Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED
京信通信系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2342)

Final results announcement
for the year ended 31 December 2015

FINANCIAL HIGHLIGHTS

- Revenue increased by 0.6% to HK$6,771 million
- Gross profit increased by 8.8% to HK$1,914 million
- Gross profit margin increased by 2.2% points to 28.3%
- Profit attributable to shareholders: HK$213 million (2014: HK$151 million)
- Basic earnings per share: HK10.52 cents (2014 (adjusted for the bonus issues in 2015 restated): HK7.47 cents)
- Final dividend of HK1.8 cents per share (2014: HK1.3 cents), paid interim dividend of HK1.5 cents per share (2014 interim: HK1.2 cents)
- 1 bonus share for every 10 ordinary shares held (2014: 1 bonus share for every 10 ordinary shares held), distributed 1 interim bonus share for every 10 ordinary shares held (2014 interim: 1 interim bonus share for every 10 ordinary shares held)
- Net cash flows from operating activities increased by 671.2% to HK$1,089 million

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 2015, together with the comparative figures for the same period in 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
REVENUE	*3*	**6,770,894**	6,733,214
Cost of sales		**(4,856,404)**	(4,973,204)
Gross profit		**1,914,490**	1,760,010
Other income and gains	*3*	**49,908**	60,903
Research and development costs	*4*	**(230,916)**	(192,986)
Selling and distribution expenses		**(472,976)**	(509,477)
Administrative expenses		**(836,216)**	(789,727)
Other expenses		**(27,750)**	(65,524)
Finance costs	*5*	**(67,722)**	(61,147)
Share of loss of an associate		**(127)**	–
PROFIT BEFORE TAX	*4*	**328,691**	202,052
Income tax expense	*6*	**(109,755)**	(47,532)
PROFIT FOR THE YEAR		**218,936**	154,520
Attributable to:			
Owners of the parent		**212,876**	151,061
Non-controlling interests		**6,060**	3,459
		218,936	154,520
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**HK10.52 cents**	HK7.47 cents
			(Restated)
Diluted		**HK10.52 cents**	HK7.44 cents
			(Restated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
PROFIT FOR THE YEAR	**218,936**	154,520
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(227,469)**	(113,914)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(227,469)**	(113,914)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(227,469)**	(113,914)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(8,533)**	40,606
Attributable to:		
Owners of the parent	**(11,625)**	38,537
Non-controlling interests	**3,092**	2,069
	(8,533)	40,606

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**607,950**	681,624
Prepaid land lease payments		**132,054**	53,062
Goodwill		**28,571**	28,571
Long-term trade receivables	*10*	**–**	12,179
Deferred tax assets		**140,256**	141,786
Intangible assets		**211,838**	196,512
Investment in an associate		**23,903**	–
Restricted bank deposits		**22,009**	14,564
Total non-current assets		**1,166,581**	1,128,298
CURRENT ASSETS			
Inventories	*9*	**1,731,068**	2,234,857
Trade receivables	*10*	**3,967,602**	4,381,627
Notes receivable		**96,376**	149,684
Prepayments, deposits and other receivables		**616,596**	622,919
Restricted bank deposits		**249,292**	344,551
Cash and cash equivalents		**1,747,360**	1,274,796
Total current assets		**8,408,294**	9,008,434
CURRENT LIABILITIES			
Trade and bills payables	*11*	**3,257,652**	3,422,870
Other payables and accruals		**1,067,397**	1,177,630
Derivative financial instrument		**1,501**	–
Interest-bearing bank borrowings	*12*	**595,478**	972,635
Tax payable		**65,331**	25,553
Provisions for product warranties		**85,394**	77,863
Total current liabilities		**5,072,753**	5,676,551
NET CURRENT ASSETS		**3,335,541**	3,331,883
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,502,122**	4,460,181

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*12*	**775,354**	678,389
Deferred tax liabilities		**14,981**	15,837
Total non-current liabilities		**790,335**	694,226
Net assets		**3,711,787**	3,765,955
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**203,377**	167,882
Treasury shares		**(22,530)**	(13,114)
Reserves		**3,471,684**	3,555,023
		3,652,531	3,709,791
Non-controlling interests		**59,256**	56,164
Total equity		**3,711,787**	3,765,955

NOTES

31 December 2015

1.1 CORPORATE AND GROUP INFORMATION

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

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

During the year, the Group was principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment 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"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and the derivative financial instrument which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015 (the "Current Year"). A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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 for the first time for the Current Year's financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortization of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group.

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group has no investment property.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

1.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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
4 No mandatory effective date determined but available for adoption

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

	2015	2014
	HK$'000	*HK$'000*
Mainland China	**5,759,032**	5,682,153
Other countries/areas in Asia Pacific	**332,871**	301,276
Americas	**432,319**	530,392
European Union	**183,494**	121,622
Middle East	**41,008**	42,093
Other countries	**22,170**	55,678
	6,770,894	6,733,214

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$2,114,042,000 (2014: HK$3,209,402,000), HK$1,734,219,000 (2014: HK$947,396,000) and HK$1,576,667,000 (2014: HK$1,137,773,000) was derived from 3 major customers, which accounted for 31.2% (2014: 47.7%), 25.6% (2014: 14.1%) and 23.3% (2014: 16.9%) of the total revenue of the Group, respectively.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered during the year, net of value-added tax (the "VAT"), and after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**6,385,323**	6,365,669
Maintenance services	**385,571**	367,545
	6,770,894	6,733,214
Other income and gains		
Bank interest income	**14,548**	15,923
Government subsidy	**9,916**	11,128
VAT refunds*	**13,234**	19,009
Gross rental income	**6,773**	6,210
Others	**5,437**	8,633
	49,908	60,903

* During the years ended 31 December 2014 and 2015, Comba Software Technology (Guangzhou) Limited ("Comba Software"), being designated as a software enterprise, was entitled to VAT refunds on the effective VAT rate in excess of 3% after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.

4. PROFIT BEFORE TAX

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

	Note	2015 HK$'000	2014 HK$'000
Cost of inventories sold and services provided		**4,650,673**	4,827,078
Depreciation		**99,981**	115,319
Recognition of prepaid land lease payments		**2,083**	1,830
Amortization of computer software and technology		**6,527**	9,098
Research and development costs:			
Deferred expenditure amortized*		**68,440**	45,088
Current year expenditure		**230,916**	192,986
		299,356	238,074
Minimum lease payments under operating leases		**69,343**	82,180
Auditors' remuneration		**2,967**	3,541
Employee benefit expense (including directors' remuneration)^:			
Salaries and wages		**952,692**	993,123
Staff welfare expenses		**75,486**	67,849
Equity-settled share option expense		**9,267**	11,123
Awarded share expense		**–**	4,649
Pension scheme contributions (defined contribution schemes)#		**87,211**	87,227
		1,124,656	1,163,971
Exchange loss, net		**134,842**	59,183
Write-down of inventories to net realizable value		**71,500**	66,739
Impairment of trade receivables	*10*	**16,848**	57,719
Provision for product warranties		**51,618**	48,029
Loss on fair value change of the derivative financial instrument		**1,501**	–
Loss/(gain) on disposal of items of property, plant and equipment		**5,837**	(3,402)

* 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$77,375,000 (2014: HK$91,019,000) have not been included in the employee benefit expense.

\# At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

5. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**67,722**	61,147

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Current — Hong Kong		
Charged for the year	**6,147**	—
Overprovision in prior year	**(698)**	(1,535)
Current — Mainland China	**100,420**	75,408
Current — Elsewhere	**9,661**	3,327
Deferred	**(5,775)**	(29,668)
Total tax charge for the year	**109,755**	47,532

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 and Comba Telecom Systems (China) Limited were entitled to the preferential tax rate of 15% for the year ended 31 December 2015 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 2015.

7. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim — HK1.5 cents (2014: HK1.2 cents) per ordinary share	**27,758**	18,314
Proposed final — HK1.8 cents (2014: HK1.3 cents) per ordinary share	**36,608**	21,825
	64,366	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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,023,453,000 (2014 (restated): 2,021,650,000) in issue during the year, as adjusted to reflect the bonus issues during the year.

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

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2015 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**212,876**	151,061

	Number of shares	
	2015	2014 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**2,023,453,000**	2,021,650,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	7,700,000
Awarded shares	**–**	1,188,000
	2,023,453,000	2,030,538,000

9. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**216,484**	314,338
Project materials	**195,187**	254,902
Work in progress	**76,030**	62,204
Finished goods	**429,772**	529,510
Inventories on site	**813,595**	1,073,903
	1,731,068	2,234,857

10. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**4,060,917**	4,494,003
Impairment	**(93,315)**	(100,197)
	3,967,602	4,393,806
Current portion	**(3,967,602)**	(4,381,627)
Long-term portion	**–**	12,179

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:

	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**1,517,274**	1,696,034
4 to 6 months	**398,619**	527,528
7 to 12 months	**708,671**	763,851
More than 1 year	**1,436,353**	1,506,590
	4,060,917	4,494,003
Provision for impairment	**(93,315)**	(100,197)
	3,967,602	4,393,806
Current portion	**(3,967,602)**	(4,381,627)
Long-term portion	**–**	12,179

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**100,197**	47,071
Impairment losses recognized	**16,848**	57,719
Amount written off as uncollectible	**(1,053)**	–
Exchanged realignment	**(22,677)**	(4,593)
	93,315	100,197

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$93,315,000 (2014: HK$100,197,000) with a carrying amount before provision of HK$117,582,000 (2014: HK$117,640,000).

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:

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,624,563**	2,999,593
Past due but not impaired	**1,318,771**	1,376,770
	3,943,334	4,376,363

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:

	2015	2014
	HK$'000	*HK$'000*
Within 3 months	**1,774,133**	1,690,095
4 to 6 months	**583,917**	858,623
7 to 12 months	**582,978**	547,099
More than 1 year	**316,624**	327,053
	3,257,652	3,422,870

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

	2015	2014
	HK$'000	*HK$'000*
Analyzed into:		
Within 1 year	**595,478**	972,635
In the 2nd to 3rd years, inclusive	**775,354**	678,389
	1,370,832	1,651,024

As at 31 December 2015, loans denominated in Hong Kong dollars, United States dollars and RMB amounted to nil (2014: HK$251,200,000), HK$969,192,000 (2014: HK$1,125,120,000) and HK$401,640,000 (2014: HK$274,704,000), respectively.

The Group entered into a 3-year term loan facility agreement amounting to US$200,000,000 on 15 June 2015 (the "2015 Facility Agreement") with certain financial institutions.

Under the 2015 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 30% of the shares (of each class) of and equity interests in the Company free from any security. Pursuant to the 2015 Facility Agreement, either Mr. Fok Tung Ling or 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. As 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 2015 Facility Agreement acting as guarantors, to guarantee punctual performance of the obligations under the 2015 Facility Agreement.

As at 31 December 2015, the Group had utilized an amount of US$125,000,000 (equivalent to HK$969,192,000) under the 2015 Facility Agreement. As at 31 December 2015, the outstanding term loan balance amounted to HK$969,192,000, of which, HK$193,838,000 and HK$775,354,000 are repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bears interest at 3.8% per annum.

The interest-bearing bank borrowings as at 31 December 2014 included a loan balance of HK$969,128,000 under a 3-year term loan facility agreement amounting to US$125,000,000 (equivalent to HK$969,128,000) entered into between the Group and certain financial institutions on 18 June 2014 (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 loan balance under the 2014 Facility Agreement was fully repaid on 18 June 2015.

As at 31 December 2014, certain short-term loans amounting to HK$155,992,000 were guaranteed by a letter of credit which was pledged by the Group's time deposits amounting to HK$187,366,000. The loans bear interest at 2.5% per annum. The loan balances were fully repaid on 19 November 2015.

Other short-term bank loans bear interest at rates ranging from 4.4% to 4.6% (2014: from 1.9% to 6.6%) 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 22 March 2016, 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 3 June 2016, being the record date for determination of entitlements to the bonus issue. Based on the total of 2,033,767,128 shares in issue as at 31 December 2015 and assuming no further shares will be issued or purchased before 3 June 2016, approximately 203,376,712 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$203,377,000 to approximately HK$223,715,000 upon completion of the bonus issue. The amount of approximately HK$20,338,000 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 Thursday, 2 June 2016 to Friday, 3 June 2016 (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 Friday, 3 June 2016. Shareholders whose names appear on the register of members of the Company on Friday, 3 June 2016 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 Wednesday, 1 June 2016. The dividend warrants will be despatched to the shareholders on Tuesday, 14 June 2016 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 25 April 2016.

CLOSURE OF REGISTER OF MEMBERS FOR BONUS ISSUE

The Board proposed to increase the share capital of the Company by capitalizing the share premium of the Company and issuing bonus shares on the basis of 1 bonus share for every 10 existing ordinary shares held by the shareholders.

For the purpose of determining shareholders' entitlements to the bonus issue, the register of members of the Company will be closed from Thursday, 2 June 2016 to Friday, 3 June 2016 (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 Friday, 3 June 2016. Shareholders whose names appear on the register of members of the Company on Friday, 3 June 2016 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 Wednesday, 1 June 2016. The bonus shares will be allotted, issued and despatched to the shareholders on Tuesday, 14 June 2016 subject to the shareholder's approval at the forthcoming AGM. 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 25 April 2016.

BUSINESS AND FINANCIAL REVIEW

Revenue

In spite of the recent turmoil in global financial markets and falling sentiment due to the slowdown in the economic growth of Mainland China, optimism about the mobile telecommunications industry continues amid global uncertainty as the industry continued to operate in a smooth and orderly fashion throughout the past year driven by the evolving digital economy. As a result, Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") reported stable revenue amounting to HK$6,770,894,000 (2014: HK$6,733,214,000) for the year ended 31 December 2015 (the "Current Year").

During the Current Year, revenue from mobile broadband (3G and 4G) projects was HK$3,459,000,000 (2014: HK$3,095,000,000), representing an increase of 11.8% over the year ended 31 December 2014 (the "Prior Year") and accounting for 51.1% (2014: 46.0%) 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") was HK$2,114,042,000 (2014: HK$3,209,402,000), down by 34.1% compared to the Prior Year and accounted for 31.2% (2014: 47.7%) of the Group's revenue.

Revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as the "China Unicom Group") increased substantially by 83.1% over the Prior Year to HK$1,734,219,000 (2014: HK$947,396,000), accounting for 25.6% of the Group's revenue in the Current Year, compared to 14.1% in the Prior Year.

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased satisfactorily by 38.6% over the Prior Year to HK$1,576,667,000 (2014: HK$1,137,773,000), accounting for 23.3% of the Group's revenue in the Current Year, compared to 16.9% in the Prior Year.

On the international front, despite stable revenue generated from international customers, revenue from core equipment manufacturers saw a decrease. Consequently, revenue of this segment, in aggregate, slipped 15.8% to HK$1,134,588,000 (2014: HK$1,347,810,000), accounting for 16.8% (2014: 20.0%) of the Group's revenue in the Current Year. The decrease from core equipment manufacturers was mainly due to more direct procurement by mobile network operators instead of subcontracting through core equipment manufacturers.

Additionally, in view of the growing demand for wireless solutions for enterprise networks, revenue generated from other customers, mainly corporate clients, surged to HK$211,378,000 (2014: HK$90,833,000), representing 3.1% (2014: 1.3%) of the Group's revenue in the Current Year.

By Businesses

Revenue generated from the antennas and subsystems business increased by 18.2% over the Prior Year to HK$3,092,156,000 (2014: HK$2,616,403,000), accounting for 45.7% (2014: 38.8%) of the Group's revenue in the Current Year. The increase in revenue was mainly due to a steadily growing product demand for continuous 4G network build-outs following the issuance of LTE FDD licenses in Mainland China in early 2015.

Revenue generated from the wireless enhancement business in the Current Year fell 12.0% to HK$1,004,095,000 (2014: HK$1,141,617,000) over the Prior Year, accounting for 14.8% (2014: 17.0%) of the Group's revenue. Due to greater awareness of a pressing need for wireless enhancement in Mainland China after 4G network buildout, the management believes that the wireless enhancement market will pick up in the coming year.

Revenue generated from the wireless access and transmission business in the Current Year decreased by 15.2% over the Prior Year to HK$285,952,000 (2014: HK$337,278,000) and accounted for 4.2% (2014: 5.0%) of the Group's revenue. With the launch of new product lines of industry application Wi-Fi and satellite communications equipment, the management expects revenue from the wireless access and transmission business will gradually improve in the coming year.

Revenue from services declined 9.4% over the Prior Year to HK$2,388,691,000 during the Current Year (2014: HK$2,637,916,000), accounting for 35.3% (2014: 39.2%) of the Group's revenue. In view of the improving wireless solutions market and the evolving digital economy, the management expects that the revenue from services will also improve in the coming year.

Gross Profit

During the Current Year, the Group's gross profit surged 8.8% over the Prior Year to HK$1,914,490,000 (2014: HK$1,760,010,000). The gross profit margin was 28.3% in the Current Year (2014: 26.1%), up by 2.2 percentage points compared to the Prior Year. The increase was mainly due to lower production costs as a result of the enhanced production system.

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

Research and Development ("R&D") Costs

During the Current Year, R&D costs increased by 19.7% over the Prior Year to HK$230,916,000 (2014: HK$192,986,000), representing 3.4% (2014: 2.9%) of the Group's revenue but the Group managed to keep the percentage of R&D costs to revenue at a reasonable level. The increase in R&D costs is essential to foster innovation, enhance competitiveness and to achieve growth amidst the digitalization of the mobile telecommunications industry.

With its strong commitment to R&D, the Group has achieved significant accomplishments in creating its own solutions with proprietary intellectual property rights and has applied for more than 2,100 patents as at the end of the Current Year (As at 31 December 2014: approximately 1,900 patents).

Selling and Distribution ("S&D") Expenses

During the Current Year, S&D expenses dropped 7.2% over the Prior Year to HK$472,976,000 (2014: HK$509,477,000), representing 7.0% (2014: 7.6%) of the Group's revenue. The Group is committed to further boost business efficiency and expects to maintain S&D expenses at an optimal level.

Administrative Expenses

During the Current Year, administrative expenses increased by 5.9% over the Prior Year to HK$836,216,000 (2014: HK$789,727,000), representing 12.4% (2014: 11.7%) of the Group's revenue. The increase in administrative expenses was mainly due to the impact of a foreign exchange loss of more than HK$130,000,000.

Finance Costs

During the Current Year, finance costs increased by 10.8% over the Prior Year to HK$67,722,000 (2014: HK$61,147,000), representing 1.0% (2014: 0.9%) of the Group's revenue. The increase in finance costs was mainly due to higher bank borrowing costs.

The management has constantly exercised prudence in managing credit risk and the level of bank borrowings as well as improving cash flow. To cope with the 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$200,000,000 (equivalent to HK$1,550 million) on 15 June 2015 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 partial repayment of the existing loans and indebtedness of the Group, as well as for strengthening working capital, business expansion and research and development.

In addition, the management has utilized the advantages of interest and foreign exchange rate differentiation among different countries in order to minimize finance costs. As of 31 December 2015, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a healthy level of 14.3% compared to 16.3% as of 31 December 2014.

Operating Profit

During the Current Year, the operating profit of the Group rose significantly by 50.7% over the Prior Year to HK$396,540,000 (2014: HK$263,199,000) even after deducting an exchange loss of HK$134,842,000. The increase in the operating profit was attributable to continuous improvement in overall gross profit margin and greater operational effectiveness as a result of a diverse set of effective cost control measures implemented.

Tax

During the Current Year, the Group's overall taxation charge of HK$109,755,000 (2014: HK$47,532,000) comprised income tax expense of HK$115,530,000 (2014: HK$77,200,000) and deferred tax credit of HK$5,775,000 (2014: deferred tax credit of HK$29,668,000). The increase in the overall taxation charge was mainly due to the increase in operating profit of the Group.

Details of a 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, with the growth of operating profit of the Group, profit attributable to owners of the parent ("Net Profit") was HK$212,876,000 (2014: HK$151,061,000), representing an increase of 40.9% compared to the Prior Year.

Others

During the Current Year, the Group announced the successful appeal in the judgement held against Comba Telecom Systems (China) Limited, a subsidiary of the Group, in relation to the bribes alleged to have been offered by a former employee of the Group (the "Court Case"). The appeal was resolved by a criminal judgment handed down by the Guangzhou City Intermediate People's Court on 15 December 2015 that the criminal judgement made by the Guangzhou City Tianhe District People's Court (the "District Court") on 15 January 2015 be discharged and ordered the District Court to retry the Court Case. Further announcement will be made as and when appropriate by the Group.

Dividend and Bonus Issue

In view of the Group's operating results in 2015 and taking into consideration its long-term future development and the interests of shareholders of the Company, particularly those of minority shareholders, the board of directors of the Company (the "Board") proposes a final dividend for 2015 of HK1.8 cents (2014: HK1.3 cents) per ordinary share. Together with the interim dividend of HK1.5 cents (2014 interim: HK1.2 cents) per ordinary share, the total dividend for the whole year amounted to HK3.3 cents (2014: HK2.5 cents) per ordinary share, and the total payout ratio, on the basis of basic earnings per share, is 31.4% (2014: 27.7%).

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 Friday, 3 June 2016 or such other date as may be determined by the Board. The relevant resolution(s) are to be proposed at the annual general meeting held on Friday, 27 May 2016 and if duly passed by shareholders, the dividend warrants, together with the share certificates for the bonus shares are to be dispatched on Tuesday, 14 June 2016.

PROSPECTS

Looking ahead to 2016, due to rising global economic uncertainties, enterprises are more prudent in budgeting and capital expenditure. Nonetheless, the Group remains cautiously optimistic about the prospects of the mobile telecommunications industry which is relatively less susceptible to transitory uncertainties in view of the solid demand underpinned by the uninterrupted expansion of the subscriber base, greater demand for superior data services driven by rapid migration to mobile broadband and evolution of the vibrant digital economy. Further, the Group will closely monitor market changes and adjust strategies in a timely manner.

By the end of 2015, global mobile subscriptions edged up to more than 7.4 billion, of which mobile broadband subscriptions increased to approximately 3.6 billion from 2.9 billion a year ago accounting for approximately 48% of the total subscriptions. In Mainland China, mobile broadband is currently the prevailing communications technology with about 785 million subscriptions, accounting for more than 60% of total mobile subscriptions and representing an increase of about 15 percentage points year-on-year. In addition to the rise in mobile subscriptions, mobile data traffic continued to grow strongly across regions. In Mainland China, for instance, data generated by mobile phones reached 3.76 billion gigabytes, growing by 110% year-on-year and accounting for almost 90% of aggregate mobile internet data traffic. The increasing proliferation and affordability of smart devices and mobile data service plans also boosted data consumption along with improving network coverage and capabilities. The Group believes that those positive figures were the basic drivers to industry growth and are conducive to the development of the mobile telecommunications industry.

The Group believes that the opportunities underpinning the robustly growing digital economy are enormous for the foreseeable future. As the digital era unfolds, the whole ecosystem is radically changing in mobile technologies, equipment functionalities, the mobile marketplace, consumer behavior, etc. People are increasingly embracing a lifestyle that can be handled with their mobile devices, such as making financial payments, tracking health and lifestyle factors, managing the home environment, etc. The industry transformation from mobile devices and services to operating models and value proposition is progressing. To ride on this trend, the Group will reshape its strategies in a timely manner to drive innovations into new niche areas as well as to maintain its position in areas where it has long-established leadership. Meanwhile, the Group continues to restructure the organization to proactively embrace market changes as well as to achieve greater operational excellence.

1. Bolstering Edges Fueling Sustainable Growth

The Group has a long-established leading position in the wireless and antenna markets. Looking ahead, the Group is confident it can maintain a strong market position in spite of intensified market competition through its in-depth customer insight, strong R&D capability, all-round services and, more importantly, its high commitment to quality and excellence.

Wireless Solutions

No matter how quickly the next generation of communications technologies evolves, the backbone of industry digitalization is a well-developed and reliable high-performance infrastructure which enables communication and connectivity within and across borders. Hence, the Group envisions a superb network integrating all forms of accesses through a converged architecture combining the best of next generation technologies to emerge someday. Despite temporary unsatisfactory market performance, the Group firmly believes there remains a pressing need for mobile network operators to invest in network optimization basically driven by increasing urbanization, informatization and digitalization. As such, the Group continues to devote resources to further bolster its competitive edges in the wireless solutions arena through new generations of products and solutions for maintaining higher levels of reliability, interoperability, adaptability and security in the network infrastructure.

Encouraging progress has been achieved in winning some sizeable in-building projects for key commercial buildings, regional conferences and exhibitions during the Current Year in both domestic and overseas markets. Moreover, certain of the Group's wireless equipment has been successfully included in the main vendor list of the mobile network operators, evidence of the growing importance of wireless equipment in the mobile network supply chain. In addition to the recent contract awards, the Group expects to secure more network optimization tenders in the coming year as compared to 2015.

On the other hand, 4G network enhancement investment phrase will commence in Mainland China following the massive investment in network rollout by the mobile network operators when the 4G era kicked off two years ago. As such, the management remains a cautiously optimistic view about the overall wireless enhancement market due to the deepened basic needs driven by the widespread adoption of mobile applications and growing application of Internet-of-Things across multiple sectors.

Antennas & Subsystems

According to the latest published market research, Comba Telecom has again been named global "Tier 1 Supplier" for base station antennas. Four global "Tier 1 Suppliers" collectively accounted for more than half of total global base station antenna market share in 2015. The Group is confident that its global leadership position will remain solid in a long run. On one hand, it is believed that replacement cycle for base station antennas will soon occur in near future. In the meantime the Group is allocating more resources to market other radio frequency ("RF") products other than base station antennas, such as point-of-interface ("POI") and some niche products which the Group has to date not yet deeply explored. Riding on the brand reputation and successful experience in the base-station antennas sector, the management is confident that the Group can develop other product lines to fuel sustainable growth in the future.

2. Innovative Businesses Driving Greater Value Enhancement

The advancing market and the evolution of digital economy open up new areas of opportunity. To seize these opportunities, the Group is aligning its innovation strategy with its core value proposition while pursuing a well-defined focused road map to transform innovations into products and solutions that bring sweeping changes to society.

Enterprise Network Communications

As virtualization and cloud computing technologies are making inroads as a viable part of the enterprise infrastructure, the Group envisages that enterprise networking is eventually poised to achieve mainstream prominence. The enterprise network is the communications backbone of an enterprise, which enables connectivity and interoperability among computers and other devices and systems across various departments and workgroups to enhance data accessibility and management. Steering towards sustainable growth under a tech-driven economy, business operators are overhauling their networks with a focus on leveraging big data, enabling mobile productivity and improving responsiveness and efficiency of the business.

In view of the enormous untapped potential, the Group is progressively pushing its past boundaries by developing various highly customized enterprise network communications solution suites to accommodate the specific needs of business operators, such as railway communications solutions, security communications solutions, marine communications solutions, etc. Moreover, the Group is striving to leverage its strengths in wireless solutions to create synergies to power this new business expansion.

Industry Application Wi-Fi Communications

The traditional Wi-Fi market has become saturated but the industry application Wi-Fi industry is just at the starting point and still has a long way to develop. To introduce a brand new Wi-Fi business model for the business customers, the Group has re-designed the Wi-Fi product line by incorporating new concepts. The industry application Wi-Fi solutions offered by the Group provide more than just internet access with lower costs and complexity, but also add a breadth of new features, such as pushing advertisements over the Wi-Fi networks and providing online services so as to drive more sales. Business operators can also realize large data collection and mining, and thus optimize their business strategies. In addition, these new solutions are highly customized with a greater level of security and sophisticated network system management, which can be applied across a wide range of businesses in the hospitality, transportation, healthcare, retail and other sectors.

Aiming to take the first-mover advantage, the Group has formed a joint venture ("JV") principally engaged in the business of nationwide indoor location-based service ("LBS") systems, a kind of industry application Wi-Fi communications solution, during the Current Year. The JV initially targets to promote its LBS solutions for large-scale shopping arcades in major Mainland China cities.

The true value of the LBS system lies not only on providing internet access services to consumers to enhance the hospitality experience of consumers, but its ingenious concept of generating deep customer insights via its cutting-edge technologies in accessing, compiling, interconnecting and analyzing very large data flows in real time. This big data capability assists business operators to devise marketing strategies and property owners to devise configuration and positioning strategies. Building on this concept, the Group plans to gradually promote its industry application Wi-Fi solutions to dining facilities, recreational facilities, healthcare centers, among others, and to explore more applications scenarios via various marketing channels.

Satellite Communications

Satellites represent a viable backhaul option to empower cellular connectivity, especially when the terrestrial backhaul is unavailable. With ever-widening commercial applications tapping satellite capabilities, the emergence of more affordable satellite communications solutions due to technology advances, use of satellites is gaining popularity for broadband transmission.

The Group therefore is taking a stepwise approach to add a new dimension to its product portfolio horizontally by offering new self-developed satellite solutions. The block up converter ("BUC") is one of the key devices of the satellite communications system for satellite signal transmission for which overseas companies are used to be the major suppliers. Successfully mastering the technology, the Group's BUC was created utilizing its global R&D resources backed by the strong domestic manufacturing capabilities. It is ready to launch this new product line and will strive to build a presence in this niche area in Mainland China market riding on the synergies with its leadership in wireless solutions.

Internet-of-Things ("IoT") and Big Data Analytics

In the burgeoning digital economy, many companies are devising their own digital strategies focusing on "Internet Plus". On the other hand, considering that in today's era, data is a core asset which constitutes a vital resource for innovation, new industries and services, and, ultimately, competitive advantages of the enterprises. The Group has therefore taken another approach to its digital strategy through combining the best of both worlds by merging IoT and big data analytics, and formulates a series of smart solutions.

Customizing for serving business intelligence purposes, the smart solutions leverage the Group's leading wireless communication technologies with applications of IoT and big data analytics to achieve information integration. Staggering amount of data being gathered will be proceeded for segmentation and analysis simultaneously to induce conclusions which are conducive to operational effectiveness, yet thought-provoking and inspiring. These smart solutions can be deployed for warehouse management, scenic spot coverage and vehicle data transmission, thereby enabling the enterprises to perform digital storage, wireless inventory management, intelligent scheduling, GPS positioning, intelligent authentication and security functions.

Looking ahead, stemming from these concepts, the Group will customize more solutions to accommodate the needs for a wide range of industries or enterprises for specific or particular business purposes, and eventually generating more socioeconomic benefits. The Group continues to invest in these areas to drive greater digital inclusion in a diverse market sector in order to unleash the power of its smart solutions.

3. Organizational Reform Achieving Inclusive Excellence

In today's fast-moving environment, change is unavoidable, particularly in the mobile telecommunications industry. Organizations need to innovate business and articulate new strategies to successfully grow with the times as well as to cope with the increasingly challenging environment. Above all, the management believes that talent management trumps new strategies, new products and technologies or new business models as talent is the key in the winning formulae enabling the organization to drive towards its strategic goals.

To that end, the Group has been implementing a progressive structural transformation aiming to promote alignment among diverse units of business and functional departments within its organization, thereby creating the best team chemistry to maximize the overall effectiveness. In the course of its long-term efforts, the Group is pleased to see gradual enhancement across a wide spectrum of operating areas, such as project and quality management, policy enforcement, production enhancement, budget control, financial liquidity and position and resources utilization, among others. The organizational reform is intended to be continuous and is necessary to drive greater business innovation, operational effectiveness and management excellence, thereby achieving long-term success. By maintaining strong execution capabilities, the management can continue to mobilize the Group's reform engine to move the overall business to new heights.

Conclusion

Over the years, adhered to the principle of pragmatic innovation, the Group has been striving to build a brighter future for the society and successfully establish a solid leadership in the industry. Despite the market likely being choppy in the coming year, the Group is at a higher level of preparedness to drive the business forward through the aforesaid strategies, meanwhile keeping an open mind to evaluate appropriate investment and collaboration opportunities in a prudent manner, thereby achieving its goal of "Exploring Opportunities, Creating Value, Reforming Mechanism, Enhancing Efficiency".

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2015, the Group had net current assets of HK$3,335,541,000. Current assets comprised inventories of HK$1,731,068,000, trade receivables of HK$3,967,602,000, notes receivable of HK$96,376,000, prepayments, deposits and other receivables of HK$616,596,000, restricted bank deposits of HK$249,292,000, and cash and cash equivalents of HK$1,747,360,000. Current liabilities comprised trade and bills payables of HK$3,257,652,000, other payables and accruals of HK$1,067,397,000, derivative financial instrument of HK$1,501,000, interest-bearing bank borrowings of HK$595,478,000, tax payable of HK$65,331,000 and provisions for product warranties of HK$85,394,000.

The average receivable turnover for the Current Year was 225 days compared to 244 days for the Prior Year. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain overseas customers which are granted with a longer credit term. Credit term is extendable up to over 1 year depending on the credit worthiness of customers. Those retention money are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Year was 251 days compared to 267 days for the Prior Period. The average inventory turnover for the Current Year was 149 days compared to 164 days for the Prior Year.

As at 31 December 2015, 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 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$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement") and the other with facility amount of US$200,000,000 entered into on 15 June 2015 (the "2015 Facility Agreement", together with the 2014 Facility Agreement collectively known as the "Facility Agreements"). The loan balance under the 2014 Facility Agreement was fully repaid on 18 June 2015.

Under the 2015 Facility Agreement, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling Shareholder, and Mr. Zhang Yue Jun, who is the substantial Shareholder, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 30% of the shares (of each class) of, and equity interests in the Company free from any security and either of them shall maintain the ability in leading the management in determining the directions of overall strategies and business development for the Group. As at the date of approval of these audited consolidated financial statements, the loan balance under the 2014 Facility Agreement was fully repaid and the above specific performance obligations under the 2015 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$. In view of the devaluation of the RMB in the year of 2015 and the anticipation of a period of volatility in RMB, the Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2015, the Group has not engaged in hedging activities for managing RMB exchange rate risk.

The Group has investments and operations in countries that use currencies other than RMB. As such, the Group is exposed to a certain extent to foreign currency risk, which it mitigates by entering into forward currency contract in the year of 2015 to reduce exposure to exchange rate fluctuations in transactions denominated in currencies other than RMB.

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings) over total assets, was 14.3% as at 31 December 2015 (31 December 2014: 16.3%).

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$271,301,000 (31 December 2014: HK$359,115,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had contingent liabilities of HK$177,277,000 (31 December 2014: HK$127,648,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had approximately 8,400 staff (31 December 2014: 8,400 staff). The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,124,656,000 (31 December 2014, 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. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all directors and senior management of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 15 September 2015 and 15 October 2015, the board of Directors resolved to pay a sum to the administrator (the "Administrator") of the share award scheme which adopted on 25 March 2011 (the "Scheme") to purchase shares of the Company on the market pursuant to the Scheme respectively. A total number of 2,969,000 ordinary shares and 2,675,000 ordinary shares have been purchased by the Administrator on the market at the consideration of approximately HK$4,887,000 and HK$4,364,000 during the periods from 15 September 2015 to 29 September 2015 and from 19 October 2015 to 6 November 2015 respectively for the purpose of the Scheme in accordance with the terms of the Scheme. Save as disclosed above, 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 2015 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 2015 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 and has not expressed any disagreement.

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 website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.comba-telecom.com) in due course.

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

Hong Kong, 22 March 2016

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.