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 2016

FINANCIAL HIGHLIGHTS

- Revenue: HK$5,954 million
- Gross profit: HK$1,728 million
- Gross profit margin increased by 0.7% points to 29.0%
- Profit attributable to shareholders: HK$152 million
- Basic earnings per share: HK6.23 cents
- Final dividend of HK0.8 cents per share, paid interim dividend of HK1.5 cents per share
- Dividend payout ratio: 36.9%
- Net cash flows from operating activities: HK$412 million

RESULTS

The board (the "Board") of directors (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 2016, together with the comparative figures for the same period in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	3	**5,954,328**	6,770,894
Cost of sales		**(4,225,937)**	(4,856,404)
Gross profit		**1,728,391**	1,914,490
Other income and gains	3	**173,689**	49,908
Research and development costs	4	**(227,608)**	(230,916)
Selling and distribution expenses		**(544,071)**	(472,976)
Administrative expenses		**(709,647)**	(836,216)
Other expenses		**(119,126)**	(27,750)
Finance costs	5	**(47,040)**	(67,722)
Share of losses of:			
A joint venture		**(139)**	–
An associate		**(2,332)**	(127)
PROFIT BEFORE TAX	4	**252,117**	328,691
Income tax expense	6	**(99,726)**	(109,755)
PROFIT FOR THE YEAR		**152,391**	218,936
Attributable to:			
Owners of the parent		**152,257**	212,876
Non-controlling interests		**134**	6,060
		152,391	218,936
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK6.23 cents**	HK8.69 cents (Restated)
Diluted		**HK6.23 cents**	HK8.69 cents (Restated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**152,391**	218,936
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(312,870)**	(227,469)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(312,870)**	(227,469)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(312,870)**	(227,469)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(160,479)**	(8,533)
Attributable to:		
Owners of the parent	**(156,685)**	(11,625)
Non-controlling interests	**(3,794)**	3,092
	(160,479)	(8,533)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**537,970**	607,950
Prepaid land lease payments		**121,264**	132,054
Goodwill		**28,571**	28,571
Deferred tax assets		**109,409**	140,256
Intangible assets		**209,259**	211,838
Investment in a joint venture		**5,575**	–
Investment in an associate		**21,683**	23,903
Available-for-sale investment		**7,241**	–
Prepayments		**397,636**	–
Restricted bank deposits		**29,168**	22,009
Total non-current assets		**1,467,776**	1,166,581
CURRENT ASSETS			
Inventories	*9*	**1,357,700**	1,731,068
Trade receivables	*10*	**3,842,680**	3,967,602
Notes receivable		**46,919**	96,376
Prepayments, deposits and other receivables		**641,440**	616,596
Restricted bank deposits		**178,230**	249,292
Cash and cash equivalents		**1,420,214**	1,747,360
Total current assets		**7,487,183**	8,408,294
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,893,459**	3,257,652
Other payables and accruals		**1,105,620**	1,067,397
Derivative financial instrument		**–**	1,501
Interest-bearing bank borrowings	*12*	**693,660**	595,478
Tax payable		**11,159**	65,331
Provisions for product warranties		**70,571**	85,394
Total current liabilities		**4,774,469**	5,072,753
NET CURRENT ASSETS		**2,712,714**	3,335,541
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,180,490**	4,502,122
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*12*	**673,152**	775,354
Deferred tax liabilities		**14,189**	14,981
Total non-current liabilities		**687,341**	790,335
Net assets		**3,493,149**	3,711,787

	2016	2015
	HK$'000	*HK$'000*
Net assets	**3,493,149**	3,711,787
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**246,106**	203,377
Treasury shares	**(22,818)**	(22,530)
Reserves	**3,214,399**	3,471,684
	3,437,687	3,652,531
Non-controlling interests	**55,462**	59,256
Total equity	**3,493,149**	3,711,787

NOTES

31 December 2016

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 disclosure requirements of 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 2016 (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 new and revised HKFRSs for the first time for the Current Year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet 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***

	2016	2015
	HK$'000	*HK$'000*
Mainland China	**5,031,822**	5,759,032
Other countries/areas in Asia Pacific	**432,775**	332,871
Americas	**263,651**	432,319
European Union	**186,702**	183,494
Middle East	**35,481**	41,008
Other countries	**3,897**	22,170
	5,954,328	6,770,894

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$1,756,149,000 (2015: HK$2,114,042,000), HK$1,536,667,000 (2015: HK$1,734,219,000) and HK$1,178,199,000 (2015: HK$1,576,667,000) was derived from 3 major customers, which accounted for 29.5% (2015: 31.2%), 25.8% (2015: 25.6%) and 19.8% (2015: 23.3%) 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:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**5,726,945**	6,385,323
Maintenance services	**227,383**	385,571
	5,954,328	6,770,894
Other income and gains		
Bank interest income	**7,921**	14,548
Exchange gain, net	**69,458**	–
Government subsidies#	**67,136**	9,916
VAT refunds*	**14,012**	13,234
Gross rental income	**6,086**	6,773
Others	**9,076**	5,437
	173,689	49,908

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

* During the years ended 31 December 2015 and 2016, 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	**2016**	2015
		HK$'000	*HK$'000*
Cost of inventories sold and services provided		**4,053,089**	4,650,673
Depreciation		**76,552**	99,981
Recognition of prepaid land lease payments		**2,753**	2,083
Amortization of computer software and technology		**3,520**	6,527
Research and development costs:			
Deferred expenditure amortized*		**62,135**	68,440
Current year expenditure		**227,608**	230,916
		289,743	299,356
Minimum lease payments under operating leases		**53,215**	69,343
Auditor's remuneration		**3,768**	2,967
Employee benefit expense (including directors' remuneration)^:			
Salaries and wages		**978,975**	952,692
Staff welfare expenses		**72,318**	75,486
Equity-settled share option expense		**11,732**	9,267
Pension scheme contributions (defined contribution schemes)#		**75,957**	87,211
		1,138,982	1,124,656
Exchange (gain)/loss, net		**(69,458)**	134,842
Write-down of inventories to net realizable value		**83,587**	71,500
Impairment of trade receivables	*10*	**46,568**	16,848
Provision for product warranties		**17,787**	51,618
Loss on financial instrument at fair value through profit or loss, net		**59,559**	1,501
Loss on disposal of items of property, plant and equipment		**3,676**	5,837

* 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$61,113,000 (2015: HK$77,375,000) have not been included in the employee benefit expense.

\# At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2015: Nil).

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**47,040**	67,722

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charged for the year	**7,976**	6,147
Overprovision in prior year	**–**	(698)
Current – Mainland China		
Charged for the year	**64,095**	100,420
Overprovision in prior year	**(6,142)**	–
Current – Elsewhere	**11,700**	9,661
Deferred	**22,097**	(5,775)
Total tax charge for the year	**99,726**	109,755

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 (China) Limited, Comba Software Technology (Guangzhou) Limited and Comba Telecom Systems (Guangzhou) Limited were entitled to the preferential tax rate of 15% for the year ended 31 December 2016 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 2016.

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim – HK1.5 cents (2015: HK1.5 cents) per ordinary share	**33,557**	27,758
Proposed final – HK0.8 cents (2015: HK1.8 cents) per ordinary share	**19,688**	36,608
	53,245	64,366

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 2,444,321,000 (2015 (restated): 2,448,378,000) 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 2016 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:

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**152,257**	212,876

	Number of shares	
	2016	2015
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**2,444,321,000**	2,448,378,000

9. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**185,317**	216,484
Project materials	**168,005**	195,187
Work in progress	**61,666**	76,030
Finished goods	**388,741**	429,772
Inventories on site	**553,971**	813,595
	1,357,700	1,731,068

10. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**3,989,253**	4,060,917
Impairment	**(146,573)**	(93,315)
	3,842,680	3,967,602

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:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**1,412,098**	1,517,274
4 to 6 months	**298,888**	398,619
7 to 12 months	**631,684**	708,671
More than 1 year	**1,646,583**	1,436,353
	3,989,253	4,060,917
Provision for impairment	**(146,573)**	(93,315)
	3,842,680	3,967,602

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

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**93,315**	100,197
Impairment losses recognized	**46,568**	16,848
Amount written off as uncollectible	**(3,705)**	(1,053)
Exchange realignment	**10,395**	(22,677)
	146,573	93,315

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$146,573,000 (2015: HK$93,315,000) with a carrying amount before provision of HK$146,573,000 (2015: HK$117,582,000).

The individually impaired trade receivables relate to customers that were in default in payments and no receivable is expected to be recovered.

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,342,668**	2,624,563
Less than 1 year past due	**712,726**	756,598
1 to 2 years past due	**295,102**	253,886
More than 2 years past due	**492,184**	308,287
	3,842,680	3,943,334

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:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**1,458,277**	1,774,133
4 to 6 months	**641,136**	583,917
7 to 12 months	**372,124**	582,978
More than 1 year	**421,922**	316,624
	2,893,459	3,257,652

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

	2016	2015
	HK$'000	*HK$'000*
Analyzed into:		
Within 1 year	**693,660**	595,478
In the 2nd to 3rd years, inclusive	**673,152**	775,354
	1,366,812	1,370,832

As at 31 December 2016, loans denominated in Hong Kong dollars, United States dollars, RMB and EURO amounted to HK$890,000,000 (2015: Nil), HK$21,389,000 (2015: HK$969,192,000), HK$454,770,000 (2015: HK$401,640,000) and HK$653,000 (2015: Nil), respectively.

The Group entered into 3-year term loan facility agreements (the "Facility Agreements") amounting to HK$730,857,000 with certain financial institutions.

The Company and three of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited and Comba Telecom Limited, were parties to the Facility Agreements acting as guarantors, to guarantee punctual performance of the obligations under the Facility Agreements.

As at 31 December 2016, the Group had utilized amounts of HK$673,152,000 of the Facility Agreements. As at 31 December 2016, the outstanding term loan balances amounted to HK$673,152,000, which are repayable in the 2nd to 3rd years inclusive.

The interest-bearing bank borrowings as at 31 December 2015 included a loan balance of HK$969,192,000 under a 3-year term loan facility agreement amounting to US$200,000,000 (equivalent to HK$1,550,707,000) entered into between the Group and certain financial institutions on 15 June 2015 (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 were repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bore interest at 3.8% per annum. The loan balance under the 2015 Facility Agreement was fully repaid on 28 November 2016.

Bank loans as at 31 December 2016 bear interest at rates ranging from 1.3% to 4.5% (2015: from 3.8% to 4.6%) per annum.

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

13. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the end of the reporting period and up to the date of approval of the financial statements.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Board has recommended the declaration of a final dividend of HK0.8 cents per share of the Company for the Current Year. The declaration of the final dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

For the purpose of determining shareholders' entitlements to the final dividend, the register of members of the Company will be closed from 6 June 2017 to 7 June 2017 (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 7 June 2017. Shareholders whose names appear on the register of members of the Company on 7 June 2017 will be entitled to receive the final dividend. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 5 June 2017. The dividend warrants will be despatched to the shareholders of the Company on 15 June 2017 subject to the shareholders' approval at the AGM. It is expected that a circular containing, amongst other things, the details of the AGM will be despatched to the shareholders of the Company on or about 25 April 2017.

ANNUAL GENERAL MEETING

The AGM will be held at 11:00 a.m. on 31 May 2017 at 611 East Wing, No. 8 Science Park West Avenue, Hong Kong Science Park, Tai Po, Hong Kong. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 24 May 2017. The Notice of AGM will be 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.

BUSINESS AND FINANCIAL REVIEW

Revenue

Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") reported revenue amounting to HK$5,954,328,000 (2015: HK$6,770,894,000) for the year ended 31 December 2016 (the "Current Year"), representing a decrease of 12.1% over the year ended 31 December 2015 (the "Prior Year"). The decrease was mainly due to reduced capital spending by mobile network operators as a result of rapid 4G penetration and deceleration in macro-economic environment, and reduced overall investment intensity also dampened the Group's revenue to a certain extent.

By Customers

During the Current Year, the Mainland China market experienced a decrease of 13.7% to HK$4,864,836,000 (2015: HK$5,636,306,000) in its revenue. In view of the distinctive business strategies adopted by PRC mobile network operators as well as their differing investment levels and focuses, the respective revenue contributions and year-on-year growth rates by the major customers of the Group also varied.

Revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") was HK$1,756,149,000 (2015: HK$2,114,042,000), representing a decrease of 16.9% over the Prior Year and accounting for 29.5% (2015: 31.2%) 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") decreased by 11.4% over the Prior Year to HK$1,536,667,000 (2015: HK$1,734,219,000), accounting for 25.8% of the Group's revenue in the Current Year, compared to 25.6% in the Prior Year.

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") decreased by 25.3% over the Prior Year to HK$1,178,199,000 (2015: HK$1,576,667,000), accounting for 19.8% of the Group's revenue in the Current Year, compared to 23.3% in the Prior Year.

Revenue from other customers, mainly including China Tower Corporation Limited ("China Tower") and specialized government and enterprise network customers, increased by 86.3% to HK$393,821,000 (2015: HK$211,378,000) and represented 6.6% (2015: 3.1%) of the Group's revenue in the Current Year. China Tower is a new customer of the Group and in view of the growing demand for wireless solutions for enterprise networks, the management expects the significance of the revenue contribution by China Tower and special network customers will be gradually increasing in the future.

On the international front, revenue generated from international customers and core equipment manufacturers decreased by 4.0% in aggregate to HK$1,089,492,000 (2015: HK$1,134,588,000), accounting for 18.3% (2015: 16.8%) of the Group's revenue in the Current Year. Although revenue from international customers declined during the Current Year, the Group made progress with core equipment manufacturers which reported positive growth.

By Businesses

Revenue generated from the antennas and subsystems business decreased by 19.1% over the Prior Year to HK$2,501,516,000 (2015: HK$3,092,156,000), accounting for 42.0% (2015: 45.7%) of the Group's revenue in the Current Year. The decrease in revenue was mainly due to declining overall market demand as the fourth generation of mobile telecommunications ("4G") network build-outs was basically completed.

Revenue generated from the wireless enhancement business in the Current Year decreased by 11.9% to HK$885,040,000 (2015: HK$1,004,095,000) over the Prior Year, accounting for 14.9% (2015: 14.8%) of the Group's revenue. However, revenue generated from the wireless access and transmission business increased by 37.6% over the Prior Year to HK$393,363,000 (2015: HK$285,952,000), accounting for 6.6% (2015: 4.2%) of the Group's revenue. In view of mobile network operators' increasing focus on densifying networks to manage rising mobile data traffic consumption, revenue generated from wireless enhancement decreased and revenue generated from wireless access increased. The major source of increase in revenue generated from wireless access products was the Small Cell and microwave businesses. The management expects the scales of the Small Cell business will be further expanded over the next few years. Meanwhile, with the launch of new product lines of the Group's satellite communications equipments including VSAT (Very Small Aperture Terminal) equipments, the management expects revenue from the wireless transmission business will gradually improve in the coming year.

Revenue from services declined 9.0% over the Prior Year to HK$2,174,409,000 during the Current Year (2015: HK$2,388,691,000), accounting for 36.5% (2015: 35.3%) of the Group's revenue. In view of the improving wireless solutions market, the evolving digital economy and business innovation, the management expects that the revenue from services will show a steady upward trend. Meanwhile, the Group continues to develop new businesses, seek pilot breakthroughs and marketing of industry applications, while developing its traditional businesses. The management expects that these efforts together should bring a new source of profit growth, and continuously enhance the competitiveness of the services sector.

Gross Profit

During the Current Year, the Group's gross profit decreased by 9.7% over the Prior Year to HK$1,728,391,000 (2015: HK$1,914,490,000). The gross profit margin was 29.0% in the Current Year (2015: 28.3%), up by 0.7 percentage points compared to the Prior Year. The decrease in gross profit was mainly due to decreased revenue, which was partially offset by lower production costs as a result of the enhanced production systems of the Group. The improvement in gross profit margin was mainly due to higher efficiency via optimizing operation and manufacturing processes coupled with growing revenue contributions from some high-end products.

To further improve the gross profit margin, the Group will continue to 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 decreased by 1.4% over the Prior Year to HK$227,608,000(2015: HK$230,916,000), representing 3.8% (2015: 3.4%) of the Group's revenue but the Group managed to keep the percentage of R&D costs to revenue at a reasonable level. With rapid evolution of mobile networks, the increase in R&D costs is essential to keep abreast of technological advances in the industry, foster innovation, enhance competitiveness and to capture more growth and business opportunities amidst the digitalization of the mobile telecommunications industry.

On top of its own R&D investments, the Group is looking for collaborations with other enterprises, and is striving to explore innovation to meet the needs of customers and expand new customer areas to create value for customers, while consolidating its existing market. Therefore, the Group has worked with certain well-known universities and research institutes, focusing on Smart City and Smart Home technologies. As the trend for enterprises to create new business models and revenue streams through the Internet-of-things ("IoT") shows no signs of abating, the Group is strengthening its R&D capabilities intending to drive more new revenue opportunities. Besides, the Group is also proactively investing in research and development of 5G technology and application.

Through its strong commitment to R&D, the Group has achieved significant accomplishments in creating its own solutions with proprietary intellectual property and has applied for more than 2,400 patents as at the end of the Current Year (As at 31 December 2015: approximately 2,100 patents).

Selling and Distribution ("S&D") Expenses

During the Current Year, S&D expenses increased by 15% over the Prior Year to HK$544,071,000 (2015: HK$472,976,000), representing 9.1% (2015: 7.0%) of the Group's revenue. The increase in S&D expenses was mainly due to increased costs of the relevant sales, marketing and distribution staff resulting from more marketing activities. The Group will further boost business efficiency in order to maintain such expenses at an optimal level.

Administrative Expenses

During the Current Year, administrative expenses decreased by 15.1% over the Prior Year to HK$709,647,000 (2015: HK$836,216,000), representing 11.9% (2015: 12.4%) of the Group's revenue. The decline in the administrative expenses during the Current Year was mainly due to an absence of substantial foreign exchange losses impact as compared to the Prior Year.

Finance Costs

During the Current Year, finance costs decreased significantly by 30.5% over the Prior Year to HK$47,040,000 (2015: HK$67,722,000), representing 0.8% (2015: 1.0%) of the Group's revenue. The decrease in finance costs was mainly due to an improvement in the liquidity of the Group in the first half of the Current Year. In addition, bank borrowings of the Group have decreased over the Prior Year, resulting in a decrease in 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 business growth, development expansion and R&D, the management has closely monitored the latest developments of the financing market and has arranged the most appropriate financing for the Group.

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 2016, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a healthy level of 15.3% compared to 14.3% as of 31 December 2015.

Operating Profit

During the Current Year, the operating profit of the Group decreased by 23.9% to HK$301,628,000 (2015: HK$396,540,000 (after deducting an exchange loss of HK$134,842,000)). The decrease in the operating profit was mainly attributable to the decrease in overall gross profit resulting from the decreased revenue and an impairment loss in trade receivables of certain overseas markets during the Current Year at HK$46,568,000 (2015: HK$16,848,000).

Tax

During the Current Year, the Group's overall taxation charge of HK$99,726,000 (2015: HK$109,755,000) comprised an income tax expense of HK$77,629,000 (2015: HK$115,530,000) and a deferred tax charge of HK$22,097,000 (2015: deferred tax credit of HK$5,775,000). The decrease in the overall taxation charge was mainly due to the decrease 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 decline of operating profit of the Group, profit attributable to owners of the parent ("Net Profit") was HK$152,257,000 (2015: HK$212,876,000), representing a decrease of 28.5% compared to the Prior Year.

Dividend

In view of the Group's operating results for the Current Year 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 the Current Year of HK 0.8 cents (2015: HK 1.8 cents) per ordinary share. Together with the interim dividend of HK 1.5 cents (2015 interim: HK 1.5 cents) per ordinary share, the total dividend for the whole year may amount to HK 2.3 cents (2015: HK 3.3 cents) per ordinary share, and the total payout ratio, on the basis of basic earnings per share, is 36.9% (2015: 31.4%).

The relevant resolution(s) for approving the payment of the final dividend is to be proposed at the annual general meeting held on Wednesday, 31 May 2017 and if duly passed by shareholders, the dividend warrants are to be dispatched on Thursday, 15 June 2017.

PROSPECTS

Looking ahead to 2017, due to rising global economic uncertainties and a relatively weak global economic recovery, enterprises are more prudent in budgeting and capital expenditure. In view of the solid demand underpinned by the uninterrupted expansion of the subscriber base and evolution of the vibrant digital economy, the Group remains cautiously optimistic about the prospects of the mobile telecommunications industry which is relatively less susceptible to transitory uncertainties. Further, the Group will closely monitor market changes and adjust strategies in a timely manner.

As the development of mobile Internet, IoT, big data and cloud (fog) computing and the evolution of telecommunication system into the new ICT system, more companies are capitalizing on opportunities presented by these elements, speeding up the capital expenditure and upgrading the mobile networks so as to support a higher volume of mobile data traffic and enhance the competitiveness. The increasing proliferation of mobile data service plans has also boosted data consumption along with improving network coverage and capabilities. The Group believes that these positive trends were the basic drivers to industry growth and are conducive to the development of the mobile telecommunications industry.

The rapid development of mobile telecommunications will further accelerate the establishment of a 5G system characterized by high traffic, large number of access points and end-to-end low latency, which will profoundly change our lives.

Public network business for operators

1. *Antenna and base station subsystem*

   The Group has a long-established leading position in the antenna market. According to the latest global market research report published by EJL Wireless Research, an industry analyst firm, Comba Telecom has again been named as a "Tier 1 Supplier for Base Station Antennas" in the Current Year. Comba Telecom's delivery of base station antennas has been among the top three in the world since 2009, and it has been named as a global Tier 1 Supplier for five consecutive years since 2011. Meanwhile, the Group has won the first prize of the 2016 Science and Technology Awards in Guangdong Province by virtue of the "New Miniaturized Multi-system Shared Electricity Base Station Antenna System Product and Key Technology". This new Antenna is lighter in weight and smaller in size, marking another milestone of the Group's technological evolution.

In the meantime, the Group is allocating more resources to market other radio frequency ("RF") products besides base station antennas, such as point-of-interface ("POI") and some niche products. 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.

Looking ahead, by virtue of in-depth customer insight, strong R&D capability, all-round services and, more importantly, high commitment to quality and excellence, the Group will develop the antenna and base station subsystem business segment with diligence and care, continue its R&D and innovation by proactively consolidating resources so as to expand and improve the business of the segment, and extend the Group's advantages to 5G technology. The Group is confident that it can maintain a strong position in spite of intensified market competition.

2. *In-building distribution system solutions*

With the expanding mobile data traffic brought by the mobile internet, mobile networks have increasingly reached their capacity limits at hotspots, thus creating abundant opportunities in the areas of capacity expansion and construction of network access. The data and data traffic consumption of mobile internet mostly occurs in buildings, so the enhancement of in-building coverage and access to high-capacity network is increasingly important in later period of network build-outs.

Over the past year, the Group's wireless access products business represented by the Small Cell series has recorded double growth. After years of R & D and technological innovation, over the past year, the Group has won several tenders in a number of provinces and cities for our Small Cell products which were jointly developed by the group and the domestic well-known research Institute. In the meantime, the Group has also launched several in-building distribution system solutions including Small Cell based Innovative Indoor Coverage System, MDAS (Multi-Service Fiber Optic Distributed Access System) and DAS (Distributed Antenna System), among others.

The in-building construction is accelerating with the completion of 4G coverage construction by large domestic operators. In 2017, the Group is leveraging its advantages of new in-building distribution systems to grasp opportunities arising from construction of in-building distribution system domestically, so as to gain market share, accelerate the penetration of Small Cell products and enhance product performance in line with the rapid evolution of mobile networks. The Group believes that the product will be widely used in the coverage areas of mobile networks in the future.

In-building is a main scenario of mobile Internet applications. The Group is to proactively invest in 5G technology and application, and extend its technological advantages to 5G. The development of Software Defined Network (SDN) and Network Function Virtualization (NFV) technologies should enable the Company to better adapt to diversified ICT applications and services. We believe that this expansion presents new development opportunities for the Group, thus we will continue to strengthen our existing advantages in the future to accelerate our own expansion and development.

Enterprise Network Construction and Information Service

Another major trend in the telecommunications market is to focus on specialized networks and regionalization, thus the Group has set specialized enterprise networks as its new direction. With a determined focus, the Group intends to grasp the social and industry development trends to develop integrated information, communications and intelligent solutions, so as to enhance ICT application service capacity for specialized network customers.

Over the past year, the Group has made great progress in the railway communication business and won several railway projects in many cities, which laid a solid foundation for its railway business breakthrough and the businesses in other industries.

In the meantime, the Group has entered into the maritime VSAT (Very Small Aperture Terminal) communication and internet-of-vessels businesses, i.e. maritime vessel-to-vessel and vessel-to-shore communications business and connection services, to provide solutions to such marine industry customers as large cruise ships, fishing and cargo vessels.

With ever-widening commercial applications tapping satellite capabilities, and the emergence of more affordable satellite communications solutions due to technology advances, the use of satellites for wireless transmission is gaining popularity. Therefore, the Group is taking a stepwise approach to add a new dimension to its product portfolio by offering new self-developed satellite solutions, and strives to gain market share within this high-end field utilizing its global R&D resources backed by its strong domestic manufacturing capabilities.

Meanwhile, the Group has also fully developed the integration of its information and communication technology (ICT) business by integrating information and communication based on the requirements from the government and enterprises customers, so as to continuously improve its capabilities of providing ICT application service for enterprises customers. The Group anticipated that the ICT business would become a major growth driver for the future development.

Demand for informatization services by specialized network customers is increasingly growing with more personalized, customized, and agile requirements. Traditional networks have a long opening cycle and cannot be customized. In view of these increasingly prominent contradictions, the group expected to grasp the opportunities among digital transformation, digital interconnect, industry interconnect, intelligent communication and intelligent manufacturing, among others.

Looking ahead, the Group will provide a variety of "tailor-made" solutions to customers and provide convenient, intelligent and secure services for more specialized enterprise customers so as to satisfy the targeting or particular demands from various industries and enterprises in the future.

International Business

The Group operates in China, North and South America, Europe, the Middle East and Southeast Asia and other regions around the world. The Group will strengthen its strategic partnership with the leading global network providers and work closely with them to develop products that support 5G networks to satisfy the demand from customers generated by industrial transformation and upgrade. The Group believes that the strategic cooperation will substantially enhance its global development and will further strengthen its growth and position in the international market.

Organizational Reform Achieving Inclusive Excellence

In today's fast-moving environment, change is unavoidable, particularly in the mobile telecommunications industry. Organizations need to be innovative in their business and articulate new strategies to successfully grow with the times as well as to cope with the increasingly challenging environment. In addition to the above new strategies, new products and technologies or new businesses, talent is also the key in the winning formula 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 maximizing its overall effectiveness. In the meantime, the Group has made gradual enhancement across a wide spectrum of operating areas, such as project and quality management, policy enforcement, production enhancement, budget control and financial liquidity, among others so as to continuously drive greater business innovation, improve operational effectiveness and management excellence.

CONCLUSION

Over the years, adhering to the principle of pragmatic innovation and with the overall business objective of "Exploring Opportunities, Creating Value, Reforming Mechanism, Enhancing Efficiency", the Group is committed to exploring the needs for innovation of its customers and expanding new customer areas in order to create value for customers. Despite possible market uncertainties in the future, the Group will continue to focus on enhancement of management quality, and continue to improve and optimize operations, striving to build a brighter future for society through executing the strategies above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2016, the Group had net current assets of HK$2,712,714,000. Current assets comprised inventories of HK$1,357,700,000, trade receivables of HK$3,842,680,000, notes receivable of HK$46,919,000, prepayments, deposits and other receivables of HK$641,440,000, restricted bank deposits of HK$178,230,000, and cash and cash equivalents of HK$1,420,214,000. Current liabilities comprised trade and bills payables of HK$2,893,459,000, other payables and accruals of HK$1,105,620,000, interest-bearing bank borrowings of HK$693,660,000, tax payable of HK$11,159,000 and provisions for product warranties of HK$70,571,000.

The average receivable turnover for the Current Year was 239 days compared to 225 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 266 days compared to 251 days for the Prior Year. The average inventory turnover for the Current Year was 133 days compared to 149 days for the Prior Year.

As at 31 December 2016, the Group's cash and bank balances were mainly denominated in RMB, HK$ and US$ while the Group's bank borrowings were mainly denominated in RMB, 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 3-year term loan facility agreements with certain financial institutions. Details 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 Current Year 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 2016, the Group has not engaged in hedging activities for managing RMB exchange rate risk.

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings) over total assets, was 15.3% as at 31 December 2016 (31 December 2015: 14.3%).

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$207,398,000 (31 December 2015: HK$271,301,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had contingent liabilities of HK$209,426,000 (31 December 2015: HK$177,277,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 7,000 staff (31 December 2015: 8,400 staff). The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,138,982,000 (31 December 2015: HK$1,124,656,000). 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 scheme 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 Mainland China 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.

On 30 December 2016, a subsidiary of the Company adopted an employees incentive scheme for the purpose of recognizing the contributions of its certain employees and persons.

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

The Board reviewed the corporate governance practice of the Company and considered that, during the Current Year, the Company has complied with all 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 of Hong Kong Limited (the "Listing Rules").

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 the 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 during the Current Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), together with the management and the external auditors, have reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, risk management and internal control and financial reporting, including the review of the 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 given any disagreement.

PUBLICATION OF ANNUAL REPORT

2016 Annual Report containing all information required by the Listing Rules will be despatched to shareholders of the Company 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 2017

As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, 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.