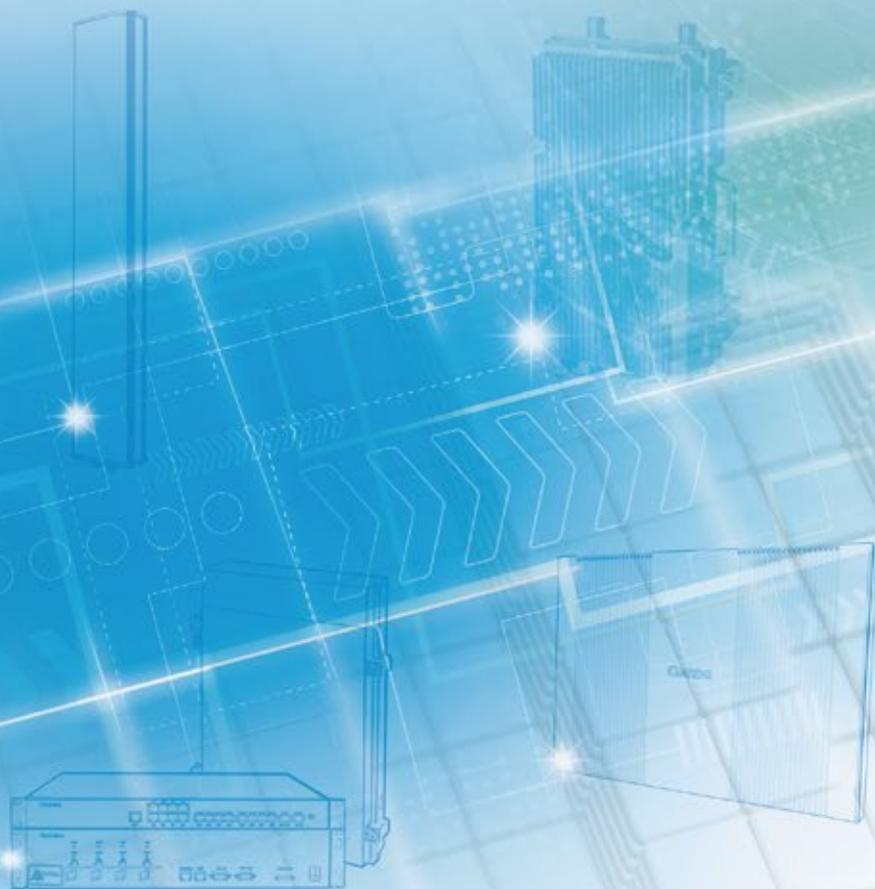


# Comba

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

股份編號 Stock Code : 2342



**2013**  
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 & President*)  
Tong Chak Wai, Wilson  
Wu Jiang Cheng  
Yan Ji Ci  
Zheng Guo Bao  
Yeung Pui Sang, Simon  
Zhang Yuan Jian

### **Independent Non-Executive Directors**

Liu Cai  
Lau Siu Ki, Kevin  
Lin Jin Tong  
Qian Ting Shuo

## **COMPANY SECRETARY**

Tong Chak Wai, Wilson

## **AUDIT COMMITTEE AND REMUNERATION COMMITTEE**

Lau Siu Ki, Kevin (*Chairman*)  
Liu Cai  
Lin Jin Tong  
Qian Ting Shuo

## **NOMINATION COMMITTEE**

Liu Cai (*Chairman*)  
Lau Siu Ki, Kevin  
Lin Jin Tong  
Qian Ting Shuo

## **AUTHORIZED REPRESENTATIVES**

Fok Tung Ling  
Tong Chak Wai, Wilson

## **REGISTERED OFFICE**

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

611 East Wing  
No. 8 Science Park West Avenue  
Hong Kong Science Park  
Tai Po, Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Royal Bank of Canada Trust  
Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

# Management Discussion and Analysis

## **BUSINESS AND FINANCIAL REVIEW**

During the first half of 2013, the global economic environment remained challenging while showing signs of improvement. Recent market indicators showed that the U.S. economy was returning to healthy growth and the recession in the Eurozone was fading to some extent. On the other hand, growth in China's GDP slowed down to 7.6% in the first half of 2013. Moreover, weaker domestic demand and slower-than-expected growth within several key emerging market economies were additional concerns weighing on the market.

### **Revenue**

For the six months ended 30 June 2013 (the "Current Period"), the revenue of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") was HK\$2,162,422,000 (2012: HK\$2,591,529,000), representing a decrease of 16.6% over the revenue for the six months ended 30 June 2012 (the "Prior Period"). The decline was mainly attributable to the tight monetary supply in the PRC and the postponement of certain investment activities as the PRC mobile operators were more prudent in the timing of investments.

In respect to international markets (including core equipment manufacturers), the Group recorded revenue of HK\$431,739,000 (2012: HK\$432,983,000), accounting for 20.0% (2012: 16.7%) of the Group's total revenue. The growth in international customers was offset by the decline in core equipment manufacturers, resulting in a stable trend of the overall revenue of international markets.

During the Current Period, sales from third generation of mobile communications ("3G") mobile network projects reported stable revenue of HK\$990,580,000 (2012: HK\$991,153,000), accounting for 45.8% (2012: 38.2%) of the Group's total revenue.

### ***By customers***

Revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") decreased by 12.6% to HK\$1,180,104,000 (2012: HK\$1,349,911,000), accounting for 54.6% of the Group's revenue in the Current Period compared to 52.1% in the Prior Period.

Revenue generated from China United Network Communications Group Company Limited (formerly known as "China United Telecommunications Corporation") and its subsidiaries

## Management Discussion and Analysis (Cont'd)

(collectively referred to as the "China Unicom Group") decreased by 46.6% to HK\$306,102,000 (2012: HK\$572,908,000), accounting for 14.2% of the Group's revenue in the Current Period compared to 22.1% in the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased by 8.1% to HK\$214,701,000 (2012: HK\$198,583,000), accounting for 9.9% of the Group's revenue in the Current Period compared to 7.7% in the Prior Period.

Revenue generated from international customers and core equipment manufacturers stabilized at HK\$431,739,000 (2012: HK\$432,983,000), accounting for 20.0% of the Group's revenue in the Current Period compared to 16.7% in the Prior Period. The international customers recorded an increase in revenue as a result of network deployment for some international sports tournaments and infrastructure such as the Brazil World Cup and Sochi Winter Games in Russia as well as the continuous demand for wireless solutions within certain international customers. However, the increase from international customers was offset by the decline in demands from the core equipment manufacturers.

### *By businesses*

Revenue generated from the wireless access and transmission business in the Current Period decreased by 48.9% to HK\$181,897,000 (2012: HK\$355,640,000) and accounted for 8.4% (2012: 13.7%) of the Group's revenue. The decline in revenue was mainly due to lower-than-expected sales from WLAN products due to the change in market demand and the fact that Small Cell products have yet to reach large-scale ramp-up. However, the management expects the Small Cell revenue contribution should rise in the second half of this year in view of new network rollouts and upgrades.

Revenue generated from the wireless enhancement business in the Current Period decreased by 20.4% to HK\$556,900,000 (2012: HK\$699,227,000), accounting for 25.8% (2012: 27.0%) of the Group's revenue. The decline in revenue was mainly due to the postponement of certain investment activities by mobile operators and fierce market competition within the traditional wireless enhancement products which substantially affected the overall performance of this business segment.

## Management Discussion and Analysis (Cont'd)

Revenue generated from the antennas and subsystems business decreased by 18.2% to HK\$711,931,000 (2012: HK\$869,990,000), accounting for 32.9% (2012: 33.6%) of the Group's revenue in the Current Period. The decrease in revenue was mainly due to a decrease in the demand for base station antennas as a result of the postponement of certain investment activities by the PRC mobile operators.

Thanks to the increasing contribution from system integration and maintenance projects, revenue from services increased by 6.8% to HK\$711,694,000 (2012: HK\$666,672,000), accounting for 32.9% (2012: 25.7%) of the Group's revenue in the Current Period. Owing to the seasonal nature of the industry, most of the inspections will be completed in the second half of the year, thus the management expects the performance of the services segment will be improved in the second half.

### Gross profit

During the Current Period, the gross profit declined by 23.3% to HK\$551,675,000 (2012: HK\$719,304,000) as compared to the Prior Period. Meanwhile, the Group's gross profit margin dropped slightly to 25.5% in the Current Period, compared to 27.8% in the Prior Period. The slight decline was mainly caused by the change of product mix and the intense market competition. For the year ended 31 December 2012, the gross profit margin was 25.5%.

To improve the gross profit margin, the Group will strive to optimize the product mix by launching new products and solutions as well as to expand the scope of services to customers. In addition, the Group will continue to implement stringent cost control measures, ramp up the scale of new products and businesses, expand its market coverage and broaden its revenue sources to achieve economies of scale.

### Research and development ("R&D") costs

During the Current Period, R&D costs decreased by 56.9% to HK\$86,461,000, representing 4.0% of the Group's revenue (2012: HK\$200,602,000, representing 7.7% of the Group's revenue). The decrease in R&D costs was mainly attributable to: 1) capitalization of certain R&D costs amounting to HK\$92,212,000; 2) the stringent cost control initiatives and the resources optimization and re-allocation devoted to the development and expansion of product portfolio.

## Management Discussion and Analysis (Cont'd)

Despite lowering R&D costs, the Group has always attached great importance to R&D as it is strongly committed to product innovation. As at the end of the Current Period, the Group achieved significant accomplishments in creating new products and solutions utilizing its own intellectual property rights and has applied for more than 1,400 patents (as at 31 December 2012: more than 1,300 patents).

### Selling and distribution (“S&D”) expenses

During the Current Period, S&D expenses decreased slightly by 4.9% to HK\$237,351,000, representing 11.0% of the Group’s revenue (2012: HK\$249,578,000, representing 9.6% of the Group’s revenue). The decrease in S&D expenses was mainly attributable to the decrease in revenue and the cost saving program implemented by the Group since last year.

### Administrative expenses

During the Current Period, administrative expenses were reduced by 16.5% to HK\$355,307,000 representing 16.4% of the Group’s revenue (2012: HK\$425,723,000, representing 16.4% of the Group’s revenue). The decrease in administrative expenses was mainly due to the optimization of the administrative staff and office organizational structure.

### Awarded shares expenses

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

The fair value of the 26,000,000 awarded shares was approximately HK\$226 million, measured at the closing market price of HK\$9.32 per share at the date of grant and amortized over each of the vesting periods up to 12 April 2014. During the Current Period, the awarded shares expenses amounted to approximately HK\$15 million. For the second

## Management Discussion and Analysis (Cont'd)

half of 2013 and the full year of 2014, the awarded shares expenses are estimated to be approximately HK\$8 million and HK\$4 million respectively.

### Finance costs

During the Current Period, finance costs rose 58.1% to HK\$26,033,000, representing 1.2% of the Group's revenue (2012: HK\$16,468,000, representing 0.6% of the Group's revenue). The rise in finance costs was mainly due to the increase in the borrowing costs and bank borrowings.

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

In addition, the management has utilized the advantages of interest and foreign exchange rates differentiation among different countries in order to minimize finance costs. As of 30 June 2013, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a manageable level of 16.5% compared to 15.9% as of 30 June 2012. The gross gearing ratio of the Group was 15.4% as of 31 December 2012.

### Operating loss

During the Current Period, the operating loss was HK\$110,526,000 (2012: operating loss of HK\$135,458,000) owing to decreases in both revenue and gross profit margin.

### Tax

During the Current Period, the overall taxation charge of HK\$18,174,000 (2012: HK\$15,129,000) was composed of a profits tax charge of HK\$15,433,000 (2012: HK\$23,023,000) and a deferred tax debit of HK\$2,741,000 (2012: credit of HK\$7,894,000). During the Current Period, the overall taxation charge was mainly due to the assessable profits in certain subsidiaries and a deferred tax debit.

# Management Discussion and Analysis (Cont'd)

## Net loss

During the Current Period, loss attributable to shareholders was HK\$150,676,000 (2012: net loss of HK\$160,960,000). The net loss was mainly due to the decrease in the Group's revenue during the Current Period.

## PROSPECTS

Despite an uncertain economic environment, the telecommunications industry continued to show positive performance with uninterrupted growth of both mobile subscribers and data usage. As at 30 June 2013, the number of global mobile subscriptions was more than 6.4 billion and is expected to reach 9.1 billion by the end of 2018, according to the market estimates. Thanks to the growing popularity of affordable smartphones, smartphone penetration has maintained a strong upward trend. At present, there are more than 1.2 billion smartphone subscriptions worldwide, and China alone accounts for approximately 20%, with growth showing no signs of abating.

Based on market projections, global data traffic will increase in multiples, driven by fast rising mobile data subscriptions, more data-hungry devices and rapid development of mobile apps. To meet the accelerating growth in mobile communications and data traffic, upgrade of existing networks and commercial launches of fourth generation of mobile communications ("4G") long-term evolution ("LTE") services around the world are gathering pace. 4G brings a better user experience by providing faster internet access. In China, the market is expecting the Ministry of Industry and Information Technology to release 4G telecommunications licenses by the end of this year. In addition to yearly investments in network upgrades and maintenance, mobile operators are anticipated to continue increasing their investments in 4G networks for service rollout and network migration. These investments will present immense opportunities to the Group in the future. Globally, against the backdrop of economic recovery, with its efforts at strengthening branding and reputation, improving product quality together with its greater market experience, the management expects that the Group's international markets should continue to grow next year.

Under these circumstances, the management remains cautiously optimistic about the future prospects of the industry and the Group.

## Management Discussion and Analysis (Cont'd)

### Wireless access

The Group has remained at the forefront of technological innovation within the industry, consistently demonstrating its leadership in product innovation such as in the development and deployment of a series of Small Cell products within mobile networks. These advances greatly enhance its core competitiveness and mark a new milestone in the Group's progress. Small Cell business development in China is progressing well, with commercialization and trial runs in different provinces. Small Cell solutions alleviate costly network traffic congestion by offloading hotspot traffic while providing better coverage of blind spots and weak coverage areas. It also helps accelerate overall LTE network deployment and provide end users with a better mobile experience.

With the rapid development of the mobile internet and the substantially increasing demand for data usage driven by the increasing numbers of mobile users, it is believed that greater investment will be directed towards both network upgrades and rollouts of 4G LTE networks. The Group plans to seize the huge opportunities thus presented by further strengthening its core competitiveness and achieving business transformation via Small Cell products.

### Wireless enhancement

As mobile network development has evolved far beyond simple connectivity, mobile operators must address new network challenges. The need will only intensify with the advent of LTE which requires higher capacities and enhanced performance. Hence, wireless enhancement becomes an on-going mission of mobile operators to ensure network quality and to address customers' growing data demand thereby providing an optimal mobile user experience, especially when enhancing multi-network co-ordination. The Group's new generation of wireless solutions help facilitate rapid network rollouts for mobile operators. The Multi-Service Fiber Optic Distributed Access System ("MDAS") solutions launched by the Group last year are able to support 4G, 3G, 2G and WLAN simultaneously and have been successfully identified by some mobile operators as key product for both network coverage and enhancement. MDAS solutions are especially suitable for large scale applications such as within stadiums and shopping malls. In view of the increasing long-term demand, the Group intends to continue to develop and offer more end-to-end wireless solutions.

## Management Discussion and Analysis (Cont'd)

Globally, the Group continues to actively expand into international markets and explore more opportunities to further strengthen its market presence there. It has achieved several landmark wins including wireless projects for the 2014 World Cup in Brazil and the 2014 Winter Games in Russia. In particular, the Group completed the initial phase of the World Cup project in time for the recent 2013 Confederations Cup which are held in the same World Cup venues and are now proceeding to full implementation in time for the tournament. In Russia, the Group has already completed the first phase of a multi-stage project to supply wireless solutions at venues hosting the 2014 Winter Games events to be held in Sochi. In addition, the Group will be expanding the scope of solutions and providing solutions to more sporting venues for the 2014 Winter Games. Looking ahead, capitalizing on its abundant experience of providing wireless solutions for prestigious projects, the Group is striving to expand its project portfolio across different regions.

### Antennas and subsystems

The Group has consistently demonstrated its leadership in product quality as evidenced by being ranked among the top three suppliers of base station antennas by market share, according to the latest global market research report conducted by EJM Wireless Research in 2012. The Group has an extensive antenna product portfolio from single-band to multi-band, covering all frequencies and standards to cater to different needs of customers. Early this year, the Group unveiled a new generation of LTE antennas which can support ultra-wideband with large range of variable electronic tilt, excellent beam shaping features and high reliability, thereby providing customers with a smooth migration solution from 2G/3G to LTE with an unrivalled cost/performance ratio.

Looking ahead, the Group will solidify its leading position by offering more innovative products and technologies which support 4G, 3G and 2G multi-standard and multi-network deployment along network migration.

### Wireless transmission

#### *Digital Microwave Systems*

The Group's end-to-end wireless backhaul solutions enable faster delivery and higher efficiency of microwave links with flexible networking. The solutions have been deployed in a wide range of applications including 2G, 3G and 4G mobile backhaul segments and support a smooth transition to all-IP networks for increased capacity. The Packet

## Management Discussion and Analysis (Cont'd)

Transmission Network (“PTN”) solutions, which the Group launched last year, received positive feedback from clients. The PTN enables both voice and data transmission over IP backhaul with high capacity and throughput. Thus, the PTN is an optimal solution for data-intensive 3G and 4G networks and is expected to become more widely adopted by mobile operators in view of the forthcoming 4G network deployments. The Group is pushing full speed ahead to promote these new products and solutions in both the PRC and international markets.

### *Satellite emergency communications*

Aligned with the complete end-to-end wireless solutions of the Group, satellite communications solutions play a key role in providing reliable emergency communications networks during natural disasters and large-scale events. When Ya’an City in Sichuan Province was hit by a 7.0 magnitude earthquake in April 2013, the Group swiftly set up an earthquake disaster relief and response team to help restore mobile networks to support on-site disaster relief. Moving forward, the Group expects more opportunities will emerge in view of stronger emphasis placed by the PRC government on the development of emergency communications. At the same time, the Group intends to drive further technology advances through innovation in order to launch more new innovative products to the market.

### **Services**

The Group has an unwavering commitment to maintain its competitive edge and provide best-in-class services to customers while consistently earning their trust. Adhering to the philosophy of value creation with our commitment to R&D, the Group brings together the technologies, skills and expertise required for the increasingly sophisticated heterogeneous networks to address evolving market dynamics and radical changes in user behavior. Currently, the Group’s services team comprises more than 5,000 seasoned professionals spanning across the PRC and several international markets, such as South America, southeast Asia, etc. They are dedicated to provide customized services to address clients’ specific requirements.

Looking ahead, the Group is strengthening its product portfolio and services capabilities aimed at offering more value-added services to improve its value proposition to customers.

## Management Discussion and Analysis (Cont'd)

### Rail communication

To seize the immense market opportunities associated with extensive rail transportation development under the PRC government's plan in recent years, the Group is unveiling several solutions focusing on telecommunications projects for rail transportation. The management identifies this new business unit as a new growth driver in the future and more cross-product synergies are expected to be created.

### Conclusion

The global telecommunications industry is now experiencing steady growth. In China, modern industrialization, informationization and urbanization are also stimulating demand which present enormous opportunities to the Group.

Over the years, by adhering to the industry trend and catering to the customers' demands, the Group has adopted innovative marketing strategy, production technology, solutions and management practices and has therefore progressively established its leading position in the market both at home and abroad. At present, the Group's development has reached a key turning point and its products are undergoing transformation to capture the opportunities available in the era of data. Although the Group has encountered challenges in the transformation process, through its years of technology development and experience, the management is fully confident it is moving in the right direction of product transformation and believes the efforts and resources it has devoted will soon reap rewards.

On the other hand, the management will stay prudent in maintaining a healthy financial position of the Group via strengthening its organizational structure, streamlining its production processes, adopting stringent cost control measures and striving to maximize its operational efficiency.

This year marks the 10<sup>th</sup> listing anniversary of the Group and the Board would like to take this opportunity to extend its heartfelt gratitude to all staff for their dedicated efforts and contributions. We also greatly appreciate the continuous support of customers, suppliers, shareholders and business associates. The Group is sparing no effort to achieve satisfactory results through our innovative products and commitment to excellence in management.

## Management Discussion and Analysis (Cont'd)

### **LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE**

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 30 June 2013, the Group had net current assets of HK\$2,549,437,000. Current assets comprised inventories of HK\$2,297,369,000, trade receivables of HK\$4,521,490,000, notes receivable of HK\$12,691,000, prepayments, deposits and other receivables of HK\$667,887,000, restricted bank deposits of HK\$21,843,000, and cash and cash equivalents of HK\$864,170,000. Current liabilities comprised trade and bills payables of HK\$3,138,311,000, other payables and accruals of HK\$974,044,000, interest-bearing bank borrowings of HK\$1,585,882,000, tax payable of HK\$61,122,000 and provisions for product warranties of HK\$76,654,000.

The average receivable turnover for the Current Period was 388 days compared to 315 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 3 months and is extendable up to 2 years depending on the customer's credit worthiness, except for those retention money generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the 1 to 2 years warranty periods granted to customers. The average payable turnover for the Current Period was 364 days compared to 288 days for the Prior Period. The average inventory turnover for the Current Period was 257 days compared to 239 days for the Prior Period.

As at 30 June 2013, the Group's cash and bank balances were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK\$") and United States dollars ("US\$") while the Group's bank borrowings were mainly denominated in US\$ and HK\$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group had entered into a three-year term loan facility agreement amounted to US\$210,000,000 on 26 June 2012 (the "Facility Agreement") with certain financial institutions.

## Management Discussion and Analysis (Cont'd)

Under the Facility Agreement, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling shareholder of the Company, and Mr. Zhang Yue Jun, who is the substantial shareholder of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 35% of the entire issued shares (of each class) of and equity interests in the Company free from any security. Pursuant to the Facility Agreement, both Mr. Fok Tung Ling and Mr. Zhang Yue Jun shall also maintain the ability in leading the management in determining the directions of overall strategies and business development for the Group. At the date of approval of these condensed consolidated interim financial statements, such obligations have been complied with.

Details of the Facility Agreement are set out in note 14 to these condensed consolidated interim financial statements.

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK\$ and US\$. As the Group's revenue is substantially denominated in RMB, the Board currently considers that the appreciation of RMB should have a mildly favorable impact on the Group's business.

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings and advances) over total assets, was 16.5% as at 30 June 2013 (31 December 2012: 15.4%).

### **MATERIAL ACQUISITIONS AND DISPOSALS**

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

# Management Discussion and Analysis (Cont'd)

## **CHARGE ON ASSETS**

As at 30 June 2013, there was no charge on the Group's assets (31 December 2012: Nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2013, the Group had contingent liabilities of HK\$52,236,000 (31 December 2012: HK\$39,072,000), which mainly included guarantees given to banks in respect of performance bonds.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2013, the Group had approximately 9,800 staff. The total staff costs, excluding capitalized R&D staff cost, for the Current Period were HK\$474,118,000. The Group offers competitive remuneration schemes to its employees based on industry practices, legal requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, and in accordance with the share option schemes and the share award scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staff in Hong Kong, the PRC or elsewhere in accordance with relevant legal requirements. The Group also provides training to the staff to improve their skills and develop their respective expertise.

## **PURCHASE, SALE OR REDEMPTION 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.

## Management Discussion and Analysis (Cont'd)

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests and short positions of the Directors in the share capital and underlying shares of the Company or 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"), 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			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse	Through controlled corporation		
Mr. Fok Tung Ling ("Mr. Fok")	(a)	17,258,224	–	526,995,887	544,254,111	35.66
Mr. Zhang Yue Jun ("Mr. Zhang")	(b)	–	–	154,128,452	154,128,452	10.10
Mr. Tong Chak Wai, Wilson ("Mr. Tong")	(c)	3,676,060	–	–	3,676,060	0.24
Mr. Wu Jiang Cheng ("Mr. Wu")	(c)	9,451,987	–	–	9,451,987	0.62
Mr. Yan Ji Ci ("Mr. Yan")	(c)	7,974,435	–	–	7,974,435	0.52
Mr. Zheng Guo Bao ("Mr. Zheng")	(c)	3,397,176	–	–	3,397,176	0.22
Mr. Yeung Pui Sang, Simon ("Mr. Yeung")	(c)	7,028,912	–	–	7,028,912	0.46
Mr. Zhang Yuan Jian	(d)	564,456	80,000	–	644,456	0.04
		49,351,250	80,000	681,124,339	730,555,589	47.86

## Management Discussion and Analysis (Cont'd)

### Long positions in share options of the Company:

<b>Name of Directors</b>	<b>Number of share options directly beneficially owned</b>
Mr. Tong	500,000
Mr. Wu	500,000
Mr. Yan	500,000
Mr. Yeung	500,000
Mr. Zhang Yuan Jian	500,000
Mr. Liu Cai	342,000
Mr. Lau Siu Ki, Kevin	342,000
	3,184,000

#### Notes:

- (a) 525,710,701 shares and 1,285,186 shares are beneficially owned by Prime Choice Investments Limited ("Prime Choice") and Total Master Investments Limited ("Total Master") respectively. By virtue of his 100% shareholding in each of Prime Choice and Total Master, Mr. Fok is deemed or taken to be interested in the total of 526,995,887 shares owned by Prime Choice and Total Master.
- (b) These shares are beneficially owned by Wise Logic Investments Limited ("Wise Logic"). By virtue of his 100% shareholding in Wise Logic, Mr. Zhang is deemed or taken to be interested in the 154,128,452 shares owned by Wise Logic.
- (c) As at 30 June 2013, each of Mr. Tong and Mr. Wu had 150,000 unvested awarded shares; each of Mr. Yan and Mr. Yeung had 130,000 unvested awarded shares; and Mr. Zheng had 30,000 unvested awarded shares under the share award scheme which was adopted on 25 March 2011 (the "Share Award Scheme"). Subject to fulfillment of vesting conditions of the award, the awarded shares shall be vested and transferred to the above Directors accordingly. Details of the Share Award Scheme are set out in note 16(b) to these condensed consolidated interim financial statements.
- (d) As at 30 June 2013, Mr. Zhang Yuan Jian had 88,000 unvested awarded shares under the Share Award Scheme. He is also deemed to be interested in 80,000 shares of the Company beneficially held by his spouse personally, representing approximately 0.01% of the issued share capital of the Company.

Certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

## Management Discussion and Analysis (Cont'd)

Save as aforesaid and save for Mr. Zheng beneficially holding 32% equity interest in WaveLab Holdings Limited, an indirect non wholly-owned subsidiary of the Company, none of the Directors has any beneficial interest in any debt or equity securities of the subsidiaries of the Company.

Save as disclosed above, as at 30 June 2013, none of the Directors had registered an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' Interests and Short Positions in Shares and Underlying Shares" above and the heading "Share Option and Share Award Schemes" below, 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 or their respective spouses or minor 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 arrangement during the Current Period to enable the Directors to acquire such rights in any other body corporate.

### **SHARE OPTION AND SHARE AWARD SCHEMES**

Details of the share option schemes and the Share Award Scheme are set out in note 16 to these condensed consolidated interim financial statements.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

## Management Discussion and Analysis (Cont'd)

### Long positions:

<b>Name</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Prime Choice		Beneficial owner	525,710,701	34.45
Mdm. Chen Jing Na ("Mdm. Chen")	(a)	Interest of spouse	544,254,111	35.66
Wise Logic		Beneficial owner	154,128,452	10.10
Mdm. Cai Hui Ni ("Mdm. Cai")	(b)	Interest of spouse	154,128,452	10.10

Notes:

- (a) Mdm. Chen is the spouse of Mr. Fok and is deemed to be interested in the 544,254,111 shares in which Mr. Fok is deemed or taken to be interested for the purposes of the SFO.
- (b) Mdm. Cai is the spouse of Mr. Zhang and is deemed to be interested in the 154,128,452 shares in which Mr. Zhang is deemed or taken to be interested for the purposes of the SFO.

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

- (i) 525,710,701 shares between Prime Choice and Mdm. Chen; and
- (ii) 154,128,452 shares between Wise Logic and Mdm. Cai.

Save as disclosed above, as at 30 June 2013, no person, other than the Directors, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Management Discussion and Analysis (Cont'd)

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board reviewed daily governance of the Group in accordance with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considered that, during the Current Period, the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Company has fully complied with the Code Provisions.

Moreover, during the Current Period, the Company has 4 independent non-executive Directors, representing one-third of the members of the Board and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by the Directors. Specific enquiries have been made to all Directors, and they have confirmed their compliance with the required standard as set out in the Model Code during the Current Period.

## **DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES**

Comba Telecom Systems Limited, an indirect wholly-owned subsidiary of the Company, entered into the Facility Agreement with certain financial institutions, which contain covenants requiring specific performance obligations of the controlling shareholder, namely Mr. Fok, and the substantial shareholder, namely Mr. Zhang, of the Company. Details of the Facility Agreement are set out in note 14 to these condensed consolidated interim financial statements.

## Management Discussion and Analysis (Cont'd)

### **AUDIT COMMITTEE**

The Company has established the audit committee in accordance with the Listing Rules. The audit committee, together with the management, has reviewed the accounting principles, standards and methods adopted by the Company, and studied matters relating to auditing, internal controls and financial reporting, including reviewed the unaudited accounts for the Current Period. The audit committee has given its consent to the accounting principles, standards and methods adopted by the Company for the unaudited condensed consolidated interim financial statements for the Current Period and has not given any disagreement.

# Condensed Consolidated Income Statement

For the six months ended 30 June 2013

The board of directors (the "Board" or the "Directors") of Comba Telecom Systems Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013, together with the comparative figures for the same period in 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

	Notes	For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>REVENUE</b>	5	<b>2,162,422</b>	2,591,529
Cost of sales		<b>(1,610,747)</b>	(1,872,225)
Gross profit		<b>551,675</b>	719,304
Other income and gains	5	<b>18,614</b>	23,840
Research and development costs		<b>(86,461)</b>	(200,602)
Selling and distribution expenses		<b>(237,351)</b>	(249,578)
Administrative expenses		<b>(355,307)</b>	(425,723)
Other expenses		<b>(1,696)</b>	(2,699)
Finance costs	7	<b>(26,033)</b>	(16,468)
<b>LOSS BEFORE TAX</b>	6	<b>(136,559)</b>	(151,926)
Income tax expense	8	<b>(18,174)</b>	(15,129)
<b>LOSS FOR THE PERIOD</b>		<b>(154,733)</b>	(167,055)

## Condensed Consolidated Income Statement (Cont'd)

For the six months ended 30 June 2013

		<b>For the six months ended 30 June</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
	Note	<b>HK\$'000</b>	HK\$'000
<hr/>			
Attributable to:			
Owners of the parent		<b>(150,676)</b>	(160,960)
Non-controlling interests		<b>(4,057)</b>	(6,095)
		<hr/>	<hr/>
		<b>(154,733)</b>	(167,055)
		<hr/>	<hr/>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b> (HK cents)	10		
Basic		<b>(9.98)</b>	(10.68)
		<hr/>	<hr/>
Diluted		<b>(9.98)</b>	(10.68)
		<hr/>	<hr/>

Details of the dividends payable and proposed for the period are disclosed in note 9 to these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>LOSS FOR THE PERIOD</b>	<b>(154,733)</b>	(167,055)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Cash flow hedge:		
Effective portion of changes in fair value of hedging instrument arising during the period	—	518
Reclassification adjustments included in the condensed consolidated income statement	—	(170)
Income tax effect	—	(85)
	—	263
Exchange differences on translation of foreign operations	<b>30,426</b>	(67,460)
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>30,426</b>	(67,197)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>30,426</b>	(67,197)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(124,307)</b>	(234,252)
Attributable to:		
Owners of the parent	<b>(121,105)</b>	(227,477)
Non-controlling interests	<b>(3,202)</b>	(6,775)
	<b>(124,307)</b>	(234,252)

# Condensed Consolidated Statement of Financial Position

30 June 2013

		<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>790,080</b>	826,277
Prepaid land lease payments		<b>51,914</b>	30,807
Goodwill		<b>28,571</b>	28,571
Long-term trade receivables	12	<b>93,435</b>	134,695
Deferred tax assets		<b>131,757</b>	132,423
Intangible assets		<b>119,900</b>	30,257
Restricted bank deposits		<b>9,595</b>	7,650
<b>Total non-current assets</b>		<b>1,225,252</b>	1,190,680
<b>CURRENT ASSETS</b>			
Inventories	11	<b>2,297,369</b>	2,243,009
Trade receivables	12	<b>4,521,490</b>	4,452,866
Notes receivable		<b>12,691</b>	63,194
Prepayments, deposits and other receivables		<b>667,887</b>	580,957
Restricted bank deposits		<b>21,843</b>	24,367
Cash and cash equivalents		<b>864,170</b>	1,536,638
<b>Total current assets</b>		<b>8,385,450</b>	8,901,031
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>3,138,311</b>	3,281,193
Other payables and accruals		<b>974,044</b>	1,206,888
Interest-bearing bank borrowings	14	<b>1,585,882</b>	1,558,656
Tax payable		<b>61,122</b>	87,174
Provisions for product warranties		<b>76,654</b>	78,315
<b>Total current liabilities</b>		<b>5,836,013</b>	6,212,226

# Condensed Consolidated Statement of Financial Position (Cont'd)

30 June 2013

		<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
	Notes		
<b>NET CURRENT ASSETS</b>		<b>2,549,437</b>	2,688,805
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,774,689</b>	3,879,485
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>17,341</b>	17,326
Total non-current liabilities		<b>17,341</b>	17,326
Net assets		<b>3,757,348</b>	3,862,159
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	<b>152,620</b>	152,620
Treasury shares		<b>(13,572)</b>	(14,370)
Reserves	17	<b>3,564,965</b>	3,667,372
		<b>3,704,013</b>	3,805,622
<b>Non-controlling interests</b>		<b>53,335</b>	56,537
Total equity		<b>3,757,348</b>	3,862,159

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the parent												
	Issued capital	Treasury shares	Share premium account	Share-based compensation reserve	Capital reserve	Asset revaluation reserve	Hedging reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012	152,620	(9,661)	596,260	87,947	45,504	74,199	520	91,420	553,943	2,334,578	106,834	4,082,824	
Loss for the period	-	-	-	-	-	-	-	-	-	(160,960)	-	(167,055)	
Other comprehensive loss for the period:													
Cash flow hedging, net of tax	-	-	-	-	-	-	263	-	-	-	-	263	
Exchange differences on transition of foreign operations	-	-	-	-	-	-	-	-	(66,780)	-	-	(66,780)	
Total comprehensive loss for the period	-	-	-	-	-	-	263	-	(66,780)	(160,960)	-	(227,477)	
Share option scheme	-	-	-	23,001	-	-	-	-	-	-	-	23,001	
— value of services	-	-	-	(591)	-	-	-	-	-	591	-	-	
— adjustment arising from lapse of share options	-	-	-	-	-	-	-	-	-	-	-	-	
Share award scheme	-	-	-	33,869	-	-	-	-	-	-	-	33,869	
— value of services	-	-	-	-	-	-	-	-	-	-	-	-	
— shares purchased	-	(5,021)	-	-	-	-	-	-	-	-	(5,021)	(5,021)	
— vested awarded shares transferred to selected persons	-	312	47,504	(47,816)	-	-	-	-	-	-	-	-	
Equity-settled share expenses	-	-	-	-	177	-	-	-	-	-	-	177	
Final 2011 dividend declared	-	-	-	-	-	-	-	-	-	(106,834)	-	(106,834)	
At 30 June 2012 (unaudited)	152,620	(14,370)	643,764	96,310	45,681	74,199	783	91,420	467,163	2,174,209	-	3,751,779	
												62,130	3,793,909

# Condensed Consolidated Statement of Changes in Equity (Cont'd)

For the six months ended 30 June 2013

	Attributable to owners of the parent										Total equity 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	Hedging reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000		Proposed dividend HK\$'000	Non-controlling interests HK\$'000
At 1 January 2013	152,620	(14,370)	643,764*	131,008*	45,827*	72,191*	- <sup>a</sup>	91,420*	549,637*	2,133,525*	-	56,537	3,862,159
Loss for the period	-	-	-	-	-	-	-	-	-	(150,676)	-	(4,037)	(154,713)
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	29,571	-	-	855	30,426
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	29,571	(150,676)	-	(5,202)	(124,307)
Share option scheme	-	-	-	4,554	-	-	-	-	-	-	-	-	4,554
- value of services - adjustment arising from lapse of share options	-	-	-	(681)	-	-	-	-	-	681	-	-	-
Share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services - vested awarded shares transferred to selected persons	-	-	798	(47,816)	-	-	-	-	-	-	-	-	14,942
At 30 June 2013 (unaudited)	152,620	(13,572)	690,702*	102,007*	45,827*	72,191*	- <sup>a</sup>	91,420*	579,208*	1,983,530*	-	53,335	3,757,348

\* These reserve accounts comprise the consolidated reserves of HK\$3,564,965,000 (31 December 2012: HK\$3,667,372,000) in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Net cash flows used in operating activities</b>	<b>(555,938)</b>	(673,066)
<b>Net cash flows (used in)/from investing activities</b>	<b>(140,771)</b>	1,642
<b>Net cash flows from financing activities</b>	<b>1,193</b>	274,331
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(695,516)</b>	(397,093)
Cash and cash equivalents at beginning of period	<b>1,536,638</b>	1,114,412
Effects of foreign exchange rate changes, net	<b>23,048</b>	(29,375)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>864,170</b>	687,944
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>864,170</b>	687,944

# Notes to Condensed Consolidated Financial Statements

30 June 2013

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

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2013 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.

These condensed consolidated interim 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 2012.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009–2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 3. ACCOUNTING POLICIES (Cont'd)

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in these condensed consolidated interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single operating segment.

### Information about major customers

Revenue from continuing operations of approximately HK\$1,180,104,000 (six months ended 30 June 2012: HK\$1,349,911,000) and HK\$306,102,000 (six months ended 30 June 2012: HK\$572,908,000) were derived from two major customers, which accounted for 54.6% (six months ended 30 June 2012: 52.1%) and 14.2% (six months ended 30 June 2012: 22.1%) of the total revenue of the Group respectively.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered during the 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.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

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

An analysis of revenue, other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services	<b>1,986,888</b>	2,495,824
Warranty services	<b>175,534</b>	95,705
	<b>2,162,422</b>	2,591,529
<b>Other income and gains</b>		
Bank interest income	<b>5,031</b>	4,635
Government subsidy	<b>2,010</b>	12,580
VAT refunds*	<b>11,573</b>	—
Others	<b>—</b>	6,625
	<b>18,614</b>	23,840

\* Comba Software Technology (Guangzhou) Limited ("Comba Software"), being designated as a software enterprise, was entitled to VAT refunds on the effective VAT rate in excess of 3% after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou Municipal Office, SAT, P.R. China (廣州市國家稅務局) and received by Comba Software.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 6. LOSS BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
Note	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>1,585,416</b>	1,833,484
Depreciation	<b>51,678</b>	57,854
Recognition of prepaid land lease payments	<b>491</b>	382
Amortization of computer software and technology	<b>3,954</b>	2,604
Research and development costs:		
Deferred expenditure amortized	<b>1,138</b>	—
Current period expenditure	<b>85,323</b>	200,602
	<b>86,461</b>	200,602
Minimum lease payments under operating leases in respect of land and buildings	<b>53,379</b>	53,301
Employee benefit expense (including directors' emoluments):		
Salaries and wages	<b>378,746</b>	459,383
Staff welfare expenses	<b>38,642</b>	40,793
Equity-settled share option expense	16(a) <b>4,554</b>	23,001
Awarded share expense	<b>14,942</b>	33,869
Pension scheme contributions*	<b>37,234</b>	43,150
	<b>474,118</b>	600,196
Exchange loss, net	<b>24,978</b>	23,502
Provision for product warranties	<b>14,843</b>	21,607
Loss on disposal of items of property, plant and equipment	<b>1,605</b>	—

\* As at 30 June 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2012: Nil).

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans wholly repayable within 5 years	<b>26,033</b>	16,468

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – charge for the period		
Hong Kong	<b>2,454</b>	–
Mainland China	<b>11,719</b>	20,938
Elsewhere	<b>1,260</b>	2,085
Deferred	<b>2,741</b>	(7,894)
Total tax charge for the period	<b>18,174</b>	15,129

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 8. INCOME TAX (Cont'd)

Comba Telecom Systems (Guangzhou) Limited ("Comba Guangzhou") and Comba Telecom Technology (Guangzhou) Limited ("Comba Technology"), subsidiaries of the Company established in the PRC, were designated as High-New Technology Enterprises on 14 December 2009 and 16 December 2008, respectively. The qualification of Comba Guangzhou and Comba Technology being designated as High-New Technology Enterprises were renewed in April 2013 and August 2011, respectively. Being High-New Technology Enterprises, Comba Guangzhou and Comba Technology were entitled to the preferential tax rate of 15% for the period ended 30 June 2013.

## 9. DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

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

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

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss for the period attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculations	<b>(150,676)</b>	(160,960)

	<b>Number of shares For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	<b>1,510,387,000</b>	1,506,585,000

The computations of diluted loss per share for the six months ended 30 June 2013 and 2012 do not assume the conversion of the Company's outstanding share options as the exercise prices were higher than the Company's share price. The effects of awarded shares have also been excluded from the computations of diluted loss per share for the six months ended 30 June 2013 and 2012 as their effects would be anti-dilutive.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 11. INVENTORIES

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Raw materials	<b>201,015</b>	168,603
Project materials	<b>138,917</b>	122,008
Work in progress	<b>202,729</b>	168,700
Finished goods	<b>455,683</b>	429,797
Inventories on site	<b>1,299,025</b>	1,353,901
	<b>2,297,369</b>	2,243,009

## 12. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 3 months and is extendable up to 2 years depending on the credit worthiness of customers. The balances also include retention money of approximately 10% to 20% of the total contract sum of each project, and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the 1 to 2 years warranty periods granted to customers. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

### 12. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES (Cont'd)

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within 3 months	<b>1,238,082</b>	1,928,491
4 to 6 months	<b>459,039</b>	723,420
7 to 12 months	<b>1,514,810</b>	823,579
More than 1 year	<b>1,420,846</b>	1,129,660
	<b>4,632,777</b>	4,605,150
Provision for impairment	<b>(17,852)</b>	(17,589)
	<b>4,614,925</b>	4,587,561
Current portion	<b>(4,521,490)</b>	(4,452,866)
Long-term portion	<b>93,435</b>	134,695

## Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

### 12. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES (Cont'd)

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Neither past due nor impaired	<b>4,083,081</b>	4,201,023
Past due	<b>505,428</b>	373,790
	<b>4,588,509</b>	4,574,813

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

### 13. TRADE AND BILLS PAYABLES

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within 3 months	<b>1,353,668</b>	1,474,001
4 to 6 months	<b>570,476</b>	678,770
7 to 12 months	<b>880,806</b>	759,928
More than 1 year	<b>333,361</b>	368,494
	<b>3,138,311</b>	3,281,193

The trade payables are non-interest-bearing, are mainly settled for a period of 3 months and are extendable up to 2 years.

### 14. INTEREST-BEARING BANK BORROWINGS

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Analyzed into:		
Within 1 year	<b>1,585,882</b>	1,558,656

All the bank loans as at 30 June 2013 and 31 December 2012 were unsecured. Loans denominated in Hong Kong dollars amounted to HK\$292,399,000 (31 December 2012: Nil) and loans denominated in United States dollars amounted to HK\$1,293,483,000 (31 December 2012: HK\$1,558,656,000).

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 14. INTEREST-BEARING BANK BORROWINGS (Cont'd)

In addition to the short-term interest-bearing facilities, the Group had entered into a three-year term loan facility agreement amounted to US\$210,000,000 on 26 June 2012 (the "Facility Agreement") with certain financial institutions (the "Lenders").

Under the Facility Agreement, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling shareholder of the Company, and Mr. Zhang Yue Jun, who is the substantial shareholder of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 35% of the entire issued shares (of each class) of and equity interests in the Company free from any security. Pursuant to the Facility Agreement, both Mr. Fok Tung Ling and Mr. Zhang Yue Jun shall also maintain the ability in leading the management in determining the directions of overall strategies and business development for the Group. At the date of approval of these condensed consolidated interim financial statements, such obligations have been complied with.

The Company and three of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited and Comba Telecom Limited, were parties to the Facility Agreement who act as guarantors to guarantee punctual performance of the obligations under the Facility Agreement which, inter alia, include the satisfaction of the financial covenants under the Facility Agreement.

As at 30 June 2013, the Group had utilized US\$171,000,000 (equivalent to HK\$1,325,860,000) and repaid US\$34,200,000 (equivalent to HK\$265,172,000) under the Facility Agreement.

For the six months ended 30 June 2013, one of the financial covenants under the Facility Agreement was not satisfied. According to the relevant accounting standard, the long-term portion of the loans under the Facility Agreement, which amounted to HK\$530,345,000, was classified as a current liability as at 30 June 2013.

Prior to the date of approval of these condensed consolidated interim financial statements, the Group had applied and the Lenders of the Facility Agreement had granted to the Group waivers from strict compliance with the said financial covenant. All other terms of the Facility Agreement will continue in full force and effect.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 15. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>HK\$'000</b>
Authorized:		
1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	5,000,000,000	500,000
Issued and fully paid or credited as fully paid:		
1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	1,526,196,229	152,620

As at 30 June 2013, the total number of issued ordinary shares of the Company was 1,526,196,229 shares (31 December 2012: 1,526,196,229 shares) which included 11,035,700 shares (31 December 2012: 19,017,120 shares) held under the Share Award Scheme (note 16(b)).

## 16. SHARE OPTION AND SHARE AWARD SCHEMES

### (a) Share Option Schemes

The Company operates a share option scheme adopted on 20 June 2003 (the "2003 Scheme") and had a term of 10 years. The 2003 Scheme terminated and expired upon the adoption of a new share option scheme on 3 June 2013 (the "2013 Scheme", together with the 2003 Scheme are collectively referred to as the "Schemes") which, unless otherwise cancelled or amended, will remain in force for 10 years from that date. All outstanding options under the 2003 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2003 Scheme.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (a) Share Option Schemes (Cont'd)

The purposes of the Schemes are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include directors (including independent non-executive directors), employees, holders of any securities, business or joint venture partners, contractors, agents or representatives, 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 and 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 Schemes, the Share Award Scheme (note 16(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 participant under the Schemes 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.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (a) Share Option Schemes (Cont'd)

Share options granted under the Schemes 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. In addition, any share options granted under the Schemes 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, 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, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Schemes 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 Schemes is determinable by the Directors, 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 Schemes is determinable by the Directors, but shall not be less than the higher 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 of Hong Kong Limited (the "Stock Exchange") on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the 5 trading days immediately preceding the date of offer.

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

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (a) Share Option Schemes (Cont'd)

No share options were granted under the 2013 Scheme during the current period.

The following share options were outstanding under the 2003 Scheme during the current period:

	<b>2013</b>		2012	
	<b>Weighted average exercise price of share options HK\$ per share</b>	<b>Number of share options '000</b>	Weighted average exercise price of share options*	Number of share options
	HK\$ per share	'000	HK\$ per share	'000
At 1 January	<b>6.06</b>	<b>70,900</b>	6.57	34,400
Granted during the period	—	—	5.66	40,000
Forfeited during the period	<b>5.90</b>	<b>(3,904)</b>	6.57	(1,710)
At 30 June	<b>6.07</b>	<b>66,996</b>	6.07	72,690

\* The weighted average exercise price of share options per share and the number of share options were adjusted as a result of the bonus issue of shares approved on 23 May 2011 (the "Bonus Issue").

No share options granted under the 2003 Scheme were exercised during the current period.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (a) Share Option Schemes (Cont'd)

Movements in the number of the Company's share options under the 2003 Scheme during the current period are as follows:

Name or category of participant	Number of share options					At 30 June 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2013	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period				
<b>Executive Directors</b>									
Mr. Tong Chak Wai, Wilson	500,000	-	-	-	-	500,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
Mr. Wu Jiang Cheng	500,000	-	-	-	-	500,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
Mr. Yan Ji Ci	500,000	-	-	-	-	500,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
Mr. Yeung Pui Sang, Simon	500,000	-	-	-	-	500,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
Mr. Zhang Yuan Jian	500,000	-	-	-	-	500,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
<b>Independent non-executive Directors</b>									
Mr. Liu Cai	242,000	-	-	-	-	242,000	22 Jul 10	22 Jul 11–21 Jul 13	6.57**
	100,000	-	-	-	-	100,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
	342,000	-	-	-	-	342,000			
Mr. Lau Siu Ki, Kevin	242,000	-	-	-	-	242,000	22 Jul 10	22 Jul 11–21 Jul 13	6.57**
	100,000	-	-	-	-	100,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
	342,000	-	-	-	-	342,000			
<b>Other employees in aggregate</b>	30,416,200	-	-	-	(1,029,200)	29,387,000	22 Jul 10	22 Jul 11–21 Jul 13	6.57**
	37,300,000	-	-	-	(2,875,000)	34,425,000	12 Jan 12	12 Jan 13–11 Jan 15	5.66
	67,716,200	-	-	-	(3,904,200)	63,812,000			
	70,900,200	-	-	-	(3,904,200)	66,996,000			

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

\*\* The exercise price HK\$6.57 of share options per share was adjusted as a result of the Bonus Issue.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (a) Share Option Schemes (Cont'd)

The exercise price and exercise period of the share options outstanding under the 2003 Scheme as at the end of the reporting period are as follows:

<b>30 June 2013 Number of share options '000</b>	<b>Exercise price of share options HK\$ per share</b>	<b>Exercise period</b>
<b>29,871</b>	<b>6.57<sup>^</sup></b>	22 July 2011 to 21 July 2013
<b>37,125</b>	<b>5.66</b>	12 January 2013 to 11 January 2015
<b>66,996</b>		

30 June 2012 Number of share options '000	Exercise price of share options HK\$ per share	Exercise period
32,690	6.57 <sup>^</sup>	22 July 2011 to 21 July 2013
40,000	5.66	12 January 2013 to 11 January 2015
72,690		

<sup>^</sup> The exercise price of the share options per share was adjusted as a result of the Bonus Issue.

The expense recognized in these condensed consolidated income statement for employee services received during the current period is approximately HK\$4,554,000 (six months ended 30 June 2012: HK\$23,001,000).

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (a) Share Option Schemes (Cont'd)

At the end of the reporting period, the Company had 66,996,000 share options, of which 48,433,500 share options were vested and 18,562,500 share options were unvested, outstanding under the 2003 Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 66,996,000 additional ordinary shares of the Company and additional share capital of HK\$6,700,000 and share premium of HK\$399,680,000 (before issue expenses).

At the date of approval of these condensed consolidated interim financial statements, the Company had 36,735,000 share options outstanding under the Schemes, which represented approximately 2.4% of the Company's shares in issue as at that date.

### (b) Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 25 March 2011 (the "Adoption Date"). The purposes and objectives of the Share Award Scheme are to recognize the contributions by certain employees and persons to the Group (the "Selected Persons") 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, 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.

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (b) Share Award Scheme (Cont'd)

The Board shall not make any further award of the Awarded Shares which will result in the nominal value of the shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company as at the Adoption Date. 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. 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 Schemes) as so refreshed shall not exceed 10% of the shares in issue as at the date of approval of the limit. Awarded Shares or share options previously granted under the Share Award Scheme or the Schemes (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 Schemes 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.

On 12 April 2011, the Board 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. Upon issue and allotment of the new Awarded Shares, the Trustee will hold the new Awarded Shares in trust for the Selected Persons and such new Awarded Shares shall be transferred to the Selected Persons upon the vesting conditions will have been met. The number of Awarded Shares granted to each of the Selected Persons is subject to their

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (b) Share Award Scheme (Cont'd)

respective contributions to the Group. Among those 365 Selected Persons, there are 12 Selected Persons who are directors of members of the Group and accordingly connected persons (as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) to the Company (the "Connected Selected Person(s)") and the issue and allotment of the 3,332,000 new Awarded Shares to the Connected Selected Persons under the Share Award Scheme were approved by the independent shareholders other than the Connected Selected Persons and their respective associates in accordance with the Listing Rules at the extraordinary general meeting of the Company held on 23 May 2011.

Movements in the number of treasury shares held for the Share Award Scheme and Awarded Shares held for the Selected Persons for the six months ended 30 June 2012 and 2013 are as follows:

Note	<b>Treasury shares held for the Share Award Scheme</b>	<b>Awarded Shares held for the Selected Persons</b>
At 1 January 2013	<b>4,628,560</b>	<b>14,388,560</b>
Lapsed and returned to the Share Award Scheme	<b>502,280</b>	<b>(502,280)</b>
Vested to the Selected Persons (i)	<b>—</b>	<b>(7,981,420)</b>
At 30 June 2013	<b>5,130,840</b>	<b>5,904,860</b>

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 16. SHARE OPTION AND SHARE AWARD SCHEMES (Cont'd)

### (b) Share Award Scheme (Cont'd)

	Notes	Treasury shares held for the Share Award Scheme	Awarded Shares held for the Selected Persons
At 1 January 2012		2,329,170	18,404,100
Purchased at the market	(ii)	1,402,000	—
Lapsed and returned to the Share Award Scheme		758,250	(758,250)
Vested to the Selected Persons	(i)	—	(3,118,150)
At 30 June 2012		4,489,420	14,527,700

- (i) During the current period, the Trustee transferred 7,981,420 ordinary shares of the Company (six months ended 30 June 2012: 3,118,150 ordinary shares) to the Selected Persons upon vesting of the Awarded Shares.
- (ii) During the six months ended 30 June 2012, the Trustee/Administrator acquired 1,402,000 shares of the Company through purchases on the open market at a total cost (including related transaction costs) of approximately HK\$5,021,000.

The 5,904,860 Awarded Shares outstanding as at 30 June 2013 have one remaining vesting date, which is 12 April 2014. Upon the vesting date, those Awarded Shares will be transferred at no cost to the Selected Persons.

## 17. RESERVES

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

## Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

### 18. CONTINGENT LIABILITIES

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

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Guarantees given to banks in respect of performance bonds	<b>52,236</b>	39,072

### 19. OPERATING LEASE ARRANGEMENTS

#### As lessee

The Group leases certain of its office premises, warehouses, motor vehicles and staff dormitories under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 10 years.

As at 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within 1 year	<b>59,722</b>	64,953
In the 2 <sup>nd</sup> to 5 <sup>th</sup> years, inclusive	<b>47,712</b>	48,169
After 5 years	<b>3,883</b>	3,733
	<b>111,317</b>	116,855

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments for the buildings and the procurement of production facilities at the end of the reporting period:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for	<b>2,889</b>	6,803

## 21. RELATED PARTY TRANSACTIONS

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

	<b>For the six months ended 30 June</b>	
	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
Short-term employee benefits	<b>6,285</b>	9,330
Pension scheme contributions	<b>136</b>	133
Awarded share expense	<b>1,756</b>	3,902
Equity-settled share option expense	<b>307</b>	1,246
Total compensation paid to key management personnel	<b>8,484</b>	14,611

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## 22. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, restricted bank deposits, trade receivables, notes receivable, trade and bills payables, interest-bearing bank borrowings, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current trade receivables and restricted bank deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The carrying amounts of the Group's financial assets and financial liabilities approximate to their fair values.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

# Notes to Condensed Consolidated Financial Statements (Cont'd)

30 June 2013

## **22. FAIR VALUE AND FAIR VALUE HIERARCHY (Cont'd)**

### **Fair value hierarchy (Cont'd)**

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The Company did not have any financial assets measured at fair value as at 30 June 2013.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## **23. COMPARATIVE AMOUNTS**

During the period, certain comparative amounts have been adjusted to conform with the current period's presentation.

## **24. APPROVAL OF THE FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 23 August 2013.

By order of the Board

**COMBA TELECOM SYSTEMS HOLDINGS LIMITED**

**Fok Tung Ling**

*Chairman*

Hong Kong, 23 August 2013



# Comba

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

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