited (深信企業諮詢(廣州)有限公司) (an indirect wholly-owned subsidiary of the Company), acting as a general partner, together with the selected participants in the Scheme (the "Selected Participants") who act as limited partners, has set up three Non-G Partnerships and four G Partnerships in the PRC to hold the relevant incentive shares for and on behalf of the Selected Participants. For more details of the Scheme, please refer to the announcement of the Company dated 10 June 2020 and the announcement of the Company dated 24 June 2020.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,962	63,573
Adjustments for:			
Interest income	5	(9,072)	(6,001)
Finance costs	8	41,296	53,679
Depreciation of property, plant and equipment	6	102,962	83,013
Depreciation of right-of-use assets	6	19,957	16,006
Amortization of intangible assets		42,319	46,009
(Gain)/loss on disposal of items of property, plant and equipment	6	(3,215)	218
Equity-settled share option expense	6	15,083	12,149
Loss on fair value change of financial assets designated at fair value through profit or loss	6	661	–
Gain on equity investments designated at fair value through profit or loss	6	–	(4,607)
Gain on disposal of part of equity investment designated at fair value through profit or loss	6	–	(1,301)
		249,953	262,738
Increase in inventories		(257,610)	(26,092)
Decrease/(increase) in trade receivables		71,679	(279,202)
Decrease in notes receivable		104,793	36,108
Decrease/(increase) in prepayments, other receivables and other assets		31,978	(148,450)
Decrease in trade and bills payables		(185,900)	(11,863)
(Decrease)/increase in other payables and accruals		(409,919)	7,872
(Decrease)/increase in provision for product warranties		(1,701)	7,913
Cash used in operations		(396,727)	(150,976)
Mainland China profits tax paid		(15,603)	(14,612)
Overseas profits taxes paid		(5,051)	(5,834)
Interest paid on lease liabilities		(1,557)	(2,262)
Net cash flows used in operating activities		(418,938)	(173,684)

INTERIM CONSOLIDATED STATEMENT OF
CASH FLOWS (CONT'D)

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		9,072	6,001
Purchases of items of property, plant and equipment		(45,919)	(129,119)
Addition of intangible assets		(66,425)	(33,789)
Purchase of equity investments designated at fair value through profit or loss		–	(4,051)
Proceeds from disposal of items of property, plant and equipment		9,116	697
Proceeds from disposal of intangible assets		7	–
Proceeds from disposal of part of equity investment at fair value through profit or loss		–	15,889
Purchase of financial assets designated at fair value through profit or loss		(2,221)	–
Decrease in restricted bank deposits		22,912	30,530
Net cash flows used in investing activities		(73,458)	(113,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		90,463	1,458,000
Repayment of bank borrowings		(379,559)	(1,573,517)
Dividend paid		(32,895)	–
Exercise of share options	16(ii)	33,636	77,861
Interest paid		(39,739)	(51,417)
Principal portion of lease payments		(18,672)	(15,857)
Contribution from the non-controlling shareholders		94,370	–
Issue of shares, net of expense	16(iii)	686,235	–
Net cash flows from/(used in) financing activities		433,839	(104,930)

INTERIM CONSOLIDATED STATEMENT OF
CASH FLOWS (CONT'D)

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(58,557)	(392,456)
Cash and cash equivalents at beginning of period		1,867,186	1,893,859
Effect of foreign exchange rate changes, net		(36,590)	(3,432)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,772,039	1,497,971
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,764,743	1,497,696
Non-pledged time deposits with original maturity of less than three months when acquired		7,296	275
Cash and cash equivalents as stated in the consolidated statement of financial position		1,772,039	1,497,971

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. CORPORATE INFORMATION

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

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

During the period, the Group was principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment, the provision of related engineering services and the provision of 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 2020 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 2019.

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 2019, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(Cont'd)

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(Cont'd)

The nature and impact of the revised HKFRSs are described below:
(Cont'd)

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(Cont'd)

The nature and impact of the revised HKFRSs are described below:
(Cont'd)

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

- (e) Voluntary change in accounting policies for amortization of deferred development expenses
The management of the Group reassessed the classification of the deferred expenditure amortization and considered that the amortization will be classified as research and development expenses, instead of cost of sales, to provide more relevant information about the effects on the amortization to the users of the financial statements. As such, the Company proposed a voluntary change in the accounting policy.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(Cont'd)

The nature and impact of the revised HKFRSs are described below:
(Cont'd)

- (e) Voluntary change in accounting policies for amortization of deferred development expenses (Cont'd)

The main effects of retrospective adjustments caused by the above accounting policy change on financial statements are as follows:

Consolidated statement of profit or loss and other comprehensive income	Before change in accounting policy for six months ended in 30 June 2020 HK\$'000 (Unaudited)	Reclassification on change in accounting policy HK\$'000 (Unaudited)	After change in accounting policy for six months ended in 30 June 2020 HK\$'000 (Unaudited)
Cost of sales	(1,540,102)	28,227	(1,511,875)
Research and development expenses	(145,977)	(28,227)	(174,204)
	(1,686,079)	–	(1,686,079)
Profit before tax	39,962	–	39,962

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Cont'd)

The nature and impact of the revised HKFRSs are described below:
(Cont'd)

- (e) Voluntary change in accounting policies for amortization of deferred development expenses (Cont'd)

Consolidated statement of profit or loss and other comprehensive income	Before change in accounting policy for six months ended in 30 June 2019 HK\$'000 (Restated and unaudited)	Reclassification on change in accounting policy HK\$'000 (Restated and unaudited)	After change in accounting policy for six months ended in 30 June 2019 HK\$'000 (Restated and unaudited)
Cost of sales	(1,910,971)	32,098	(1,878,873)
Research and development expenses	(176,718)	(32,098)	(208,816)
	(2,087,689)	-	(2,087,689)
Profit before tax	63,573	-	63,573

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

4. OPERATING SEGMENT INFORMATION (Cont'd)

Period ended 30 June 2020	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,161,726	76,759	2,238,485
Profit/(loss) before tax	135,987	(96,025)	39,962
Segment assets Elimination	9,821,676	1,917,637	11,739,313 (880,876)
Total assets			10,858,437
Segment liabilities Elimination	6,135,711	1,036,856	7,172,567 (880,876)
Total liabilities			6,291,691
Period ended 30 June 2019	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,670,933	80,291	2,751,224
Profit/(loss) before tax	147,619	(84,046)	63,573
Segment assets Elimination	10,151,683	1,747,476	11,899,159 (526,416)
Total assets			11,372,743
Segment liabilities Elimination	7,344,682	672,363	8,017,045 (526,416)
Total liabilities			7,490,629

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

4. OPERATING SEGMENT INFORMATION (Cont'd)
GEOGRAPHICAL INFORMATION

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Mainland China	1,570,127	2,031,144
Other countries/areas in Asia		
Pacific	328,064	354,018
Americas	190,988	193,968
European Union	129,931	118,638
Middle East	13,724	45,308
Other countries	5,651	8,148
	2,238,485	2,751,224

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

(b) *Non-current assets*

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Mainland China	1,052,023	1,072,745
Lao People's Democratic Republic	1,783,820	1,889,404
Other countries/regions	32,789	41,827
	2,868,632	3,003,976

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

4. OPERATING SEGMENT INFORMATION (Cont'd)
INFORMATION ABOUT MAJOR CUSTOMERS

Revenue of approximately HK\$509,935,000 (six months ended 30 June 2019: HK\$797,019,000), HK\$232,693,000 (six months ended 30 June 2019: HK\$266,997,000) and HK\$186,635,000 (six months ended 30 June 2019: HK\$455,551,000) was derived from 3 major customers, which accounted for 22.8% (six months ended 30 June 2019: 29.0%), 10.4% (six months ended 30 June 2019: 9.7%) and 8.3% (six months ended 30 June 2019: 16.6%) 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:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	2,156,093	2,656,856
Maintenance services	5,633	14,077
Provision of operator telecommunication services	76,759	80,291
	2,238,485	2,751,224

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS (Cont'd)
REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Type of customers		
PRC state-owned telecommunication operator groups	929,263	1,519,567
Other customers	1,309,222	1,231,657
Total revenue from contracts with customers	2,238,485	2,751,224
Timing of revenue recognition		
Goods transferred at a point in time	2,156,093	2,656,856
Services transferred over time	82,392	94,368
Total revenue from contracts with customers	2,238,485	2,751,224

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

5. REVENUE, OTHER INCOME AND GAINS (Cont'd)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Other income and gains		
Bank interest income	9,072	6,001
Exchange gain, net	–	6,174
Government subsidies [#]	50,407	59,649
VAT refunds [*]	8,293	2,946
Gain on equity investments designated at fair value through profit or loss	–	4,607
Gain on disposal of part of equity investment designated at fair value through profit or loss	–	1,301
Gain on disposal of items of property, plant and equipment	3,215	–
Gross rental income	2,967	2,536
Technical services income	2,794	2,273
Scrapped and recycled items sales income	1,897	1,388
Penalty income	92	3,283
Other miscellaneous income	2,156	1,869
	80,893	92,027

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

^{*} During the periods ended 30 June 2019 and 2020, 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 13% in 2020 (16% before April 2019). Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

6. PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cost of inventories sold and services provided		1,487,417	1,782,756
Depreciation of property, plant and equipment		102,962	83,013
Depreciation of right-of-use assets		19,957	16,006
Amortization of computer software, technology and operating license		14,092	13,911
Research and development expenses:			
Deferred expenditure amortized**		28,227	32,098
Current period expenditure		145,977	176,718
		174,204	208,816
Employee benefit expense (including directors' remuneration):			
Salaries and wages		360,091	497,984
Staff welfare expenses		25,309	33,853
Equity-settled share option expense	17(a)	15,083	12,149
Pension scheme contributions (defined contribution scheme)‡		15,791	37,876
		416,274	581,862
Exchange loss/(gain), net*		15,476	(6,174)
Provision for product warranties [^]		11,933	13,412
Write-down of inventories to net realizable value [^]		5,720	79,497
Impairment of trade receivables and notes receivable		39,441	15,226
Impairment of other receivables		7,905	703
(Gain)/loss on disposal of items of property, plant and equipment		(3,215)	218
Loss on fair value change of financial assets designated at fair value through profit or loss		661	-
Gain on equity investments designated at fair value through profit or loss		-	(4,607)
Gain on disposal of part of equity investment designated at fair value through profit or loss		-	(1,301)

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

6. PROFIT BEFORE TAX (Cont'd)

- [^] 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.
- [#] At 30 June 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2019: Nil).
- ^{*} Net exchange gain and net exchange loss are included in "Other income and gains" and "Administrative expenses" in the consolidated statement of profit or loss, respectively.
- ^{**} The amortization for deferred development expense was included in "Research and development expenses" in the consolidated statement of profit or loss. The amount being capitalized during the period is HK\$63,857,000.

7. OTHER EXPENSES

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Amortization of operating license of ETL Company Limited	11,661	11,661
Impairment of trade receivables and notes receivable	39,441	15,226
Impairment of other receivables	7,905	703
Depreciation of property, plant and equipment of ETL Company Limited	60,441	45,683
Others	3,845	4,306
Total	123,293	77,579

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

8. FINANCE COSTS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank borrowings	39,739	48,269
Interest on factored trade receivables	–	3,148
Interest on lease liabilities	1,557	2,262
Total	41,296	53,679

9. 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 (2019: 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	–	–
Mainland China	6,774	25,262
Elsewhere	6,956	3,525
Current – under/(over) provision in prior periods	10,926	(6,453)
Deferred	14,483	2,201
Total tax charge for the period	39,139	24,535

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

9. INCOME TAX (Cont'd)

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

Comba Telecom Technology (Guangzhou) Limited, Comba Telecom Systems (China) Limited and Comba Software were entitled to the preferential tax rate of 15% for the period ended 30 June 2020 based on the designation as High-New Technology Enterprises by the Guangdong Provincial Department of Science and Technology which remained effective for the period ended 30 June 2020.

10. DIVIDENDS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Final declared and paid – HK1.2 cents (2018: Nil) per ordinary share	32,895	–
Interim – HK0.7 cent (six months ended 30 June 2019: HK1 cent) per ordinary share (note)	19,189	24,792

Note:

On 20 August 2020, the board of directors declared an interim dividend of HK0.7 cent (six months ended 30 June 2019: HK1 cent) per ordinary share, amounting to a total of approximately HK\$19,189,000 (six months ended 30 June 2019: HK\$24,792,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,536,938,000 (six months ended 30 June 2019: 2,452,931,000) in issue during the period.

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

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	53,137	82,214

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Cont'd)

	Number of shares For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	2,536,938,000	2,452,931,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	62,511,000	24,595,000
	2,599,449,000	2,477,526,000

12. INVENTORIES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Raw materials	285,834	231,927
Project materials	87,562	53,282
Work in progress	88,390	45,882
Finished goods	563,518	559,704
Inventories on site	400,471	300,449
	1,425,775	1,191,244

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

13. 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, 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. 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:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 3 months	1,263,896	1,655,053
4 to 6 months	346,874	463,194
7 to 12 months	955,034	585,223
More than 1 year	1,749,558	1,763,873
	4,315,362	4,467,343
Provision for impairment	(466,710)	(469,562)
	3,848,652	3,997,781

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

13. TRADE RECEIVABLES (Cont'd)

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 and 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 2020

	Current	Past due		Total	
		Less than 1 year	Over 1-2 years		
Expected credit loss rate	1.71%	2.72%	17.21%	50.42%	
Gross carrying amount (HK\$'000)	2,586,950	735,370	296,187	696,855	4,315,362
Expected credit losses (HK\$'000)	44,362	20,025	50,979	351,344	466,710

As at 31 December 2019

	Current	Past due		Total	
		Less than 1 year	Over 1-2 years		
Expected credit loss rate	1.51%	2.24%	14.78%	51.00%	
Gross carrying amount (HK\$'000)	2,738,974	709,106	297,023	722,240	4,467,343
Expected credit losses (HK\$'000)	41,458	15,849	43,895	368,360	469,562

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

14. 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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 3 months	1,859,496	2,251,938
4 to 6 months	351,319	704,646
7 to 12 months	797,998	503,754
More than 1 year	753,357	565,730
	3,762,170	4,026,068

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

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	542,845	115,086
In the 2nd year	920,600	885,986
In the 3rd to 5th years, inclusive	–	645,198
Beyond 5 years	–	111,855
	1,463,445	1,758,125

As at 30 June 2020, loans denominated in Hong Kong dollars and RMB amounted to HK\$1,373,500,000 (31 December 2019: HK\$1,389,000,000) and HK\$89,945,000 (31 December 2019: HK\$369,125,000), respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

15. INTEREST-BEARING BANK BORROWINGS (Cont'd)

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

Bank loans as at 30 June 2020 bear interest at rates ranging from 1.5% to 3.6% (31 December 2019: from 3.5% to 5.5%) per annum.

16. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorized:			
1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
At 1 January 2019		2,419,474,860	241,948
Exercise of share options	(i)	66,513,958	6,651
At 31 December 2019 and 1 January 2020		2,485,988,818	248,599
Exercise of share options	(ii)	25,271,850	2,527
Issue of shares	(iii)	230,000,000	23,000
At 30 June 2020		2,741,260,668	274,126

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30 June 2020

16. SHARE CAPITAL (Cont'd)

As at 30 June 2020, the total number of issued ordinary shares of the Company was 2,741,260,668 shares (31 December 2019: 2,485,988,818 shares) which included 16,637,136 shares (31 December 2019: 16,637,136 shares) held under a share award scheme (the "Share Award Scheme") adopted by the Company on 25 March 2011 (the "Adoption Date") (note 17(b)).

Notes:

- (i) During the year ended 31 December 2019, the subscription rights attaching to 43,600,308 share options, 19,823,650 share options and 3,090,000 share options were exercised at the adjusted exercise prices of HK\$1.354 per share, HK\$1.255 per share and HK\$1.170 per share respectively, resulting in the issue of 66,513,958 shares of HK\$0.10 each for a total cash consideration, before expenses of approximately HK\$87,528,000.
- (ii) During the period ended 30 June 2020, the subscription rights attaching to 14,461,850 share options, 6,866,500 share options and 3,943,500 share options were exercised at the exercise prices of HK\$1.255 per share, HK\$1.170 per share and HK\$1.890 per share respectively, resulting in the issue of 25,271,850 shares of HK\$0.10 each for a total cash consideration, before expenses of approximately HK\$33,636,000.
- (iii) During the period ended 30 June 2020, the Company completed the top-up placing of 282,000,000 shares of HK\$0.10 each at a placing price of HK\$3.05 per share and the subscription of 230,000,000 new shares of HK\$0.10 each at a subscription price of HK\$3.05 each (the "Subscription"). The net proceeds from the Subscription are approximately HK\$686,235,000 (after deducting the related costs and expenses) which would result in the additional share capital of approximately HK\$23,000,000 and share premium of approximately HK\$663,235,000.

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) SHARE OPTION SCHEME

The Company operates a share option scheme adopted on 3 June 2013 (the "2013 Scheme") which, unless otherwise cancelled or amended in accordance with the terms therein, will remain in force for ten years from that date.

The purposes of the 2013 Scheme are to provide incentives and rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the 2013 Scheme include directors (including independent non-executive directors) of the Company, employees, holders of any securities, business or joint venture partners, contractors, agents or representatives of, persons or entities that provide research, development or technological support or any advisory, consultancy, professional services for the business of the Group, investors, vendors, suppliers, developers or licensors of, or customers, licencees, wholesalers, retailers, traders or distributors of goods or services of members of the Group, the Company's controlling shareholders or companies controlled by the Company's controlling shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Scheme, the Share Award Scheme (note 17(b)) and any other incentive or share option schemes of the Company shall not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares already issued and to be issued upon exercise of share options granted to each eligible person under the 2013 Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding share options) in any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Share options granted under the 2013 Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted under the 2013 Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) to a substantial shareholder of the Company or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant of the share options) in excess of HK\$5 million, in any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the 2013 Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$10 in total by the grantee. The exercise period of the share options granted under the 2013 Scheme is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options granted under the 2013 Scheme is determinable by the directors of the Company, but shall not be less than the highest of: (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the share options; and (iii) the average closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer of the share options.

Share options granted under the 2013 Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME
(Cont'd)

(a) **SHARE OPTION SCHEME** (Cont'd)

The following number of share options were outstanding under the 2013 Scheme during the six months ended 30 June 2020:

	For the six months ended 30 June			
	2020		2019	
	Weighted average exercise price of each share option HK\$	Number of share options	Weighted average exercise price of each share option HK\$	Number of share options
At 1 January	1.525	174,913,850	1.258	169,213,454
Exercised during the period	1.331	(25,271,850)	1.327	(58,686,558)
Expired during the period	-	-	1.354	(1,369,728)
Forfeited during the period	1.515	(568,500)	1.234	(4,371,668)
Granted during the period	-	-	1.890	80,000,000
At 30 June	1.558	149,073,500	1.510	184,785,500

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2020 are as follows:

Name or category of participant	At 1 January 2020	Granted during the period	Number of share options		Forfeited during the period	At 30 June 2020	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
Executive Directors										
Mr. Fok Tung Ling	-	-	-	-	-	-	-	-	-	
Mr. Zhang Yue Jun	-	-	-	-	-	-	-	-	-	
Mr. Xu Huijun	5,000,000	-	-	-	-	5,000,000	28 Aug 18	28 Aug 19- 27 Aug 23	1.300	-
	10,000,000	-	-	-	-	10,000,000	8 Apr 19	8 Apr 20- 7 Apr 24	1.890	-
	15,000,000	-	-	-	-	15,000,000				
Mr. Chang Fei Fu	3,300,000	-	(2,200,000)	-	-	1,100,000	26 Aug 16	26 Aug 17- 25 Aug 21	1.255	2.3164
	2,000,000	-	(500,000)	-	-	1,500,000	10 Apr 18	10 Apr 19- 9 Apr 23	1.170	2.3080
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20- 7 Apr 24	1.890	-
	10,300,000	-	(2,700,000)	-	-	7,600,000				2.3149
Mr. Bu Binlong	3,300,000	-	-	-	-	3,300,000	26 Aug 16	26 Aug 17- 25 Aug 21	1.255	-
	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19- 9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20- 7 Apr 24	1.890	-
	10,100,000	-	-	-	-	10,100,000				

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2020 are as follows: (Cont'd)

Name or category of participant	At 1 January 2020	Granted during the period	Number of share options		Forfeited during the period	At 30 June 2020	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
Executive Directors (Cont'd)										
Ms. Huo Xinru	1,050,000	-	-	-	-	1,050,000	10 Apr 18	10 Apr 19-9 Apr 23	1,170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1,890	-
	6,050,000	-	-	-	-	6,050,000				
Non-executive Director										
Mr. Wu Tielong	1,650,000	-	-	-	-	1,650,000	26 Aug 16	26 Aug 17-25 Aug 21	1,255	-
	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19-9 Apr 23	1,170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1,890	-
	8,450,000	-	-	-	-	8,450,000				

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2020 are as follows: (Cont'd)

Name or category of participant	At 1 January 2020	Granted during the period	Number of share options		Forfeited during the period	At 30 June 2020	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
Independent non-executive Directors Mr. Lau Siu Ki, Kevin	110,000	-	-	-	-	110,000	26 Aug 16	26 Aug 17– 25 Aug 21	1.255	-
	200,000	-	-	-	-	200,000	10 Apr 18	10 Apr 19– 9 Apr 23	1.170	-
	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-
	510,000	-	-	-	-	510,000				
Dr. Lin Jin Tong	55,000	-	-	-	-	55,000	26 Aug 16	26 Aug 17– 25 Aug 21	1.255	-
	200,000	-	-	-	-	200,000	10 Apr 18	10 Apr 19– 9 Apr 23	1.170	-
	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-
	455,000	-	-	-	-	455,000				
Ms. Ng Yi Kum	200,000	-	-	-	200,000	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-	
Ms. Leung Hoi Wai	-	-	-	-	-					

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2020 are as follows: (Cont'd)

Name or category of participant	At 1 January 2020	Granted during the period	Number of share options		Forfeited during the period	At 30 June 2020	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
Other employees in aggregate	37,389,850	-	(12,261,850)	-	(192,500)	24,935,500	26 Aug 16	26 Aug 17-25 Aug 21	1.255	3.0033
	37,209,000	-	(6,366,500)	-	(126,000)	30,716,500	10 Apr 18	10 Apr 19-9 Apr 23	1.170	3.1435
	49,250,000	-	(3,943,500)	-	(250,000)	45,056,500	8 Apr 19	8 Apr 20-7 Apr 24	1.890	3.3677
	123,848,850	-	(22,571,850)	-	(568,500)	100,708,500				3.1065
	174,913,850	-	(25,271,850)	-	(568,500)	149,073,500				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

In respect of the share options granted on 8 April 2019, fair value of the share options on the date of grant was listed as below:

	Fair Value HK\$'000
Executive Directors	
Mr. Xu Huijun	6,214
Mr. Chang Fei Fu	3,106
Mr. Bu Binlong	3,106
Ms. Huo Xinru	3,106
	15,532
Non-executive Director	
Mr. Wu Tielong	3,106
	3,106
Independent non-executive Directors	
Mr. Lau Siu Ki, Kevin	124
Dr. Lin Jin Tong	124
Ms. Ng Yi Kum	124
	372
Other employees in aggregate	29,997
	49,007

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

The exercise prices and exercise periods of the share options outstanding under the 2013 Scheme as at the end of the reporting period are as follows:

30 June 2020 Number of share options	Exercise price of share options HK\$ per share	Exercise period
31,150,500	1.255	26 August 2017 to 25 August 2021
37,266,500	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
75,656,500	1.890	8 April 2020 to 7 April 2024
149,073,500		

30 June 2019 Number of share options	Exercise price of share options HK\$ per share	Exercise period
52,797,500	1.255	26 August 2017 to 25 August 2021
46,988,000	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
80,000,000	1.890	8 April 2020 to 7 April 2024
184,785,500		

The expense recognized in the consolidated statement of profit or loss for employee services received during the six months ended 30 June 2020 is approximately HK\$15,083,000 (six months ended 30 June 2019: HK\$12,149,000).

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

At the end of the reporting period, the Company had 149,073,500 share options outstanding under the 2013 Scheme, of which 45,995,000 were vested and 103,078,500 were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 149,073,500 additional ordinary shares of the Company and additional share capital of approximately HK\$14,907,000 and share premium of approximately HK\$217,279,000 (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 144,865,750 share options outstanding under the 2013 Scheme, which represented approximately 5.28% of the Company's shares in issue as at that date.

According to the scheme limit of the 2013 Scheme as refreshed at the annual general meeting held on 28 May 2018, the Company may further grant 246,516,486 share options (being 10% of the total number of issued shares of the Company as at 28 May 2018). Since 5,000,000 share options and 80,000,000 share options were granted on 28 August 2018 and 8 April 2019 respectively, the total number of unissued share options under the scheme limit became 161,516,486, representing approximately 5.89% of the Company's shares in issue as at 30 June 2020.

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Cont'd)

(b) SHARE AWARD SCHEME

The Company adopted a Share Award Scheme on the Adoption Date. The purposes and objectives of the Share Award Scheme are to recognize the contributions made by certain employees and persons to the Group (the "Selected Person(s)") and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Unless it is early terminated by the board of directors in accordance with the terms therein, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Pursuant to the Share Award Scheme, (i) awarded shares (the "Awarded Shares") will be acquired by the trustee and/or the administrator of the Share Award Scheme (the "Trustee/Administrator") at the cost of the Company at the prevailing market price and be held in trust for the Selected Persons until the end of each vesting period; or (ii) new Awarded Shares may be allotted and issued to the Trustee/Administrator under general mandates granted or to be granted by the shareholders at general meetings from time to time and be held in trust for Selected Persons until the end of each vesting period.

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(Cont'd)

(b) SHARE AWARD SCHEME (Cont'd)

The board of directors shall not make any further award of the Awarded Shares which will result in the nominal value of the shares awarded by the board of directors under the Share Award Scheme exceeding 5% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders). The maximum number of shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders). The aforesaid limit may be refreshed or amended by approval of the shareholders in a general meeting. Nevertheless, the total number of the Awarded Shares which may be issued under the Share Award Scheme and the exercise of all options to be granted under other incentive and option schemes of the Company (including the 2013 Scheme) as so refreshed shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Awarded Shares or share options previously granted under the Share Award Scheme or the 2013 Scheme (including those vested, outstanding, cancelled and lapsed) will not be counted for the purpose of calculating the limit as refreshed. The Company will not issue any Awarded Shares under the Share Award Scheme which would result in the total number of the Awarded Shares together with shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme or any other incentive or share option schemes of the Company representing in aggregate over 30% of the shares in issue as at the date of such grant.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME
(Cont'd)

(b) **SHARE AWARD SCHEME (Cont'd)**

On 12 April 2011, the board of directors resolved to award 26,000,000 Awarded Shares to 365 Selected Persons under the Share Award Scheme by way of issue and allotment of new Awarded Shares pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 24 May 2010.

Movements in the number of treasury shares held for the Share Award Scheme for the six months ended 30 June 2019 and 2020 are as follows:

	Treasury shares held for the Share Award Scheme
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	16,637,136

No Awarded Shares held for the Selected Persons were outstanding as at 30 June 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

18. RESERVES

The amounts of the Group's reserves and the movements therein for the period are presented in the consolidated statement of changes in equity.

19. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Guarantees given to banks in respect of performance bonds	346,309	442,892

20. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	29,346	16,210

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2020

21. RELATED PARTY TRANSACTIONS

- (a) The Group had no significant transactions with related parties during the period and had no significant outstanding balances with related parties as at the end of the reporting period.
- (b) Compensation of key management personnel of the Group (all being the Directors):

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term employee benefits	9,150	10,001
Pension scheme contributions	83	108
Equity-settled share option expense	4,998	3,281
	14,231	13,390

22. 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.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 20 August 2020.

By order of the Board
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman

Hong Kong, 20 August 2020

Comba

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