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)

(Hong Kong Stock Code: 2342)
(Singapore Stock Code: STC)

Interim results announcement for the six months ended 30 June 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by 6.1% to HK$3,228 million (2022: HK$3,043 million)
- Gross profit increased by 0.2% to HK$849 million (2022: HK$847 million)
- Profit attributable to shareholders increased by 24.1% to HK$112 million (2022: HK$90 million)
- Basic earnings per share increased by 24.3% to HK4.04 cents (2022: HK3.25 cents)
- Gearing ratio decreased by 4.6% points to 9.7% (2022: 14.3%)

RESULTS

The board (the "Board") of directors (the "Director(s)") of Comba Telecom Systems Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 (the "Current Period"), together with the comparative figures for the same period in 2022 (the "Prior Period"). These interim condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*5*	**3,228,189**	3,042,518
Cost of sales		**(2,379,204)**	(2,195,392)
Gross profit		**848,985**	847,126
Other income and gains	*5*	**186,821**	81,611
Research and development expenses		**(213,916)**	(259,477)
Selling and distribution expenses		**(254,003)**	(265,088)
Administrative expenses		**(208,762)**	(214,880)
Other expenses		**(150,102)**	(87,574)
Finance costs	*7*	**(30,107)**	(21,653)
Share of profit of a joint venture		**953**	1,991
PROFIT BEFORE TAX	*6*	**179,869**	82,056
Income tax expense	*8*	**(56,520)**	(23,331)
PROFIT FOR THE PERIOD		**123,349**	58,725
Attributable to:			
Owners of the parent		**112,178**	90,384
Non-controlling interests		**11,171**	(31,659)
		123,349	58,725
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**HK4.04 cents**	HK3.25 cents
Diluted		**HK4.04 cents**	HK3.25 cents

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**123,349**	58,725
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(206,729)**	(204,762)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(206,729)**	(204,762)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	**22,481**	(1,919)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**22,481**	(1,919)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(184,248)**	(206,681)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(60,899)**	(147,956)
Attributable to:		
Owners of the parent	**(42,175)**	(15,390)
Non-controlling interests	**(18,724)**	(132,566)
	(60,899)	(147,956)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	**30 June 2023** **HK$'000** **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,116,348**	1,188,351
Right-of-use assets		**189,283**	191,400
Goodwill		**242,773**	242,773
Deferred tax assets		**45,359**	59,584
Intangible assets		**687,367**	726,145
Equity investments designated at fair value through other comprehensive income		**101,460**	76,314
Equity investments designated at fair value through profit or loss		**101,996**	89,871
Restricted bank deposits		**25,171**	27,078
Time deposits		**172,854**	350,861
Investment in a joint venture		**4,977**	6,390
Total non-current assets		**2,687,588**	2,958,767
CURRENT ASSETS			
Inventories	*11*	**1,120,471**	1,447,911
Trade receivables	*12*	**3,838,525**	3,862,632
Notes receivable		**95,566**	112,574
Prepayments, other receivables and other assets		**447,996**	430,572
Financial assets designated at fair value through profit or loss		**2,509**	17,500
Restricted bank deposits		**69,327**	101,056
Time deposits		**162,450**	113,181
Cash and cash equivalents		**1,564,275**	1,531,669
Total current assets		**7,301,119**	7,617,095
CURRENT LIABILITIES			
Trade and bills payables	*13*	**3,899,604**	4,051,703
Other payables and accruals		**594,902**	571,506
Interest-bearing bank borrowings	*14*	**968,025**	751,993
Tax payable		**95,472**	71,407
Provision for product warranties		**68,598**	70,284
Total current liabilities		**5,626,601**	5,516,893
NET CURRENT ASSETS		**1,674,518**	2,100,202
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,362,106**	5,058,969

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Note	**30 June 2023** **HK$'000** **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*14*	**–**	590,000
Deferred government grant		**20,315**	15,856
Deferred tax liabilities		**173,443**	167,154
Lease liabilities		**39,564**	47,205
Redeemable preferred shares in a subsidiary		**261,197**	274,028
Total non-current liabilities		**494,519**	1,094,243
Net assets		**3,867,587**	3,964,726
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**277,791**	278,020
Treasury shares		**(34,538)**	(22,818)
Reserves		**3,383,791**	3,473,103
		3,627,044	3,728,305
Non-controlling interests		**240,543**	236,421
Total equity		**3,867,587**	3,964,726

NOTES

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2002 under the Companies Act, Cap. 22 (Act 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 Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

During the period, the Group was principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment, the provision of related engineering services and the provision of operator telecommunication services and their value added services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments did not have material impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(a) Wireless telecommunications network system equipment and services

(b) Operator telecommunication services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit before tax.

Period ended 30 June 2023	**Wireless telecommunications network system equipment and services** *HK$'000* **(Unaudited)**	**Operator telecommunication services** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue	**3,144,237**	**83,952**	**3,228,189**
Profit/(loss) before tax	**215,681**	**(35,812)**	**179,869**
Segment assets	**9,347,882**	**1,129,991**	**10,477,873**
Elimination			**(489,166)**
Total assets			**9,988,707**
Segment liabilities	**5,924,180**	**686,106**	**6,610,286**
Elimination			**(489,166)**
Total liabilities			**6,121,120**

Period ended 30 June 2022	Wireless telecommunications network system equipment and services *HK$'000* (Unaudited)	Operator telecommunication services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue	2,946,985	95,533	3,042,518
Profit/(loss) before tax	171,336	(89,280)	82,056
Year ended 31 December 2022			
Segment assets	9,897,386	1,209,873	11,107,259
Elimination			(531,397)
Total assets			10,575,862
Segment liabilities	6,395,152	747,381	7,142,533
Elimination			(531,397)
Total liabilities			6,611,136

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Mainland China	**2,125,601**	2,159,485
Other countries/areas in Asia Pacific	**475,562**	349,593
Americas	**284,957**	263,708
European Union	**304,206**	211,531
Middle East	**16,508**	28,410
Other countries	**21,355**	29,791
	3,228,189	3,042,518

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

(b) *Non-current assets*

	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Mainland China	**1,610,702**	1,806,171
Lao People's Democratic Republic	**1,015,092**	1,092,152
Other countries/regions	**61,794**	60,444
	2,687,588	2,958,767

Information about major customers

Revenue of approximately HK$623,651,000 (six months ended 30 June 2022: HK$846,311,000), HK$526,620,000 (six months ended 30 June 2022: HK$400,966,000) and HK$212,713,000 (six months ended 30 June 2022: HK$161,841,000) was derived from 3 major customers, which accounted for 19.3% (six months ended 30 June 2022: 27.8%), 16.3% (six months ended 30 June 2022: 13.2%) and 6.6% (six months ended 30 June 2022: 5.3%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**3,144,237**	2,946,985
Provision of operator telecommunication services	**83,952**	95,533
	3,228,189	3,042,518

Revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Type of customers		
PRC state-owned telecommunication operator groups	**1,571,168**	1,617,489
Other customers	**1,657,021**	1,425,029
Total revenue from contracts with customers	**3,228,189**	3,042,518

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	**3,144,237**	2,946,985
Services transferred over time	**83,952**	95,533
Total revenue from contracts with customers	**3,228,189**	3,042,518

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**16,731**	17,244
Government subsidies#	**29,305**	37,712
Exchange gain, net	**110,059**	10,663
VAT refunds	**2,352**	2,649
Gross rental income	**6,469**	3,464
Gain on fair value change of redeemable preferred shares in a subsidiary	**387**	1,862
Gain on equity investment designated at fair value through profit or loss	**16,984**	1,134
Scrapped and recycled items sales income	**512**	1,112
Penalty income	**835**	2,193
Other miscellaneous income	**3,187**	3,578
	186,821	81,611

\# 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 on research and development. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**2,349,923**	2,187,776
Depreciation of property, plant and equipment##	**73,497**	105,910
Depreciation of right-of-use assets	**26,920**	34,207
Amortization of computer software, technology and operating license##	**29,021**	15,221
Research and development expenses:		
Deferred expenditure amortized	**46,738**	72,147
Current period expenditure	**167,178**	187,330
	213,916	259,477

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Employee benefit expense (including directors' remuneration):		
Salaries and wages	**429,203**	448,626
Staff welfare expenses	**19,670**	18,801
Equity-settled share option expense	**5,096**	10,088
Awarded share expenses	**13,445**	14,574
Pension scheme contributions (defined contribution scheme)#	**34,078**	35,096
	501,492	527,185
Provision for product warranties^	**7,499**	9,030
Write-down of inventories to net realizable value^	**17,531**	283
Impairment of trade receivables and notes receivable###	**84,980**	18,047
Reversal of impairment of financial assets included in prepayments, other receivables and other assets###	**(826)**	(2,187)
Loss on disposal of items of property, plant and equipment###	**4,739**	899
Loss on fair value change of financial assets designated at fair value through profit or loss###	**13,766**	1,748

^ The provision for product warranties and write-down of inventories to net realizable value for the period were included in "Cost of sales" in the consolidated statement of profit or loss.

As at 30 June 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (as at 30 June 2022: Nil).

The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK$30,662,000 (six months ended 30 June 2022: HK$55,905,000) and HK$11,661,000 (six months ended 30 June 2022: HK$11,661,000) are included in "Other expenses" in the consolidated statement of profit or loss.

These items are included in "Other expenses" and "Other income and gains" in the consolidated statement of profit or loss, respectively.

7. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**27,062**	20,617
Interest on lease liabilities	**3,045**	1,036
Total	**30,107**	21,653

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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.

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – charge for the period		
Hong Kong	**1,566**	–
Mainland China	**37,657**	11,036
Elsewhere	**3,366**	13,642
Current – underprovision in prior periods	**1,379**	217
Deferred	**12,552**	(1,564)
Total tax charge for the period	**56,520**	23,331

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for certain group entities which are entitled to various concessionary tax rates or tax exemptions and reliefs.

9. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend declared and paid – 1.1 cent (2022: Nil) per ordinary share	**30,556**	–

Note:

On 24 August 2023, the board declared an interim dividend of HK1.2 cent (six months ended 30 June 2022: HK1 cent) per ordinary share, amounting to a total of approximately HK$33,335,000 (six months ended 30 June 2022: HK$27,795,000).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,779,029,000 (six months ended 30 June 2022: 2,779,232,000) in issue during the period.

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

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

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**112,178**	90,384

	Number of shares For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	**2,779,029,000**	2,779,232,000
Effect of dilution – weighted average number of ordinary share:		
Share options	**565,000**	2,064,000
	2,779,594,000	2,781,296,000

11. INVENTORIES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**305,095**	346,342
Project materials	**29,706**	26,659
Work in progress	**58,373**	71,661
Finished goods	**362,170**	483,697
Inventories on site	**365,127**	519,552
	1,120,471	1,447,911

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted with a longer credit term. The balances also include retention money, which is for assurance that the product and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale. The credit terms for major customers are reviewed regularly by senior management of the Group. 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 of the Group. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,613,583**	1,543,641
4 to 6 months	**499,670**	689,000
7 to 12 months	**918,275**	892,322
More than 1 year	**1,558,219**	1,426,736
	4,589,747	4,551,699
Provision for impairment	**(751,222)**	(689,067)
	3,838,525	3,862,632

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., geography, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty or there is no realistic prospect of future recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2023		**Past due**			
	Current	**Less than 1 year**	**1-2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**1.66%**	**6.86%**	**20.85%**	**75.17%**	
Gross carrying amount (HK$'000)	**3,041,357**	**532,562**	**182,981**	**832,847**	**4,589,747**
Expected credit losses (HK$'000)	**50,498**	**36,532**	**38,144**	**626,048**	**751,222**

As at 31 December 2022		Past due			
	Current	Less than 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	1.42%	6.44%	16.62%	68.78%	
Gross carrying amount (HK$'000)	3,136,513	406,547	144,597	864,042	4,551,699
Expected credit losses (HK$'000)	44,611	26,166	24,026	594,264	689,067

13. TRADE AND BILLS PAYABLES

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

	30 June 2023 *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Within 3 months	**1,589,868**	1,552,379
4 to 6 months	**655,604**	958,155
7 to 12 months	**877,811**	631,437
More than 1 year	**776,321**	909,732
	3,899,604	4,051,703

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

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 HK$'000 (Unaudited)	31 December 2022 HK$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	**968,025**	751,993
In the 2nd year	**–**	590,000
	968,025	1,341,993

As at 30 June 2023, loans denominated in Hong Kong dollars and RMB amounted to HK$420,000,000 (31 December 2022: HK$1,085,002,000) and HK$548,025,000 (31 December 2022: HK$256,991,000), respectively.

The Company and nine of its wholly-owned subsidiaries were parties to the bank loans acting as guarantors, to guarantee punctual performance of the obligations under the loan facilities.

During the six months ended 30 June 2023, certain transactions between subsidiaries of the Company were settled by bank bills. Bills are issued through inter-group transactions and the relevant group entities discounted the bills receivables to the bank. The Group had recognised the cash received of HK$170,663,000 on the transfer of the bills receivables as bank borrowings (31 December 2022: Nil).

Bank loans as at 30 June 2023 bear interest at rates ranging from 1.65% to 7.66% (31 December 2022: from 1.45% to 7.09%) per annum.

15. EVENT AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.2 cents per share (the "Share(s)") of the Company for the Current Period.

For the purpose of determination of the shareholders (the "Shareholders") of the Company registered under the Company's register of members in Hong Kong and register of members in Singapore for receiving the interim dividend in Hong Kong dollars or Singapore dollars respectively, any removal of the Shares between the Company's register of members in Hong Kong and register of members in Singapore has to be made by the Shareholders no later than 4:00 p.m. (both Hong Kong and Singapore times) on 29 August 2023.

For Hong Kong Shareholders

The record date for determination of entitlements under the interim dividend will be on 8 September 2023. Shareholders whose names appear on the register of members of the Company in Hong Kong on 8 September 2023 will be entitled to receive the interim dividend. In order to qualify for the interim 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. (Hong Kong time) on 8 September 2023. Cheques for the payment of dividend will be despatched to the Hong Kong Shareholders on 19 September 2023.

For Singapore Shareholders

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 for registration no later than 5:00 p.m. (Singapore time) on 8 September 2023.

The exchange rate for converting Hong Kong dollars into Singapore dollars for the purpose of the interim dividend payment in Singapore dollars to Singapore Shareholders will be fixed by the Company in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Entering 2023, although the global operating environment remained uncertain, various countries and regions have continued to improve their 5G infrastructure. In particular, as 5G licensing in China has come to its fourth anniversary, the three major operators in China are actively pushing forward the strategy of shifting the focus of the development of fundamental networks from extensive coverage to in-depth coverage. Moreover, a number of countries and regions are constructing 5G networks in an orderly manner with continuous optimization in industrial chain system and ongoing technological upgrade and advancement, in a bid to promote the upgrade and evolution of 5G network solutions for a more exceptional, environmentally-friendly and intelligent functional performance to satisfy the ever-changing market needs.

REVENUE

The Group reported interim revenue of HK$3,228,189,000 (2022: HK$3,042,518,000) for the Current Period, representing a 6.1% increase as compared to the Prior Period. The increase in revenue was mainly attributed to the steady growth recorded in four businesses of the Group during the Current Period, in particular, satisfactory results have been achieved in international business and wireless transmission business.

BY CUSTOMERS

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries decreased by 26.3% over the Prior Period to HK$623,651,000 (2022: HK$846,311,000), accounting for 19.3% of the Group's revenue in the Current Period, compared to 27.8% in the Prior Period.

Revenue generated from China United Telecommunications Corporation and its subsidiaries increased by 31.3% over the Prior Period to HK$526,620,000 (2022: HK$400,966,000), accounting for 16.3% of the Group's revenue in the Current Period, compared to 13.2% in the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries was similar to last year at approximately HK$208,184,000 (2022: HK$208,370,000), accounting for 6.4% of the Group's revenue in the Current Period, compared to 6.8% in the Prior Period.

Revenue generated from China Tower Corporation Limited increased by 31.4% over the Prior Period to HK$212,713,000 (2022: HK$161,841,000), accounting for 6.6% of the Group's revenue in the Current Period, compared to 5.3% in the Prior Period.

During the Current Period, revenue from other customers in Mainland China decreased by 9.2% over the Prior Period to HK$284,946,000 (2022: HK$313,697,000) and represented 8.9% (2022: 10.3%) of the Group's revenue.

On the international front, during the Current Period, revenue generated from international customers and core equipment manufacturers increased by 26.8% over the Prior Period to HK$1,288,123,000 (2022: HK$1,015,799,000), accounting for 39.9% of the Group's revenue in the Current Period, compared to 33.4% in the Prior Period. This increase was mainly due to the expansion of the Group's overseas business during the Current Period, in particular, satisfactory results have been achieved in the sales of base station antenna products and network products.

During the Current Period, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and a non-wholly-owned subsidiary of the Group, decreased by 12.1% over the Prior Period to HK$83,952,000 (2022: HK$95,533,000), accounting for 2.6% of the Group's revenue in the Current Period (2022: 3.1%). During the Current Period, ETL's revenue denominated in Lao Kip increased by 29.7% over the Prior Period, however the decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 20% during the Current Period.

BY BUSINESSES

During the Current Period, revenue from base station antennas and subsystems business increased by 2.3% over the Prior Period to HK$1,652,227,000 (2022: HK$1,615,546,000), accounting for 51.2% (2022: 53.1%) of the Group's revenue in the Current Period. This increase in revenue was mainly due to the completion of the phased launch and delivery of the Group's overseas base station antenna project awarded during the Current Period.

During the Current Period, revenue generated from the network system business, including wireless enhancement and wireless access, increased by 1.7% over the Prior Period to HK$500,383,000 (2022: HK$491,910,000), accounting for 15.5% (2022: 16.2%) of the Group's revenue in the Current Period. This increase in revenue was mainly due to the satisfactory results achieved by the Group in the sales of network products overseas.

During the Current Period, revenue from services increased by 0.3% over the Prior Period to HK$708,722,000 (2022: HK$706,502,000), accounting for 22.1% (2022: 23.2%) of the Group's revenue. The Group will continue to focus on high-quality construction projects and invest resources in projects with a higher gross profit margin.

During the Current Period, revenue from other businesses (including wireless transmission) increased by 112.7% over the Prior Period to HK$282,905,000 (2022: HK$133,027,000), accounting for 8.8% (2022: 4.4%) of the Group's revenue. The increase in revenue was mainly attributable to the significant growth in sales of the Group's wireless transmission equipment during the Current Period.

GROSS PROFIT

During the Current Period, the Group's gross profit increased by 0.2% to HK$848,985,000 (2022: HK$847,126,000) as compared with the Prior Period. The gross profit margin of the Group was 26.3% in the Current Period (2022: 27.8%), down slightly by 1.5 percentage points as compared with the Prior Period. During the Current Period, the decrease in gross profit margin of the Group was mainly due to the change in product portfolio and the increase in provision for a small amount of inventories. In order to enhance the overall gross profit margin, the Group will continue to optimize the product portfolio, improve production efficiency and strengthen the cost control of service engineering projects.

OTHER INCOME AND GAINS

During the Current Period, other income and gains increased by 128.9% to HK$186,821,000 (2022: HK$81,611,000) as compared with the Prior Period, accounting for 5.8% (2022: 2.7%) of the Group's revenue. The increase in other income and gains was mainly due to the exchange gains of approximately HK$110 million incurred as the Group sufficiently and effectively arranged and reorganized for the most appropriate loan portfolio in Mainland China and Hong Kong, China in light of the change in exchange rate during the Current Period.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

During the Current Period, R&D expenses decreased by 17.6% over the Prior Period to HK$213,916,000 (2022: HK$259,477,000), representing 6.6% (2022: 8.5%) of the Group's revenue. The entering of the post-5G era has created opportunities for new application scenarios and models. To enhance the competitiveness of its products, the Group has invested resources in relevant R&D activities in a more effective manner and embraced continuous innovation.

Through its strong commitment to R&D, the Group has made significant advances in creating its own solutions with proprietary intellectual property rights, applying for approximately 5,600 patents by the end of the Current Period (31 December 2022: approximately 5,600 patents).

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Period, S&D expenses decreased by 4.2% over the Prior Period to HK$254,003,000 (2022: HK$265,088,000), representing 7.9% (2022: 8.7%) of the Group's revenue. During the Current Period, this decrease in S&D expenses was mainly due to the Group's strategy of upgrading its business expansion to focus on more profitable projects, thereby making its investment in resources more cost-effective.

ADMINISTRATIVE EXPENSES

During the Current Period, administrative expenses decreased by 2.8% over the Prior Period to HK$208,762,000 (2022: HK$214,880,000), accounting for 6.5% (2022: 7.1%) of the Group's revenue. The Group is committed to optimizing its strategy for organizational and management structure, thereby enhancing operational efficiency on a continuous basis.

FINANCE COSTS

During the Current Period, finance costs increased by 39.0% to HK$30,107,000 (2022: HK$21,653,000) as compared with the Prior Period, representing 0.9% (2022: 0.7%) of the Group's revenue. The increase in finance costs was mainly due to the increase in interest rates as a result of the market interest rate hike during the Current Period.

The management has prudently managed credit risk and bank borrowings levels and improved cash flows. To meet ongoing business development, the management will closely monitor the current trends in the financing market, interest rate changes and financial policies on the market, and arrange the best financing for the Group to improve its debt structure and thereby reduce financing costs.

The management has also leveraged the difference between the interest and foreign exchange rates among different countries to minimize finance costs. As of 30 June 2023, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 9.7% compared with 12.7% as of 31 December 2022.

OTHER EXPENSES

During the Current Period, other expenses increased by 71.4% over the Prior Period to HK$150,102,000 (2022: HK$87,574,000), representing 4.6% (2022: 2.9%) of the Group's revenue. The increase in other expenses was mainly due to the increase in provision for receivables during the Current Period as the Group consistently adopted prudent operation and financial principles, which had no impact on cash flows. As the recovery of receivables continued to improve, the management considered that the risk of such receivables was under control.

TAX

During the Current Period, the Group's overall taxation charge of HK$56,520,000 (2022: HK$23,331,000) comprised an income tax expense of HK$43,968,000 (2022: HK$24,895,000) and a deferred tax charge of HK$12,552,000 (2022: deferred tax credit of HK$1,564,000). This increase in the overall taxation charge was due to the increase in deferred tax charge and PRC tax charge of the Group during the Current Period.

Details of the preferential tax rate enjoyed by major operating subsidiaries are set out in note 8 to these interim condensed consolidated financial statements.

NET PROFIT

In summary, due to the increase in revenue and gross profit of the Group, the increase in exchange gain and the decrease in total operating expenses during the Current Period, the profit attributable to owners of the parent of the Group was HK$112,178,000 (2022: profit attributable to owners of the parent of HK$90,384,000) during the Current Period.

DIVIDEND

Given the Group's operating results in the Current Period and considering its long-term future development and the interests of the Shareholders, particularly those of minority Shareholders, the Board proposes the payment of an interim dividend for the Current Period of HK1.2 cent per ordinary Share (2022: HK1.0 cent). The total dividend payout ratio, on the basis of basic earnings per Share, is 29.7% (2022: 30.8%).

PROSPECTS

Given the persisting uncertainties in the global economy, the Group will remain prudent in driving its business development while capturing market opportunities in a more responsive manner and investing resources in profitable projects precisely. In the first half of the year, according to the data from the Ministry of Industry and Information Technology of the PRC, the overall telecommunication industry in China maintained a stable operation and demonstrated a positive growth momentum in various indicators, and have experienced acceleration in the development of new infrastructures such as 5G and internet of things. With the provision of scenario-based and highly cost-efficient solutions as one of the Group's core competitiveness, we believe that the in-depth coverage by operators and the demand for mobility from enterprises will bring more business opportunities to the Group.

PRODUCTS AND SOLUTIONS

BASE STATION ANTENNA AND SUBSYSTEMS

Leveraging its extensive experience in mobile telecommunication network construction and its superior technology in integrating and miniaturising multi-frequency and multi-system convergent antennae developed over many years, the Group has long enjoyed a leadership position in the base station antenna market. Widely recognized by numerous domestic and overseas telecommunication network operators, core equipment manufacturers and integrators, its antenna business has a presence in more than 100 countries and regions globally.

Targeting the demands for low-carbon and environmental protection around the world as well as operators' demands for electricity saving and cost reduction, the Group has launched the new generation of "green antenna solution" (Helifeed™) through all-round innovative technologies covering environmentally-friendly design and the use of eco-friendly materials, processes and production to support application scenarios of green and low-carbon network construction, including basic coverage in urban areas, capacity and coverage in counties/townships/villages, wide coverage in rural areas as well as coverage along sea routes and the high speed railway. The Group developed the innovative low-loss high-efficiency low-carbon green antenna, and achieved major transformation of base station antenna in terms of design concept and product structure through all-rounded technological innovation. Operators are expected to be able to save around 23 to 34 million kWh of electricity annually for every ten-thousand base stations, representing an 13,000 to 20,000-tonne reduction in carbon emissions, which effectively realised the goals of carbon emission reduction and helped operators to reduce their operating expenses.

NETWORK PRODUCT SYSTEM SOLUTIONS

Comba Network Systems Company Limited ("Comba Network"), an indirect subsidiary of the Company, principally engages in the manufacture and sales of wireless telecommunications network system equipment and the provision of related comprehensive solutions. It currently focuses on the R&D, manufacture and sales of network system products, including base station products, extended coverage products (DAS and repeaters) and Open RAN products, which are able to provide full-scenario, highly cost-efficient communication and information solutions and help constantly improve the network quality and optimize network indicators for our customers. In addition, the Company provided total solutions of 5G basic network platform for vertical industries such as smart mining, smart manufacturing, smart industrial parks and smart education to cater to their industry needs and applications.

As a pioneer of small cells in the industry, Comba Network has conducted independent research on radio-frequency products, such as remote radio unit (RRU) and small cells for over 20 years and 15 years, respectively. It possesses fully-independent R&D capabilities for and extensive experience accumulated in relation to software and hardware that meet the universal specifications for 4G/5G network access. Its diverse product mix has the necessary capacity and depth to cover all mobile telecommunication applications for high-power cells, micro cells, pico cells and femto cells. By offering in-depth coverage in cities and extensive coverage in rural areas, it provides highly cost-efficient and competitive products and solutions. Commercial application of 5G small cell products have been commenced in more than twenty provinces. The value and advantages of our rapid and high-efficiency network construction plans are well recognized by customers. Pursuant to the requirements of the national planning under the Outline of the 14th Five-Year Plan and the implementation of the rural revitalization strategy, it is expected that better results will be achieved in realising 5G coverage in rural areas than in the era of offering 4G services. As the domestic construction of 5G network in China also embarked on the next stage, the scenario-based network coverage, development of indoor network and industrial application and development of 5G network have also come under the spotlight. Moreover, in August 2022, the Group achieved a satisfactory result in the centralized procurement of 5G pico cells for China Mobile. In addition, the Group will actively participate in the centralized procurement of small cells of operators in the future.

In the area of Open RAN, drawing on years of experience in the design, development and deployment of radio frequency-related products for mobile telecommunications, Comba Network launched its standardized, platform-based high-powered remote radio unit (Open RAN RRU) product series featuring leading technological advantages such as multi-carrier, multi-mode, high-efficiency and high-capacity. Furthermore, Comba Network established inter-connection and compatibility with globally advanced base-band manufacturers, and has entered into strategic partnerships with leading integrators in the industry. In the first quarter of 2023, leveraging its well-established and widely-recognised single-frequency and multi-frequency Open RAN RRU product platform, Comba Network launched an industry-leading software upgrade with enhanced support, and further expanded the O-RU product portfolio to support the TDD mode. ORAN has introduced a highly efficient technical structure comprising general-purpose processing hardware and decoupling technology for software and hardware. This enables more open applications for commercial use and satisfies the demands of operators for new network construction and maintenance of existing networks in the era of 4G/5G co-existence, hence suggesting great market potential and a continuously promising macro-environment of the industry.

In respect of 5G vertical industries, Comba Network has developed FLeX5, an intelligent computing platform that fully connects with "5G network + broad internet of things + MEP + AI" engines. By providing the underlying network and platform solution for the specific needs and applications of target industries, it aims to offer integrated smart solutions to customers, promote 5G application in vertical industries such as the industrial, mining, energy, industrial parks and education sectors, and empower smart upgrades within the industry. In the list of "Recommended Suppliers for 5G Application Solutions (First Batch)" (5G應用解決方案供應商推薦名錄(第一批)) published by The China Academy of Information and Communications Technology and 5G Applications Industry Array (5GAIA) in 2022, Comba Network was successfully selected as a "Comprehensive Supplier for 5G Application Solutions" (5G應用解決方案綜合性供應商). Comba Network will grasp the emerging business opportunities arising from the active development of scenario-based application by the three major operators in China and promote the development of integration with vertical industries to the next level.

MARKET EXPANSION

OPERATOR BUSINESS IN CHINA

The three major domestic operators in China will continue to build and deploy low- and medium-band networks for 5G macro cells. They will promote the sustainable development of multi-frequency spectrum, multi-mode, co-constructed and shared technology, thereby raising the technological entry barrier of their products. In response to the national low-carbon and environmental protection strategy and the low-cost network construction philosophy of the operators, the Group innovatively proposed the low-loss high-efficiency low-carbon green antenna and integrated high-power cell remote coverage solution and achieved major technological breakthroughs in product development through R&D investments. The Group joined hands with major telecom operators in Mainland China to commence pilot projects of green antenna, which achieved remarkable results. Operators are now studying and planning for centralized procurement bidding for green antenna products.

In respect of broad indoor coverage, large-scale construction projects have been launched by domestic operators successively. Both the Group's active indoor coverage network and equipment products and passive indoor coverage antenna and subsystem products achieved satisfactory results in the centralized procurement projects. The Group will continue to give full rein to its technological R&D strengths which were developed over many years. It will also continue to provide its customers with comprehensive support for their indoor coverage business.

INTERNATIONAL BUSINESS

The Group's international marketing platform is expanding into overseas markets by actively exploring customer needs, developing target markets, creating new products and maintaining the competitiveness of its products. The Group achieved satisfactory results in its international business by capitalizing on its comprehensive strengths in products and technology. The Group will continue to partner with international mobile operators and world-leading manufacturers of core telecom equipment to construct networks in key regions, with a view to offering advanced 5G application solutions to customers globally and strengthening its global market position. At the same time, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore new sales channels and jointly conduct R&D for more competitive next-generation products so as to grow its Open RAN business. The Group's newly developed green antenna, which achieved excellent performance in a laboratory test of a renowned international operator, has been included in the procurement list of various renowned international operators with field tests being carried out, and will gradually generate sizable revenue in the future.

NEW BUSINESS

The three major applications for 5G – enhancing mobile broadband, large-scale internet of things, and ultra-reliable and low-latency communications – will transform current production modes and everyday lifestyles in the coming years. During the Current Period, the Group continued to actively explore areas such as "5G + vertical industry applications" and promoted the efficient integration of 5G technology with various aspects of intelligent manufacturing, including intelligent workshops, flexible production lines, and intelligent robotic arms. For example, the Group made technological advances in the "5G + Mobile Robot" product series, established the AGV mainstream car model series and initiated related pilot projects. Looking ahead, the Group will develop relevant innovative businesses in a bid to contribute to its business growth in the future.

CONCLUSION

In face of the complex and volatile macro environment and the increasingly competitive environment of the information and telecommunication industry, the Group will continue to strengthen its independent R&D capabilities proactively while consolidating its existing operation achievements. Capturing new market opportunities, the Group will further deepen the strategic layout of sustainable development and develop green, low-carbon and cost-effective products, thereby building distinctive core competitiveness of the Group and creating value for customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations from cash flows generated internally and bank borrowings. As at 30 June 2023, the Group had net current assets of HK$1,674,518,000. The current assets of the Group comprised inventories of HK$1,120,471,000, trade receivables of HK$3,838,525,000, notes receivable of HK$95,566,000, prepayments, other receivables and other assets of HK$447,996,000, financial assets at fair value through profit or loss of HK$2,509,000, restricted bank deposits of HK$69,327,000, time deposits of HK$162,450,000 and cash and cash equivalents of HK$1,564,275,000. The current liabilities of the Group comprised trade and bills payables of HK$3,899,604,000, other payables and accruals of HK$594,902,000, interest-bearing bank borrowings of HK$968,025,000, tax payable of HK$95,472,000 and provision for product warranties of HK$68,598,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Period was 218 days compared to 248 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted longer credit term. The balance of trade receivables set out above included retention money, which was for assurance that the products and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally settled after final certification of products by customers, which would be performed 6 to 12 months after sale. The average payable turnover for the Current Period was 305 days compared to 371 days for the Prior Period. The average inventory turnover for the Current Period was 99 days compared to 114 days for the Prior Period.

As at 30 June 2023, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United States dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. 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 entered into 3-year term loan facility agreements with certain financial institutions in 2021. Details of the Group's bank borrowings are set out in note 14 above.

The Group's revenue and expenses, assets and liabilities are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 30 June 2023, to hedge against currency risks underlying the Group's transactions that are settled in Renminbi and Indian Rupee, the Group has outstanding non-deliverable foreign currency option contracts in respect of Renminbi and Indian Rupee with notional amount of RMB250,000,000 and US$12,000,000 respectively (31 December 2022: non-deliverable foreign currency option contracts in respect of Renminbi and Indian Rupee with notional amount of RMB250,000,000 and US$16,000,000 respectively).

The Group will also closely monitor the fluctuation of exchange rate in other currencies that are relevant to the Group's operations and will consider hedging such foreign currency should the need arise.

The Group's gross gearing ratio, defined as its total interest-bearing bank borrowings divided by total assets, was 9.7% as at 30 June 2023 (31 December 2022: 12.7%).

The Group's financial position remains sound with sufficient working capital.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has not conducted any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Period.

USE OF PROCEEDS

On 28 April 2020, the Company completed a top-up placing ("Placing") of a total of 282,000,000 ordinary Shares of a nominal value of HK$0.10 each at a placing price of HK$3.05 per Share to not less than six placees who (being professional, institutional and/or individual investors), together with their respective ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")).

On 8 May 2020, 150,000,000 and 80,000,000 new Shares of a nominal value of HK$0.10 each were issued and allotted to Prime Choice Investments Limited and Wise Logic Investments Limited, the substantial shareholders (as defined under the Hong Kong Listing Rules) of the Company, respectively at a subscription price of HK$3.05 per Share.

The Placing was undertaken to supplement the Group's long-term funding of its expansion and growth plan and to provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company. The market price as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on 24 April 2020, being the date of execution of the agreement regarding the Placing, was HK$3.17 per Share.

The net proceeds from the Placing as disclosed in the announcements of the Company dated 23 April 2020, 24 April 2020, 28 April 2020 and 8 May 2020 were approximately HK$686,235,000 (after deducting the related costs and expenses) and the net subscription price of each Share was approximately HK$2.98 (after deducting the related costs and expenses).

As at 30 June 2023, details of the amount of the utilized and unutilized net proceeds from the Placing are set out as follows:

Net proceeds raised	**Intended use of the net proceeds**	**Amounts utilized as at 31 December 2022**	**Amounts utilized during the Current Period**	**Amounts unutilized as at 30 June 2023**	**Expected timeline for utilizing the residual amount of net proceeds***
HK$'000		*HK$'000*	*HK$'000*	*HK$'000*	
515,390	(a) R&D of 5G small cells and Open RAN, 5G antenna development and filter, and development of 5G+ vertical applications	460,482	54,908	nil	N/A
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	120,349	17,027	33,469	by 30 June 2024
686,235		580,831	71,935	33,469	

* The expected timeline for utilizing the residual amount of the net proceeds is based on the best estimation of the future market conditions made by the Group and will be subject to change based on future development of market conditions.

RESTRICTED BANK DEPOSITS

Deposit balances of HK$94,498,000 (31 December 2022: HK$128,134,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities of HK$284,978,000 (31 December 2022: HK$293,460,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 5,200 staffs, out of which 1,200 staffs were from ETL (31 December 2022: 5,300 staffs, out of which 1,300 staffs were from ETL). The total staff costs, excluding capitalized development costs, for the Current Period were HK$501,492,000 (30 June 2022: HK$527,185,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares (including incentive shares) and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share schemes adopted by the Company and other members of the Group. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, the Mainland China or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current Period, the Company repurchased a total of 36,170,000 Shares on the Hong Kong Stock Exchange for an aggregate amount of approximately HK$54,545,000. 27,450,000 of the repurchased Shares were cancelled during the Current Period and the remainder was cancelled subsequent to the Current Period. Accordingly, as at 30 June 2023, the total number of issued Shares in the Company was 2,777,894,668. Details of the share repurchases during the Current Period are as follows:

	Number of Shares	Purchase price per Share		Aggregate Amount
Month	**repurchased**	**Highest**	**Lowest**	**paid**
		HK$	*HK$*	*HK$'000*
March 2023	4,924,000	1.48	1.44	7,197
April 2023	14,024,000	1.65	1.45	22,205
May 2023	8,502,000	1.57	1.44	12,678
June 2023	8,720,000	1.47	1.34	12,465
Total	36,170,000			54,545

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 Period.

COMPLIANCE WITH CODE PROVISIONS

The Board reviewed daily governance of the Company from time to time in accordance with the principles of good corporate governance and code provisions (the "Code Provisions") as set out in Appendix 14 of the Hong Kong Listing Rules and considered that, during the Current Period, the Company has complied with all Code Provisions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions during the Current Period.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Company, 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 unaudited interim condensed consolidated financial statements for the Current Period. The Audit Committee has given its consent to the accounting principles, standards and practices adopted by the Company for the unaudited interim condensed consolidated financial statements for the Current Period and has not given any disagreement.

PUBLICATION OF INTERIM REPORT

2023 Interim Report containing all information required by the Hong Kong Listing Rules will be despatched to the Shareholders and published on the websites of each of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk), Singapore Exchange Securities Trading Limited (https://www.sgx.com) and 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, 24 August 2023

As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. XU Huijun, Mr. CHANG Fei Fu and Ms. HUO Xinru; the following non-executive Director: Mr. WU Tielong; and the following independent non-executive Directors: Mr. LAU Siu Ki, Kevin, Ms. NG Yi Kum and Ms. WONG Lok Lam.