COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京信通信系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2342)

Final results announcement for the year ended 31 December 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by 17.7% to HK$6,733 million
- Gross profit increased by 28.9% to HK$1,760 million
- Gross profit margin increased by 2.2% points to 26.1%
- Profit attributable to shareholders: HK$151 million (2013: loss of HK$241 million)
- Basic earnings per share: HK9.04 cents (2013 (restated): loss of HK14.46 cents)
- Final dividend of HK1.3 cents per share (2013: Nil), paid interim dividend of HK1.2 cents per share (2013 interim: Nil)
- 1 bonus share for every 10 ordinary shares held (2013: Nil), distributed 1 interim bonus share for every 10 ordinary shares held (2013 interim: Nil)

RESULTS

The board of directors (the "Board" or the "Directors") of Comba Telecom Systems Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014, together with the comparative figures for the same period in 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	3	**6,733,214**	5,720,599
Cost of sales		**(4,973,204)**	(4,355,013)
Gross profit		**1,760,010**	1,365,586
Other income and gains	3	**60,903**	68,408
Research and development costs		**(192,986)**	(207,158)
Selling and distribution expenses		**(509,477)**	(505,566)
Administrative expenses		**(789,727)**	(788,888)
Other expenses		**(65,524)**	(37,107)
Finance costs	5	**(61,147)**	(55,153)
PROFIT/(LOSS) BEFORE TAX	4	**202,052**	(159,878)
Income tax expense	6	**(47,532)**	(84,867)
PROFIT/(LOSS) FOR THE YEAR		**154,520**	(244,745)
Attributable to:			
Owners of the parent		**151,061**	(240,722)
Non-controlling interests		**3,459**	(4,023)
		154,520	(244,745)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK9.04 cents**	HK(14.46) cents (restated)
Diluted		**HK9.00 cents**	HK(14.46) cents (restated)

Details of the dividends payable and proposed for the year are disclosed in note 7 below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**154,520**	(244,745)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(113,914)**	78,731
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(113,914)**	78,731
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(113,914)**	78,731
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**40,606**	(166,014)
Attributable to:		
Owners of the parent	**38,537**	(163,572)
Non-controlling interests	**2,069**	(2,442)
	40,606	(166,014)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**681,624**	760,841
Prepaid land lease payments		**53,062**	51,789
Goodwill		**28,571**	28,571
Long-term trade receivables	*10*	**12,179**	83,322
Deferred tax assets		**141,786**	115,948
Intangible assets		**196,512**	133,302
Restricted bank deposits		**14,564**	30,655
Total non-current assets		**1,128,298**	1,204,428
CURRENT ASSETS			
Inventories	*9*	**2,234,857**	2,240,395
Trade receivables	*10*	**4,381,627**	4,530,279
Notes receivable		**149,684**	85,703
Prepayments, deposits and other receivables		**622,919**	621,476
Restricted bank deposits		**344,551**	46,735
Time deposits with original maturity of over 3 months		**–**	298,403
Cash and cash equivalents		**1,274,796**	1,290,858
Total current assets		**9,008,434**	9,113,849
CURRENT LIABILITIES			
Trade and bills payables	*11*	**3,422,870**	3,839,472
Other payables and accruals		**1,177,630**	1,074,167
Interest-bearing bank borrowings	*12*	**972,635**	1,232,409
Tax payable		**25,553**	25,861
Provisions for product warranties		**77,863**	76,182
Total current liabilities		**5,676,551**	6,248,091
NET CURRENT ASSETS		**3,331,883**	2,865,758
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,460,181**	4,070,186

	Notes	**2014** *HK$'000*	2013 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*12*	**678,389**	325,667
Deferred tax liabilities		**15,837**	16,628
Total non-current liabilities		**694,226**	342,295
Net assets		**3,765,955**	3,727,891
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**167,882**	152,620
Treasury shares		**(13,114)**	(13,572)
Reserves		**3,533,198**	3,534,748
Proposed final dividend	*7*	**21,825**	–
		3,709,791	3,673,796
Non-controlling interests		**56,164**	54,095
Total equity		**3,765,955**	3,727,891

NOTES

31 December 2014

1.1 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 year, 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.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014 (the "Current Year"). The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the Current Year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(e) HK(IFRIC)-Int 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

1.4 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKAS 1 Amendments	*Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2. 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.

Geographical information

(a) Revenue from external customers

	2014	2013
	HK$'000	*HK$'000*
Mainland China	**5,682,153**	4,769,583
Other countries/areas in Asia Pacific	**301,276**	294,728
Americas	**530,392**	438,443
European Union	**121,622**	131,471
Middle East	**42,093**	49,922
Other countries	**55,678**	36,452
	6,733,214	5,720,599

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

(b) *Non-current assets*

Because majority of the Group's non-current assets and capital expenditure were located/incurred in Mainland China, no related geographical information of non-current assets is presented.

Information about major customers

Revenue of approximately HK$3,209,402,000 (2013: HK$2,981,503,000), HK$1,137,773,000 (2013: HK$734,977,000) and HK$947,396,000 (2013: HK$831,117,000) was derived from 3 major customers, which accounted for 47.7% (2013: 52.1%), 16.9% (2013: 12.8%) and 14.1% (2013: 14.5%) of the total revenue of the Group, respectively.

3. 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 year, net of value-added tax (the "VAT"), and after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**6,365,669**	5,273,990
Maintenance services	**367,545**	446,609
	6,733,214	5,720,599
Other income and gains		
Bank interest income	**15,923**	9,730
Government subsidy	**11,128**	26,509
VAT refunds*	**19,009**	22,717
Gross rental income	**6,210**	2,877
Others	**8,633**	6,575
	60,903	68,408

* During the years ended 31 December 2013 and 2014, Comba Software Technology (Guangzhou) Limited ("Comba Software"), being designated as a software enterprise, was entitled to VAT refunds on the effective VAT rate in excess of 3% after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.

4. PROFIT/(LOSS) BEFORE TAX

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

	Note	2014 HK$'000	2013 HK$'000
Cost of inventories sold and services provided		**4,827,078**	4,279,812
Depreciation		**115,319**	130,780
Recognition of prepaid land lease payments		**1,830**	1,099
Amortization of computer software and technology		**9,098**	10,082
Research and development costs:			
Deferred expenditure amortized*		**45,088**	16,878
Current year expenditure		**192,986**	207,158
		238,074	224,036
Minimum lease payments under operating leases in respect of land and buildings		**82,180**	87,412
Auditors' remuneration		**3,541**	3,564
Employee benefit expense (including directors' remuneration)^:			
Salaries and wages		**993,123**	939,100
Staff welfare expenses		**67,849**	74,819
Equity-settled share option expense		**11,123**	8,834
Awarded share expense		**4,649**	22,912
Pension scheme contributions (defined contribution schemes)#		**87,227**	90,556
		1,163,971	1,136,221
Exchange loss, net		**59,183**	52,371
Write-down of inventories to net realizable value		**66,739**	—
Impairment of trade receivables	*10*	**57,719**	31,831
Provision for product warranties		**48,029**	37,933
Gain on disposal of items of property, plant and equipment		**(3,402)**	(452)

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

^ Staff costs capitalized into deferred development costs amounting to HK$91,019,000 (2013: HK$99,906,000) have not been included in the employee benefit expense.

\# At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

5. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within 5 years	**61,147**	55,153

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2014	2013
	HK$'000	*HK$'000*
Current — Hong Kong		
Charged for the year	**—**	10,763
Overprovision in prior year	**(1,535)**	—
Current — Mainland China	**75,408**	51,090
Current — Elsewhere	**3,327**	3,671
Deferred	**(29,668)**	19,343
Total tax charge for the year	**47,532**	84,867

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

Comba Telecom Technology (Guangzhou) Limited, Comba Telecom Systems (Guangzhou) Limited and Comba Telecom Systems (China) Limited were entitled to the preferential tax rate of 15% for the year ended 31 December 2014 based on the designation as High-New Technology Enterprises by the Guangdong Provincial Department of Science and Technology which remained effective for the year ended 31 December 2014.

7. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim — HK1.2 cents (2013: Nil) per ordinary share	**18,314**	—
Proposed final — HK1.3 cents (2013: Nil) per ordinary share	**21,825**	—
	40,139	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,670,785,000 (2013 (restated): 1,664,223,000) in issue during the year, as adjusted to reflect the bonus issue during the year.

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

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2013 in respect of a dilution as the impact of the share options and awarded outstanding shares had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2014	2013
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	**151,061**	(240,722)

	Number of shares	
	2014	2013 (restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations	**1,670,785,000**	1,664,223,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**6,364,000**	—
Awarded shares	**982,000**	—
	1,678,131,000	1,664,223,000

9. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials	**314,338**	259,095
Project materials	**254,902**	137,350
Work in progress	**62,204**	98,992
Finished goods	**529,510**	416,382
Inventories on site	**1,073,903**	1,328,576
	2,234,857	2,240,395

10. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**4,494,003**	4,660,672
Impairment	**(100,197)**	(47,071)
	4,393,806	4,613,601
Current portion	**(4,381,627)**	(4,530,279)
Long-term portion	**12,179**	83,322

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

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

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**1,696,034**	1,899,831
4 to 6 months	**527,528**	478,763
7 to 12 months	**763,851**	744,908
More than 1 year	**1,506,590**	1,537,170
	4,494,003	4,660,672
Provision for impairment	**(100,197)**	(47,071)
	4,393,806	4,613,601
Current portion	**(4,381,627)**	(4,530,279)
Long-term portion	**12,179**	83,322

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

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**47,071**	17,589
Impairment losses recognized	**57,719**	31,831
Exchanged realignment	**(4,593)**	(2,349)
	100,197	47,071

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$100,197,000 (2013: HK$47,071,000) with a carrying amount before provision of HK$117,640,000 (2013: HK$110,838,000).

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

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

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,999,593**	3,206,824
Past due but not impaired	**1,376,770**	1,343,010
	4,376,363	4,549,834

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.

11. TRADE AND BILLS PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**1,690,095**	1,687,390
4 to 6 months	**858,623**	625,916
7 to 12 months	**547,099**	1,034,540
More than 1 year	**327,053**	491,626
	3,422,870	3,839,472

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

12. INTEREST-BEARING BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Analyzed into:		
Within 1 year	**972,635**	1,232,409
In the 2nd to 3rd years, inclusive	**678,389**	325,667
	1,651,024	1,558,076

As at 31 December 2014, loans denominated in Hong Kong dollars, United States dollars and Renminbi amounted to HK$251,200,000 (2013: HK$279,873,000), HK$1,125,120,000 (2013: HK$1,132,061,000) and HK$274,704,000 (2013: HK$146,142,000), respectively.

The Group entered into a 3-year term loan facility agreement amounting to US$125,000,000 on 18 June 2014 (the "2014 Facility Agreement") with certain financial institutions.

Under the 2014 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 shares (of each class) of and equity interests in the Company free from any security. Pursuant to the 2014 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 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 2014 Facility Agreement acting as guarantors, to guarantee punctual performance of the obligations under the 2014 Facility Agreement.

As at 31 December 2014, the Group had fully utilized the amount of US$125,000,000 (equivalent to HK$969,128,000) under the 2014 Facility Agreement. As at 31 December 2014, the outstanding term loan balance amounted to HK$969,128,000, of which, HK$290,739,000 and HK$678,389,000 are repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bears interest at 4.6% per annum.

The interest-bearing bank borrowings as at 31 December 2013 included a loan balance of HK$977,002,000 under a 3-year term loan facility agreement amounting to US$210,000,000 (equivalent to HK$1,628,323,000) entered into between the Group and certain financial institutions on 26 June 2012 (the "2012 Facility Agreement"). The loan balance under the 2012 Facility Agreement was fully repaid on 26 June 2014.

As at 31 December 2014, certain short-term loans amounting to HK$155,992,000 were secured by a letter of credit which was pledged by time deposits amounting to HK$187,366,000. The loans bear interest at 2.5% per annum.

Other short-term bank loans bear interest at rates ranging from 1.9% to 6.6% (2013: from 1.9% to 6.0%) per annum.

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

13. EVENTS AFTER THE REPORTING PERIOD

On 25 March 2015, the Board proposed to increase the share capital of the Company by capitalizing the share premium of the Company and bonus shares will be allotted, issued and despatched to the shareholders on the basis of 1 bonus share for every 10 existing ordinary shares held by the shareholders whose names are shown on the register of members of the Company on 10 June 2015, being the record date for determination of entitlements to the bonus issue. Based on the total of 1,678,815,837 shares in issue as at 31 December 2014 and assuming no further shares will be issued or purchased before 10 June 2015, approximately 167,881,583 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$167,882,000 to approximately HK$184,670,000 upon completion of the bonus issue. The amount of approximately HK$16,788,000 will be capitalized from the Company's share premium account.

The bonus issue and the increase in the Company's share capital will be subject to, among others, shareholders' approval at the forthcoming annual general meeting, the grant of listing approval of the bonus shares and compliance with the relevant legal procedures and requirement (if any) under the applicable laws of the Cayman Islands and the articles of association of the Company.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

For the purpose of determining shareholders' entitlements to the final dividend, the register of members of the Company will be closed from Tuesday, 9 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of shares will be registered. The record date for determination of entitlements under the final dividend will be on Wednesday, 10 June 2015. Shareholders whose names appear on the register of members of the Company on Wednesday, 10 June 2015 will be entitled to receive the final dividend. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch 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 Monday, 8 June 2015. The dividend warrants will be despatched to the shareholders on Thursday, 18 June 2015 subject to the shareholders' approval at the forthcoming annual general meeting (the "AGM"). It is expected that a circular containing, amongst other things, the details of the forthcoming AGM will be despatched to the shareholders on or before 28 April 2015.

CLOSURE OF REGISTER OF MEMBERS FOR BONUS ISSUE

For the purpose of determining shareholders' entitlements to the bonus issue, the register of members of the Company will be closed from Tuesday, 9 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of shares will be registered. The record date for determination of entitlements under the bonus issue will be on Wednesday, 10 June 2015. Shareholders whose names appear on the register of members of the Company on Wednesday, 10 June 2015 will be entitled to receive the bonus shares. In order to qualify for the bonus issue, 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 Monday, 8 June 2015. The bonus shares will be allotted, issued and despatched to the shareholders on Thursday, 18 June 2015. It is expected that a circular containing, amongst other things, the details of the bonus issue and notice convening the forthcoming AGM will be despatched to the shareholders on or before 28 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

2014 was a good year for many telecom equipment providers following the granting of 4G licenses in Mainland China at the end of 2013. For the year ended 31 December 2014 (the "Current Year"), Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") successfully marked a turnaround with revenue increasing 17.7% over that for the year ended 31 December 2013 (the "Prior Year"), amounting to HK$6,733,214,000 (2013: HK$5,720,599,000). The growth was mainly driven by the strong demand for certain telecom equipment for large-scale domestic 4G network deployments. In addition, business in international markets continued to record a satisfactory revenue growth in tandem which also contributed in part to the Group's overall results.

During the Current Year, revenue from mobile broadband (3G and 4G) projects amounted to HK$3,095,000,000 (3G revenue in 2013: HK$2,431,000,000), representing a significant increase of 27.3% over the Prior Year and accounting for 46.0% (3G revenue in 2013: 42.5%) of the Group's total revenue.

By customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") increased by 7.6% over the Prior Year to HK$3,209,402,000 (2013: HK$2,981,503,000), accounting for 47.7% of the Group's revenue in the Current Year (2013: 52.1%).

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased significantly by 54.8% over the Prior Year to HK$1,137,773,000 (2013: HK$734,977,000), accounting for 16.9% of the Group's revenue in the Current Year (2013: 12.8%).

Revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as the "China Unicom Group") increased by 14.0% over the Prior Year to HK$947,396,000 (2013: HK$831,117,000), accounting for 14.1% of the Group's revenue in the Current Year (2013: 14.5%).

Revenue generated from international customers and core equipment manufacturers increased notably by 21.1% over the Prior Year to HK$1,347,810,000 (2013: HK$1,112,795,000), accounting for 20.0% of the Group's revenue in the Current Year (2013: 19.5%). The growth was mainly attributable to the completion of a number of large wireless solutions projects in the overseas markets and the strong demand of 4G products from core equipment manufacturers.

By businesses

Revenue generated from the antennas and subsystems business increased significantly by 40.2% over the Prior Year to HK$2,616,403,000 (2013: HK$1,865,813,000), accounting for 38.8% (2013: 32.6%) of the Group's revenue in the Current Year. The increase in revenue was mainly due to a strong product demand for global 4G network build-outs.

Revenue generated from the wireless enhancement business in the Current Year increased by 16.5% over the Prior Year to HK$1,141,617,000 (2013: HK$980,051,000), accounting for 17.0% (2013: 17.1%) of the Group's revenue. The rise in revenue was mainly due to strong growth from the international markets and the gradual recovery of the wireless enhancement market in Mainland China. During the Year, mobile network operators resumed certain wireless projects in view of the growing need to maintain network quality under the pressure created by the dramatic data traffic growth.

Revenue generated from the wireless access and transmission business in the Current Year decreased by 20.0% over the Prior Year to HK$337,278,000 (2013: HK$421,355,000) and accounted for 5.0% (2013: 7.4%) of the Group's revenue. The decline in revenue of this business unit was mainly due to the declining mobile network operators' demand for Wi-Fi products while revenue from small cells increased significantly.

Revenue from services grew by 7.5% over the Prior Year to HK$2,637,916,000 (2013: HK$2,453,380,000), accounting for 39.2% (2013: 42.9%) of the Group's revenue in the Current Year. The increase was mainly attributable to the resumption of certain investment activities in the wireless enhancement market in Mainland China.

Gross Profit

During the Current Year, the Group's gross profit increased by 28.9% over the Prior Year to HK$1,760,010,000 (2013: HK$1,365,586,000). Despite recording of HK$66,739,000 obsolete inventories write-off during the Current Year, the gross profit margin increased by 2.2 percentage points over the Prior Year to 26.1% in the Current Year (2013: 23.9%). The increase in gross profit margin was mainly due to the adjustment of product mix and improving gross profit margins of certain product categories.

To further improve the gross profit margin, the Group will continue to optimize the product mix, implement stringent costs control measures and ramp up the scale of new products and new business to achieve greater economies of scale.

Research and Development ("R&D") Costs

During the Current Year, R&D costs decreased by 6.8% over the Prior Year to HK$192,986,000 (2013: HK$207,158,000), representing 2.9% (2013: 3.6%) of the Group's revenue. The decrease in R&D costs was mainly due to more centralization of R&D investments into the core businesses, strict control over new project initiations and stringent cost control measures adopted by the Group. The R&D investments of the Group become more efficient and cost effective to stay at the forefront of the latest technological innovation so as to take advantage of new business opportunities.

With its strong commitment to R&D, the Group has achieved significant accomplishments in creating its own solutions with intellectual property rights and has applied for approximately 1,900 patents as at the end of the Current Year (As at 31 December 2013: more than 1,600 patents).

Selling and Distribution ("S&D") Expenses

During the Current Year, S&D expenses increased slightly by 0.8% over the Prior Year to HK$509,477,000 (2013: HK$505,566,000), representing 7.6% (2013: 8.8%) of the Group's revenue. The percentage of S&D expenses to the Group's revenue decreased as the Group successfully enhanced the operation efficiency to increase the scale of economies during the Current Year.

Administrative Expenses

During the Current Year, administrative expenses stayed flat at HK$789,727,000 (2013: HK$788,888,000), representing 11.7% (2013: 13.8%) of the Group's revenue. The drop in percentage of administrative expenses to the Group's revenue fully revealed the Group's continued efforts to optimize the operational structure and human resources as well as to control the fixed costs.

Awarded Share 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 by the Company on 25 March 2011, by way of issue and allotment of new shares pursuant to the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting held on 24 May 2010. These awarded shares were 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 were 12 July 2011, 12 April 2012, 12 April 2013 and 12 April 2014. Upon each vesting date, those awarded shares were 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 the grant and amortized over each of the vesting periods up to 12 April 2014. During the Current Year, the awarded shares expenses amounted to approximately HK$4,649,000.

Finance Costs

During the Current Year, finance costs increased by 10.9% over the Prior Year to HK$61,147,000 (2013: HK$55,153,000), representing 0.9% (2013: 1.0%) of the Group's revenue. The increase in finance costs was mainly due to higher bank borrowing costs as a consequence of higher interest rates.

The management has constantly 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 has arranged the most appropriate financing for the Group. Under these circumstances, the Group has entered into a three-year term loan facility agreement amounting to US$125,000,000 (equivalent to HK$969,000,000) on 18 June 2014 with four international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, China CITIC Bank International Limited and Hang Seng Bank Limited, for repayment of an existing loan of the Group as well as strengthening its working capital, enabling the implementation of its long-term development plan.

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 31 December 2014, the gross gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, stood at a manageable level of 16.3% compared to 15.1% as of 31 December 2013.

Other Expenses

The Group always seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize the credit risk. The credit terms for major customers and overdue balances are reviewed regularly by senior management.

The Group recognized and accrued an impairment loss of HK$57,719,000 (2013: HK$31,831,000) arisen from the trade receivables of certain overseas markets during the Current Year.

In addition, Comba Telecom Systems (China) Limited ("Comba China"), a wholly-owned subsidiary of the Group, received a criminal judgment from 廣州市天河區人民法院 (the Guangzhou City Tianhe District People's Court[#]) (the "Court") on 15 January 2015. Pursuant to the judgment, Comba China was found guilty for bribery and a penalty of RMB200,000, which has been provided in the Current Year, was imposed by the Court against Comba China in respect of the bribes offered by a former employee of the Group.

The Board considers that the judgment has no immediate material financial effect on the Group as a whole and the daily business operations of the Group as a whole remain normal and are conducted in usual and ordinary manner. However, taking into consideration of the nature of the case and that the judgment may have negative impacts on the reputation of the Group and future operational activities of Comba China, thus, the Group has already taken appropriate actions against the judgment.

Operating Profit

During the Current Year, the operating profit before tax of the Group was HK$263,199,000 (2013: operating loss of HK$104,725,000) after deducting an exchange loss of HK$59,183,000 (2013: HK$52,371,000). The turnaround was attributable to: 1) the rapid 4G network deployment in Mainland China and the strong demand of mobile network solutions in the global market, resulting in a growth of the Group's revenue; 2) the improvement in gross profit margin; and 3) economies of scale and effective cost control measures, resulting in a decline in the operating expenses as a percentage of the Group's total revenue.

Tax

During the Current Year, the overall taxation charge of HK$47,532,000 (2013: HK$84,867,000) comprised a profits tax charge of HK$77,200,000 (2013: HK$65,524,000) and a deferred tax credit of HK$29,668,000 (2013: deferred tax charge of HK$19,343,000). The decrease in overall taxation charge was mainly due to the deferred tax credit arising from the unused tax losses carried forward from the Prior Year.

[#] The English transliteration of the Chinese name in the announcement, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.

Details of tax holiday and/or reduced tax rates enjoyed by major operating subsidiaries are set out in note 6 above.

Net Profit

During the Current Year, the Group recorded profit attributable to owners of the parent ("Net Profit") of HK$151,061,000 (2013: Net Loss of HK$240,722,000) owing to the improvement in gross profit margin and lowering operating expenses as a percentage of the Group's total revenue.

Dividend and Bonus Issue

In view of the Group's operating results in 2014 and taking into consideration its long-term future development and interests of shareholders, in particular the interests of minority shareholders, the Board proposes a final dividend for 2014 of HK1.3 cents (2013: Nil) per ordinary share. Together with the interim dividend of HK1.2 cents (2013 interim: Nil) per ordinary share paid on 18 September 2014, the total dividend for the whole year is HK2.5 cents (2013: Nil) per ordinary share, and the total payout ratio, on the basis of basic earnings per share, is 27.7% (2013: Nil), in which the payout ratio for the final dividend is 14.4% (2013:Nil), and for the interim dividend is 13.3% (2013 interim: Nil).

In addition to the distribution of dividend, the Board also proposes to distribute 1 bonus share for every 10 existing ordinary shares held by shareholders whose names appear on the Company's share register on Wednesday, 10 June 2015 or such other date as may be determined by the Board (the "Record Date"). The relevant resolution(s) are to be proposed at the annual general meeting held on Wednesday, 3 June 2015 and if duly passed by shareholders, the dividend warrants, together with the share certificates for the bonus shares are to be dispatched on Thursday, 18 June 2015.

PROSPECTS

Looking forward in 2015, the mobile telecommunications industry will remain as a cornerstone of the economy and register a moderate growth despite the challenging global economic environment. A number of favorable factors which include the continuous uptake of mobile subscriptions, especially smartphone subscriptions, increased consumption of mobile data, evolution to new mobile networks, more new technologies, mobile applications and content, among others, help drive the sustainable development of the mobile telecommunications industry.

In terms of the mobile subscription base, the increase of global mobile subscriptions shows no sign of abating. As at 31 December 2014, the number of global mobile subscriptions exceeded 7.1 billion and is expected to top 9.5 billion by the end of 2020 according to the market estimates. With respect to the new networks and technologies, LTE networks were rolled out in full swing during 2014. By the end of 2014, more than 360 LTE networks have been commercially launched worldwide, compared to 264 in 2013. LTE network service subscription has reached 400 million globally. In Mainland China, with the increasing affordability of smartphones and the mobile network operators' desire to optimize the

Average Revenue Per User Per Month (ARPU), strenuous efforts have been devoted to encouraging their customers to migrate to 4G services from 2G or 3G. As such, the number of LTE subscriptions has passed 90 million within only a year. More importantly, the hybrid network (TD-LTE and LTE FDD) trial has been carried out for several months in various cities of Mainland China with satisfactory results, and the industry chain also gradually comes to mature. Therefore, the Ministry of Industry and Information Technology ("MIIT") of Mainland China has just duly granted LTE FDD licenses to certain mobile network operators in February 2015, which would further promote the development of mobile communications market in the Mainland China to a large extent, while providing more opportunities for telecom equipment providers.

With faster new networks, the number of mobile broadband subscriptions has grown even more rapidly and data usage per subscriber has continued to expand expeditiously. In Mainland China, the amount of mobile broadband subscriptions has surged by more than 45% year-on-year, accounting for 40% of current total mobile subscriptions. With a greater proliferation of mobile devices and data-hungry applications, the rate of data traffic growth has far outstripped the increase in mobile subscriptions. It is expected that the momentum will be sustained in 2015.

In view of the growing mobile subscription base, loosening monetary policies, duly-issued new 4G licenses and the solid demand for faster and better quality of networks from end users, more mobile network operators are willing to resume of network optimization projects and increase capital investment for new network build-outs which in turn presents new opportunities for telecommunications equipment suppliers. On the international front, with global economic recovery at varying rates, increased political tensions and financial instability in certain countries, the Group will adjust the strategies and will place greater emphasis on the developed countries. More prudence will be exerted when expanding businesses overseas. In short, the management sees some good opportunities ahead but maintains a cautiously optimistic view towards the overall business growth in view of some underlying headwinds.

Wireless Access

Considerable groundwork has been laid by the Group in the past few years as it has devoted relentless efforts to shape the small cell market moving forward. The Group understands the needs of the customers and also has the effective solutions in place to maximize the opportunities of small cell deployment.

In the year ahead, the Group will forge ahead and assist mobile network operators to build confidence in diversified small cell applications and augment the small cell deployment to hasten economies of scale. From addressing the bottlenecks of capacity and coverage to solving the matters of signal switching, interference management and power supply, small cell solutions could be applied to improve service agility, deliver a manageable service, reduce capex and opex of mobile network operators, and maximize the potential of mobile services, thus reaping real rewards in terms of revenue and customer loyalty. More mobile network operators are realizing the benefits of small cell deployment and some orders have been placed at the provincial level. During the Current Year, different types of small cells (2G, 3G and 4G) have been commercially launched in many provinces and cities in Mainland China. The Group will continue to execute this strategy going forward to expand the wireless access business.

Antennas and Subsystems

Building on the strong momentum in 2014, it is expected that the antennas and subsystem business will stay prudently optimistic. The demand is primarily driven by the ongoing expansion of TD-LTE networks in Mainland China and expected large-scale LTE FDD network build-outs. As one of the major global suppliers of base station antennas, the Group is striving its utmost to seize potential opportunities.

Wireless Enhancement

It is expected that 4G build-outs will move forward to the network enhancement phase. With bigger scale of TD-LTE networks, LTE FDD licenses issuance, more mobile subscribers are expecting an increasingly ubiquitous higher speed mobile networks through which they can get connected anytime and anywhere. This expectation puts the onus on mobile network operators to strengthen their network optimization investment strategies with the aim to maintain customer loyalty, especially when the mobile networks are under increasing strain due to the explosive growth of data traffic.

The Group saw a revival to some degree in the wireless enhancement market since mid-2014 and the situation has continued to improve. The management expects the wireless enhancement market to further recover in 2015. To this end, on top of small cell solutions, the Group will make full use of its innovative capability to offer whatever solutions, such as MDAS, DAS, IDAS, among others, mobile network operators need to fit a diversity of end-users.

For the international markets, riding on the growing brand equity, market presence and a track record of diversified prestige project portfolio, the management expects international business performance will remain positive. To better rebalance the risks and opportunities, the Group is allocating more resources to deepen its market presence and grasp more opportunities in those developed markets with better economic shapes.

Wireless Transmission

Digital Microwave Systems

Engineered to meet the requirements of network evolution, the Group's new generation of digital & IP-based microwave backhaul solutions addresses several critical network challenges faced by mobile network operators by offering advanced functionality, higher capacity, greater flexibility and scalability, higher technological standards and more cost effectiveness. In view of the challenges faced by the mobile network operators as they migrate to LTE, the Group believes that its microwave solutions will continue to deliver a satisfactory performance in the year ahead.

Satellite communications

As a complement to a full-fledged wireless product portfolio, the Group offers high quality end-to-end satellite communications systems for emergency communications. During the Current Year, the Group assisted the customers in several large-scale events and natural disaster areas to provide satellite emergency communications to ensure secure, safe and reliable communications. It is expected that business will remain stable in the year ahead.

Services

Service is of paramount importance to customers to ensure the network quality and stability in view of the rapidly growing number of subscribers and dramatic increase in data traffic. The Group is committed to providing mobile network operators the choices of solutions they require to offer the best services for their customers. During the Current Year, the Group took a series of bold steps to optimize the service business model with the aim to drive operational responsiveness, efficiency and effectiveness. In addition, a new team has been set up to centralize all project bids, project co-ordination, project management and resources allocation. Looking ahead, the Group will further explore ways in which to offer more high-end value-added services to its customers.

Conclusion

To conclude, the mobile telecommunications industry nowadays is experiencing an unprecedented pace of change as it encounters a diverse set of both opportunities and challenges. Against this backdrop, the Group believes an innovation-centric approach is the key to ride through headwinds and strong waves. In view of this, the Group has begun to execute the transformation plan two years ago to drive greater innovation and to further optimize the business mix ultimately aiming to enhance efficiency, liquidity and profitability. In the meantime, the Group has consistently adopted a prudent approach to ensure its financial position remains sound and healthy. After more than two years, the Group sees some good progress in the implementation of its strategy and will further strengthen its efforts to accelerate its transformation. Moving forward, the Group will take an active but cautious approach to advance business growth amid the market transition, and endeavour to create more value for our customers and investors alike.

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2014, the Group had net current assets of HK$3,331,883,000. Current assets comprised inventories of HK$2,234,857,000, trade receivables of HK$4,381,627,000, notes receivable of HK$149,684,000, prepayments, deposits and other receivables of HK$622,919,000, restricted bank deposits of HK$344,551,000 and cash and cash equivalents of HK$1,274,796,000. Current liabilities comprised trade and bills payables of HK$3,422,870,000, other payables and accruals of HK$1,177,630,000, interest-bearing bank borrowings of HK$972,635,000, tax payable of HK$25,553,000 and provisions for product warranties of HK$77,863,000.

The average receivable turnover for the Current Year was 244 days as compared to 294 days for the Prior Year. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain overseas customers which are granted with a longer credit term. Credit term is extendable to over 1 year depending on the credit worthiness of customers. Those retention money are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Year was 267 days compared to 298 days for the Prior Year. The average inventory turnover for the Current Year was 164 days compared to 188 days for the Prior Year.

As at 31 December 2014, 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 RMB, HK$ and US$. 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 two 3-year term loan facility agreements with certain financial institutions respectively, one with facility amount of US$210,000,000 entered into on 26 June 2012 (the "2012 Facility Agreement") and the other with facility amount of US$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement", together with the 2012 Facility Agreement collectively known as the "Facility Agreements"). The loan balance under the 2012 Facility Agreement was fully repaid on 26 June 2014.

Under the Facility Agreements, 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 (i) beneficial ownership in aggregate, directly or indirectly, of at least 35% of the shares (of each class) of, and equity interests in the Company free from any security and (ii) 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 the audited consolidated financial statements, the loan balance under the 2012 Facility Agreement was fully repaid and the above specific performance obligations under the 2014 Facility Agreement have been complied with.

Details of the Facility Agreements are set out in note 12 above.

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 fluctuation of RMB exchange rate in a narrow band should not have a material impact on the Group's business and no hedging arrangement was thus engaged.

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings) over total assets, was 16.3% as at 31 December 2014 (31 December 2013: 15.1%).

MATERIAL ACQUISITIONS AND DISPOSALS

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

RESTRICTED BANK DEPOSITS

Deposit balances of HK$359,115,000 (31 December 2013: HK$77,390,000) represented the restricted deposits given to banks in respect of bills payable, interest-bearing bank borrowings and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had contingent liabilities of HK$127,648,000 (31 December 2013: HK$98,555,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 8,400 staff. The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,163,971,000. 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Current Year, 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considered that, from 1 January 2014 to the date of this announcement, the Company has complied with the Code Provisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to 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 the code of conduct from 1 January 2014 to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The annual results for the Current Year have been reviewed by the audit committee. The audit committee, together with the management and the external auditors, has reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting, including the review of the annual results for the Current Year. The audit committee has given its consent to the accounting principles, standards and practices adopted by the Company for the audited consolidated financial statements for the Current Year.

PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, 25 March 2015

As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Dr. TONG Chak Wai, Wilson, Mr. ZHENG Guo Bao, Mr. YEUNG Pui Sang, Simon and Mr. ZHANG Yuan Jian; and the following independent non-executive Directors: Mr. LIU Cai, Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong and Mr. QIAN Ting Shuo.